

RESULTS PRESENTATION **4THQTR2019**



Disclaimer



This presentation **contains declarations that constitute forward looking statements** regarding the intent, belief or current expectations of the customer base, estimates regarding future financial results and other aspects of the activities.



Such **forward looking statements are not guarantees of future performance** and involve risks and uncertainties, and **actual results may differ materially from those projected** as a result of various factors.



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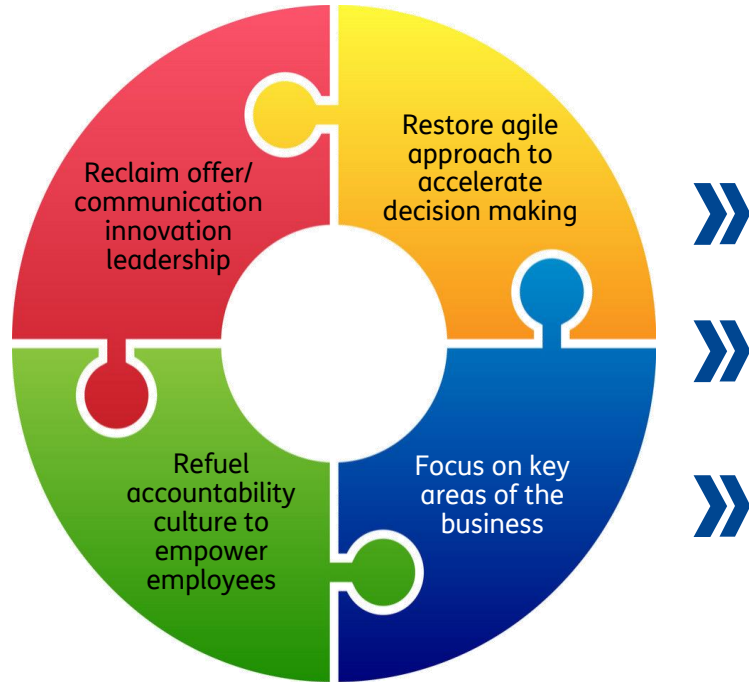


Financial results are presented considering impacts from IFRS 9 & IFRS 15 adoption, disregarding impacts from IFRS 16 adoption.

The normalized numbers reported in this presentation are adjusted by the effects listed below.

Operating Costs and EBITDA normalized by adjustments to the sale-leaseback contract of towers (+R\$ 11 thousand in 2Q19, +R\$ 1.5 million in 1Q19, +R\$ 431 thousand in 4Q18, +R\$ 1.1 million in 2Q18 and +R\$ 220 thousand in 1Q18), tax credit due to the exclusion of ICMS from the calculation basis of PIS/COFINS (-R\$ 75 million in 3Q19, -R\$ 1,720 million in 2Q19 and -R\$ 159 million in 4Q18), non-recurring expenses with legal services connected to the PIS/COFINS court decision (+R\$ 4.4 million in 3Q19 and +R\$ 3.5 million in 2Q19), loss forecast revision for internal labor, taxes and civil contingencies (+R\$ 11 million in 3Q19, +R\$ 222 million in 2Q19 and +R\$ 157 million in 4Q18) and contractual losses (+R\$ 22 million in 3Q19). Net Financial Results adjusted by monetary correction over tax credits and labor, taxes and civil contingencies (-R\$ 66 million in 3Q19, -R\$ 1,051 million in 2Q19 and -R\$ 66 million in 4Q18). Net Income normalized by the tax credit and other effects (+R\$ 35 million in 3Q19, +R\$ 865 million in 2Q19 and +R\$ 23 million in 4Q18), deferred taxes (+R\$ 30.3 million in 1Q19) and by the tax credit due to the merger of TIM Celular into TIM S.A. (-R\$ 950 million in 3Q18).

2019: Another Year of Evolution with Few Adjustments Along the Way



Best
4G / 700 MHz coverage

Best
Fixed Ultra Broadband Ranked by Estadão

Assertive adjustment in offers' portfolio

Growth in all segments' ARPUs

Efficiency Mindset spread across the company

Network efficiency
Spectrum refarming;
Massive-MIMO trials;
MOU with Vivo

1st 5G tests

Image recovery in all segments

TIM Live Recovery
Improved caring;
Network catch-up;
Net adds acceleration

Record high organization climate results

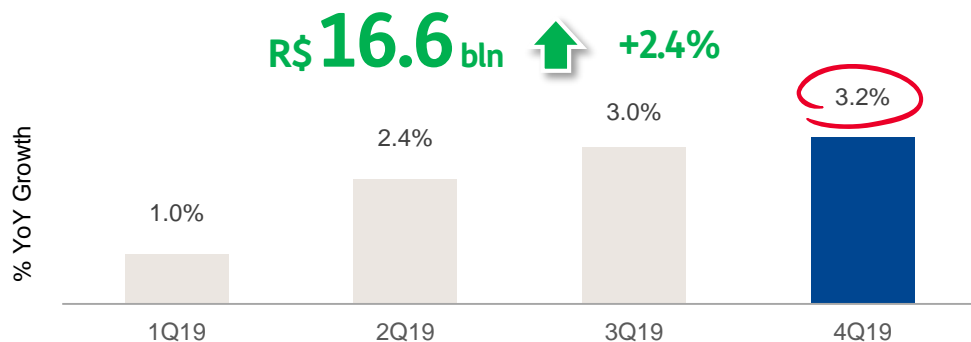
Continuous growth acceleration during the year

FY19 & 4Q Financial Highlights: Consistent Improvement Recovering Momentum

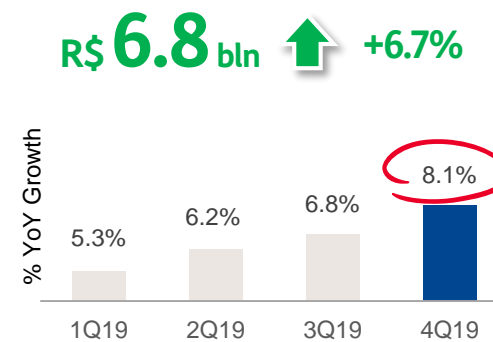
Growth reignited...

High delivery on Efficiency Plan driving consistent EBITDA and margin evolution

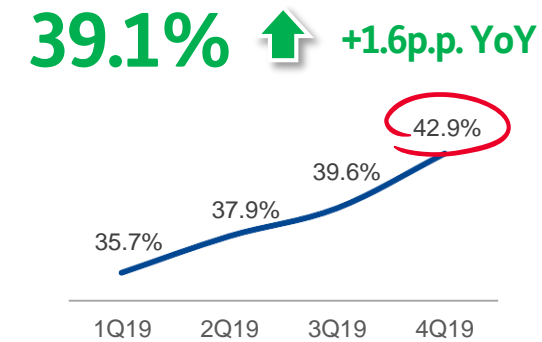
2019 Service Revenues



2019 EBITDA¹



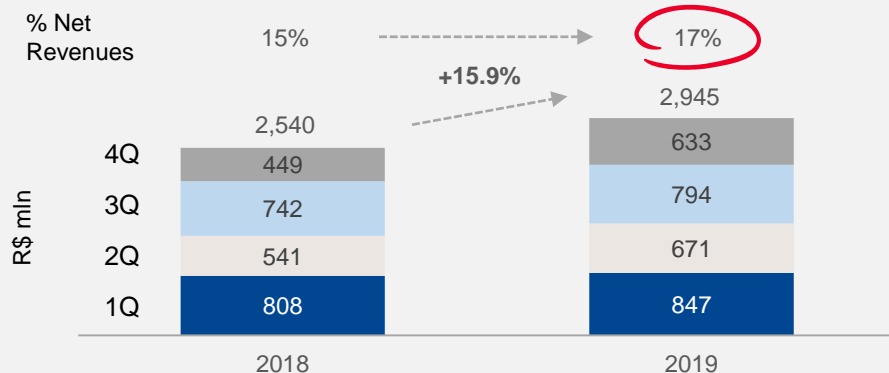
2019 EBITDA Margin¹



Strong cash generation...

Combined with a strong balance sheet ready for strategic opportunities

EBITDA¹ – CAPEX



0.07X Net Debt / EBITDA

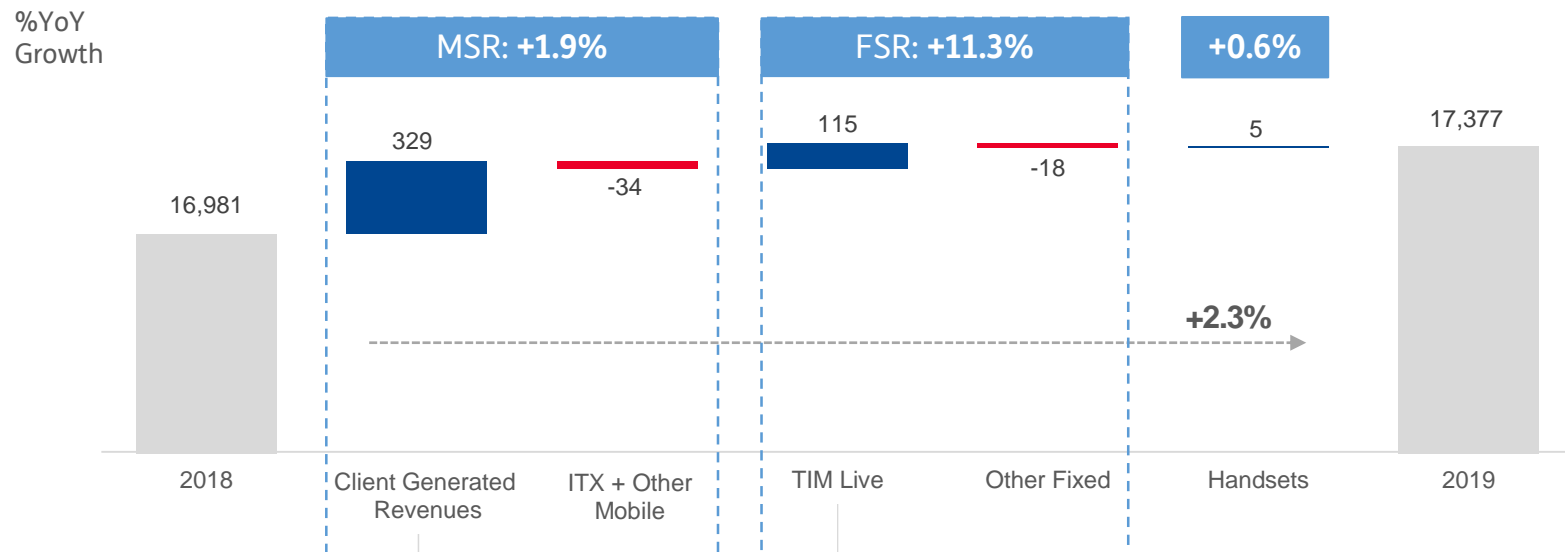
AAA
FitchRatings

✓ R\$3.4bln in tax credits (PIS/COFINS Disputes) already in use, full consumption in 3/4 years

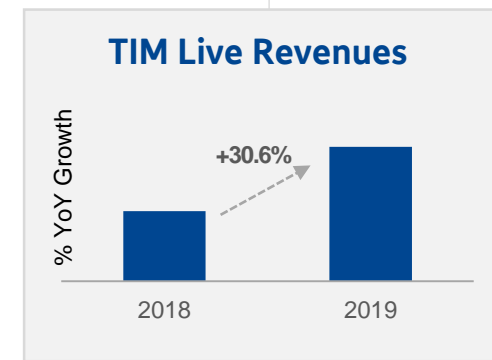
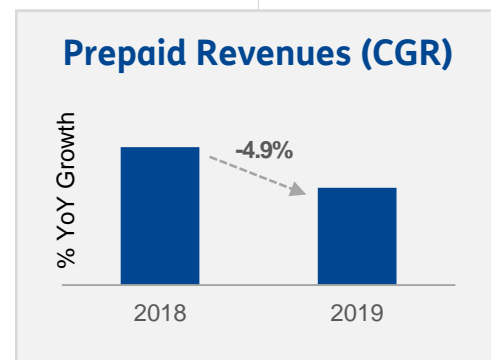
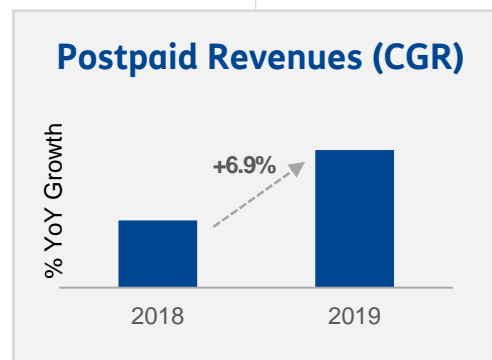
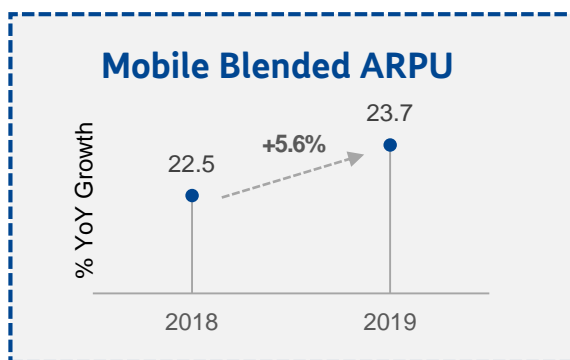
Sustaining Revenue Growth Despite Relevant Challenges

Total Net Revenues Breakdown

(R\$ mln)



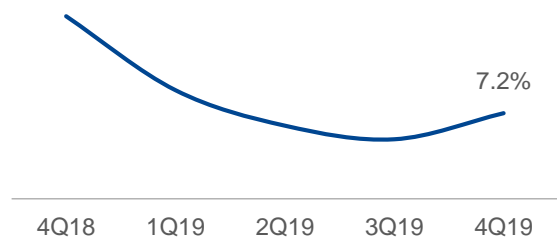
- Revenue expansion limited by a macroeconomic environment at slow recovery (2019 GDP at ~1%)
- 1H19: Tough competition dynamic, also contributed for a challenging environment



Mobile Postpaid: Despite Adjustments to Segment's Go-to-Market Transition from Volume to Value Continues

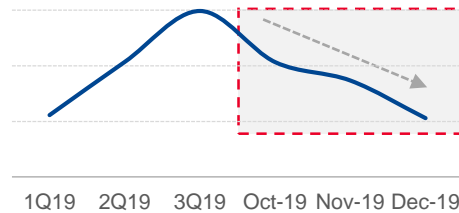
+0.6% Postpaid (ex-M2M) ARPU (2019 vs 2018)

Postpaid Revenues (CGR)¹ (YoY)

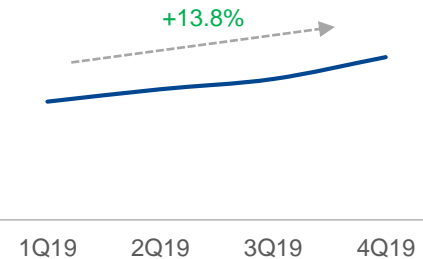


Commercial approach adjusted: Controlling the quality of migration already reflects in a better churn trend that will help achieve sustainable growth.

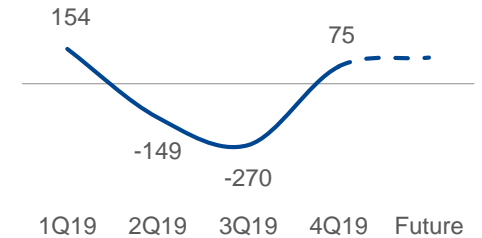
Churn control is key to deliver fair share growth
(Consumer churn rate | % p.m.)



Sales still follow on a positive trend
(Human² gross adds LTM | '000)

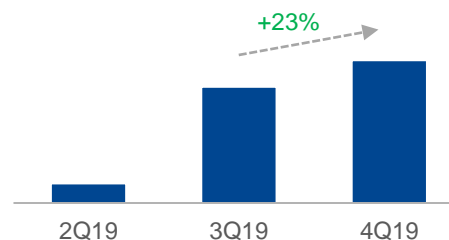


Net adds showing first signs of reversal but w/ new benchmark
(Human net adds | '000)



Improved value proposition: Increasing perception and high-end positioning to better mix postpaid base.

Entertainment hub for high-end positioning: TIM Black Família
(TIM Black Família net adds)



back to
2nd
position in
Control market
Top of Mind

Device to differentiate Control offer



Prepaid Efforts are Paying Off. Competition Rationality and Macro Recovery can Lead to Further Improvements

+4.2% Prepaid ARPU
(2019 vs 2018)

Prepaid Revenues (CGR)¹
(YoY)

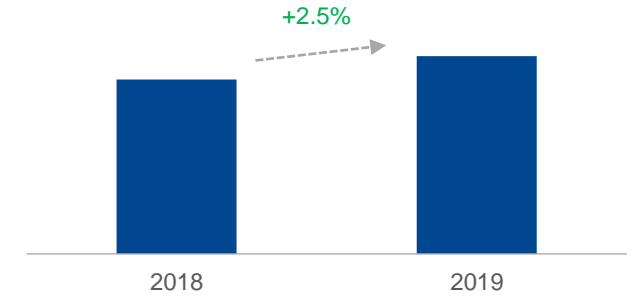
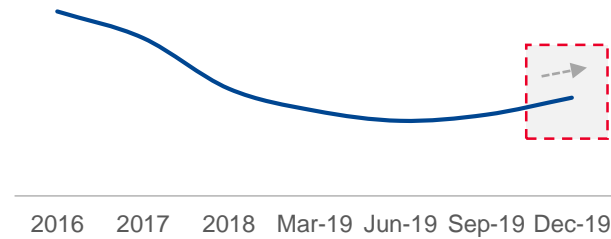
4Q18 1Q19 2Q19 3Q19 4Q19

0.7%

Reversal in trends: Growth above the market average and signs of better days on the spending side.

Rechargers
(EOP)

Spending
(R\$/ recharger)



Constant presence in the segment: Launch of TIM Pré TOP brought consistency to the Prepaid offer throughout the year.

(now!)



(2Q19)



(3Q19)



1st
position in
Prepaid market
Top of Mind

TIM Live: Positive Signs of the Recovery Plan Begin to Show in the Dynamics of the Customer Base

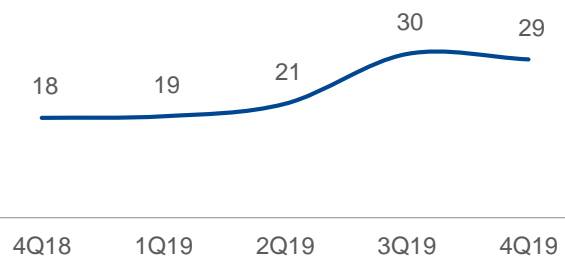
+8.0% TIM Live ARPU
(2019 vs 2018)

TIM Live Revenues¹
(R\$ mln)

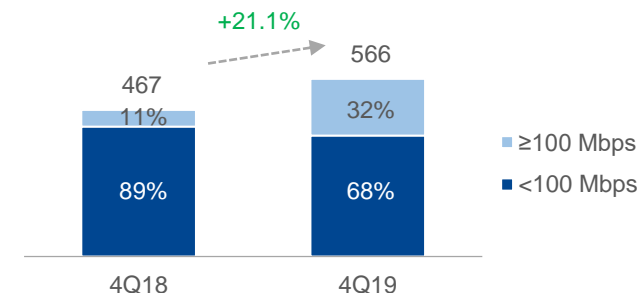


FTTH expansion: New additions, concentrated on high-end plans, will advance with the new coverage to come.

Net adds
(‘000)



Customer base
(‘000)



Combining relevant content with the best service: Recognition of service quality with a bundle to appeal the customer.



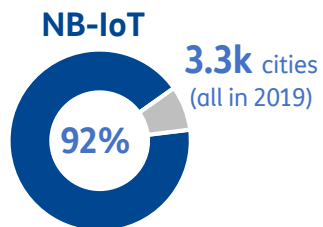
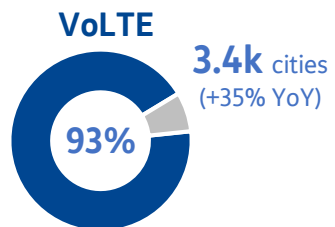
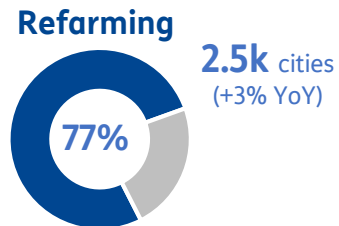
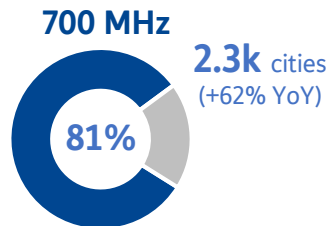
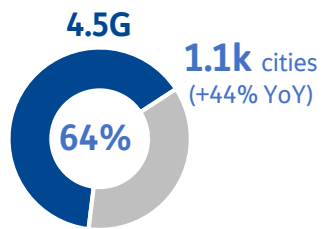
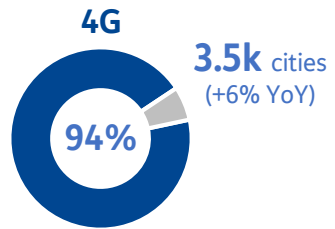
ESTADÃO
Best UBB

Best Fixed BB

Mobile Network: Proper Strategy Confirmed by Improved Customer Experience and Independent Measures

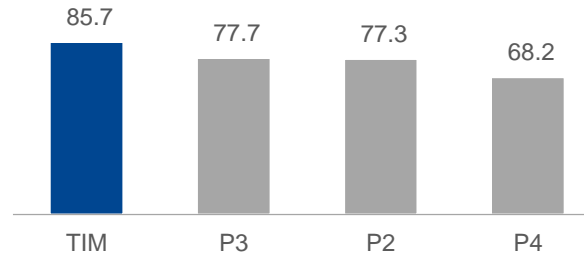
Customer experience prioritization: Concentrating on the most important KPIs to guarantee stable and constant access in 4G.

Urban Population Coverage (%)

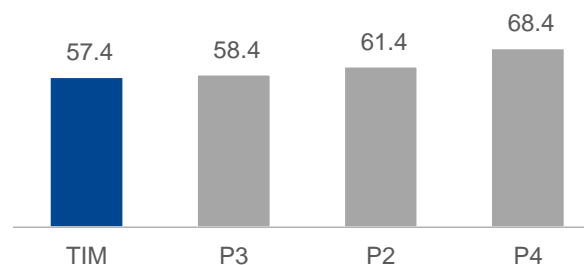


Mobile Network Experience¹

4G Availability (% of time)



Latency (ms)



Innovation to better serve the customer: Massive MIMO application to network stress situations – Copacabana New Year's Eve case.

- ~3 mln people in 4 km length
- 36x more simultaneous connections
- +60% YoY data traffic increase
- 174k calls (>50% VoLTE)

Main results of massive MIMO approach:

3x
data consumption²

6x
throughput per user²

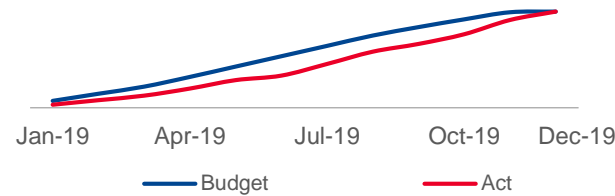
Fixed Network: Operations Catch-Up to Ensure Future Growth Acceleration

Cluster approach to expand coverage: Recife's example - cherry-picking in metropolitan areas.

Paulista
Olinda
Recife (PE)
Jaboatão dos Guararapes

**+12 launches
in 2019**
(totaling 25 covered cities)

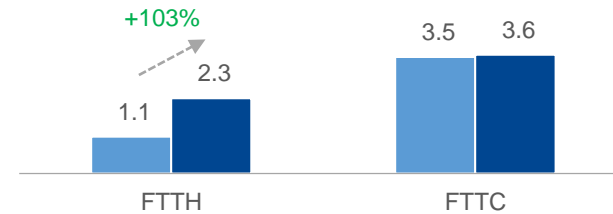
New OLTs – Regions Covered
(# of units)



**+50 OLTs
in 4Q**

→ Renewed commercial capacity.

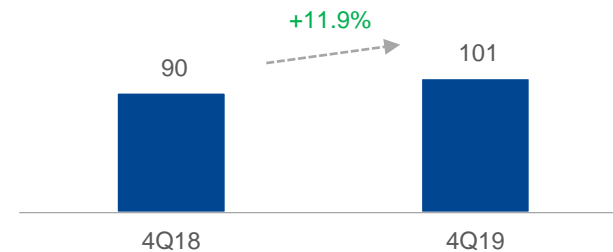
FTTH Coverage
(# mln households)



>5.5 mln

→ 2x FTTH coverage in 2019.

Backbone + Backhaul
(‘000 Km)

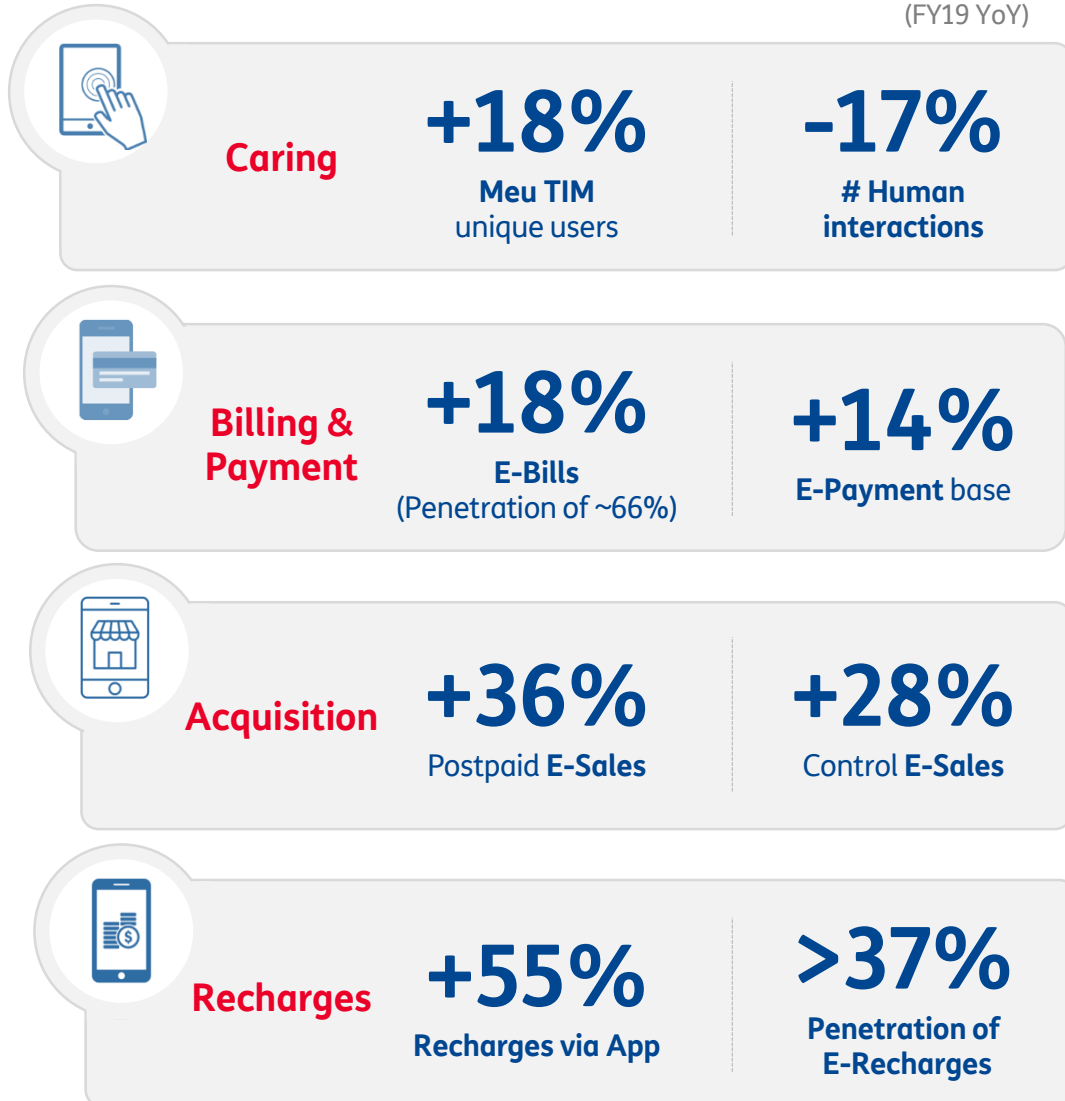


**>100k
km**

→ Transport infrastructure supporting both business

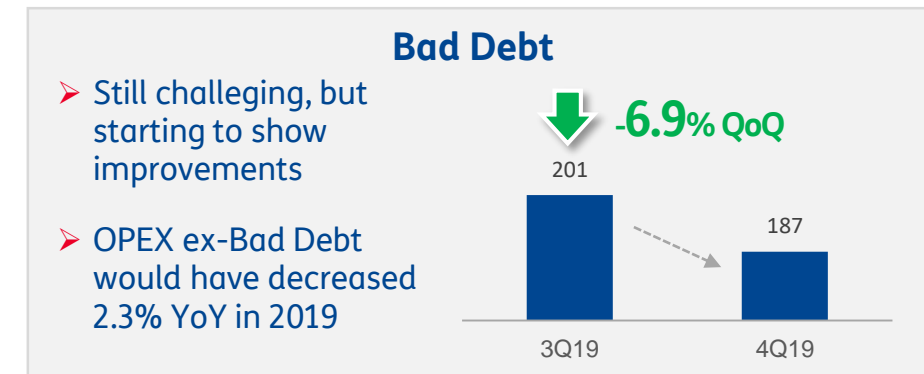
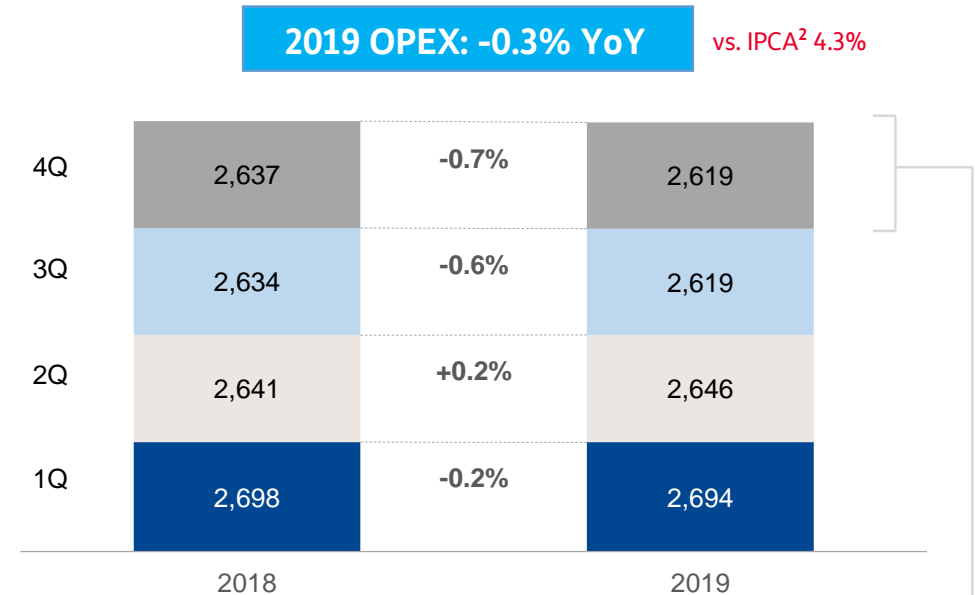
Continuous Efforts on Cost Control Supported by Ongoing Digitalization Initiatives

(FY19 YoY)



Normalized OPEX¹ Significant Below Inflation

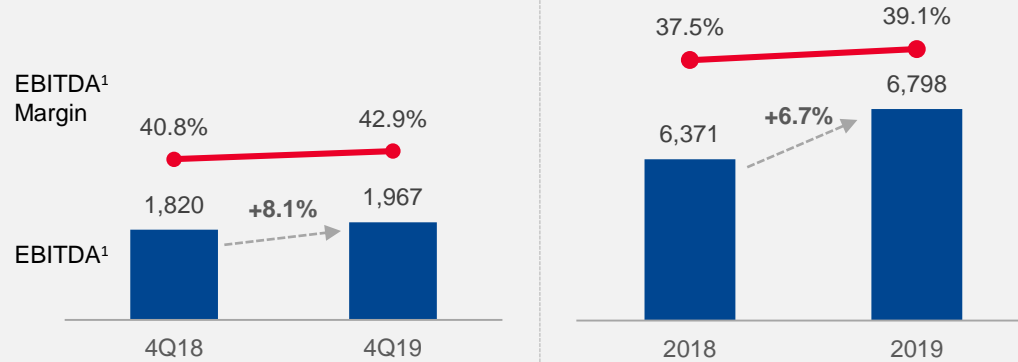
(R\$mIn, %YoY)



Better Operational Trends Are Supporting a Continuous Evolution of Margin and Cash Generation

Solid Normalized¹ EBITDA & Margin

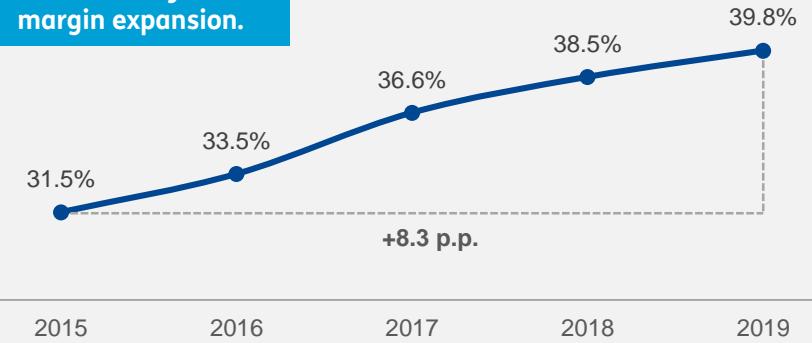
(%; R\$ bln, %YoY)



Consistent Margin¹ (Pro-forma²) Evolution

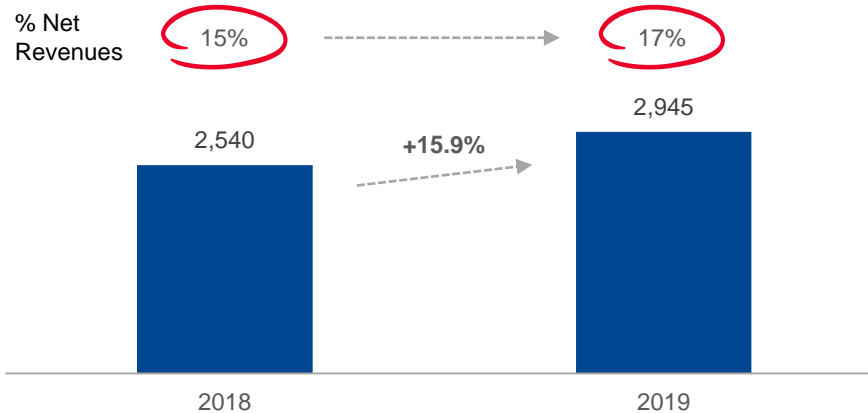
(%)

6 consecutive years of margin expansion.



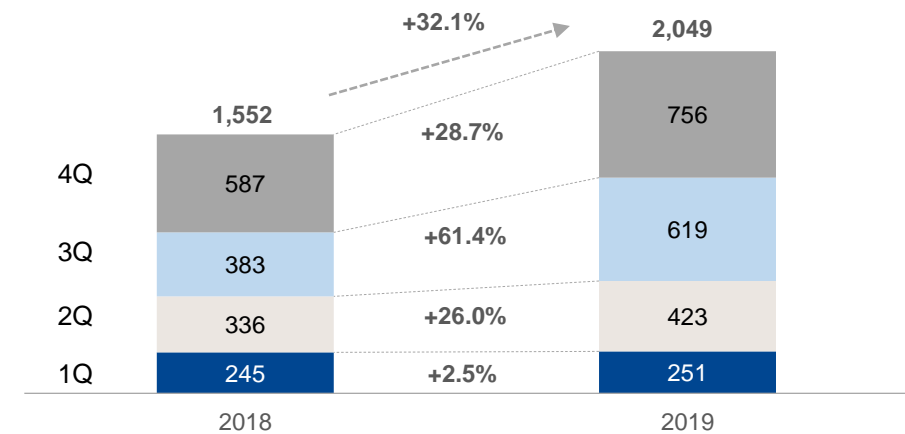
Strong Normalized¹ EBITDA – CAPEX

(R\$ mln)

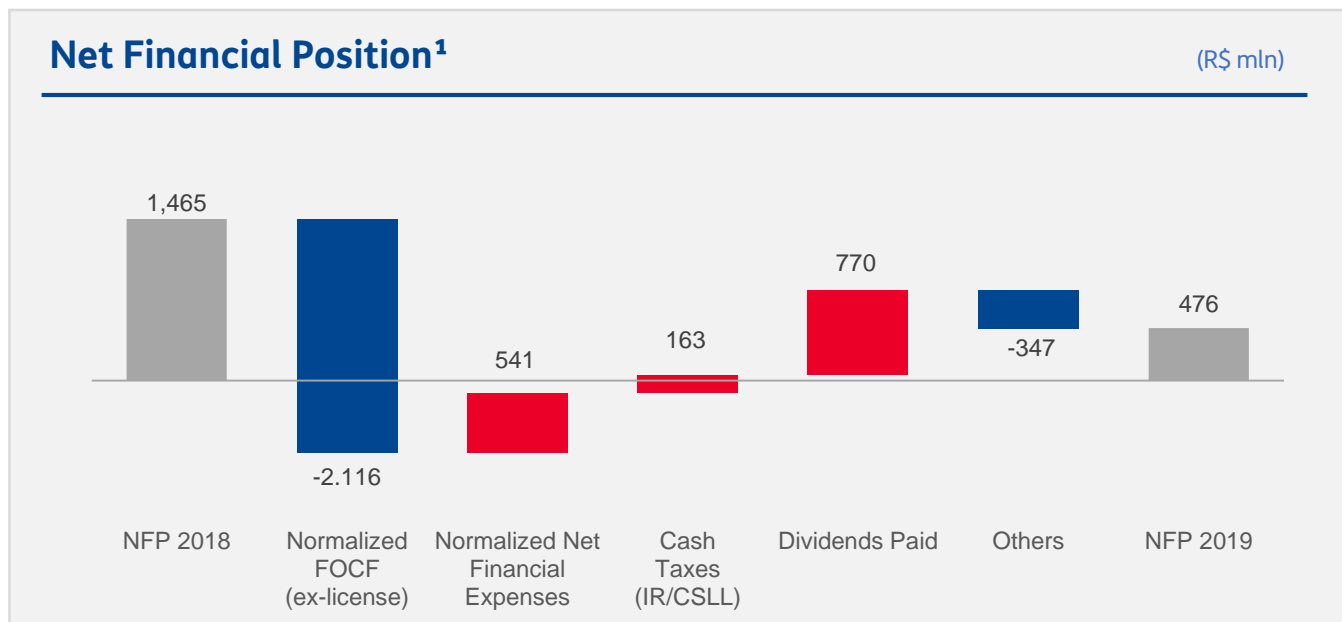


Normalized Net Income¹ Expansion

(R\$ mln, %YoY)

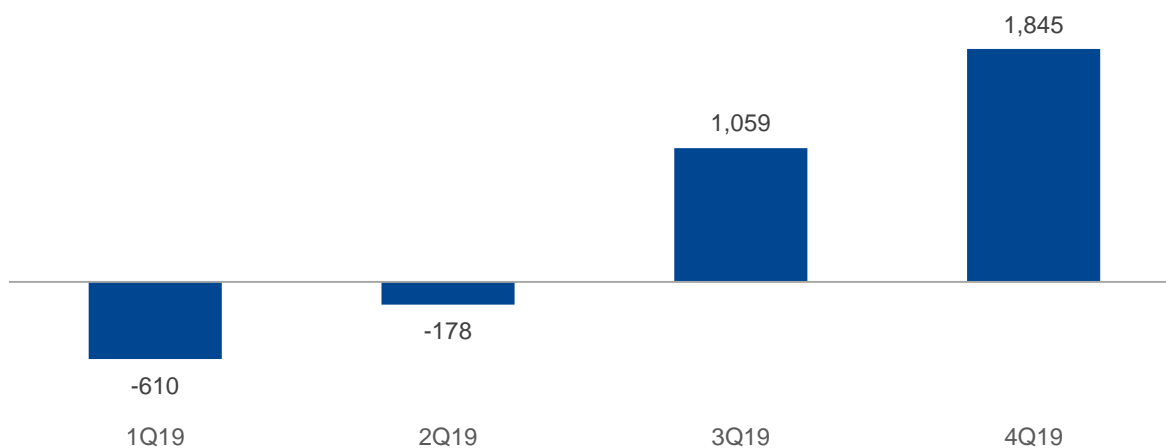


Solid Balance Sheet and Operating Cash Flow

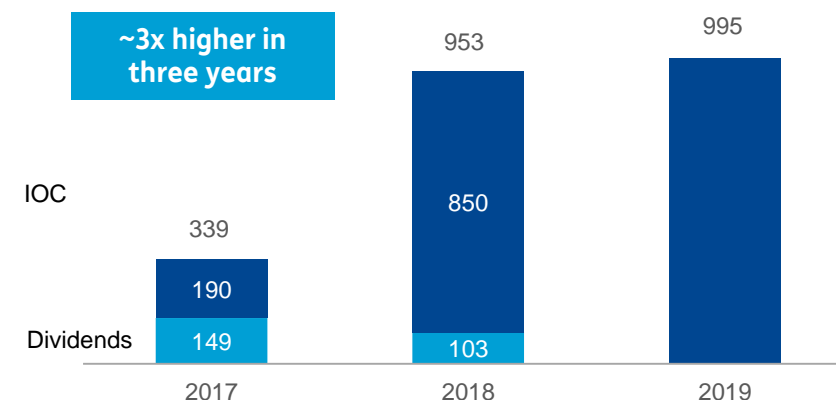


- Positive seasonality for operating cash flow confirmed
- Net debt reduction to sustain a strong balance sheet: ready for strategic movements
- Shareholder remuneration evolving consistently

Consolidation of Normalized FOCF¹ Turnaround (R\$ mln)



Shareholder Remuneration (Announced R\$ mln)



2019 Targets Delivered Despite a Challenging Environment



2019 GUIDANCE



Guidance Metrics	Short Term Targets (2019)	2019 Results	
1) Service Revenues	3-5% (YoY)	2.4%	2H19: +3.1%
2) EBITDA Growth	Mid to High Single Digit (YoY)	6.7%	✓
3) EBITDA – Capex on Revenues	> 15%	16.9%	✓
4) IOC Distribution	~ R\$ 1 bln	R\$ 995 mln	✓
5) CAPEX	~ R\$ 4 bln	R\$ 3.9 bln	✓



Back on track and ready for the new challenges

2019 external assumptions were not met:

- Slower and unbalanced economic recovery (GDP ~1% vs 2.5% assumed in Strategic Plan)

2020 Main Focus:

- Unlocking efficiency in a broader way (cash approach)
- B2B: further develop IoT opportunity
- Accelerating the movement “from volume to value”
- Focus on operation quality recovering customer satisfaction
- Developing new sources of revenues