



4.5G

RESULTS PRESENTATION 4TH QTR 2018



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TIM

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.



Analysts and investors are cautioned not to place undue reliance on those forward looking statements, which speak only as of the date of this presentation. TIM Part undertakes no obligation to release publicly the results of any revisions to these forward looking statements.



Financial results are presented on Pro Forma basis, disconsidering impacts from IFRS 15 adoption.

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

Operating Costs and EBITDA normalized by tax credit due to the exclusion of ICMS from the calculation basis of PIS/COFINS (-R\$ 159 million in 4Q18), loss forecast revision for labor (outsourced and internal) and tax contingencies (+R\$ 157 million in 4Q18). Net Income normalized by the tax credit due to the merger of TIM Celular into TIM S.A. and other effects (-R\$ 994 million in 2018, of which -R\$ 45 million in 4Q18 and -R\$ 950 million in 3Q18).

FY18 & 4Q Highlights – Strong Results Rewarding a Challenging Year

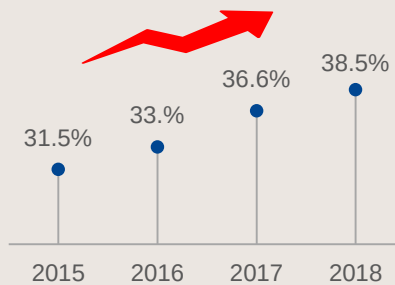
2018 EBITDA¹

R\$ 6.6 bln
(+ 10.3% YoY)



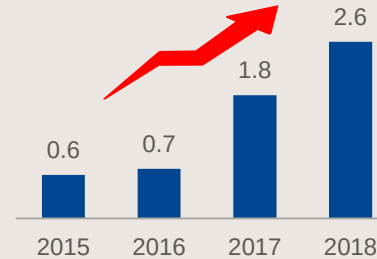
38.5% margin
(+1.9 pp YoY)

Margin Evolution



2018 Cash Generation

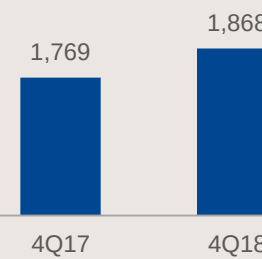
EBITDA¹ - Capex



Net Cash Flow¹ R\$ 1.2 bln

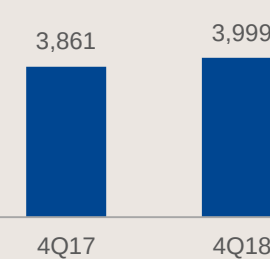
4Q18 at a Glance

EBITDA¹
(+ 5.6% YoY)

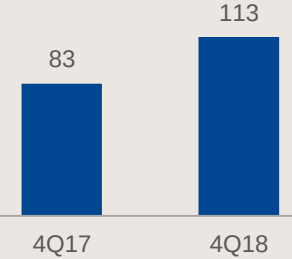


EBITDA¹ Margin 41.7%

MSR
(+ 3.6% YoY)



TIM Live Net Revenues
(+ 35.4% YoY)



2018 Services Net Revenues



R\$ 16.2 bln
(+ 4.7% YoY)



MSR

R\$ 15.4 bln
(+ 4.5 % YoY)

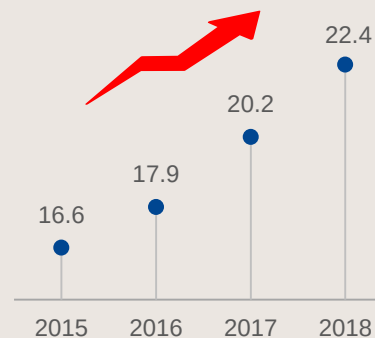


TIM Live Revs

R\$ 392 mln
(+ 38.4% YoY)

2018 ARPU

Consistent Growth



2018 Mobile ARPU



R\$ 22.4
(+ 11.3% YoY)

2018 TIM Live ARPU



R\$ 76.0
(+ 13.0% YoY)

Dec'18 Client Base

Mobile Postpaid

20.2 mln
(+ 13.7% YoY)
36% of the base



4G Users

34.5 mln
(+ 25% YoY)
62% of the base

Fixed Broadband

467 thd
(+ 19% YoY)



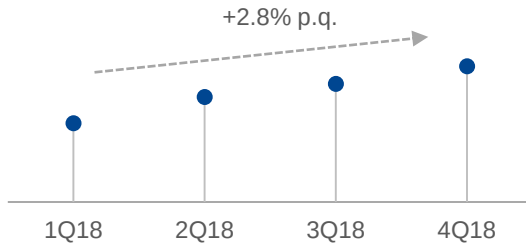
(1) EBITDA and Net Income normalized for the effects detailed in slide 2.

Maintaining Rationality Despite Aggressive Competition in Prepaid

2018: Increasing commitment while avoiding price war

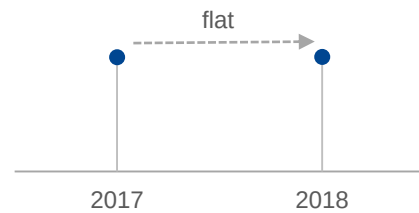
Average Recharge

(R\$/# of recharges)



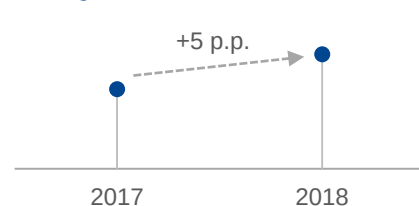
Prepaid ARPU

(R\$)



E-Recharges

(Prepaid Recharge Mlx)



Moving Forward: Innovation, Simplification and Rationality



TIM Pre Top New Offer

- Soft launch (Dec/18), Ad campaign (Jan/19)
- Offer simplification (CEX oriented): New concept ties recharge to service packages
- Proactive migration strategy to penetrate customer base

TIM Pré Top Package

- Unlimited Voice/SMS
- Unlimited Social Media
- Data package dependent on recharge size
- Encourage digital recharge channel with benefits and web portal



TIM Pré Top Pricing

- Minimum recharge: R\$10 (7 days)
- Up-selling optionality inside the prepaid with TIM Pré Top Mais



TIM Pré TOP Recharges

R\$	Days	GB
10	7	1
15	10	1.4
20	14	2
30	21	3
40	28	4

TIM Pré TOP Mais Recharges

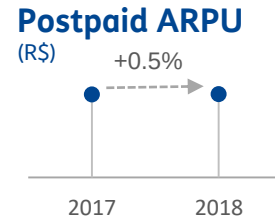
R\$	Days	GB
15	7	1.8
20	10	2.7
30	15	4
40	20	5.4
60	30	8.1

Tweaking Postpaid Approach to Maintain Growth with Quality

Executing a multi-segment migration strategy while managing acquisition quality and credit risk

- Lock-in offers to increase loyalty and drive churn reduction;
- Restructuring sales channels to rebalance acquisition;
- Smart targeting prepaid base to find new pockets of growth;
- Special benefits for “digital clients” (e-bill, app user, direct debt, etc.);

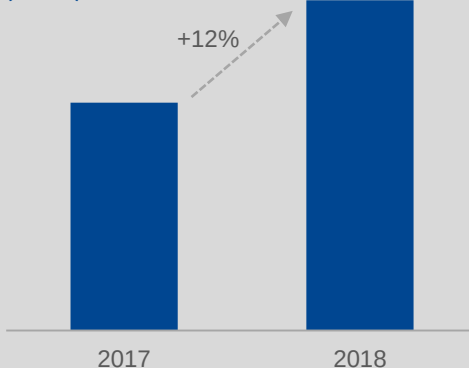
- Innovative offers avoiding price war;
- Blended ARPU showing resilience despite competition;
- Recent customer base price-up (Feb/19).



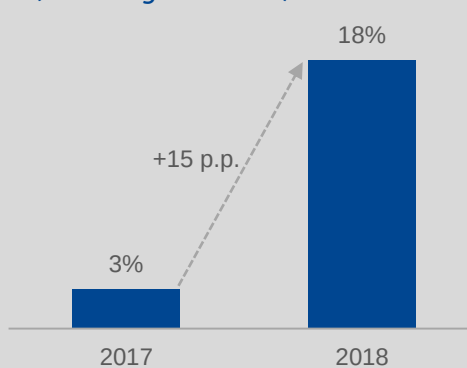
Control:
high single digit
ARPU growth,
working on more for
more



Migration + Gross adds
(‘000)



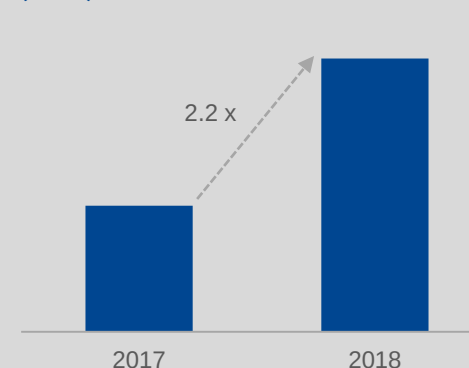
Lock-in Offers
(% over gross adds)



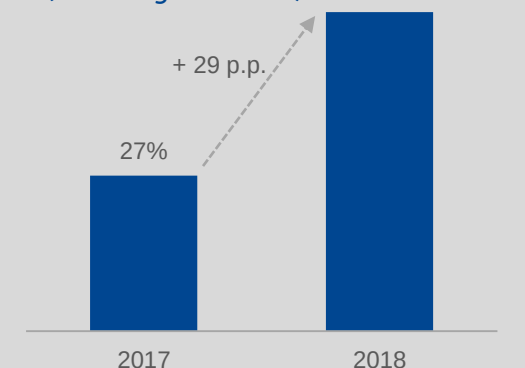
Pure Postpaid:
CB management
while evolving offer
portfolio



Control to post migration¹
(‘000)



Lock-in Offers¹
(% over gross adds)

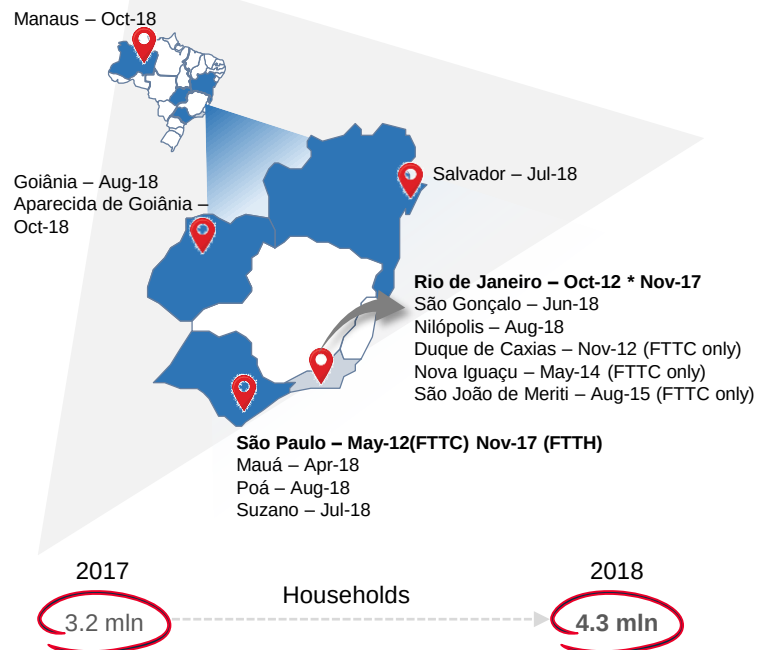


(1) B2C Pure Postpaid.

TIM Live: Great Year of Expansion

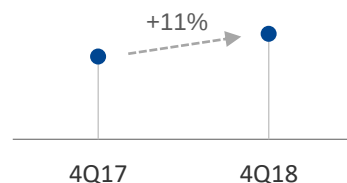
- 11 cities with FTTH, 14 active cities.
- 40% of new clients get $\geq$ 100Mbps Plans.
- Bringing content to the offers with 14 streaming channels (i.e. Fox, Cartoon, NatGeo, etc.)
- TIM Live represented > 50% of fixed revenues in 4Q18.

Coverage Expansion

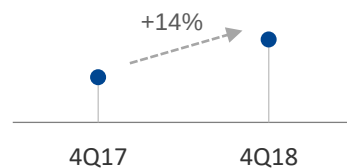


Managing Portfolio to Drive ARPU Up (R\$ mln; %YoY)

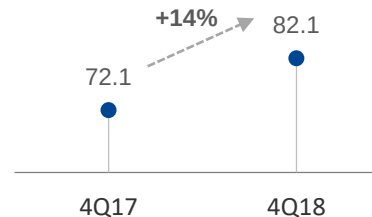
New Customers



Existing Customers



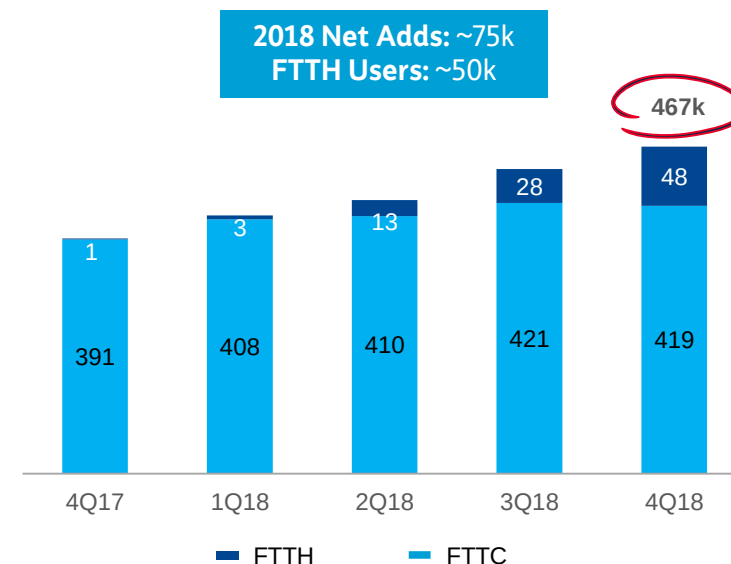
Total ARPU



Price-up in August/18

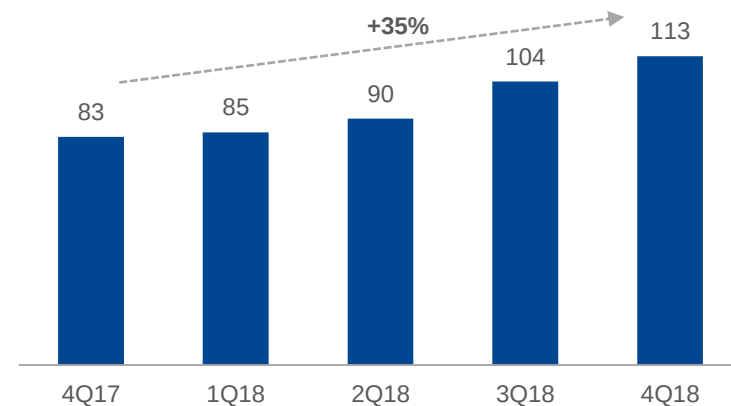
Customer Base Expansion

(000 Clients)



Revenues

(R\$ mln)

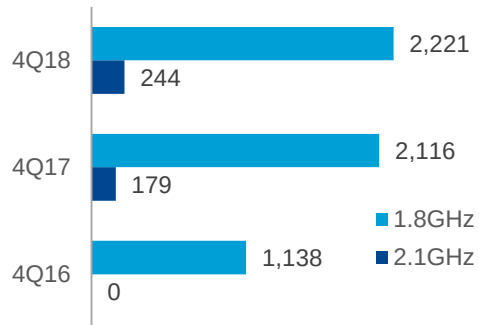


Solid Network Development Supporting All Business Lines

- Refarming pushing our network capacity and quality.
- 4G coverage leadership w/ 3,272 cities and 93% of urban pop.
- 92% of the data traffic generated in 4G devices (76% through the 4G network).
- **VoLTE** coverage: 2,522 cities and 76% of urban population.

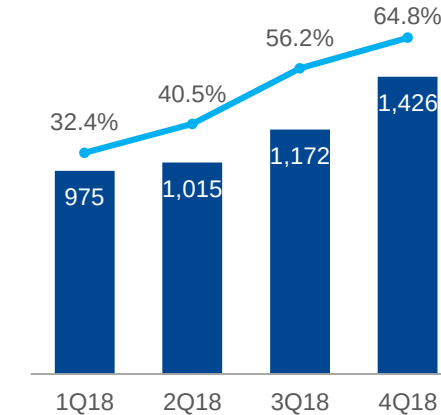
4G Coverage and Capacity Expansions

Refarming Evolution: LTE on 1.8 GHz and 2.1 GHz
(# Cities;)

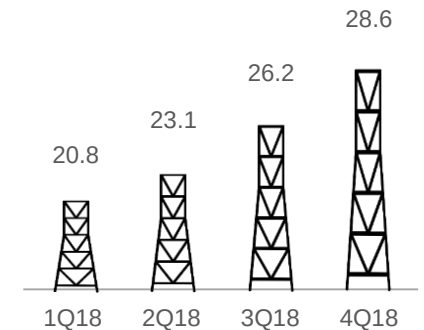


1.8: all Brazil, most cities with 10 MHz or more
2.1: N/NE of Brazil, cities with 5 or 10 MHz

4G in 700 MHz
(# Cities; % of Urban Pop.)

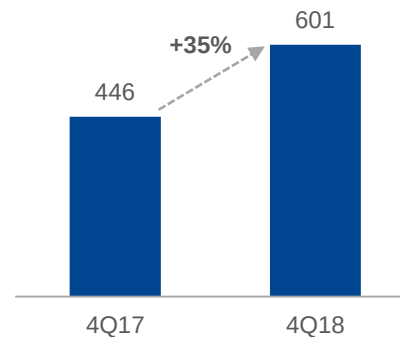


4G Total Elements
(000 e-NodeB's)

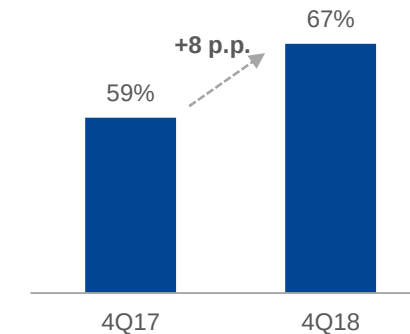


Fiber Expansion: Transport and FTTH

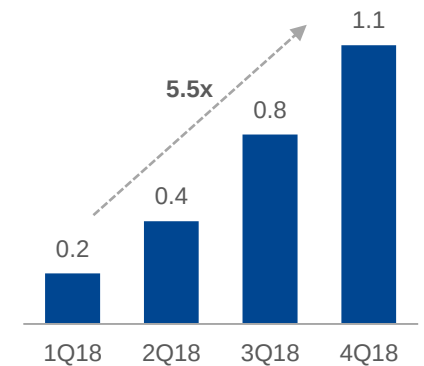
FTTCity
(Cities served by Fiber)



Backhaul
(% Sites w/ High Capacity)



FTTH Coverage
(Mln Households)



CEX: Client Perception Rewards Continuous Efforts in Infrastructure

Maintenance of Top Quality Indicators

4Q18 Network KPI's



P3 Analytics¹

1st place
Best mobile operator

Open Signal



79%
1st place in 4G availability

VoLTE



>12 mln Clients
Improving Voice Experience

Netflix ISP Ranking



1st place
(53 times in the last 56 months)

Ongoing Digital Transformation

4Q18 Digitalization KPI's

E-Billing Users



2x
(YoY)

E-Payment Users



+ 33%
(YoY)

Meu TIM App
Unique Users



+ 72%
(YoY)

Non-human
Interactions



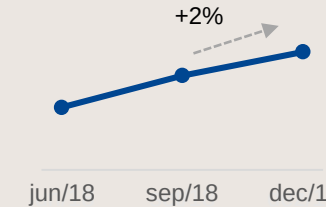
+ 37%
(YoY)

Customer Perception Continuously Improving

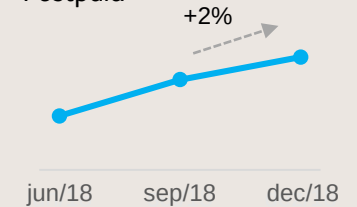
General Satisfaction¹ (National Average)

Solid
Evolution

Total



Pure
Postpaid



General NPS² (National Average; QoQ)

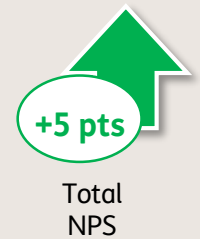
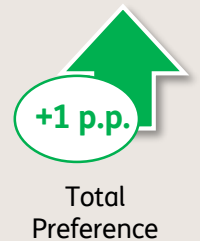
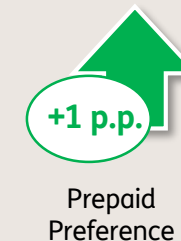


Image Improvement³ (Preference Survey; %;QoQ)



(1) Audit Report Benchmark Brazil, P3 Communications. Performance in the country's biggest cities (SP, RJ and Brasília)

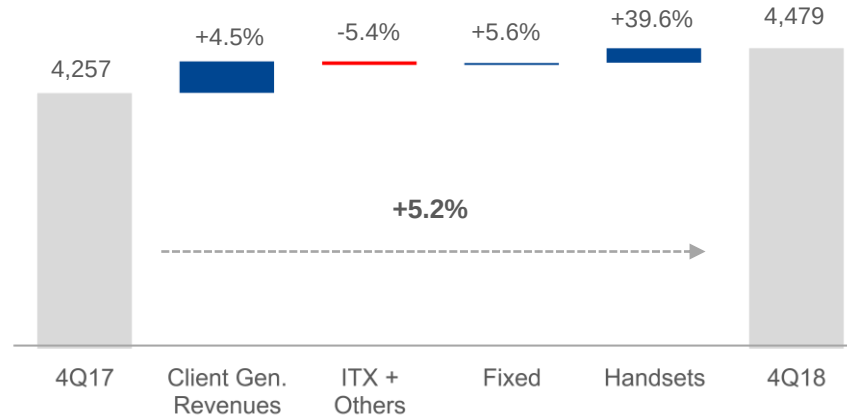
(2) National Satisfaction Survey, Bridge Research.

(3) Source: Internal Caring Survey.

Resilient Revenues and ARPU Growth amid Worsening Environment

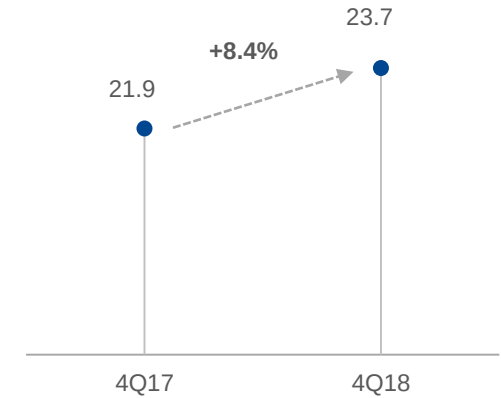
- Top line grew 5.2% YoY and +5% in 2018.
- Service Revenues up 3.7% YoY in 4Q and +4.7% in 2018.
- MSR increased 3.6% YoY in 4Q and +4.5% in 2018.
- Client Generated Revenues increased 4.5% YoY in 4Q and +5.1% in 2018.

Total Net Revenues Breakdown (R\$ mln, %YoY)



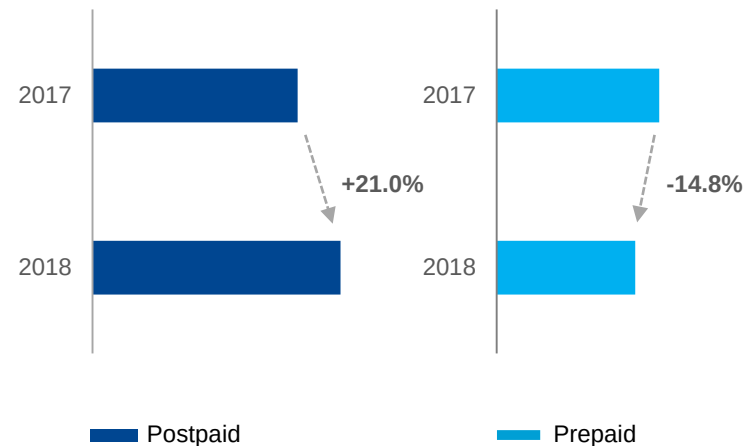
Mobile ARPU

(R\$, %YoY)



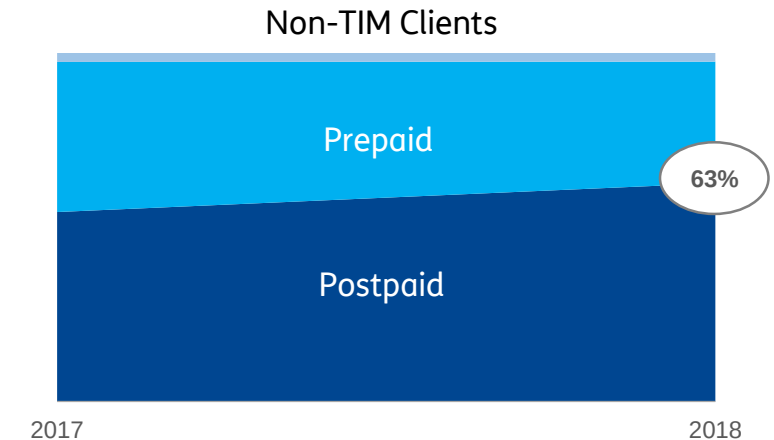
Client Generated Revs. Growth

(%YoY)



Client Generated Revs. Breakdown

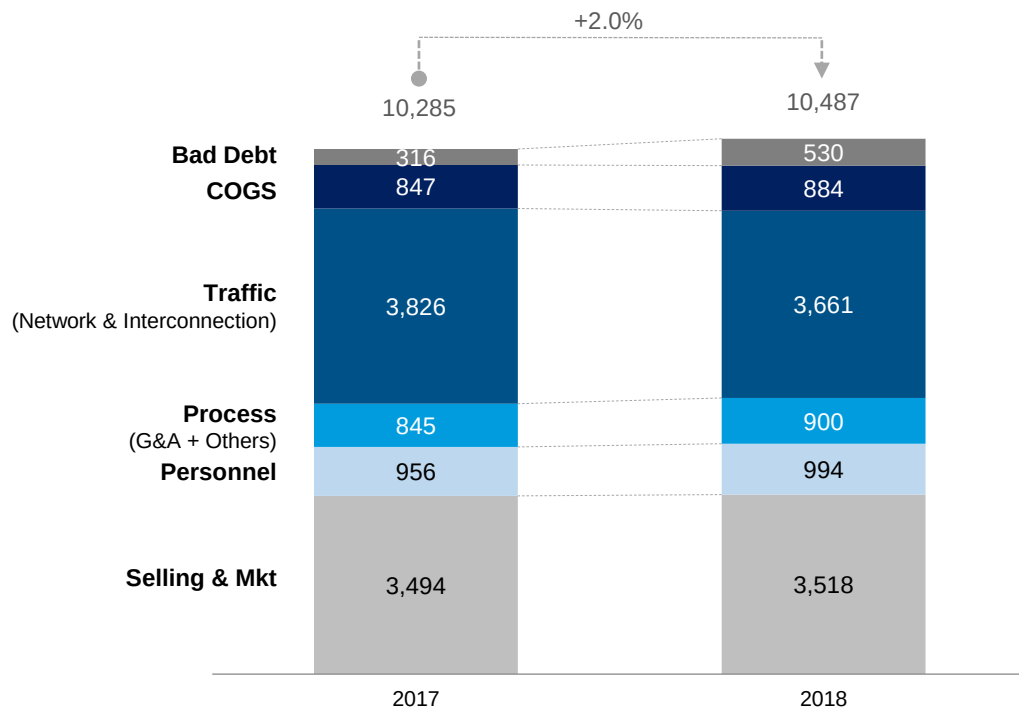
(%)



Opex X-Ray: Cost Growth Below Inflation

Normalized Opex Breakdown

(R\$ mln, %YoY)



Over-delivery on Efficiency Plan: 118% completion, more than compensating bad debt rise. Excluding bad debt, costs would have decreased 0.1% YoY in 2018.

Bad Debt (+67.5% YoY) :

Increase in the revenue base exposed to delinquency, but remained under control at 2% of gross revenues.

COGS (+4.4% YoY):

Higher average sales price (+32.1% YoY) more than compensating decreasing volume.

Traffic (-4.3% YoY):

MTR cut, lower pressure from off-net traffic, and lower cost with providers, more than compensating higher costs with shared infrastructure and rent.

Process (+6.5% YoY):

Higher expenses related to collection services, including the beginning of a new contact center operation in September.

Personnel (+4.0% YoY):

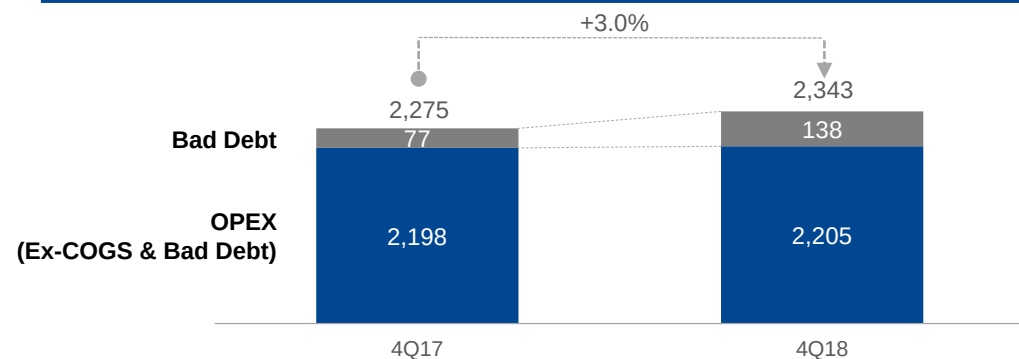
Increase due to inflation and higher employee base, in addition temporary impacts.

Selling & Marketing (+0.7% YoY) :

Growth explained by higher costs with Postpaid and Fixed Broadband sales and by expenses related to TIM trademark rights.

(R\$ mln; %YoY)

Quarterly Normalized OPEX (Ex-COGS)



Bad Debt & COGS in Q4:

Bad Debt grew 78.6% and COGS 25.8% in the 4Q YoY. Excluding these costs, OPEX would have increased 0.3% in the quarter YoY.

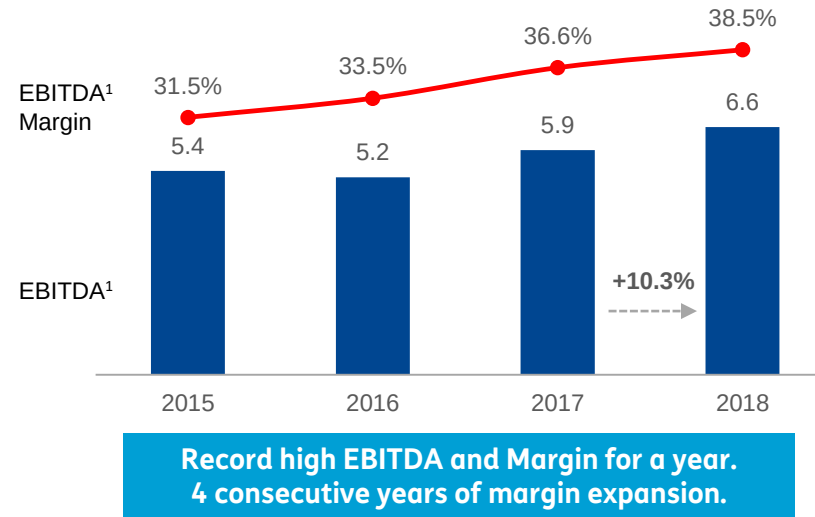
Non-Recurring Items in Q4:

Judicial decision on the payment of PIS/COFINS over ICMS tax (-R\$ 159 mln) and Contingencies reassessment (non-cash effect of +R\$ 157 mln).

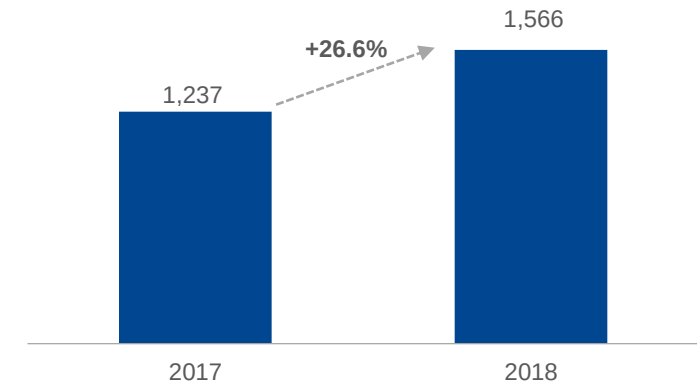
All Time High Profitability with Solid Bottom Line

- Once again, record high EBITDA¹ (R\$ 1.9 bln; +5.6%) and Margin¹ (41.7%) for a 4th Quarter.
- Capex on track according to plan.
- Strong EBITDA¹ – CAPEX, up 43.5% YoY in 2018. In 4Q18, grew 4x YoY.

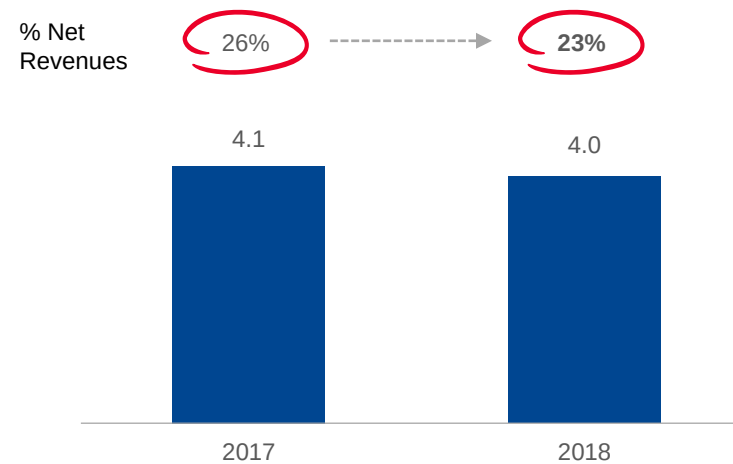
EBITDA¹ & Margin¹ Consistent Evolution (%; R\$ bln, %YoY)



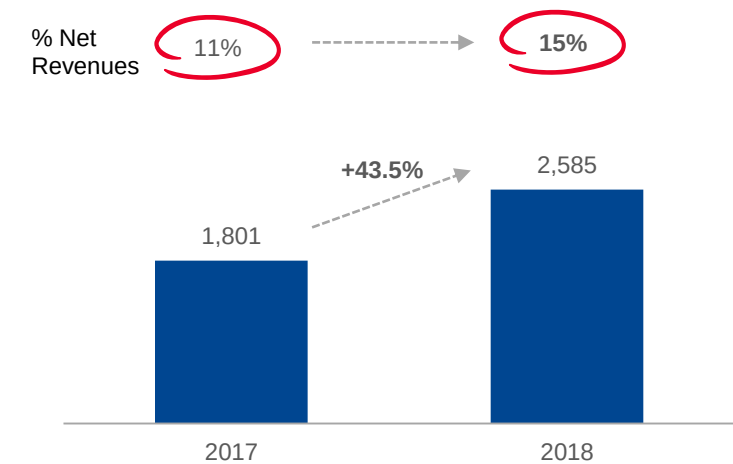
Net Income¹ Expansion (R\$ mln, %YoY)



Investment According to Plan (R\$ bln)



Strong EBITDA¹ – CAPEX (R\$ mln)



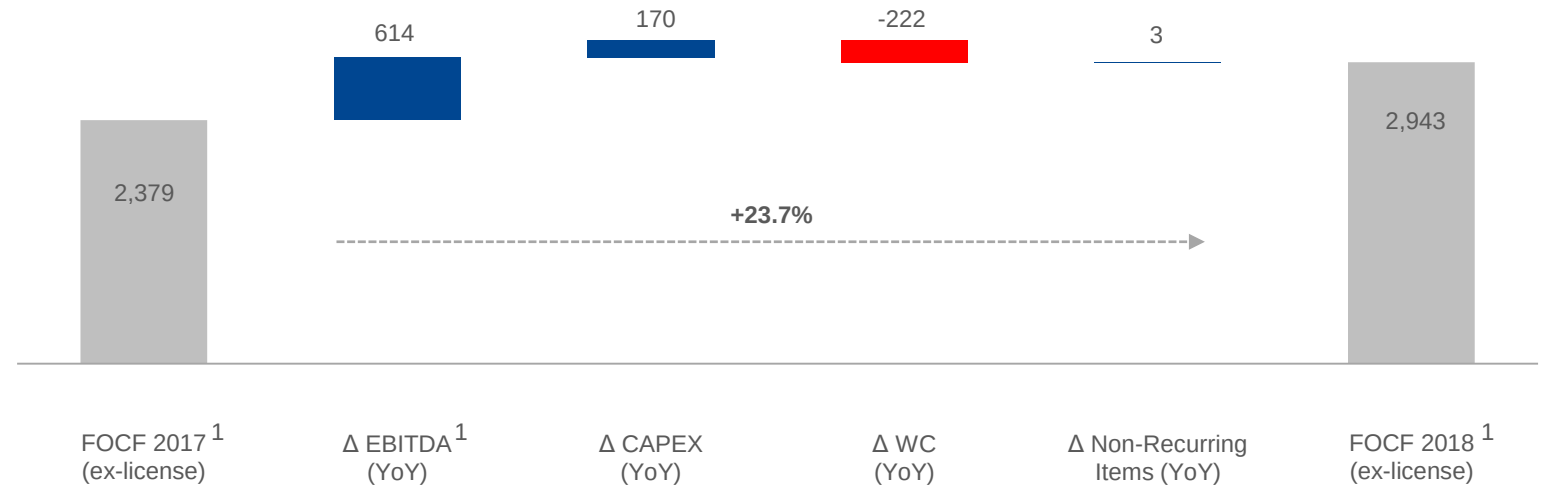
(1) EBITDA and Net Income normalized for the effects detailed in slide 2.

Strong Cash Generation and Healthy Balance Sheet

- FOCF¹ expanded R\$ 565 mln YoY to R\$ 2.9 bln
- Cash and Debt optimization: debt prepayments and debentures issuance of R\$ 1bln.
- Debt 100% hedged. Capex and Opex covered by FX bands and derivative instrument.

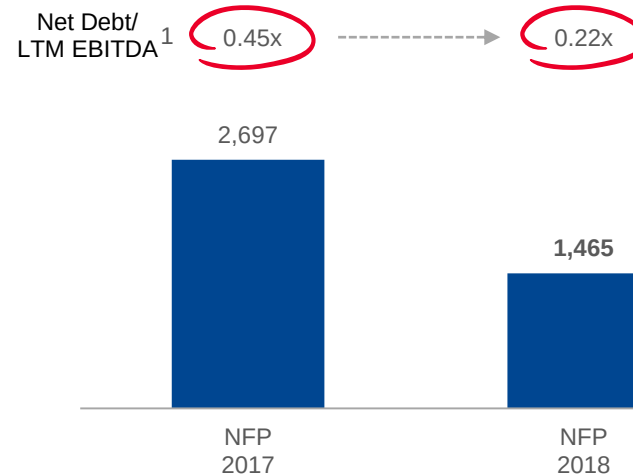
Robust Free Operating Cash Flow

(R\$ mln, %YoY)



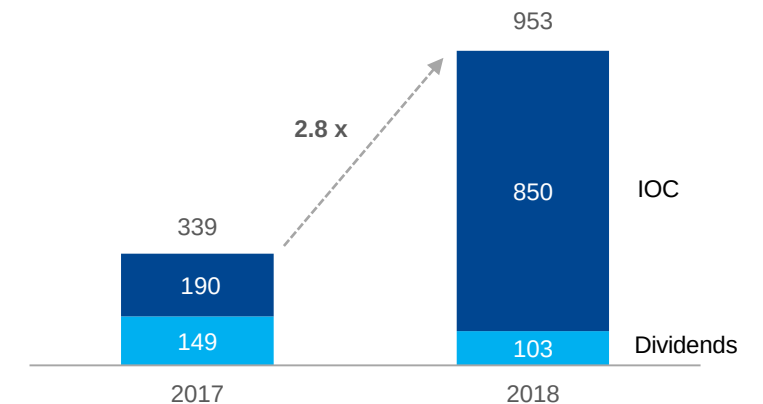
Solid Net Financial Position

(R\$ mln)



Shareholder Remuneration

(Announced R\$ mln; YoY)



(1) EBITDA normalized for the effects detailed in slide 2.

2018 Targets Delivered Despite Tougher Context

2018 GUIDANCE

DELIVERED!

Guidance Metrics	Short Term Targets (2018)	2018 Results	
1) Service Revenues	5 – 7% (YoY)	4.7%	
2) EBITDA Growth	Double Digit (YoY)	10.3%	
3) EBITDA – Capex on Revenues	≥ 13%	15.2%	
4) IOC Distribution	R\$ 800 – 900 mln	R\$ 850mln	
5) CAPEX	~ R\$ 4 bln	R\$ 4.0 bln	

2018 external assumptions were not met:

- ✓ Macro recovery slower than expected
- ✓ Worse competition in mobile reduced the ability to monetize offers

2019 Main Focus:

- ✓ Control prepaid revenue decline
- ✓ Maintain B2C postpaid solid performance
- ✓ Expand further residential broadband
- ✓ Back to growth in B2B (mobile and fixed)
- ✓ Continue efficiency
- ✓ Improve network capacity
- ✓ Digital Transformation

New
Strategic Plan
on Feb 21st