TIM Brasil Day in NY

Nov 13, 2017

Chief Operating Officer

Pietro Labriola

TSU LISTED NYSE

TIMP3 NOVO MERCADO BM&FBOVESPA

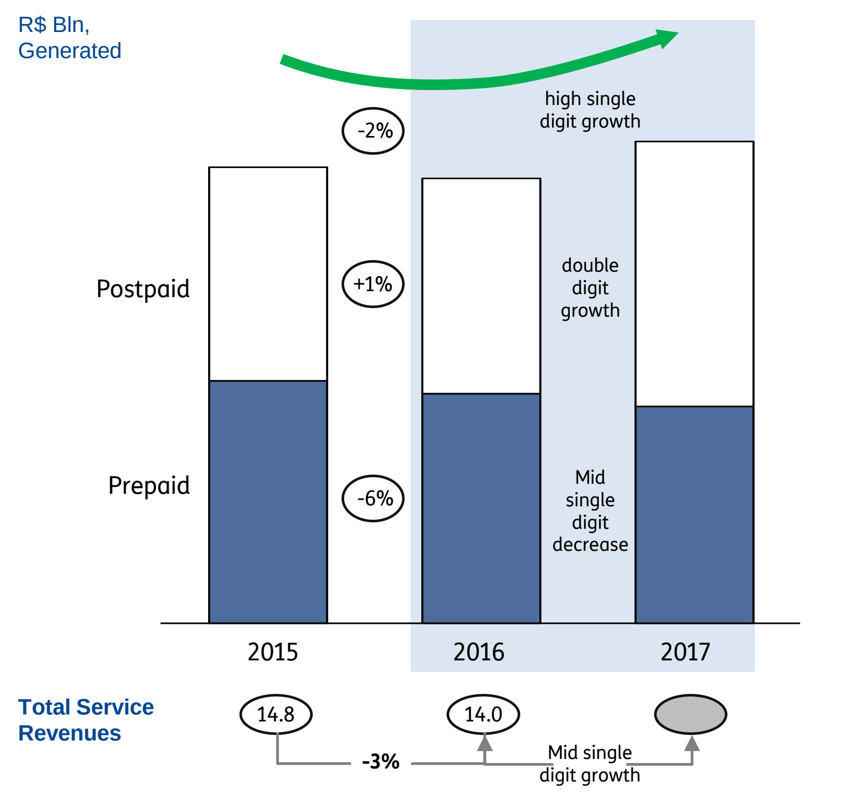
TIM

TIM Brasil is progressing in a reshape of its customer portfolio

Sizing	Market	ARPU
Stable / Contraction 2015 26,9 mln 2017 27,6 mln	POSTPAID CORPORATE POSTPAID CONSUMER +1%	R$ 60 - 90 25
Growth 2015 30,7 mln 2017 41,3 mln	CONTROLE +21%	R$ 25 - 50 15
Contraction 2015 184,5 mln 2017 151,5 mln	PREPAID -11%	R$ 9 - 15 20

CAGR Market Revenues ('15-'17)
2017 segment value (R$ Bln)

TIM Brasil trends



TIM Brasil is confirming its targets

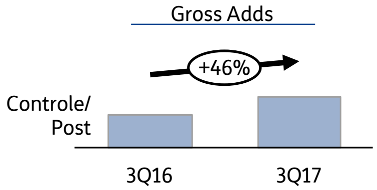
Sizing	Market	ARPU	Market trends	TIM's main achievements in 3Q17
Stable	**POSTPAID CORPORATE** (R$ 9 bi) **POSTPAID CONSUMER** (R$ 13 bi)	R$ 60 - 90	**High priced customer base under pressure by smart competition**	Continuous CB lock-in (churn: -7% YoY) and increasing ARPU (Consumer +13% and Corp: +5%)
Growth	**CONTROLE** (R$ 10 bi)	R$ 25 - 50	**Fast growing segment gaining customers from Pre and Post CB**	Strong growth in Gross/Migration (+54%), CB (+30%) and ARPU (+16%)
Contraction	**PREPAID** (R$ 25 bi)	R$ 9 - 15	**SIM Consolidation driven by the substitution of 2nd SIM to social network and data**	Increase on recurring offers over Gross Adds (~60%)

Source: TIM internal estimates

Facing the Transition Market: New Paradigms for TIM

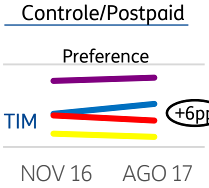
Mature Market

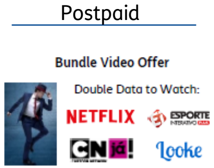
- Keep pushing on gross adds, adapting the go-to-market
- Investing and developing CRM capabilities to face the new market scenario



Smart Competition

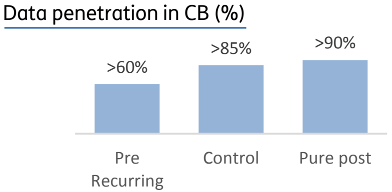
- Improve image and perception mainly for mid/high segments
- Be a clever/disruptor pure mobile operator being reliable on core services and developing innovative services (eg. Content)





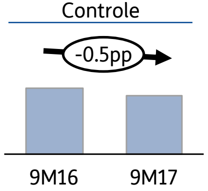
Data Monetization

- Accelerate bundle offer penetration with data package included



High churn Market

- Customer experience improvement through main processes assessment and redesign



Segmented Go-to-Mkt

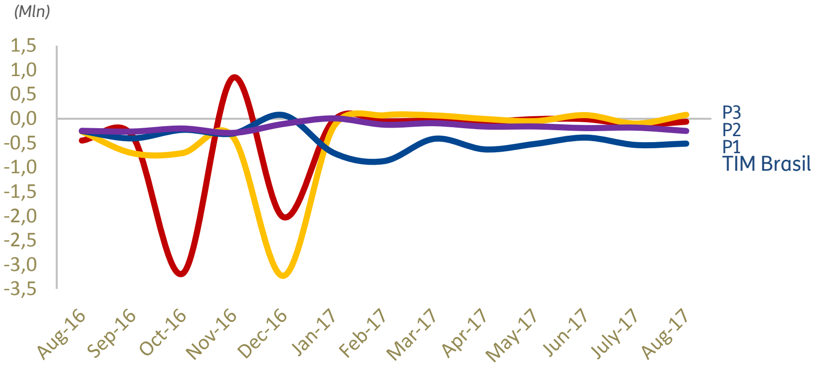
Improved Customer Experience

Multimedia Differentiation

Digital Transformation

Segments trends: main highlights on TIM approaches

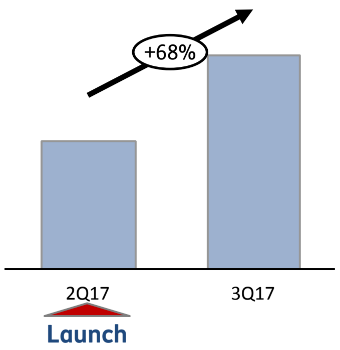
Prepaid



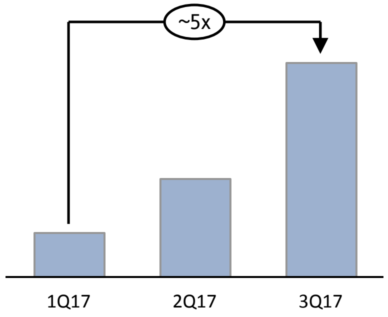
- **Clean-up on regularly pace** and with a strict disconnection policy
- **Quality driven Gross Adds** model implementation
- **Commissioning go-to-market** review

Postpaid

Lock-in evolution Controle



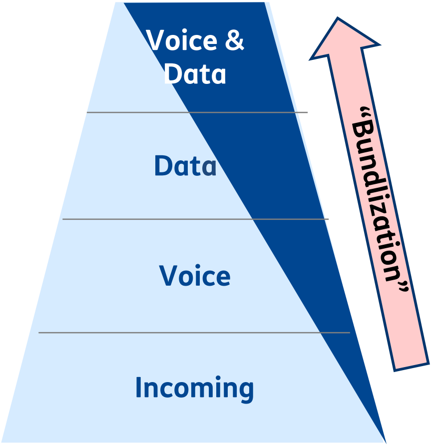
Lock-in evolution Postpaid



- **Price repositioning** (More for More):
  - **Controle: R$ 35 → R$ 55**
  - **Post: R$ 75 → R$ 100**
- **Selective MNP/lock-in approach** (churn rate: -10pp in Controle and -29pp in postpaid)

Prepaid Consumer: from daily to recurring customers

Drivers and approaches



From daily to weekly

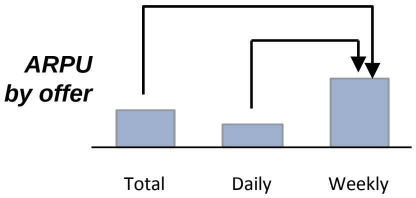
- Consumption based
- Recurring based

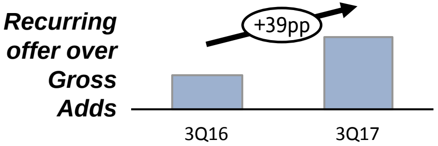
Offering path in prepaid…

"Solutions for different customer profiles"

Call | Day | Weekly | Monthly

"Turbo" Package





Prepaid New Offer, encouraging the recurrence :

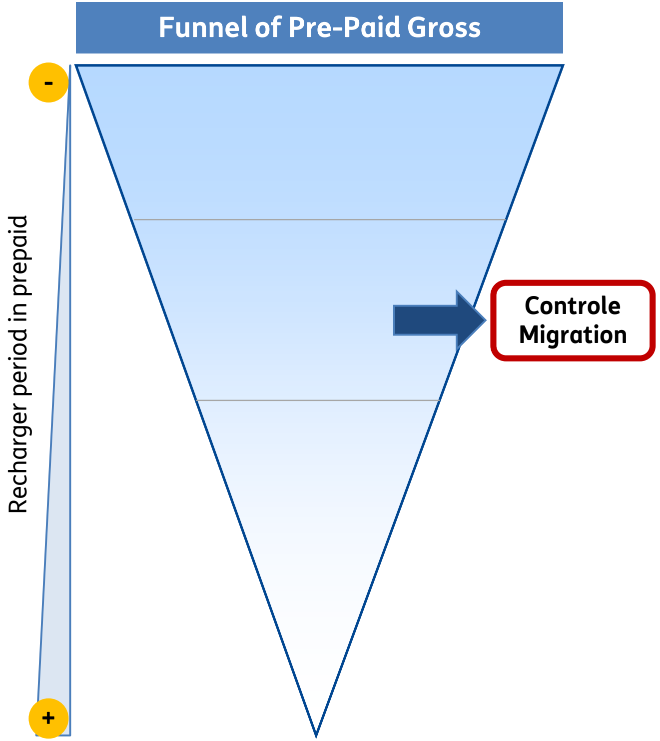
1GB+ 1GB Bonus

	1st renewal	2nd renewal	3rd renewal
1GB	1GB+250MB	1GB+500MB	1GB+1GB

Unlimited calls TIM-TIM
+ 100 minutes off-net

Unlimited Whatsapp
messaging

…is also providing new customers to Controle offer

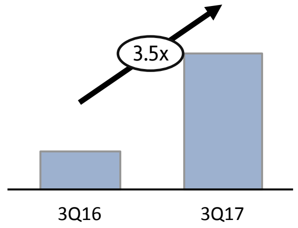


Postpaid Consumer: competitive advantages pillars achieved

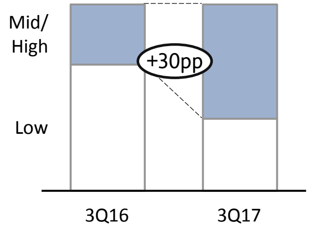
	Yesterday	Today
Post Paid	***'Weak' image at the segment***	***Build image with product offer***
	• **Bundle proposition** (Voice+Data) • **Improve customer experience through stimulus for 4G** • **Up-sell and migration strategy**	• **Bundle full proposition &** ***experience*** (Voice+Data+MME) ✓ • **Manage migration strategy** to increase ARPU ✓ • **Differentiated caring and Regional approach** to push on new acquisition through MNP • **Smart approach to handsets** to increase loyalty and attractiveness ✓
Controle	***'Improving' image at the segment***	***Sustain fair value x money proposition***
	• **Bundle proposition** (Voice+Data) • **ARPU increase with CB migration** • **Push on new acquisition with MNP**	• **Bundle proposition** (Voice+Data+VAS) ✓ • **Manage migration strategy** to increase ARPU ✓ • Distinctive approach to maintain **attractiveness for MNP and reduce churn** • **New channels** to be even more efficient ✓

Main highlights

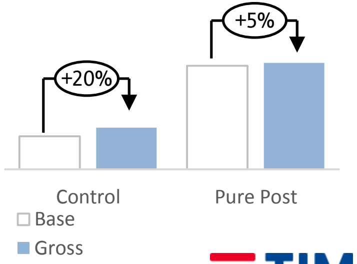
Net Adds



Bundle offers mix*



New clients higher ARPU



Postpaid Corporate: coming back to an economic growth approach

B2B segmented strategy

Segment	Market Size: (MM Companies)	Main drivers	Approach
TOP (Revenue greater than R$ 340M)	0.01	• Increase share of wallet on existing CB	***Organic growth and Operational fine-tuning***
MEDIUM/LARGE (More than 30 human lines)	0.1	• Hybrid farmer and hunter approach	
SMALL (More than 5 human lines)	2.0	• New go-to-market approach (salesforce footprint , MNP, …) • CB management improvement	***Structural Turnaround Push***

Market Size: (MM Companies)

Main highlights

- **Segment** with a long term payback **moving to a sustainable path** (no trade-in offers)
- **1st mover outside the "trade-in war"**
- From 3Q with new offer launch, **TIM is back to the game**

Segmented go-to-Market: distinct and targeted approach

Prepaid

Recurring portfolio evolution focus

Offer Evolution:
Turbo 7 – TIM Pré

Main Speech:
TIM Pre 1GB Recurring

Main Speech:
High value top-up incentive

Main Speech:
TIM Pre 1GB with 1GB bonus in recurring

Controle

"More for More" strategy, delivering the best value proposition (voice + data + content)

Offer Evolution:
+ VAS + Data
Price up

Combo launch
(service loyalty + device)

Offer Evolution:
+ data
+ **unlimited calls**

...

Postpaid

Repositioning with **TIM Black launch:**

- More data, unlimited minutes
- Back to the game in handsets
- Exclusive contents

New **handset** discount offer **(lock in)**

Offer evolution **(more data, +content)**

TIM BLACK

New **Express** offers

Launch of **TIM Black** with unlimited calls

New **Family** offer

New discount offer **(lock in)**

New **data bonus** to push acquisition

New VAS **partnerships**

Bundle Video Offer

Double Data to Watch:
NETFLIX, ESPORTE INTERATIVO PLUS, CN já!, Looke

Video as new premium content

Q1 | Q2 | Q3 | Q4

Customer experience driven by “Voice of the Customer”

CEX improvement approach

Voice of the customer

Proactive approach

Design & Innovation

Reactive approach: continuous improvement

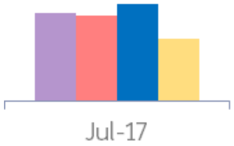
Governance

96
Priority Actions

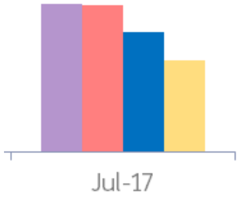
58
IT Projects

Impacts on customer satisfaction

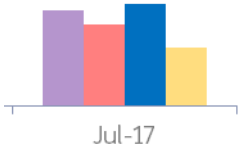
Prepaid



Control



Pure Postpaid



Multimedia differentiation approach: TIM as a smart challenger in MME

Fixed

Having **no legacy** act as a smart disruptive provider with zero capex approach

- Bundle of high speed + video content subscription
- Carrier billing function

Partnership with premium content focusing on Cord Cutters (more buy more)

Wrap-around content and high speed

Mobile

1) Bundle data and OTT premium content with "binge on model" to reduce network impact
   - TIM BLACK: premium content
   - VAS direct carrier billing (revenue share deals)
   - Pure mobile content
2) Possible commercial partnerships to offer TIM connectivity for second screen (Dedicated video quota)
3) WTTx: Levering Video Content according to network capacity with "Binge on" model

Take Up 4G connectivity

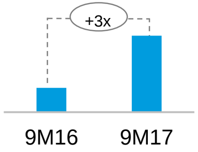
Digital Transformation across company to improve CEX and process efficiency

Digital Evolution of Customer Journey

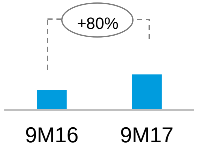
SALES & ACTIVATION | CUSTOMER MGMT & CARING | BILLING | PAYMENT

Sales in Digital Channels
(# of digital activations)

Control

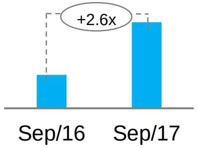


Recurring Prepaid

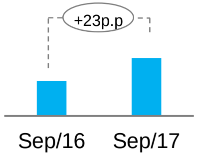


Digital Caring

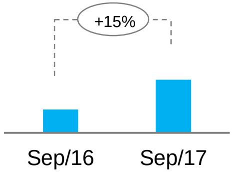
Unique Users of App or Website



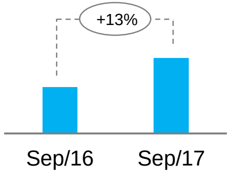
Digital Interactions/ Total interactions



E-Billing
(# of online invoices)



E-Payment
(credit card, bank account and internet)



Process Efficiency

IT Initiatives: Infrastructure & Digital Capabilities Enablers helping to reduce costs and accelerate revenues

150 Projects
- Internal efficiencies
- Efficiency in automatization of customer interactions
- Big Data digitalization / Customer Knowledge tools enhancement
- New sources of revenues generation

Improving Trends for Customer Satisfaction[1]

#1 General Satisfaction

#1 in Pure Postpaid

#1 in Prepaid

(1) Source: Customer Satisfaction Index (CSI) model by University of Michigan, survey conducted by CFI Group as of Jun/17

TIM

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Residential Solutions

Pietro Labriola

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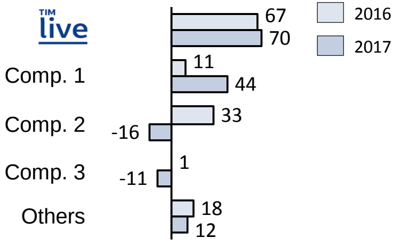
TIM

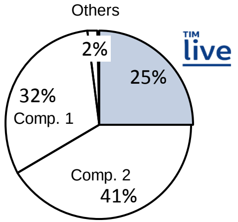
UBB results in constant evolution

Customer profile:
- 97% have Smart TV
- 85% use Netflix

Total net share *
('000) – Jan-Sep

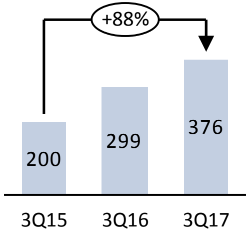


Market share >34 Mb *
(% customer base; 3Q17)

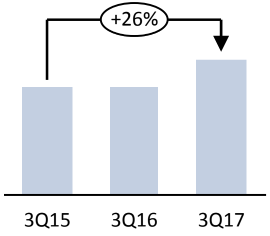


TIM Live growth

User base
('000)

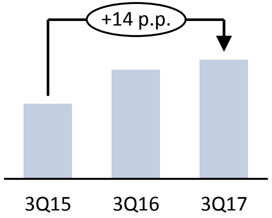


Total ARPU
(R$)

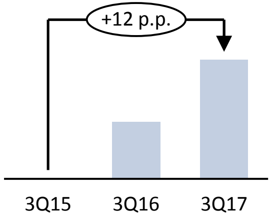


Loyalty and smart approach

Customers >50Mb
(% customer base)

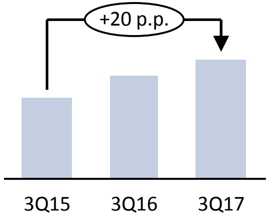


VoIP penetration
(% customer base)

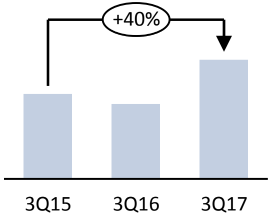


Offer upgrade and services upsale

Occupation rate
(% of ports used)



Digital sales
('000)



Efficiency increase

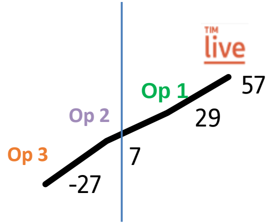
*only in cities with TIM Live coverage

Leadership in customer experience

Customer Satisfaction

	Unsatisfied (0 to 7)	Satisfied (8 to 9)	Delighted (10)	TIM live (FTTC)	Competitors highest score
Overall satisfaction	22%	51%	27%	8,34	7,77
Plans and offers	18%	50%	32%	8,49	7,36
Billing	17%	36%	47%	8,70	8,01
Network quality	17%	47%	36%	8,59	8,06
Presencial tech. support	19%	36%	45%	8,63	8,52

NPS



NETFLIX

TIM Live leadership in the Netflix ranking:

- **Invictus in the last 12 months**
- **Leader 33x in the last 36 months**

Souce: Market survey "Satisfação e Imagem de Banda Larga Fixa" – Sep/17

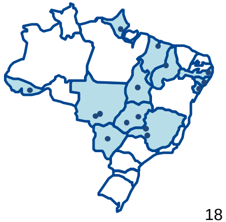
WTTX started with great results

Coverage

- **Levered on LTE 700Mhz project** using idle capacity of the constructed network
- **Focus on** regions with **limited offer and quality regions**
- 2017 commercial **launch in 16 cities** (in 12 states)

Q2 2017

Q4 2017



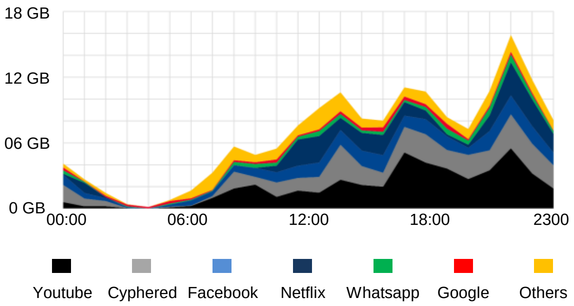
Device

Customer base

- *Soft launch:* more than **2k customers**
- High **attractiveness of the higher speed offer** (average ARPU of ~R$ 105)

- **Usage**:
  - **80%** uses **all data package**
  - **~40%** uses to watch **videos and movies** online
- **Before acquiring** WTTX service:
  - **72%** did not have **broadband**
  - **21%** did not have **paid TV**

Traffic measurement (July 3rd)



Customer Experience

- Welcome call for **all new customers**
- Customers with **high satisfaction index** (76% vs 57% of Broadband market)
- Equipment **delivery in 7 days**
- **83%** of recommendation

Customers quotes:

"I **recommend the internet** to my neighbors"

"I use my internet to **browse, play online and watch videos**"

"I knew the offer through a **Facebook group**"

WTTX "Fast Guide"

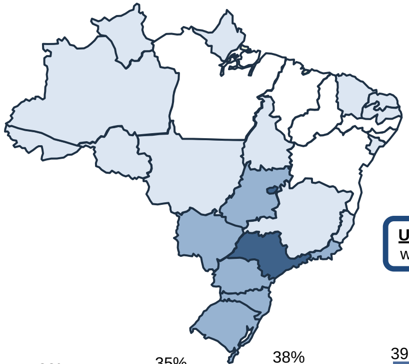
Source internal infos

Major Brazilian cities accounts for 97% of national UBB

Broadband penetration by region[1]

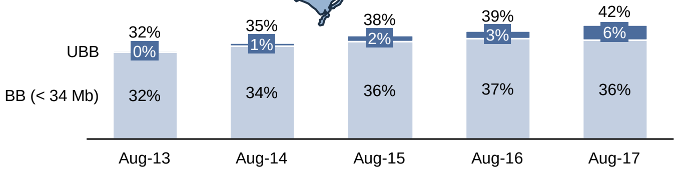
% BB penetration in HHs, Aug/17

0 – 20% | 20% - 40% | 40% – 60% | > 60%



Broadband penetration 42%

UBB: Only 12 cities[3] (all from SP) with penetration UBB above 20%



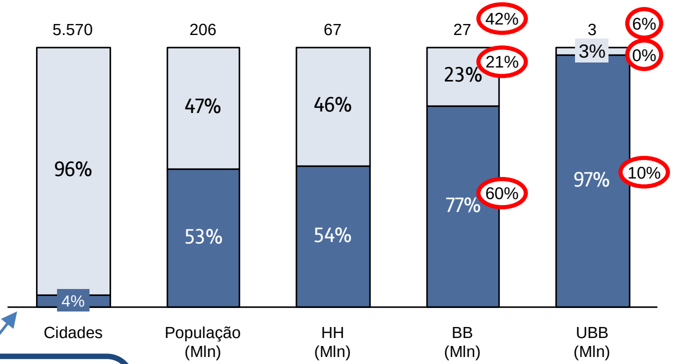
- Low penetration (<40%) in 19 of 27 states and only São Paulo and Federal District with penetration above 60%…
- …demands an assertive approach to obtain good results

Penetration of fixed broadband by city profile[2]

Group A: cities most populated (250)

Group B: other cities (5.320)

Fixed broadband penetration (excludes SMP and includes SME BB)



State of Group A cities:

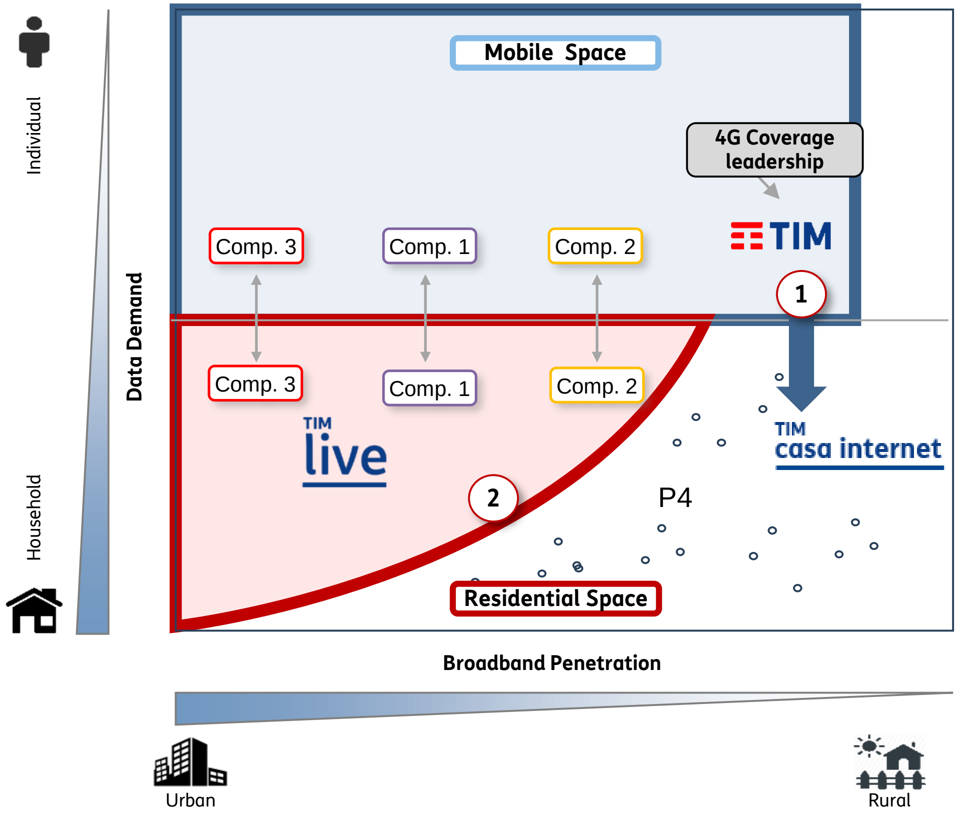
- **SP: 64**
- **RJ: 26**
- **MG: 23**
- **Other States: 137**

- Potential to grow in top 4% of Brazilian cities which has 77% of broadband connections and 97% of national UBB market due to its low UBB penetration (8%)…
- …and also potential in other 96% of cities (~50% population) which also has low penetration of 20% on average

Source: [1] Teleco [2] Teleco, IBGE, Cetic, Anatel

Note: [3] Vinhedo, São Caetano do Sul, Valinhos, Indaiatuba, Santos, São José dos Campos, São Paulo, Barueri, Santana do Parnaíba, Praia Grande, Americana and Itatiba

A window of opportunity for various broadband solutions has emerged…



WTTx Focus

1

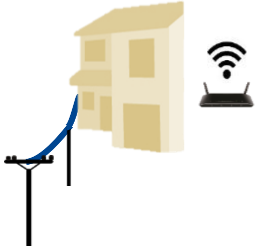
- **Attack new HH market** (incremental revenues)
- **Optimize investments**:
  - use of 4G network spare capacity

Mobile BB advantage
- Time-to-market
- Coverage
- Value x money

FTTH focus

2

- **Best overall performance**
- **Traditional model (cable/FTTx)**



Fixed BB advantage
- Capacity
- Performance
- Stability

Leverage on convergence in selected cities

Residential solutions: opportunities expansion through own network

Network efficiency

FTTC network upgrade

- **Replacement of some boards by VDSL2+** boards
- **Higher speeds and ARPU** over the already constructed network
- Focus on **high value areas with low sales performance**
- Fast **time-to-market**
- **Low investment** to increase offer value

FTTC capacity increase

- **Increase of capacity** on already saturated areas
- Focus on already **successful areas**
  - **Exploitation** of already **approached buildings**
  - **Synergy with network upgrade** strategy (use of replaced boards)

Broadband Solutions

New technologies

WTTx

- **Innovative product** that delivers a full, accessible and simple solution of residential broadband
- Focus on **customers with limited broadband services** mostly on cities suburbs and smaller cities
- **Broadband through 4G - 700Mhz** network
- **Plug'n'play** solution
- **Voice and video included in data package**

FTTH

- **Fixed ultrabroadband evolution: unique solution for who wants to go where nobody has arrived**
- **Focus on high value customers and high customer experience standards**
- **Smart strategy coverage with launch in new cities**
- **Partnership with content providers**
- **Digital and multichannel caring (website, APP/Chatbot, service/URA)**

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