

RESULTS
PRESENTATION
2ND QTR 2020

 **TIMP3
NOVO
MERCADO**

ISEB3



**IMAGINE THE
POSSIBILITIES**

 **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 considering 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\$ 2.6 million in 1Q20 and +R\$ 1.5 million in 1Q19), tax credit due to the exclusion of ICMS from the calculation basis of PIS/COFINS (-R\$ 1,720 million in 2Q19), non-recurring expenses with legal services connected to the PIS/COFINS court decision (+R\$ 3.5 million in 2Q19) and loss forecast revision for internal labor, taxes and civil contingencies (+R\$ 222 million in 2Q19).

Strong Execution on Cost Efficiency to Face the Impact of COVID-19, While Developing New Initiatives for the Future



Efficient performance on cost control: OPEX¹ -12.8% YoY
Bad debt positive trend: reduction of 15.6% YoY



EBITDA¹ growing solidly 0.9% YoY despite top-line pressures
Margin¹ reached 49.6%, expanding 3.6 p.p.



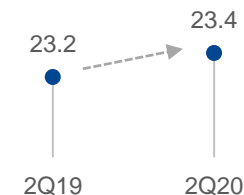
Strong cash generation: EBITDA¹ – Capex growing 28.5% YoY
Reaching 33% over Net Revenues (+9 p.p. YoY)



TIM Live: 600k clients milestone
Revenues at strong pace: +29.0% YoY



Growth in the
Mobile ARPU:
+0.9% YoY



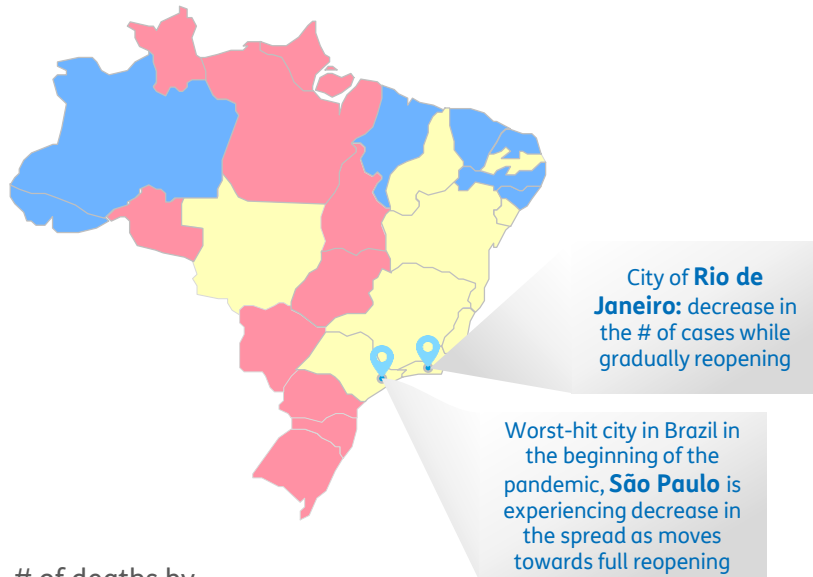
Unprecedented partnership – **New offer** for Prepaid and Controlele customers



Signing of the TAC – Conduct Adjustment Term with Anatel (1st in the Agency's history)

COVID-19 has a Different Impact in Each Region and Economy Starts to Reopen

Brazil has continental dimension with different situations in each state



of deaths by COVID-19 in Brazil⁵:



Falling: AC, AM, AL, CE, MA, PE and RN



Stability: ES, MG, RJ, SP, MT, BA, PB, PI and SE



Rising: PR, RS, SC, DF, GO, MS, AP, PA, RO, RR and TO

Economy taking the first steps of reopening

GPD forecast revised by the Government¹

-5.77% for 2020 vs. -5.95%

Consumer confidence rising for the third consecutive month²

+7.7 pts MoM in July

While still low YoY, retail sales increased for two months in a row³

-24.1% YoY in June vs -36.5% YoY in April

Economic activity improving (IBC-Br)⁴ in a monthly basis since the beginning of the pandemic

+1.3% MoM in May

TIM is acting proactively to adapt to the 'new normal'

1

Stores reopening plan:

- Stores reopening in regional basis respecting local decree
- During the period where stores are operating part time, employees will be subject to rotation and adapted worktime: reduced workforce in the stores by 25% and 50%

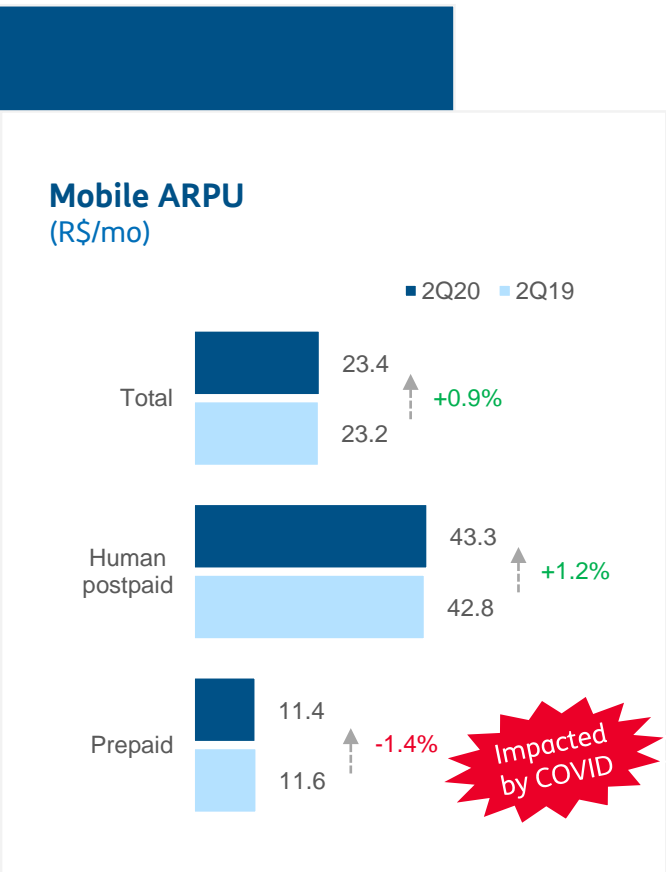
2

Headquarters reopening plan:

- Positive evaluation of home office experience by our employees (mainly in the call center)
- Possibility of maintaining remote office for ~70% of HCs

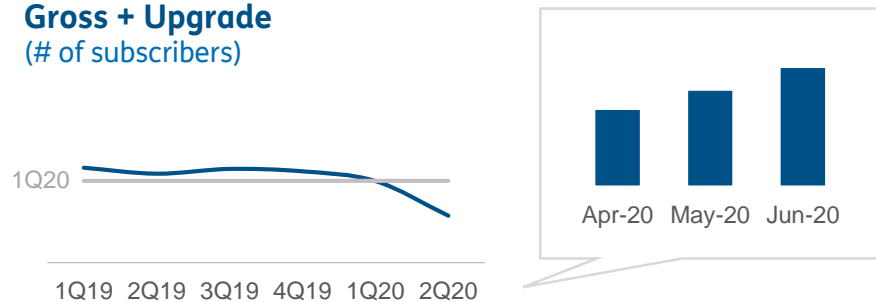
(1) Central Bank's Focus report as of July 24th, 2020. (2) FGV's Consumer Confidence Index; (3) ICVA ("Índice Cielo do Varejo Ampliado") as of July 15th, 2020; (4) Central Bank's Índice de Atividade Econômica; (5) Brazilian Government data as of July 27th, 2020 – based on a 7-day moving average compared to the past 14 days.

Mobile Market is Showing Resilience, Even Though Commercial Activities Were Lower During the Quarter



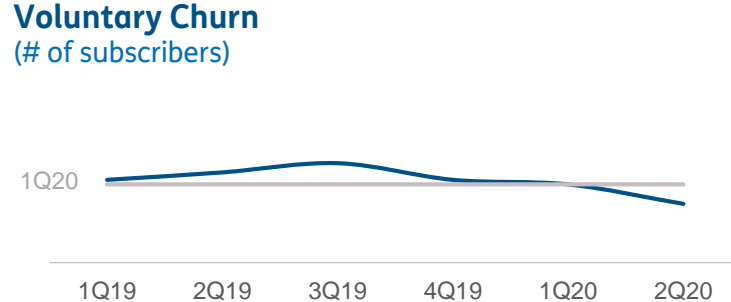
CONSUMER HUMAN POSTPAID

Gross + Upgrade
(# of subscribers)



Commercial activities impacted by stores closing, which are operating now at 30-40% of full capacity.

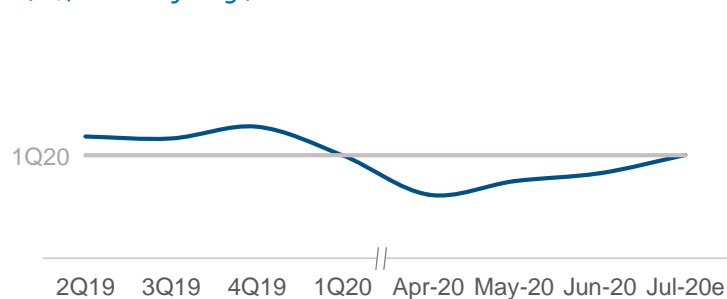
Voluntary Churn
(# of subscribers)



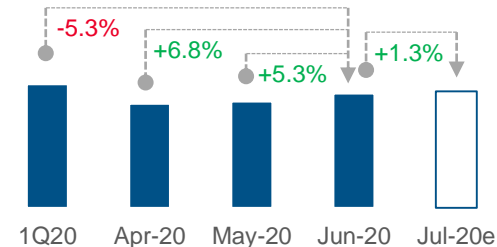
Churn dynamic positively impacted by lower commercial activity and improved acquisition quality.

PREPAID

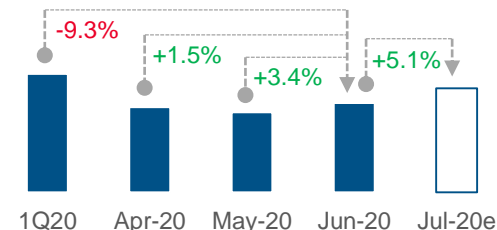
Recharges Sell Out
(R\$; monthly avg.)



Recharges Sell Out per Business Day
(R\$)



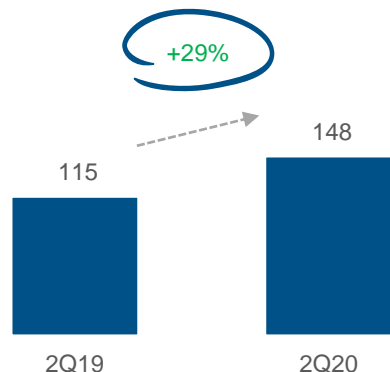
Average Rechargers
(#)



Recharges sell out improvement vs 1Q20, although average rechargers did not completely recovered.

TIM Live Accelerated Growth in a Challenging Environment

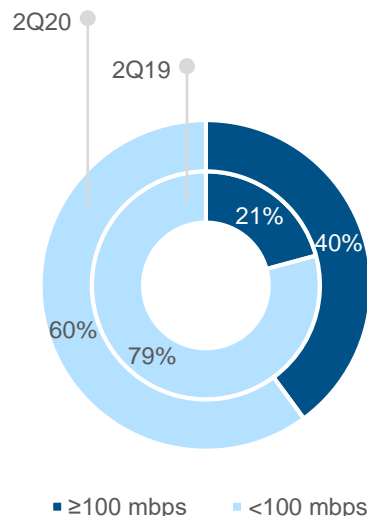
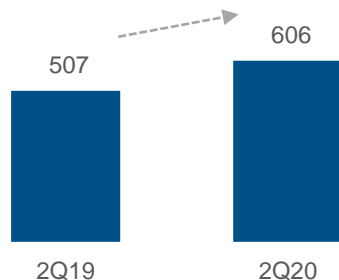
TIM Live Net Revenues (R\$ mln)



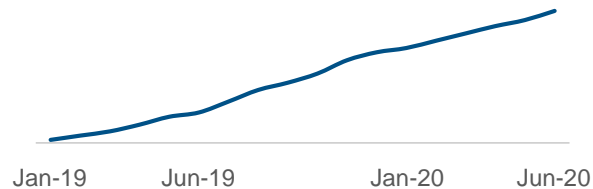
→ 58% of fixed revenues (~4% of service revenues)

Customer base ('000)

~ +100k customers in a year



Accumulated New OLTs (# of units)



Focus on maintaining growth with installations at the same pace

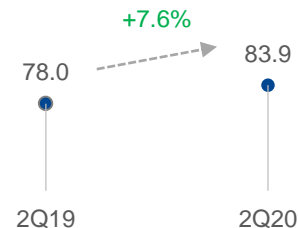
New launched: Brasília (DF) and Belo Horizonte (MG)



Outside Plano Piloto

27 FTTH cities so far

ARPU (R\$/mo)



Client base price up to come: already notified

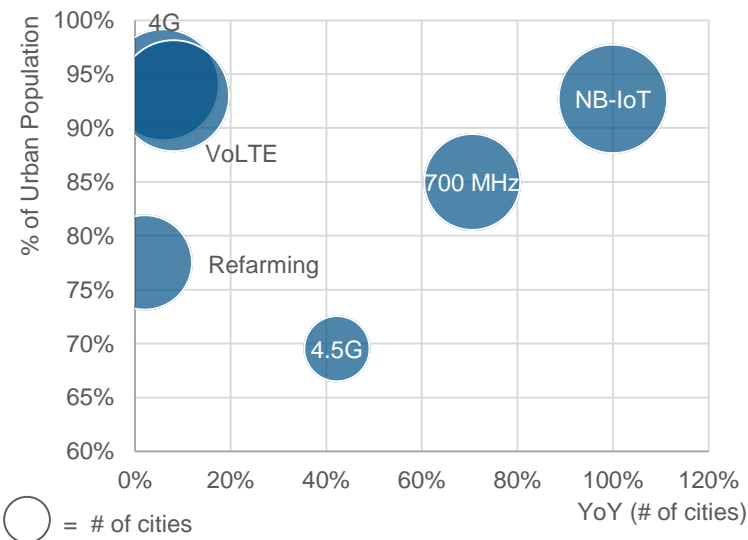
Increasing acquisition ARPU by improving value proposition: high speeds + content



Digital courage: 100% online commercial launch

Continuous Development of a Robust Infrastructure Amid Adapting the Network To New Traffic Profile

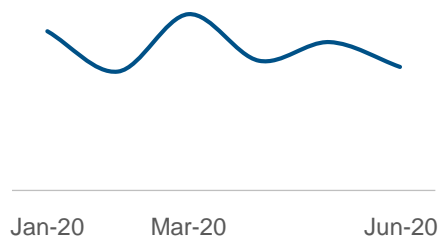
Mobile Coverage



- **Best coverage experience in Brazil**
- 88.2% availability (~ +9 p.p. ahead 2nd place)
- Well positioned network in other experienced KPIs: video, game, voice app and speed¹

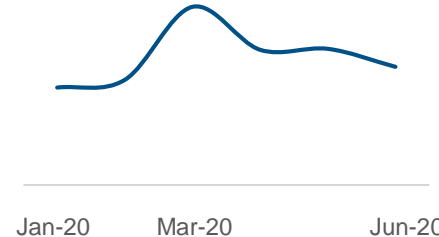
TRAFFIC

Mobile Data (PB)



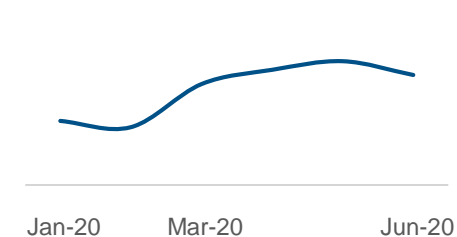
Back to normal levels, spread throughout the day and geographically

Mobile Voice (minutes)



Increased traffic maintained in both ways: outgoing and incoming

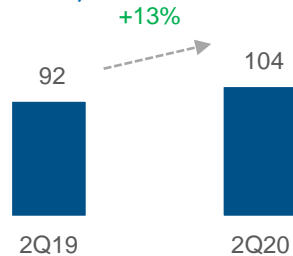
Fixed Data (PB)



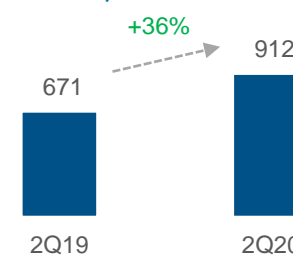
New normal levels of fixed data traffic

INFRASTRUCTURE

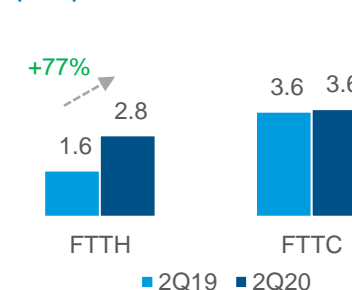
Backbone + Backhaul ('000 Km)



FTTCity (# of cities)



Households Covered (mln)



Digitalization Helped the Company Face Challenges Imposed by Social Distance Measures and Accelerated Initiatives During the Period



E-Sales

+34% YoY TIM Live

+31% YoY Recharges via App
(39% of e-recharges penetration)

+17 p.p. YoY Control e-Sales Penetration

+6 p.p. YoY Postpaid e-Sales Penetration



Customer Care

>3mln Interactions with cognitive IVR

+75% Non human interactions driven by cognitive IVR

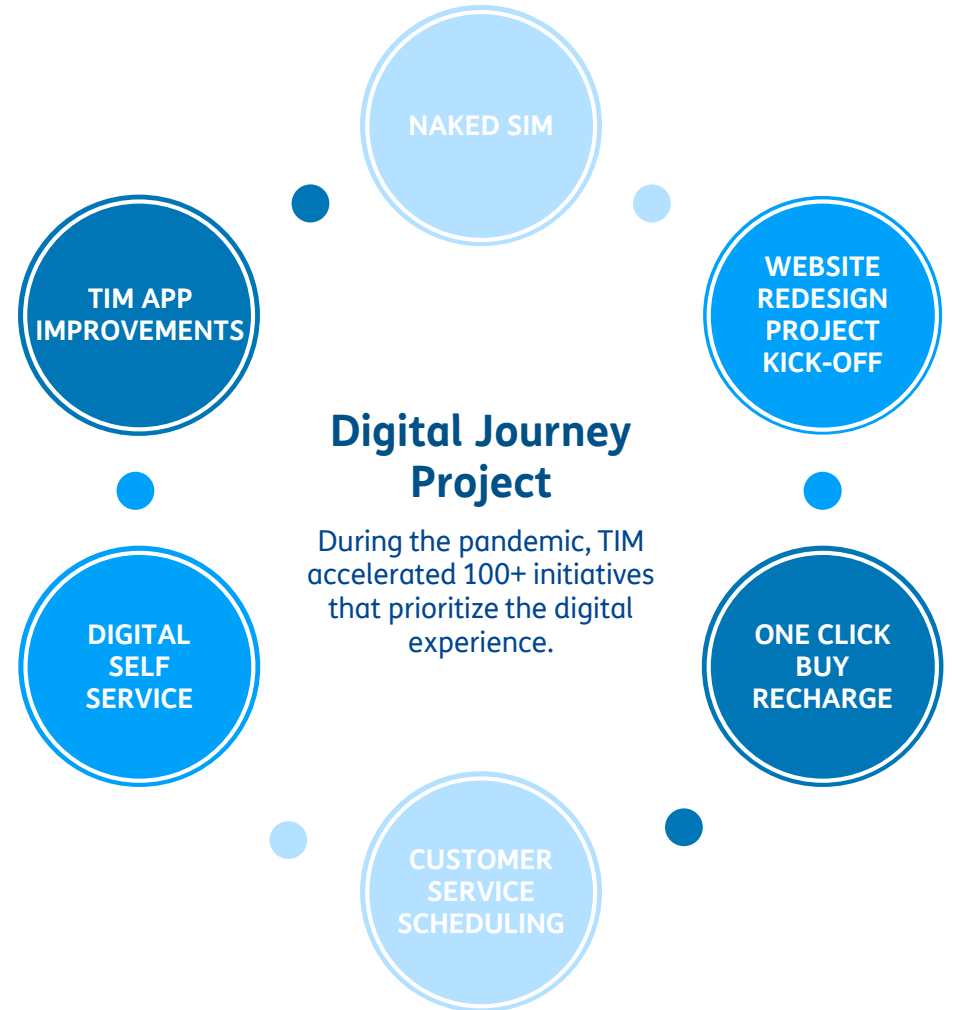
-44% YoY # Human Interactions

+13% YoY E-Bills (70% of penetration)

+10% YoY Meu TIM app unique users

+23% YoY E-Payment (73% of penetration)

Improved results set the pace for projects implementation.



Network Initiatives To Increase Both Capacity and Coverage, Exploring All Opportunities to Become Self-Sufficient

BEST 4G COVERAGE IN 100% OF BRAZIL CITIES UNTIL 2023

CONDUCT ADJUSTMENT TERM (TAC)

Trading fines for investments:

- Presence in ~ +1.3k new cities
- 4G coverage in ~ +1.5k cities
- Low frequency coverage in ~ +1.9k cities
- Fiber backhaul to remote cities: ~ +230

NETWORK SHARING AGREEMENT

- Efficient approach to 2G: ~2,700 cities impacted
- 3G/4G expansion to new cities with less than 30k inhabitants: 800+ cities (400 each)
- Potential full single 3G/4G grid in cities with less than 30k inhabitants: 1,600+ cities

UNPLUGGED SITE (100% solar energy + satellite)

- Network as a service (NaaS) project to close coverage gaps: roads, highways/freeways, countryside areas, etc.
- 100% sustainable to cover inaccessible areas
- Positive NPV from the D0

MASSIVE MIMO IMPLEMENTATION

- Massive MIMO in LTE: spectral and energy efficiencies
- Network deployment to boost capacity by ~3x
- Bidding process for vendors concluded: 3 years plan covered
- Benefits already in 2020, 200 cities will receive the technology

5G COMMERCIAL ROLLOUT USING DYNAMIC SPECTRUM SHARING (DSS)

- 3 cities to be launched in September
- FWA as primary 5G service
- Using WTTX experience to leverage the lessons learned from the “trial”

From Volume to Value. Reinforcing Proposition with Simplicity and a New Brand Signature

REPOSITIONING THE PORTFOLIO

“IMAGINE AS POSSIBILIDADES”

(imagine the possibilities)

		LATEST	FUTURE
PREPAID	Convenience	Revisiting embedded zero rating apps Channel mix rebalanced	New offer with focus on relationship and engagement
CONTROL	New experiences enabler	First Telco and Digital Bank partnership to develop joint solutions (control plan + financial services)	Further developments with C6 to be launched next quarter, adding a better customer experience
POSTPAID	Family entertainment and service hub	Exclusive online store for TIM Black plans' clients acquisition of handsets and accessories Portfolio adjustment: offer simplification	
LIVE	Freedom to choose content	New portfolio: 400 mbps launch and an online content menu	FWA warm-up: commercial 5G to be launched until Sep-20 in 3 cities
TOP CLIENTS	Integrated services	Granja 4.0 pilot with JBS	Startup pitch to develop connected solutions to agribusiness 13MM hectares to be connected



Creating Value Through a Partnership to Enhance Customer Experience



The initial joint effort focuses on the combination of the best products and services at both companies

First 3 weeks summary:

8x new accounts daily average

Record website visits after the launch

~200k opened accounts

52% TIM's share of recharge in C6 app

Coming soon: additional news for TIM Black

- ✓ Internet Bonuses
- ✓ Better handset acquisition conditions
- ✓ Better rates on fixed income investments
- ✓ Account and credit card upgrade to C6's premium products

How value is created?

Direct value: compensation to be received

- Fee per each active customer from TIM
- Equity stake depending on reaching growth targets

Indirect value: revenues and costs

- No pure price competition
- Increased loyalty with differentiated offer
- Churn reduction with bundle services
- Reduction in recharge and payment fees costs

Structuring Initiatives to Create Significant Value

NETWORK SHARING AGREEMENT

Efficient approach to 2G (\$\$)

- Opex savings (mainly energy) and limited tower dismount

3G/4G expansion to new cities with less than 30k inhab. (\$\$)

- Expansion: revenues opportunities in currently unserved markets and capex avoidance to open new cities

Full single 3G/4G grid in cities with less than 30k inhab. (\$\$\$\$)

- Consolidation: important opex savings (possibility to dismount full sites) and investment saving for higher available capacity



TIM LIVE PROJECT

- Process running on time with **expected signing in 4Q20**

- **Several interested Parties** in an innovative and successful model, based on 4 pillars:

1. **Immediate return from existing networks** (~30 cities with ~600k HC)
2. New profitable areas, with **unique long-term partnership opportunity**
3. Significant upside from sizeable **Neutral Network** and consolidation
4. **Innumerous preemptive opportunities**



CONDUCT ADJUSTMENT TERM (TAC)

- **First big Telco to exchange fines for investments**
- **R\$ 639 million in sanctions** (contingencies of all types) being exchanged for infrastructure development
- ~2.2k cities benefiting from expansion commitments
- 80% of the infrastructure to be implemented in the first 2 years



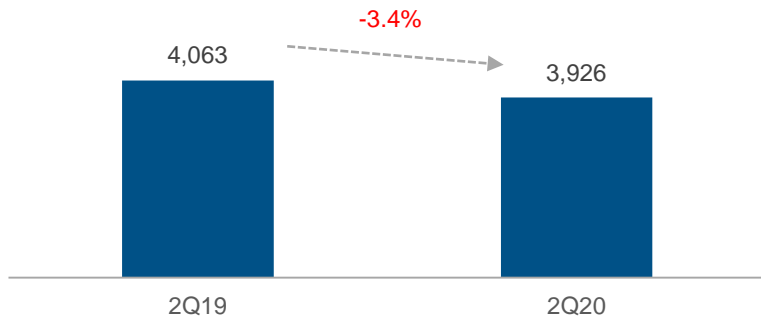
CORPORATE SIMPLIFICATION

- **Simplification of corporate structure** and administrative activities
- Tax improvement in IOC distribution
- Operational costs efficiency
- Strategic advantages

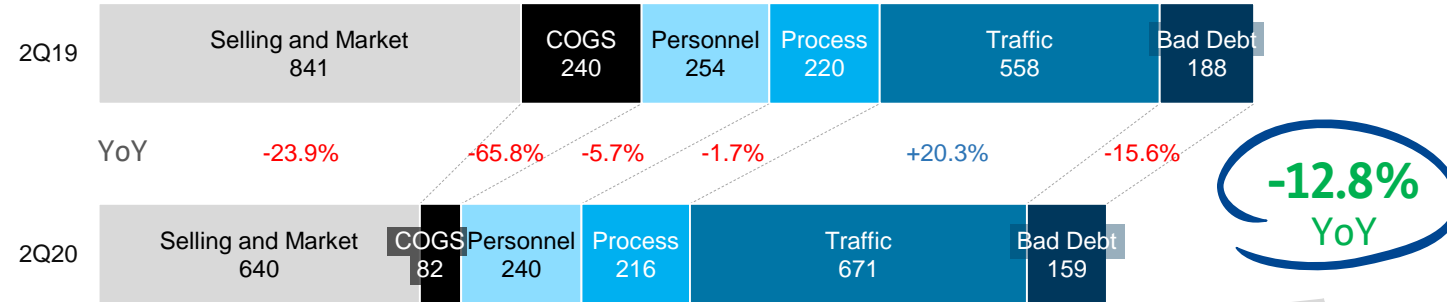


Efforts in Cost Control Were the Key Element to Balance Softer Revenues, Keeping EBITDA Positive Growth

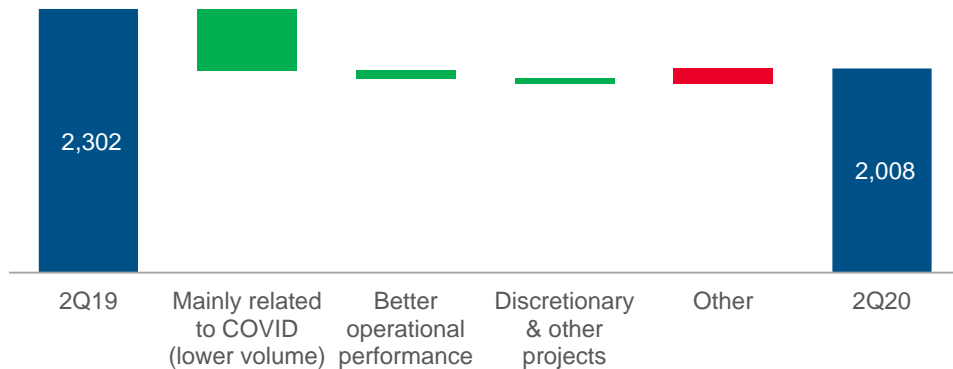
Net Services Revenues
(R\$ mln)



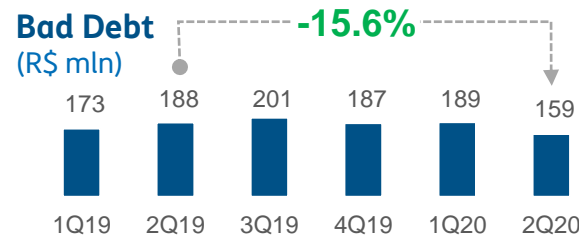
Normalized Opex Breakdown
(R\$ mln)



Opex Contribution to Improve¹
(R\$ mln)



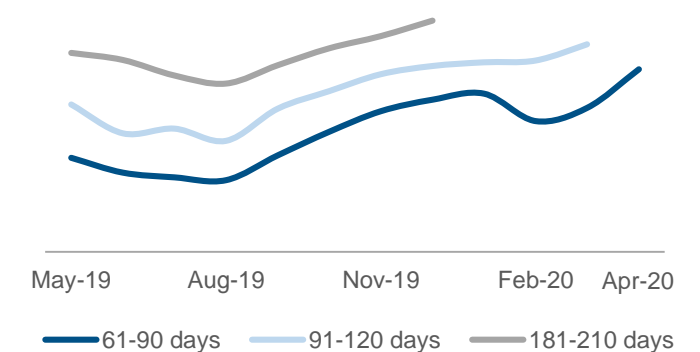
Bad Debt
(R\$ mln)



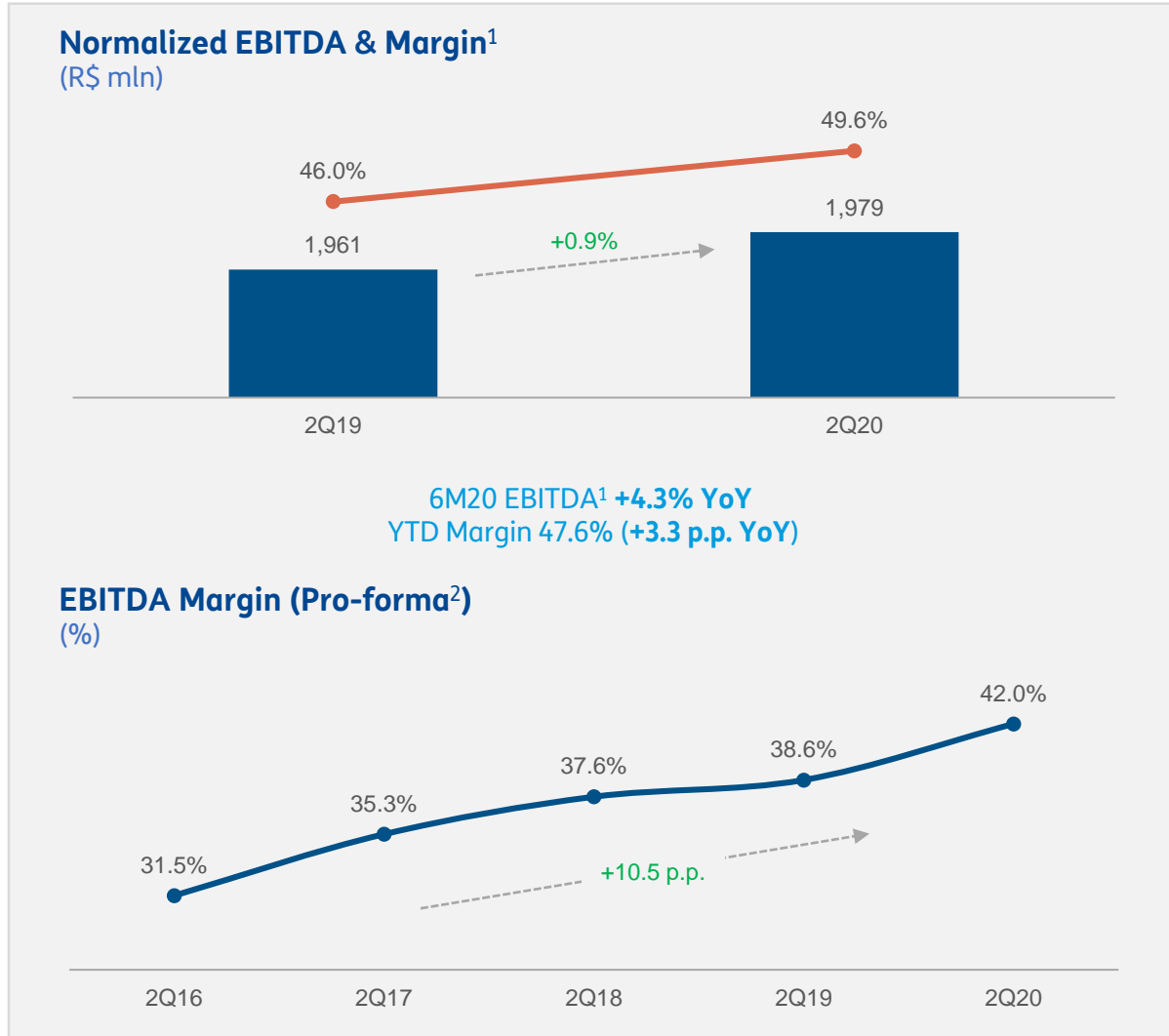
First YoY improvement since 2017

- Back to 2018 levels
- Collection curve shows a sustainable performance, reflecting the success of adopted measures by the company

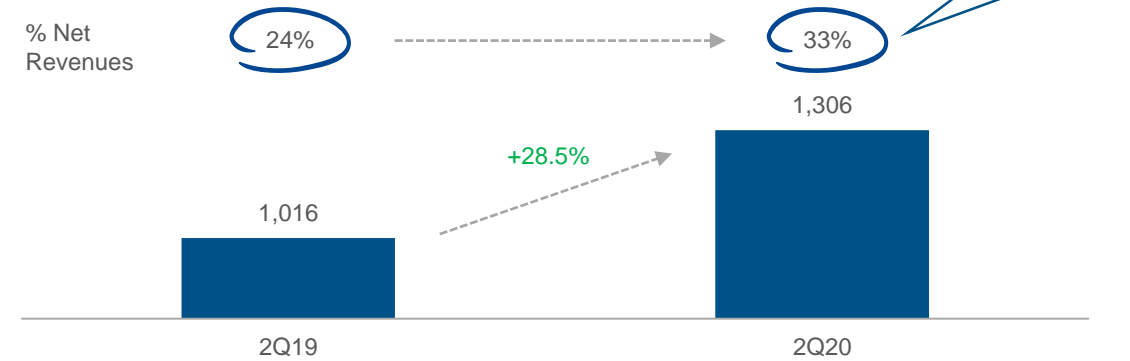
Collection Curve
(% of total billed)



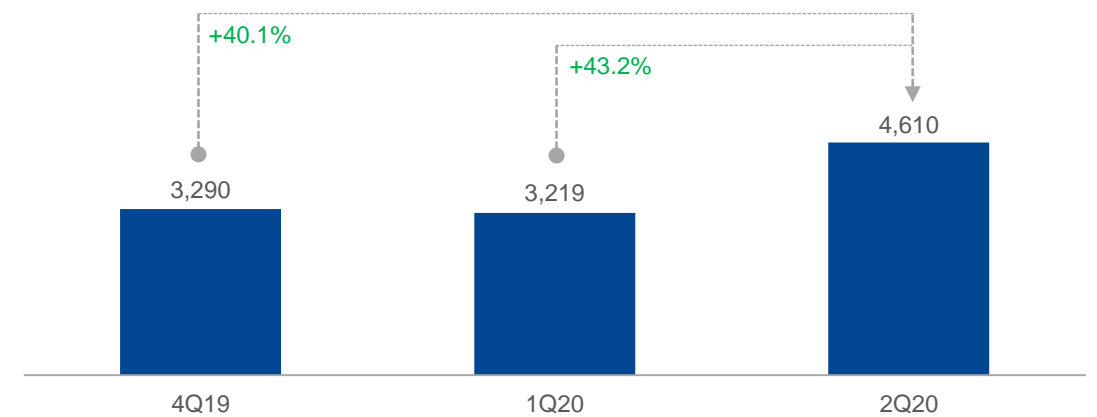
High Delivery on Efficiency Driving Cash Generation and Resilient EBITDA with Margin Expansion



Normalized EBITDA¹ – CAPEX (R\$ mln)



LTM Operating Free Cash Flow¹ (R\$ mln)



Focus on Business Sustainability With a Rational Approach and Solid Execution

FROM VOLUME TO VALUE



- Opening a **new concept of services with differentiated experiences**: C6 partnership
- **Operators joint efforts** to collaborate on new revenues stream outside telecom: mobile advertising and financial services (digital wallet)

EFFICIENCY



- **Bad debt improvement** due to structural changes, showing the company's commitment to deliver its targets
- **Digitalization accelerated** due to a new reality

SMART CAPEX



- **Several interested parties on Infra Co Project for TIM Live growth**, with expected signing for 4Q
- **New projects to come**: Journey to Cloud (big data and support systems), Unplugged Site

The 2nd half new reality will still pose challenges, however focus on execution and clear strategy will confirm TIM's solid organic path.