
3Q21 RESULTS CONFERENCE

TIM S.A.

October 26th, 2021

Operator – Good morning ladies and gentlemen, welcome to TIM S.A. 2021 3rd quarter results conference call.

We would like to inform you that this event is being recorded and all participants will be in listen-only mode during the Company's presentation. There will be a replay for this call on the Company's website.

After TIM S.A. remarks are completed, there will be a question and answer session for participants. At that time further instructions will be given.

We highlight that statements that may be made regarding the prospects, projections and goals of TIM S.A. constitute the beliefs and assumptions of the Company's Board of Executive Officers. Future considerations are not performance warranties. They involve risks, uncertainties and assumptions as they refer to events that may or may not occur. Investors should understand that internal and external factors to TIM S.A. may affect their performance and lead to different results than those planned.

Should any participant need assistance during this call, please press *0 to reach the operator.

Now, I'll turn the conference over to the CEO, Mr. Pietro Labriola, so he can present the main messages for the third quarter of 2021. Please, Mr. Pietro, you may proceed.

Pietro Labriola – TIM S.A. – CEO

Pietro Labriola (CEO) – Good morning everyone! Thank you for attending our results conference call.

First, I'd like to give a warm welcome to Camille Faria, our new CFO. In August, she joined our team and is already getting her hands dirty to help us in multiple projects that either we are preparing to start or have already started and need to finish. I wish Camille all the luck and success because we have a lot to do. It is great to have her on board.

Without delays, let's move to the results.

In the third quarter, we consolidated our recovery with consistent numbers. It is true that, despite a much better pandemic situation after a step-up in vaccination, macro has been more challenging. But we have no reasons to complain, this past quarter was solid, and in the fourth, we will maintain the pace, which put us in a condition to reach our targets for 2021. Also, key events, such as spectrum auction and Oi deal approval, should take place until December, paving the way to a great 2022.

In a nutshell, our high-level execution led us to post healthy figures in the third quarter.

- Service Revenues grew more than 4% year-over-year, driven by mobile ARPU, which also expanded over 4%;
- On the fixed broadband front, we have just launched the best high-speed offer in Brazil to accelerate further our business;
- EBITDA was up 4.5%, and we are now at 21 quarters of positive yearly growth;
- We summed 83 million Reais in Customer Platform revenues, which left us very well positioned to reach our annual target for this line;
- This quarter was also marked by a remarkable achievement in the ESG arena. We are the first Brazilian company to be included in the Refinitiv Diversity & Inclusion Index, and we are the number 1 telco in the world in this ranking.



Detailing our revenue dynamics. We saw positive contributions coming from mobile and fixed services, with all major lines improving. We also delivered a sequential expansion versus the second quarter, showing the consistency of our operations.

Mobile Service Revenues grew 4.1% year-over-year. In parallel, Fixed service also posted a solid evolution, up by 5.5%, with TIM Live driving the trend, but at a slower pace as we expected and mentioned during our last call.

Our nine-month numbers are rock solid, both in mobile and fixed services. That is why Total Net Service Revenues is growing more than 5% year on year.

Those results, once again, show that our choice to focus on a value strategy is paying off. We are outperforming our peers in ARPU dynamics. Until September, our ARPU grew high-single-digit while the rest of the market fell mid-single-digit. It clearly demonstrates our ability to produce additional revenues more rationally and efficiently.

The main drivers behind the Volume-to-Value strategy remain a differentiated offer and the upselling proposition, with migrations to higher plans and improving loyalty from clients. To add a new lever, we've been working to improve the quality and value of our sales, with broader and qualified distribution channels.

The differentiation aspect of our offers is an ongoing effort. We've been adding multiple differentiation layers in each segment to keep ahead of the competition and sustain our leadership. In Postpaid, we evolved from the entertainment hub to a one-stop-shop content and service marketplace. In Control, we are focusing on the benefits of our Customer Platform partnerships to enable our clients to have new experiences. And in Prepaid, we have been targeting convenience and loyalty since the launch of the TIM Pré TOP family.

I just mentioned the importance of our Customer Platform partnerships to help differentiate our offers. Since this part of our strategy is gaining more and more traction, it is worth remembering how we play this game of client base monetization to generate new revenue streams and equity diversification.

First, I need to remark that we have two business models of partnerships under this framework:

- In the commercial ones, we have a more traditional approach where we are remunerated monetarily per video views and clicks for advertising campaigns and data intelligence services. Any company seeking brand lift and consideration increase, lead generation and app installs is a target for us;
- The strategic partnerships are built under a more symbiotic relationship, and our targets are scale-ups seeking exponential growth. TIM is remunerated by CAC fees and equity stakes, in return for our endorsement, for giving access to our customer base and commercial capillarity, for being bundled with our core offer portfolio, and for data intelligence.

Both models leverage TIM Insights and TIM Ads platforms to target the suitable clusters inside our base and impact them through channels within their journey as a client of TIM.

Under this framework, we listed some verticals as having great opportunities for being more directly connected to mobile phone services and having a higher valuation than the telecom companies. We are already operating in some of them, so we have clear results to show:

- As mentioned before, we summed 83 million Reais in revenues in the first 9 months of the year. Mobile advertising is contributing with 26 million, while Financial & Education Services are adding 57 million Reais;
- We earned subscription bonuses equivalent to an equity stake of close to 4% in C6 bank, following a record number of opened accounts;
- In less than two years, over 5 million clients accepted an offer from our partners via TIM channels;
- And, we multiplied by ten our app installs results between September and January.

We continue working to grow this ecosystem of partners similarly to a private equity firm. So, we are developing multiple fronts, for example:

- Discussions with local content providers have accelerated, and this partnership is cutting ahead of others taking longer to materialize;

- We are at the final phase to choose a partner for the E-health initiatives, with seven solid proposals on the table;
- Digital wallet and marketplace discussions are taking longer than expected, and we are refining our approach considering new market dynamics;
- Lastly, we continue to work on IoT verticals with large contracts being negotiated.

To complete our revenue drivers discussion, let's move to fixed services, specifically TIM Live operation. The highlights of this quarter are the completion of the FiberCo deal and the major launch of the best FTTH offer in the country.

FiberCo closing is expected in mid-November. Under this deal, we will receive 1.1 billion Reais in secondary, with the vehicle receiving 600 million Reais as primary. TIM will remain with 49% of the capital. Remembering that the rationale for the deal was to accelerate de fiber rollout, we expect to do some catch-up in new cities coverage.

We are launching the 1 Giga offer. Some of you may think... There are already 1 Giga offers in the market. Well, I must tell you this is not the same thing, and I'll explain why.

- We have the best download and upload speeds combination — 1 Giga for downloading and 500 Megas for uploading;
- The offer will be available in all cities we cover, meaning high-end markets that do not have access to this type of speed;
- We have an exclusive set of content embedded in the offer, such as Netflix, Paramount+, Deezer, Band News and Band Sport;
- And to complete, we are setting the offer price at an accessible level. So, this is not an offer to just position TIM Live as having the highest speed. The goal is to give people access to the next level of experience in broadband.

Meanwhile, we maintained a decent performance in TIM Live, even if the expected deceleration was confirmed. The fourth quarter is already showing signs of reacceleration.

Moving to infrastructure, we saw our 4G coverage leadership be reaffirmed with a sound expansion of 25% more cities. 4.5G coverage grew at the same rate. We continue working on the preparation of our network to receive the Oi customers. Massive MIMO and Site modernization keep accelerating for this purpose.

On the IT front, we completed another step of our Journey to Cloud transformation. Our CRM system was transferred entirely to the cloud producing a 50% reduction in attendance time.

Another key accomplishment for TIM was the result of the trials with 5G standalone in Rio and São Paulo. We were the first ones to test the technology in the two most important cities of the country. We were capable of reaching very high speeds with low latency levels, but more importantly, we proved the technical feasibility of combining Release 16 with Carrier Aggregation to expand coverage by more than 65%;

Talking about 5G...

We are very close to the spectrum auction. It is scheduled to occur in the next week, on November 4th. We have been saying since the beginning of the auction discussions, the choices made by Brazil on how to approach 5G were unique and wise. The focus on investments and network rollout will benefit the entire industry, but most importantly, the end-user. TIM is ready to participate in the auction and optimistic about the outcome.

Leaving the infrastructure discussions and moving forward to our Opex and EBITDA trends.

This quarter, we have a more comparable base for our costs and expenses. Our dynamics are way below inflation despite spikes in different indexes. We saw a small yearly expansion of our Opex of 1.3% in the third quarter and below 6% year-to-date. As explained last quarter, the latter was mainly a consequence of the Opex performance in the second quarter of 2020. If we compare to the first nine months of 2019, our year-to-date Opex was flat.

TIM continued to execute well on cost control, digitalization projects, and bad debt handling while improving energy costs management further. This, together with a solid revenue contribution, drove EBITDA to grow 4.5% in the third quarter, with a margin expansion to reach 48%. Net income rose solidly, more than 20% and Capex was up 5.5%.

In this context, operating free cash flow for the first nine months of the year grew more than 40%, surpassing 3.6 billion Reais, which drove our net debt down almost 30% and a cash position of 7.4 billion Reais. We've been preparing for the upcoming events of this year's end and 2022.

Considering our free cash flow is performing better than expected, we should be able to sustain the level of remuneration to shareholders, even if we expect large disbursements in the next 12 months.

Closing my comments, I want to remark on the solid execution the team is delivering with robust results amid a sluggish economic recovery. Our pace will continue in the fourth quarter, so we are very confident we will meet the guidance given to the market.

Until September,

- We posted more than 5% expansion for Service Revenues and EBITDA;
- Customer Platform is just 17 million Reais away from the 100 million Reais target;
- EBITDA minus Capex over Revenues stood at 24%;
- And Net Income grew more than 70% year-over-year.

By the end of 2021, we should have the FiberCo deal closed, the 5G auction completed, and the Oi deal approved. We expect to enter 2022 with less uncertainties and ready for the sector transformations. And there is still room for another Customer Platform contract to be signed before the year-end. Stay tuned.

Thank you! We will now open the floor for questions. Please, operator...

Operator – Thank you, Mr. Pietro now we will begin the Q&A session.

QUESTIONS AND ANSWERS

Operator – The first question comes from Bernardo Guttmann, XP.

Bernardo Guttmann (XP) – Actually, I have a few questions related to TIM Live. I would like to stress the soft numbers this quarter. I wonder if you are facing greater pressure from competition? And if so, in which areas, any specific region? And the last question in relation to the FiberCo deal. What are the next steps for closing the transaction?

Pietro Labriola (CEO) – Thank you, Bernardo. Let's start from answering to the second question. So the good news. So then I leave the stage to Mario to put some more details. But what is missed is the approval by Anatel of the deal that if I'm not wrong, Mario communicated as that it happened yesterday night. So if it is confirmed, but Mario will give you live this new -- we will have the closing by the 9th of November. So, on track with what we told. Mario, I don't know if you want to give some more color.

Mario Girasole – TIM S.A. – Regulatory & Institutional Affairs Officer

Mario Girasole (Regulatory & Institutional Affairs Officer) – It's correct. Yesterday was approved. And to date, we had the formal certification of the approval.

Pietro Labriola (CEO) – Okay. Then Bernardo, let's come back to the first question that is, let me say, a little more complex. But first of all, I would like to highlight as we are always transparent with the market. If you remember, in the second quarter call results call, I already explained to everybody that our expectation for the first quarter should be less positive than the previous one. So it happened exactly what we were thinking because if you manage a company, you should not discover things live, but as you plan, understand the results. So first of all, third quarter, as I mentioned, in the second quarter, it's weaker than the previous one, but we are already seeing that the fourth quarter will show a sign of improvement. We'll be back close to double digit.

And we expect then the next year to further reaccelerate with a stronger double-digit growth. The reason why was that our FTTC area suffered the most compared to other areas. But again, we are accelerating also all the activity for what we call the brownfield activity, migration from FTTC to FTTH to allow us to stay in a more comfortable situation in terms of competition. But again, what is important to remember that is exactly what we mentioned since the second quarter. There's no surprise for anyone because we exactly told weaker third quarter, better fourth quarter and better 2022. And exactly, as we mentioned in the last call, we were able to launch the first 1 Giga offer, again, as I told during the speech.

Someone can say that this is not the real first offer to 1 Giga. Let me say, it's the first real 1 Giga offer with 500 Megabit per second of upload. So also on the fiber, everything is proceeding. The closing will happen the 9th of November. So we show to the market that what we say we deliver. And on the operations, we are already back to recover from what's happened in the third quarter.

Operator – The next question comes from Diego Aragão, Goldman Sachs.

Diego Aragão (Goldman Sachs) – Yes. The first question is regarding the Capex. Pietro, you mentioned that you have been making investments in order to prepare TIM network to receive foreign mobile business. So can you just help to understand what exactly are those investments? And how much you have been invested so far? And the second question is regarding the tax credit recognized in the quarter. Can you just comment quickly? And what exactly is this about and whether there should -- you expect more of these creditors to come?

Pietro Labriola (CEO) – Let's start from, again, the good news. So I leave the stage to Camille to explain the good news related to the tax. Please, Camille.

Camille Loyo Faria – TIM S.A. – CFO & IR Officer

Camille Faria (CFO) – Diego. So just to explain a little bit on the tax credit, there's been a positive outcome on a leading case to exclude taxation over interest on successful judicial tax disputes. It was actually not our case that got already judged. But in our case, when our dispute is finalized, it will generate roughly BRL 535 million of tax of recoverable credits, and we have booked that already in our balance sheet. We expect to be able to start using those credits probably within a year. So it's a short-term positive effect.

Pietro Labriola (CEO) – I'll leave Leo to give some more details, but what I would like to highlight that the 24% Capex on revenue, it's 24% because we put, as we declared in the plan, part of Capex, if I'm not wrong, BRL 300 million, BRL 400 million were related to the preparation of the Oi deal. So you can also try to do a "pro forma" that could be our real Capex if we shouldn't have spent this money to prepare. And last but not least, keep in mind, and I want to stress that. We are posting all this numbers in terms of EBITDA and Capex absorbing all the difference that are related to the macro situation. So exchange currency rate, we're able to absorb an impact that was between BRL 50 million and BRL 70 million of exchange currency rate impact about inflation, about the so-called "*Bandeira Vermelha*" for the Brazilian people.

It's quite clear what it is for the other one is the increase on price for the energy. And all in all, we were able to offset the cost increase for inflation, exchange currency rate and all the other issues for something close to BRL 200 million in the year. So it means that if we shouldn't have these divergence from what were planned at the beginning of the year, our EBITDA level should be much higher. It show our capacity to deliver and continue to manage efficiency in our Company. But now I leave it to Leo to explain what we are doing.

Leonardo Capdeville – TIM S.A. – CTIO

Leonardo Capdeville (CTIO) – Diego, in fact, the -- what we did this year was to prepare the network to absorb the spectrum that we are receiving for an Oi. So we need to prepare the electronic parts, the radios to support our spectrum and the Oi spectrum. So we can highlight that the most part of the investment to prepare the network is already done this year. So what is the fact? In the next year, when we have the deal closed, we will receive the spectrum and with data, we will be ready to support the customer that are coming from Oi.

The second part of the investment will be rearranged the tower, let's say, field goal because we need in the second part, to switch off some towers in Oi and to absorb other towers in our network. But again, the most part of the investment is done this year. So it is good because, in fact, we are absorbing that, as Pietro mentioned, in our recurring Capex. So we not expected a peak for the next year to finish the Oi integration.

Pietro Labriola (CEO) – Can I complement the question of Leo? We invest part of the money in the so-called massive MIMO technology. We were the first player in Brazil to use this technology. This technology allow us to have a better level of

efficiency on the frequencies. Why we do that? Because we will have to migrate the customer base of Oi before on our frequencies. And then once they will be migrated, the customer of Oi on the TIM network, on the Claro network, on the Vivo network, we will have the chance to get the frequencies of Oi and add on our frequencies. So this activity were something that we needed to be able to host the Oi customer base on our network. This is the reason for which we did it that in advance.

Diego Aragão (Goldman Sachs) – That's clear. And maybe just a quick follow-up on Leo. Any concerns with the shortage of semiconductors as well that have been, I don't know, maybe affecting the negotiations with the vendors? I just want to hear from you if you were seeing any impact at this point for your Capex plan?

Leonardo Capdeville (CTIO) – No. Diego, until now we didn't have any kind of a constraint about that and any delayed in terms of delivery. So we are not suffering that because we plan that before. We feel the suppliers. So they are delivering what they promise. What we can see is that probably in 2022 for the 5G maybe, but not just for the semiconductors crisis. But for the demand, we will require us to be more assertive under this planning. But again, we have the plan for the 2 years. So we are, let's say, make all the forecasts in way for the vendors and they are delivering as they promised.

Pietro Labriola (CEO) – Diego, and sometimes, we have experienced some delay in the delivery on the handset. But this is market wise. So there's no specific issue, and it was specific in some period of time. So this is something that is not impacting our strategy.

Operator – The next question comes from Marcelo Santos, JP Morgan.

Marcelo Santos (JP Morgan) – I have 2. The first one would be a follow-up of Bernardo's question on TIM Live. I was reading the notes that -- our notes from the second quarter. Indeed, you made it very clear that there was going to be a deceleration. You also commented that you expected revenue growth to reaccelerate towards 20% year-over-year in the first quarter of '22 -- the beginning of '22. Do you still think that 20% or close to 20% is credible? Or are you now more a little bit more cautious? Just wanted some clarification on these previous comments. And the second question is about -- if you could make a general comment on the mobile competitive environment? How things are trending in the 3 segments, postpaid, prepaid and control?

Pietro Labriola (CEO) – Yes. So let's start from the first question. For the next year, I told that we are going to reaccelerate and we will be able to post a double-digit growth in the next year. Then we are now seeing if we'll be closer to the 20%. But for sure, it will be double digit, perhaps could be closer to 15%. But let's see as what is happening and which is the exit speed for the fourth quarter. But in any case, as I told, we are going to reaccelerate and we'll be, for sure, above double-digit growth.

About the competitive scenario, what is happening on the market. I think that in -- I'll try to put also an answer to different question that you received. Thanks to God in some way, the 3 players in the market are playing different strategies. There is some that is more on volume or on integration that someone that is much more on quality and premium (their team that is working much more on innovation). So I think to avoid any kind of misunderstanding that the market is still rational because each of us has a specific positioning. You can understand we are the innovator. I think that in this period, Claro is suffering something more because the integrated offer, fixed and mobile, is starting to find some more difficulties to proceed also because they are losing much more on the ultra-broadband. And so this is something that also they had our leveraging.

And Vivo, if I'm not wrong, did in the third quarter, a price up, that is a sign of rationality on the market. This is mainly control and postpaid. What is happening is that -- and this is important also to explain how we think that we can sustain the ARPU growth in the next quarter is that when you see postpaid and control, the amount of giga that we put in each of the 2 offer are different. So once the customer want and need an higher volume of giga or if they want an high level -- an higher level of quality of service, they have to migrate from control to postpaid. And this is exactly what we are doing in this period that is allowing us to sustain the ARPU growth. This is control and postpaid.

So as the prepaid in the past was the so-called, let me say, swimming pool where we were fishing customers to migrate to control. Now the control is becoming the swimming pool where we are fishing to move customer from control to postpaid with an higher level of ARPU. On the pre -- and so all in all, the market is still rational. Our strategy is different from the other. And the result are demonstrating that we are able to continue to deliver ARPU growth. When we move to the prepaid, also the prepaid is still rational. Then our performance is different from the other because what is happening is that we always declare that our prepaid customer base is much more sensible to the macro.

So if you remember, we were the player that paid the most, the COVID situation in the second quarter of the last year, and we were the player that gained the most in the third quarter. So the comparison year-over-year in the third quarter show us and put us in a negative area. But when we see quarter-over-quarter, we are continuing to grow. About the movement of the different player, Vivo did an increase in the face value from BRL 10 to BRL 12. And so I think that also in the postpaid -- sorry, also in the prepaid, we are seeing signs of rationality. So the market is still rational. That doesn't mean that we are not competing. All of us had different strategy.

Last but not least, and so I can anticipate once again some other question. I always repeat that we have to evaluate the team not just on one line on KPI, but on the overall result and performance because we are putting and we are posting revenue increase. We are continue to post EBITDA increase, and we're continue to keep a pace of EBITDA of 14%. So it's quite difficult to find in the market a player so complete as TIM, putting all the KPI. Perhaps sometimes you are not the best on one in these KPIs. But at the end of the day, you ask to us to deliver continuous revenue growth, to continue to be efficient, to continue to put a level of EBITDA and to continue to keep under control our Capex expenditure. And last but not least, we are continuing to generate cash.

Operator – The next question comes from Carlos Sequeira, BTG Pactual.

Carlos Sequeira (BTG Pactual) – So my first question is on the fiber strategy. And I was just wondering here if it would make sense for TIM to explore other alternatives to accelerate growth in the fiber business, maybe, I don't know, maybe looking into M&A opportunities involving the 100s of ISPs that are operating in the market or maybe reaching a deal with Oi's InfraCo, well, no longer Oi's, but InfraCo, which is already covering millions of homes in the country. So I was just wondering if you were considering exploring your other alternatives to grow faster in the -- and take advantage of all that is happening on fiber? So that's the first question, please.

Pietro Labriola (CEO) – Yes, I'm direct with the answer. And as I told every time, I think that we are the player in the market with much more optionalities compared to the others. Whether I can explore the possibility -- Carlos, can you switch off the microphone because we are hearing you while you are typing on the keyboard. Great. So as I was mentioning also in the other call, we are the

player with the highest number of optionalities. This is a market that will change in the next 3, 5 years, several times. And to have the opportunity to have optionality to change and move our strategy is very important. For example, for the question that you asked, we can sign an agreement also with other player to use other InfraCo to increase and speed up our strategy to cover Brazil. This is something that could be much more difficult for other player.

So I can sign agreement with V.tal. I could sign an agreement with the InfraCo or Vivo. I could buy some infrastructure or better rents, some infrastructure from some ISP. What I can assure you that is not in our mind to buy any small ISP or big ISP. Also because, as I explained several times, their business model today is a business model that is sustainable because they exploit a fiscal advantage that we couldn't exploit. So this is the main issue. Again, sometimes you can have a discount. Someone do not use ICMS and use just other taxes. They have a competitive advantage in terms of price of something close to 15%. That is something that the market will evaluate in the following years. But again, we are open to discuss with other player to use other infrastructure, but we can assure that we are not interested to buy customer base or small ISP.

Carlos Sequeira (BTG Pactual) – Perfect, Pietro. Very clear. And if I may, on a different subject? We are all waiting for CADE's approval of the Oi transaction, the transaction ongoing on mobile assets. And there is a deadline, well, in theory, a deadline on November 18 for CADE to announce a decision. So my question is, would you expect them to do that and announce a decision by this first deadline, which is November 18? Or do you think they might ask for extra time and extend the time to 330 days, which would push decision into 2022? Do you have any view or any sense on what you expect from here?

Pietro Labriola (CEO) – But I think that again, I want to start with the good news. I don't know how many of you have the chance to see that during a public hearing in the commission of the Brazilian parliament, Anatel clear -- Carlos, again, okay. Perfect. During a public hearing, a representative of Anatel clearly stated that from the Anatel point of view, the Oi deal has no issue and could be approved with more remedies on MVNO and roaming. So this is the first good news about Anatel.

About CADE, I continue to be optimistic, but we are in a situation in which I don't want to push too much an institution as CADE on the acceleration or not because I think that they are doing their job. They are analyzing everything. I think that the Anatel position will help also to clarify the point of view of another institution. But

again, I continue to be positive about the fact that we can have by, let me say, the end of this year an approval. But I don't want to stress too much because we have to leave the institution to do their job and their analysis. But my position continue to be positive.

Operator – The next question comes from Leonardo Olmos, UBS.

Leonardo Olmos (UBS) – My question is regarding 5G incremental revenue. I know we discussed that quite a few times in the conference call, but just could you provide an update on developments on, I know B2B clients that have (inaudible) regarding projects or specific in industry verticals that are looking for to implement 5G? Have you got additional attention on that matter? Overall, can you provide a color on 5G incremental revenue?

Pietro Labriola (CEO) – Leonardo, I think that we were discussing now with Camille, after the auction perhaps could be useful if we show to all of you, the result of the auction, the reason why and the business case that is related to each of the frequencies that we hope to buy. And so for sure, after the 4th of -- after the 4th of November, after the adjudication of the auction, we will spend much more time to give you more details. As we mentioned also in the previous call, we foresee 5G as a good opportunity for sure to optimize our network Capex because 5G technology is able to gather, carry on an higher volume of data. And being the data grow one of the line of monetization, this is an important element. If I'm not wrong, a 5G antenna is able to carry on 5x a 4G antenna in terms of data.

About revenues, again, we will have 2 different line. The first one is related to the traditional B2C business because with Alberto, we are seeing that as moving from 3G to 4G, we have an increase of data consumption. We imagine that moving from 4G to 5G, we'll have too, an increase of data consumption. And if our bundle are controlled in terms of giga that we put inside, this will be an opportunity to upsell. We are doing all the calculation, but it's clear that we are waiting some more months to see, which is this amount of data traffic growth.

When we move on the B2B and then I leave to Alberto, if you want to put some more color on that, there are 2 areas that are car manufacturing and agro business where we are perceiving an interest of different player to work on that. About the agro business, again, we are evaluating, if at certain point, it will be not the case to create a separate company to exploit the opportunity that will arise

from the agro business. Keep in mind that with Camille, in the new plan, we will evaluate to create some internal business unit ready to be spin it off to unlock value in some area that could be interesting. And one of these area is IoT, Internet of Things, mainly on the agro. But I'll leave Alberto, if you want to put some more color on that.

Alberto Griselli – TIM S.A. – CRO

Alberto Griselli (CRO) – Yes. Thank you, Pietro. Yes. On the B2C, the monetization of higher data consumption is our main focus, as Pietro described. So we are going to -- in our network, the average consumption is around 5 giga per client. And every time we put more giga, we see customer using it in a more formal strategy. And so 5G is going to be another lever for this to happen. And for what concern B2B, we are discussing with some clients in -- primarily in logistics at this stage, the use of 5G to provide benefits to their plans. We are running a few pilots in the automotive. Now, of course, everything restricted because there is -- the frequency are not available yet, but we see interest primarily in manufacturing and logistics.

For us, our objective is to win customers. And we are doing the main verticals in 4G because 4G already provide a lot of a digitalization opportunity for our corporate customer processes and to be, therefore, well positioned when 5G mature to increase the benefits for our customers. So at this point in time, it's primarily focus is 4G coverage for these customers and with some of them, we are discussing 5G pilots.

Pietro Labriola (CEO) – So Leonardo, we escape to give you some number, but I think that the answer of Alberto is quite clear. We want to increase our penetration on the corporate segment in IoT on 4G because it will allow us to do upselling with 5G.

Operator – The next question comes from Fred Mendes, Bank of America.

Fred Mendes (BofA) – I have 2 questions here as well. The first one, you already mentioned a little bit about the ARPU increase. But just wondering -- and I know ARPU is not a perfect metric to make this comparison, but it still what we have. You are already in line with Vivo pretty much and 25% to Claro when I look at it. Again, there are a lot of things involving this ARPU. But do you see room for ARPU to continue to increase at the rates that we are seeing? Again, we are

almost one of the -- the highest ARPUs in the street. This will be my first one. And then the second one related to the platform revenue, again, continues to perform well. And when I look to the partnership with C6 bank, are we about to reach a ceiling? You're seeing that or this strong trend that we are seeing in the last quarters, you believe there is room to grow more?

Pietro Labriola (CEO) – Okay. About ARPU increase, yes, we foresee the opportunity to continue to increase ARPU. Keep in mind that, for example, next year, we have to recover in some way also on the price that we have on our customer, the inflation of this year because we did our price up in March. And at that time, we applied the inflation rate that we have reached until March. So next year, in March, we are already planning to find a price up jointly with an increase of data consumption that will allow to keep the level of claims at a lower level to recover an inflation. On top of that, as I was mentioning at the beginning, the ARPU increase come also from the migration of customer from lower, cheaper plan to an higher price plan. I was mentioning the migration from control to post, but sometimes, we have also the migration from control to control.

Then when you discuss about price again, you have to check also the first price that we have on the market from the so-called below the line. So when you look at the ARPU of all the players, sometimes, you can see that there is someone with a lower ARPU because in the so-called below the line offer, perhaps they are very aggressive, sometimes happen at also to try to convince customers to embrace a convergent offer. The mobile price has been aggressive. But theoretically, it's exactly the contrary of what someone say about the convergence. Because its convergences to put a much lower price to put things together, I don't understand where is the real value. But again, each of us as a specific strategy is not to me that they have to evaluate which is the right one. Our strategy is to continue to increase the ARPU through the price up that we have to do every year to try to absorb the inflation in a period like that, where inflation, it's, let me say, a challenge.

In the meantime, with our marketing strategy to move customer from lower giga package to higher giga package and creating a kind of scale up also in terms of quality of service. It's, for example, has happened with the credit card. If you have a black credit card, usually, we have a concern, you have a level of service that is much higher than a traditional credit card. We are doing the same also with our postpaid and with our TIM Black offer. About platform revenues, I leave Renato to talk. But again, you know very well how we are in this moment. We are

in the middle of a discussion with our partner. And so we cannot do too much disclosure. But Renato, please.

Renato Ciuchini – TIM S.A. – Strategy & Transformation

Renato Ciuchini (Strategy & Transformation) – Fred, thanks for the question. I think we have been very successful with the consumer platform partnerships and also in the financial services, leveraging our data intelligence in our, I would say, multi touch points approach that we have with our customer base. In terms of messages that go not only text, but also video, give images using all our “data sites” that we have here. So this has been a very successful, I would say. We're able to prove to the market how powerful it's a telecom as a channel for the new digital services.

Specifically on your question, I think we will be able to hold the level that we have today in this quarter for the next quarters. So there was a lot of digitalization that happened in the last year. So of course, this has been leveraged by that. There was a big movement because of the pandemic and other factors in the market. We believe we are able to hold that given the market perspectives that we have today for the next quarters in terms of digitalization.

Fred Mendes (BofA) – Perfect. Very clear. If I just may a follow-up here, Renato. As you -- it's perfect about C6, very clear, but as you add more partnerships, obviously, let's say, the addressable market expands. But just trying to figure out the size of this opportunity. Do you believe there will be like a cannibalization between the offerings, for example, the same guy who buys Cigna eventually not buy C6 bank. Is there any kind of -- or not really, right? You can -- as you to expense 5, 6, 10, whatever partnerships you may have, the addressable market just increase.

Renato Ciuchini (Strategy & Transformation) – It's a very good question, and we have been working very hard on building data insights and data intelligence to make the right offer to the right customer at the right time. So building up this intelligence here has been instrumental for us to building up new partnerships. Pietro is always pushing me to have more partnerships as soon as possible. And I'm always holding a little bit back because I want to make sure that operationally, they're all possible at the same time. So if you have seen our commercial launch plans, they are very scheduled. We avoid to launch partnerships at the same time. The Cigna partnership came a year after the C6 -- and the reason that we have done that was exactly to be able to digest the whole C6 partnership. And

when we were mature on that, we're able to launch a new one. We believe now we are reaching the maturity in the next months with Cogna, and we're going to be able to launch the new ones early next year. So there is a lot of intelligence in terms of data to make the right offer to the right customer at the right time. And the same time, there is a maturity of the operations in a rollout scheme that allow us to be able to play all of them at the same time.

Pietro Labriola (CEO) – But I think that you perceived Renato the “new ones”, and spoken in the plural. So we have to commercially launch in the first quarter of next year the other ones, but now we are jogging with Renato. We will close the contract of 1 or 2 by the end of this year, also because we are giving, and so don't take this one as an official target, but we are working to say that we will like in our new plan to put the target that we must have 8, 10 partnership that can generate a value in the 3, 5 years, about 3, BRL 5 billion. But we are working on that, and we will formalize the target in the call with the financial market for the new plan. So Renato has a job for the next 3, 5 years.

Operator – The next question comes from Mathieu Robilliard, Barclays.

Mathieu Robilliard (Barclays) – I had 2 questions, please. The first one is around costs. So obviously, you flagged that there are some pressures on some items, such as energy, and we've also seen the personnel costs up in Q3, but you managed to increase your margin this quarter despite that. So I wanted to know if you could give us a little bit more color looking ahead as to what are the positives and the negatives that will influence cost and whether you think conceptually you can continue to increase your EBITDA margin? And then the second question was around the 5G auction. Maybe you could remind us what is the exact deadline? So you mentioned the 4th of November, but I'm afraid I'm not entirely familiar with all the details in terms of when the bids are made, when the results are given. So if you could give briefly some color on that would be super helpful.

Pietro Labriola (CEO) – Well, Mathieu. Let's start again from the easiest question. Tonight, Mario Girasole will deliver to the Anatel our envelopes with our offer. So the deadline is today, all the player that will participate to the auction will have to deliver their first offer. And the 4th of November, there will be the auction that will be closed in the same day. Then there will be some time. But Mario, can you give some more color about the next step of the auction?

Mario Girasole (Regulatory & Institutional Affairs Officer) – Yes, of course. Thank you for the question. And so it will be tomorrow early in the morning. So tonight, we will close our envelopes, and tomorrow morning, we will deliver to the delivery session that is -- this tomorrow in Anatel. Then on November 4, there will be the auction session in which these envelopes will be opened. And then, of course, if some competition occur on the several blocks, we will compete on it. Then the following steps is the ratification of the results and then the call to sign the authorization documents. We think that this will happen within mid-December. We think that all the process will be closed still in 2021. And then there are other steps of creation of the -- those entity to clean up spectrum and so on.

Mathieu Robilliard (Barclays) – And in terms of the payment, if you can remind us...

Mario Girasole (Regulatory & Institutional Affairs Officer) – This depend because at the signature of the authorization, you have to pay at the minimum 5% of the offered price. Then there are other payments related to the entity of this cleanup spectrum that will occur in the next year because the 2 installments are after the creation of the entity. The creation of the entity is within 75 days from the signature of the term. So summarizing, we will be at minimum 5% of the price offered this year. And next year, there will be the payment of the EAF.

Pietro Labriola (CEO) – Mathieu, if I can give you some more colors and then after the auction, we'll prepare specific presentation to give you all the details about the frequencies. And from our quick calculation because I think that you don't want to know the number in details, but the idea. We will have the highest level of payment in 2022 could be something close to BRL 2 billion, more or less. Then we will have something very small by the end of this year, if it will happen, and then will be progressively reduced because the auction is building in a way where we don't pay the frequencies. Part of the frequencies are paid in terms of commitment of network building. So the cash out will be during the years until 2029. This is not the case, for example, of other European country.

If you see there are some report that showed that the Brazilian auction is one of the wise -- the most wise in the market because it's much more focused in network building and not in cash out in favor of the government. But again, with Camille and Vicente, we will work after the 4th of November to give you some more details and idea about the cash out. And then for sure, in our plan presentation, that will be the first week of March, we will give all the details and the impact in our 3-year plan.

Then we didn't forget your question related to the cost. It's clear that we will have some pressure that are related to the energy cost and the inflation rate primarily and in part with the exchange currency rate. But on the exchange currency rate, our purchasing department, jointly with the other team did a great job. And so we are starting to have contract in real. So with no index with the dollar. And we were able to do that also with international company. I cannot mention any, but this is a new job that Bruno is doing to reduce our exposure to the exchange currency rate.

And then the quarter that we still have in exchange currency rate in dollar have also some range in which we do not apply any kind of movement. This is the reason for which the impact on the exchange currency rate was very low. Our challenge will be on the inflation and on the cost of energy. We are working already for the next year plan, trying to offset this impact with efficiencies in other area. For example, we are doing a great job on the CRM. So we are reducing the time that our attendant stay on the phone with the customer because what we are doing. If you remember, Mathieu, our target is to become the best Brazilian player by 2023. We want to become the best player because this is not only a slogan. This allow us on the revenue side to justify with the customer a premium or an high price compared with the cheap offer.

But in the meantime, if we are able to deliver a good quality of service, we have less cost (inaudible) internally to manage the customer base. So all the costs for the CRM, our attendant, all these kind of things. And so this is a part in which we are looking for efficiency. On the other side, if you remember, 1 year ago, we were talking about business process outsourcing as a leverage to improve our cost base in some area where we have to further automatize. We didn't forget that. We were unable to proceed during the COVID because it was very difficult during the COVID period to proceed on that. But by the end of this year, we will sign 3 or 4 BPO that will allow us to have a better cost base also for the next year.

Last but not least, when you see on the provision of the litigation, we did also with our legal department with Jaques, a great job in the last 2 years to reduce the level of litigation with our customer base. And again, our strategy from volume to value and to increase the quality of service is paying off also on the cost base. So there are still room in our cost base to continue to be efficient. It's clear that you cannot work only on the bottom line. We have to work also on the top line. And for this reason, it's very important, the activity that Alberto is putting in place to

continue to sustain our ARPU increase and with Renato to continue to sustain new sources of revenues.

But again, I think that we are doing a great job that put us in a very good position also to manage the challenges that the macro will put on the table. I hope that that was clear, Mathieu.

Operator – Without any more questions from analysts, we'll now start the public Q&A session from the webcast platform and will be read. Please, Vicente, you may proceed.

Vicente Ferreira – TIM SA. – Head of Investor Relations

Vicente Ferreira (Head of IR) – This is Vicente speaking, Head of IR. The first question comes from Cesar Medina from Morgan Stanley. And his questions goes “I was wondering if you had any comments from the recent trends in mobile number portability and mobile service growth that is a bit softer versus competitors”?

Pietro Labriola (CEO) – So, I agree with you on the second part of the question because in terms of mobile number portability, it's not softer. We are improving our mobile number portability. And to be clear, for sure, is a part of the great job that Alberto is doing on the commercial side. But the other slowing down. If you look at the EBITDA result and the cost base of other player, I think that the volume strategy is paying off on the contrary because they are increasing their costs that are not completely reflected in the revenue growth because if you look at the growth in terms of customer base and the growth in terms of revenues year-over-year, but it's also peculiar to look at the growth quarter-on-quarter. I think that there's something that is starting to not be so nice.

We had, with an amount of revenue that is much lower than some other player, an absolute growth in terms of revenue quarter-on-quarter, that is the same of another player that has an higher level of revenue and also an higher level of net adds and also a worse level of EBITDA. So again, as I mentioned all the time, it's clear that you have to do your job and you have to evaluate all the lines. But if I look the overall performance of TIM, it's much better of the other player. If you want, I can increase amount of net adds, but then you have to accept that they reduced the percentage of EBITDA margin that they have to manage. How much -- how many percentage point we'll accept that they will reduce my EBITDA to

put a higher level of net adds? I think that the balance that we found with the positive net adds, the best EBITDA margin, the best cash generation is the right mix of all the things.

Vicente Ferreira (Head of IR) – This was the last question. So Pietro, we'll next -
- we'll move to the final remarks, please.

Pietro Labriola (CEO) – Okay. Thank you to everybody. And again, I want to thank you all the team for the great job that they were able to achieve. Remember, we are reaching our guidance in a macro environment that, for sure, wasn't the one that we were planning to face. So we were -- we are able to achieve the target, recovering also the challenges of the macro. And so it's important to thank you our team. Again, we will start now the different meeting. Finally, we are back to meet some of you in person and that leave me very happy because human touch is always very important. And I hope to meet you very soon. Last but not least, after the auction, we will try to give you more details about what we are going to do. And I hope to give you soon good news about our Oi deal. Thank you to everybody.

Operator – Thank you, Pietro. Thus, we conclude the third quarter of 2021 conference call of TIM S.A. For further information and details of the Company, please access our website, tim.com.br/ir. You can disconnect from now on. Thank you once again!
