

4G

RESULTS PRESENTATION 3RD QTR 2018



TIMP3
NOVO
MERCADO
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TIM

Disclaimer



This presentation **contains statements 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.



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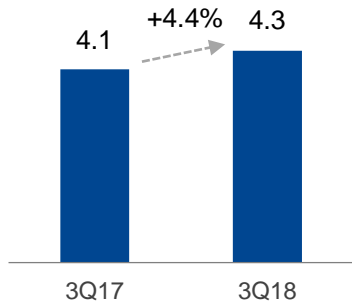
Financial results are presented on **Pro Forma basis, disconsidering impacts from IFRS 15 adoption.**

Quarter Highlights

Strong EBITDA and Margin performance amid worsening macro and competitive environment...

Total Net Revenues

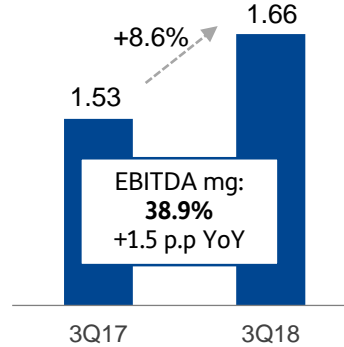
(R\$ bln)



TIM Live with strong revenue growth in 3Q18, according to our Plan

EBITDA

(R\$ bln)

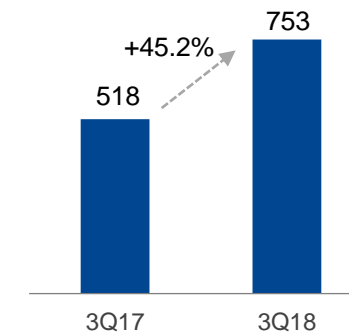


EBITDA mg: **38.9%**
+1.5 p.p YoY

2018 Efficiency Plan target reach 104%, supporting EBITDA Margin expansion of +2.4 p.p. YTD

EBITDA - CAPEX

(R\$ mln)

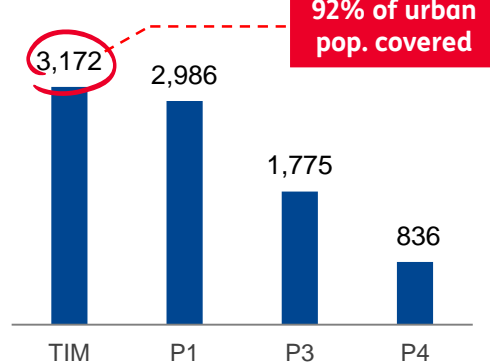


Continuous Improvement of Cash Flow Generation: Strong EBITDA-CAPEX on Revs: 17.7% in 3Q18

... supported by strong Network and Operational metrics.

4G Coverage¹

(cities)

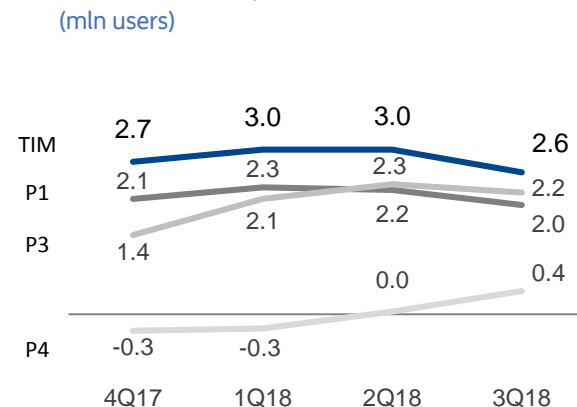


92% of urban pop. covered

73% of network traffic in 4G

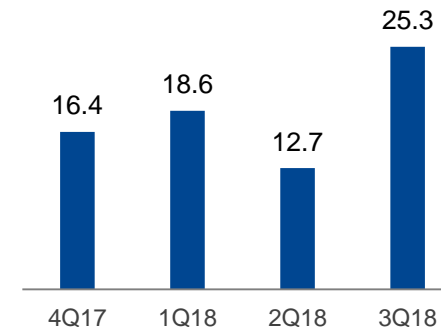
LTM Postpaid Net Adds (ex-M2M and data lines)

(mln users)



TIM Live Net Adds

(thousand users)



Corporate Structure Simplification

Project delivered!

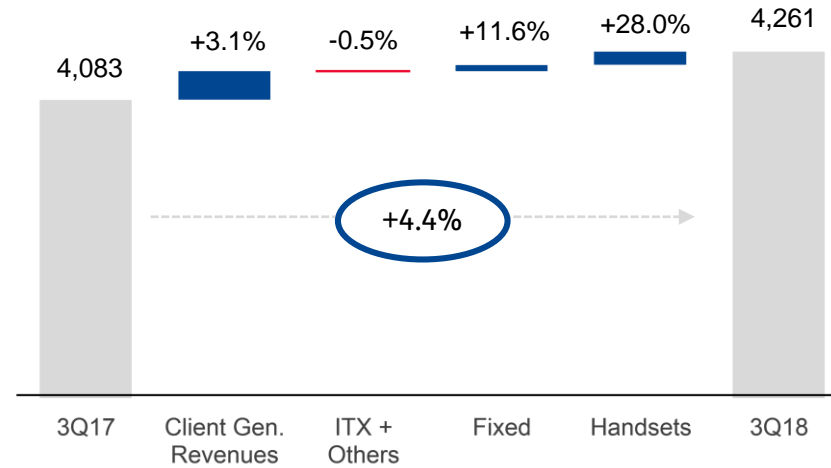
Incorporation of operating companies driving significant fiscal and operational efficiencies

¹ Source: Teleco

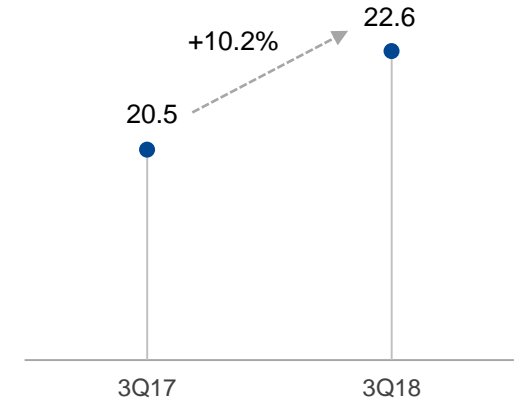
Resilient Revenue Expansion Despite Macro Headwinds

- Client Generated Revenues increased 5.2% YoY in 9M18.
- Mobile Service Revenue increased 2.8% YoY in 3Q18 and +4.8% YoY in 9M18.
- Service Revenues up 5.1% YoY in 9M18.
- Fixed service Improvement:
 - TIM Live grew 35.7% YoY in 3Q18.

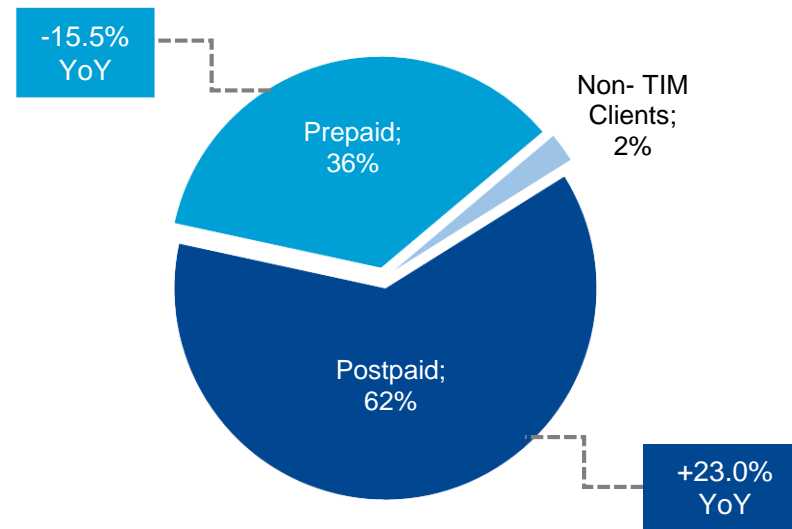
Total Net Revenues Breakdown (R\$ mln, %YoY)



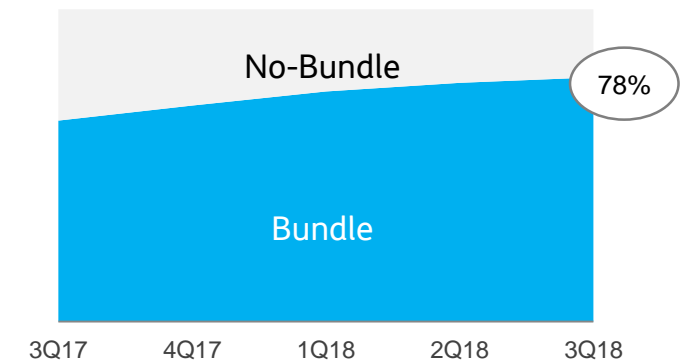
Mobile ARPU (R\$, %YoY)




9M18 Client Generated Revs. Breakdown (%; %YoY)



Client Generated Revs. Bundle Mix (%)



Mobile Operations: Solid Execution In Control Segment, Amid Tougher Environment for Prepaid and Pure Postpaid



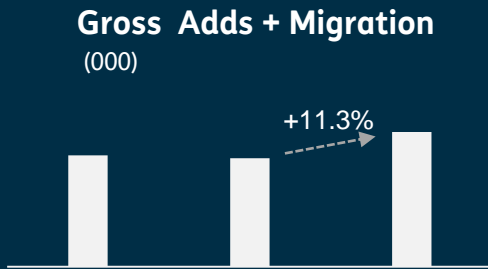
Control

CANTE COM A LUDMILLA

REDES SOCIAIS ILIMITADAS

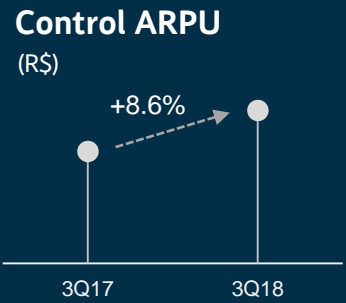
Grátis por 3 meses

Gross Adds + Migration (000)




Quarter	Gross Adds + Migration (000)
1Q18	~100
2Q18	~110
3Q18	~122.3 (+11.3%)

Control ARPU (R\$)



Quarter	Control ARPU (R\$)
3Q17	~100
3Q18	~108.6 (+8.6%)

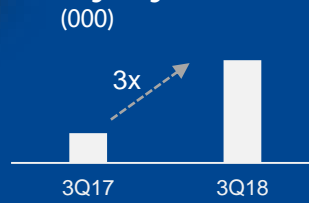
- 1 New Offer Based on “More for More” (launched in Aug/18)**
 - Price: R\$ 44.99 → R\$ 49.99
 - More Data: 3GB → 3.5GB
 - Social: unlimited for 3 months
- 2 Second wave of impact if customers want to maintain unlimited social:**
 - + R\$ 20 for Plug-In or + R\$ 15 for upgrade



Pure Postpaid

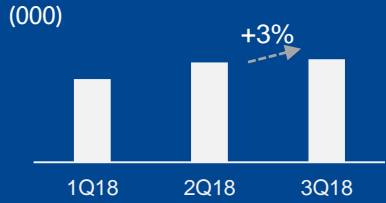
- Higher focus in customer retention due to worsening competition.
- Control to Pure Postpaid migration working.

Loyalty CB¹ (000)




Quarter	Loyalty CB (000)
3Q17	~100
3Q18	~300 (3x)

Control to Post Migration (000)



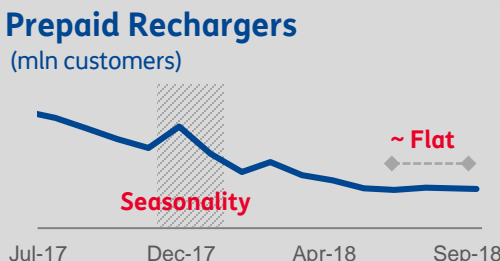
Quarter	Control to Post Migration (000)
1Q18	~100
2Q18	~110
3Q18	~113 (+3%)



Prepaid

- Macro recovery slower than expected and worse competition impacting recharges.
- In 3Q, rechargers stood almost flat.
- Prepaid ARPU virtually flat YoY.

Prepaid Rechargers (mln customers)



¹ consumer pure postpaid customer base

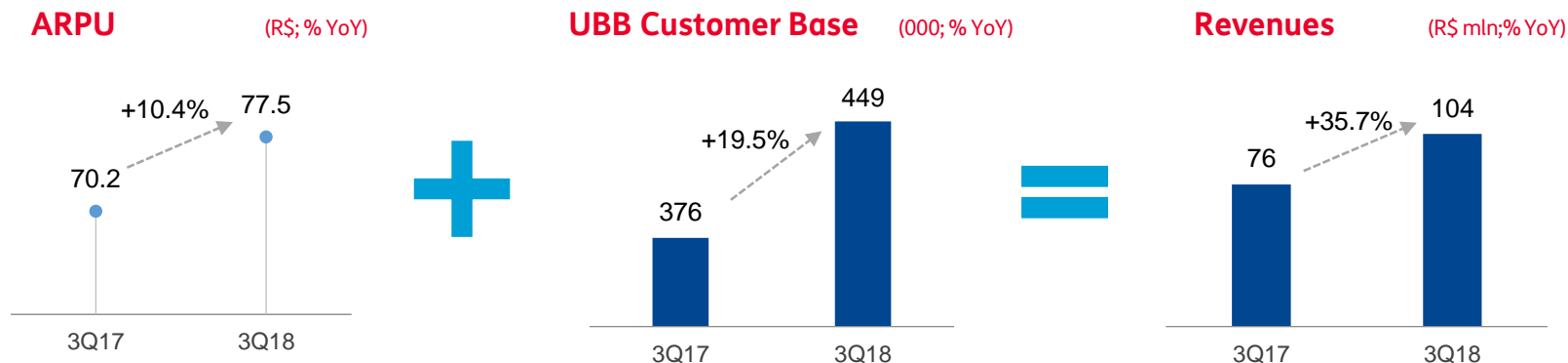
TIM Participações - Investor Relations
Results Presentation

5

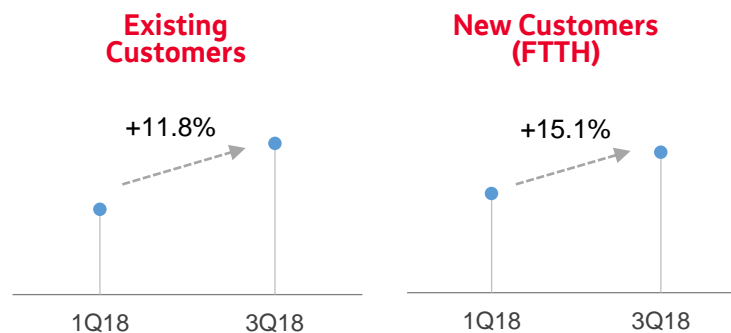
TIM Live: Accelerating FTTH with Solid Growth in New Areas

- 5 new cities launched FTTH during the 3Q18.
- Average speed of 130MB in the new FTTH areas (6x higher than competitors).
- FTTH cities: Outperforming Business Plan.
- Manaus, Amazon capital, just launched in Oct/18.

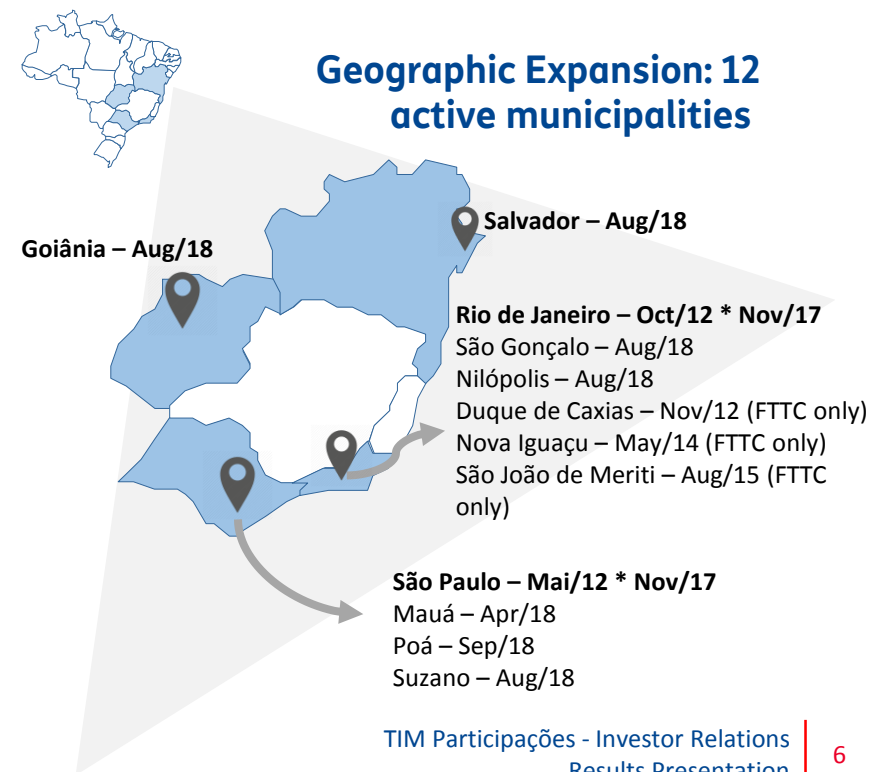
Revenues Growth Following TIM Live Expansion



New Portfolio Drives ARPU Up (R\$ mln; %QoQ)



New Customers (FTTH)' ARPU ~20% above Existing Customers in 3Q18

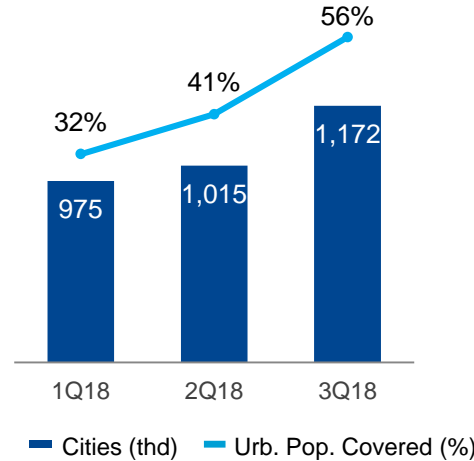


Network Development to Support Business Expansion and CEX

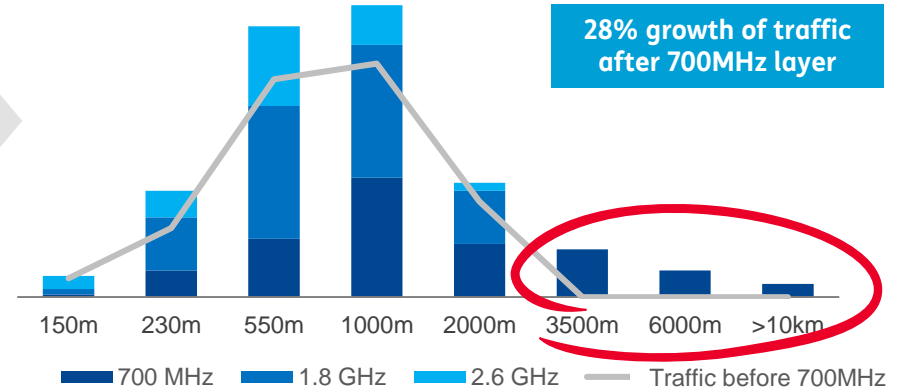
- Sustaining Leadership in 4G with 3,172 cities and 92% of urban pop. covered.
- Virtualization reaching 30% of network functions.
- 21 data centers helping CEX and preparing for 5G.
- **VoLTE** enabled in more than 2k cities, covering 64% of urban population.

4G Network Evolution Driving Coverage Expansion and Better Experience

4G in 700 MHz Coverage
(cities; % of Urban Pop.)



4G Traffic Distribution per Frequency
(Before and after implementation of 700 MHz in Curitiba)



2.1 GHz Refarming in the Northeast

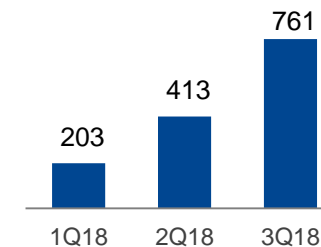
Fortaleza (CE) Case:

- +50%** increase in average throughput per user after refarming.
- ~30%** of data traffic already flowing through 2.1 GHz frequency.

More than 180 cities with 4G in 2.1 GHz

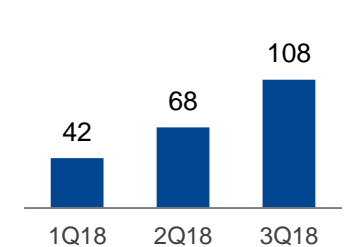
Fixed Network: Sustaining the Pace

FTTH Coverage ('000 Households)



9 Cities with FTTH in 3Q18

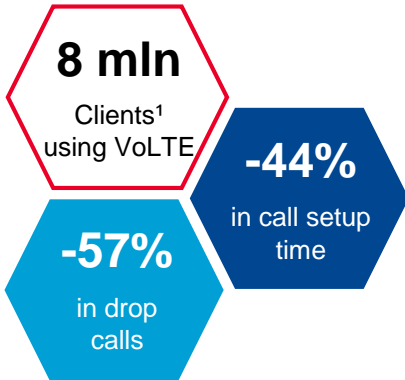
Gpon Areas (EoP) (# areas)



Customer Experience: A Marathon to Differentiate

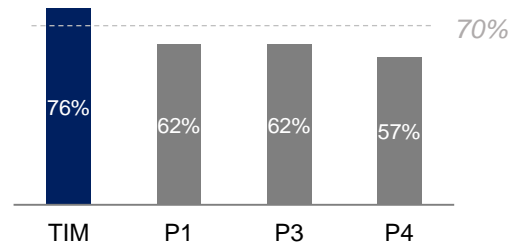
Network Quality Indicators Translating Into Better Image and Satisfaction

VoLTE Impacts



4G Availability Award

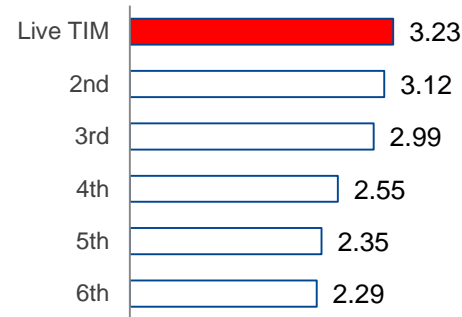
(% of time spent in 4G network; June/18)



TIM is the only company to provide users 4G connection more than 75% of the time

Netflix ISP Ranking

(Mbps)

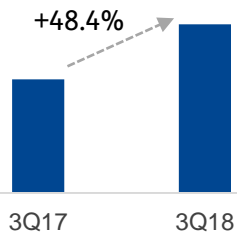


1st place 45 times in the last 48 months

Ongoing Digital Transformation

E-Billing

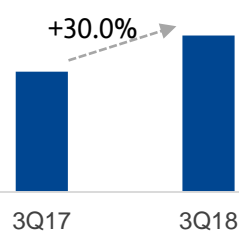
(# e-bills delivered)



E-Billing penetration above 40% in 3Q18

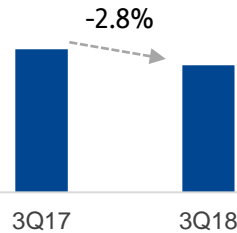
E-Payment

(# clients paying by e-methods)



Caring

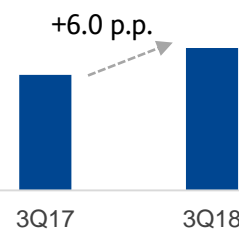
(Human interactions)



+3.9 p.p. increase in IVR retention

Digital Recharge

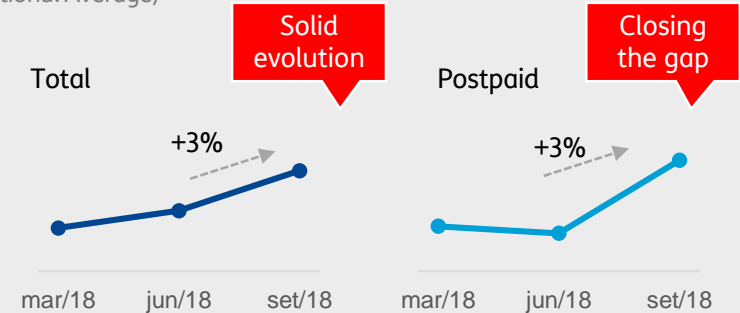
(% over total)



Customer perception showing signs of improvement

General Satisfaction¹

(National Average)



General NPS¹

(National Average; QoQ)

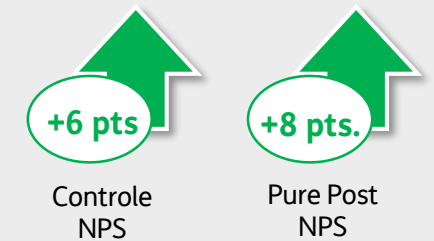
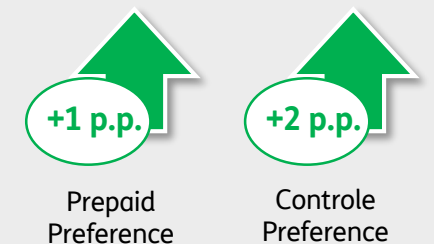


Image Improvement²

(Preference Survey; %; QoQ)

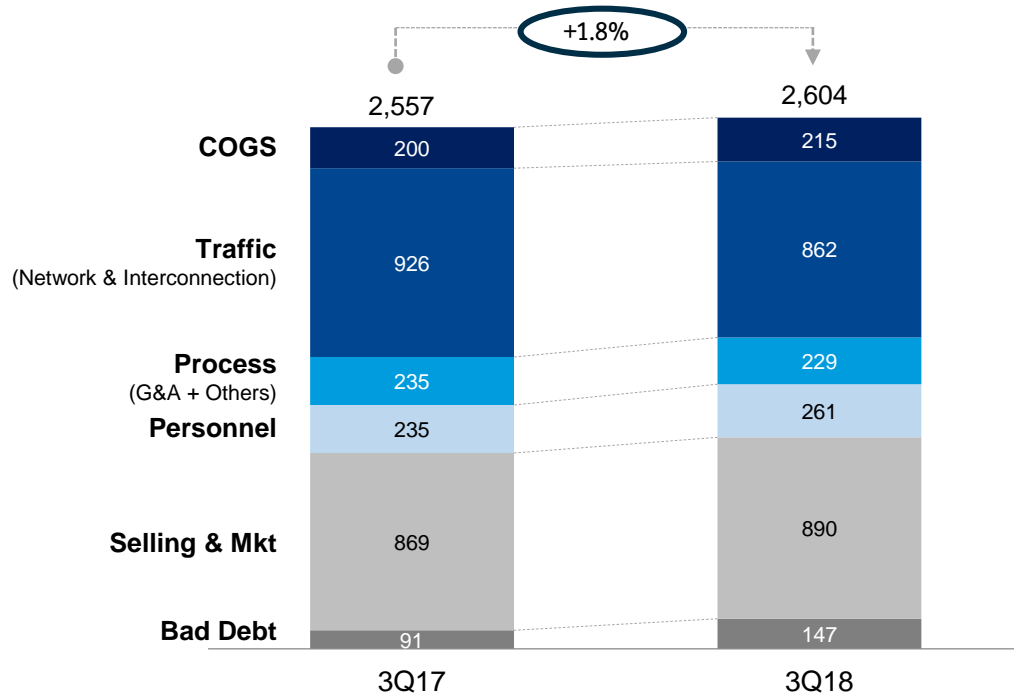


(1) National Satisfaction Survey, Bridge Research.
(2) Source: Internal Caring Survey

Opex X-Ray: Cost Growth Under Inflation and Better than Expected

Normalized Opex Breakdown

(R\$ mln, %YoY)



Over delivery on efficiency plan compensating bad debt rise.
Excluding bad debt cost would have decreased 0.3% YoY.

COGS (+7.5% YoY):

Higher average sales price (+7.7% YoY) more than compensating decreasing volume.

Traffic (-6.9% YoY):

Network drivers: lower cost with leased lines and energy.

Interconnection drivers: MTR cut, lower pressure from off-net traffic, and lower cost with providers.

Process (-2.5% YoY):

Higher expenses related to collection services and in the administration and operation of power plants generation were more than compensated by the lower energy costs in the ITX line.

Personnel (+11.0% YoY):

Increase due to inflation and higher employee base, in addition to non-recurring impacts.

Selling & Marketing (+2.4% YoY):

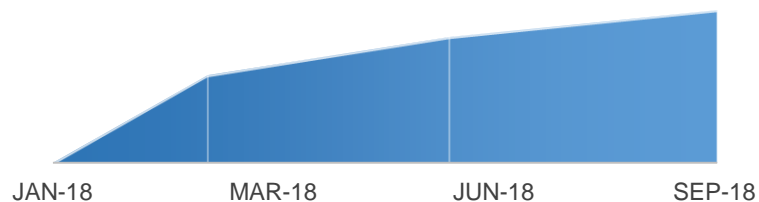
Growth explained by higher costs with advertising (New Control offer campaign).

Bad Debt (+60.8% YoY):

Larger customer base exposed to bad debt but still at ~2% of gross revenues.

Efficiency Plan Completion

(R\$ bln)



**104% Completion
of 2018 Target, in
September**

Main actions to recover Bad Debt:

Collection Model revision with all collection agencies to improve credit recovery;

Implementation of a Collection Portal, multi-channel with different payment methods;

Improvements in billing systems to support new strategies, speed and control;

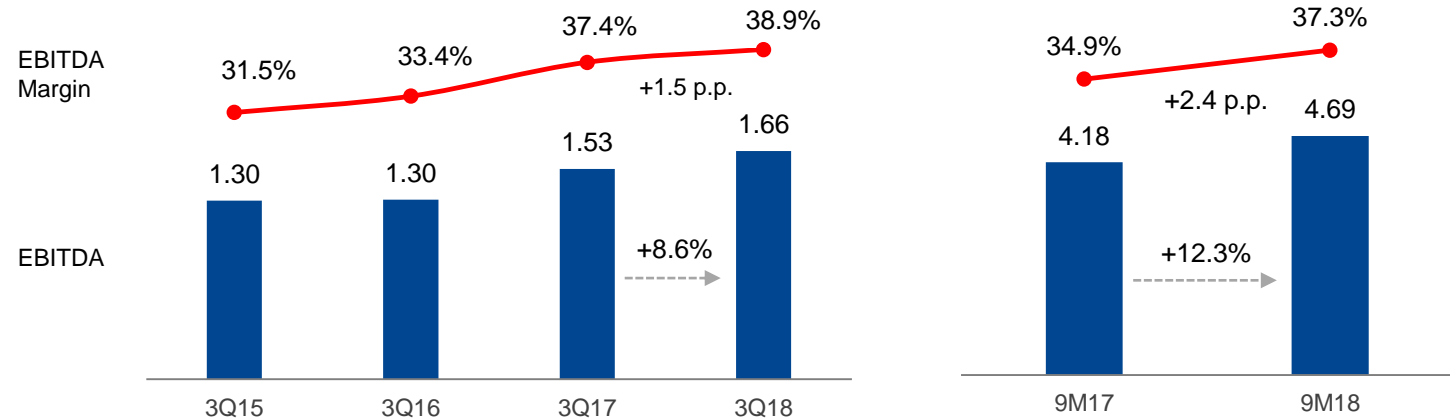
Creation of a dedicated call center to treat early delinquency.

Maintaining Solid Execution with Higher Profitability & Bottom Line

- Once again record high EBITDA and Margin for a 3rd Quarter.
- 3Q18 Service EBITDA Margin of 40.8% (+1.1 p.p. YoY).
- 3Q18 Normalized Net Income* increased 38.9% YoY.

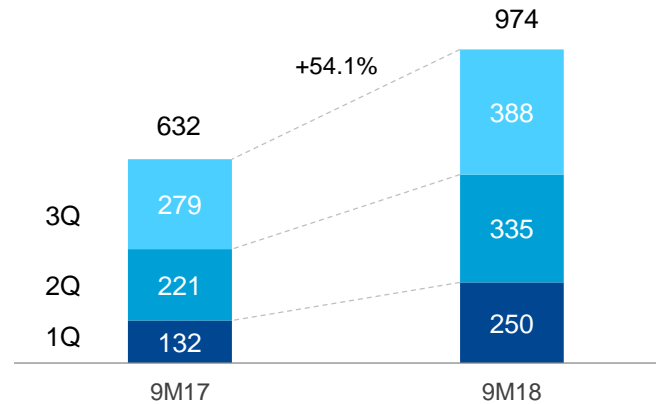
Consistent Evolution for Normalized EBITDA & Margin

(%; R\$ bln, %YoY)



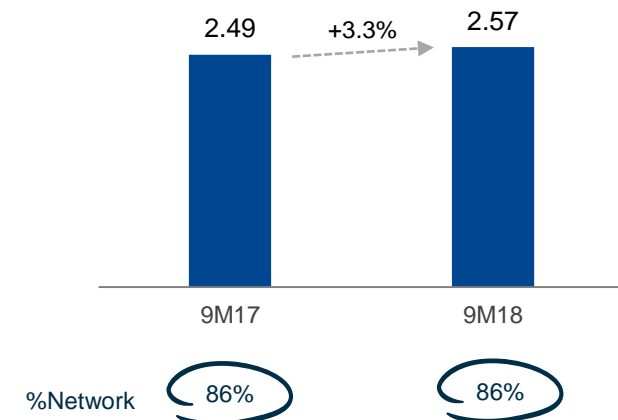
Normalized Net Income*

(R\$ mln, %YoY)



Capex

(R\$ bln, %YoY)



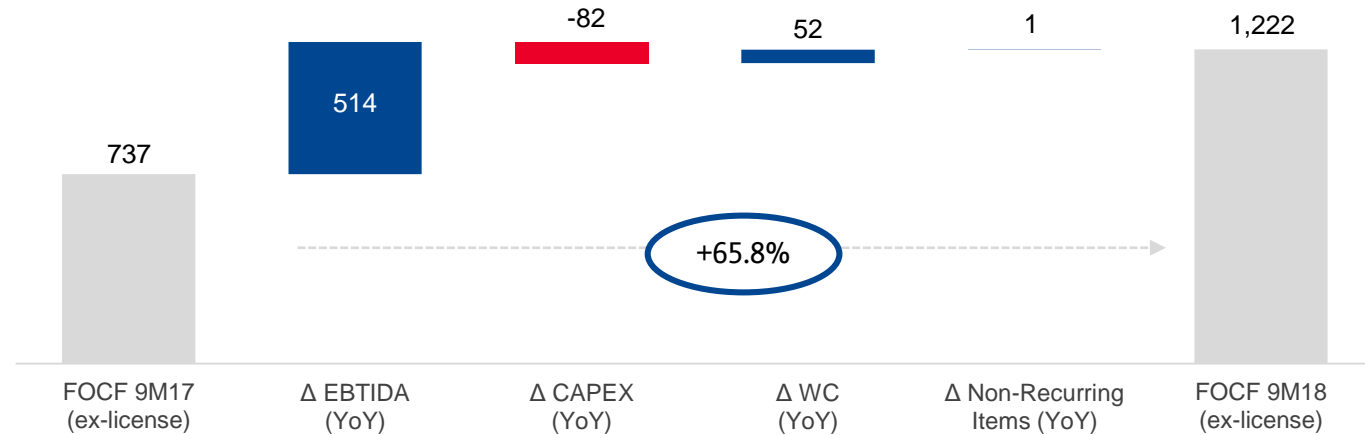
*Adjusted by R\$ 950 mln in tax credit from change in corporate structure

Continuous Improvement of Cash Generation

- Strong EBITDA-CAPEX up 25.5% YoY in 9M18. In 3Q18, grew 45.2% YoY.
- 9M18 FOCF Ex- License expanded R\$ 485 mln.
- FX Exposure: 100% of the debt hedged. Capex and Opex covered by FX bands and by derivative instrument (“Call Options”).

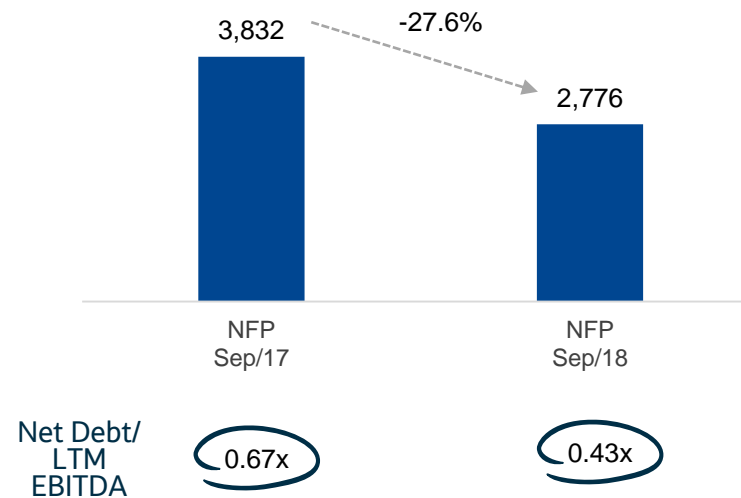
Free Operating Cash Flow Ex-License

(R\$ mln)



Net Financial Position

(R\$ mln)



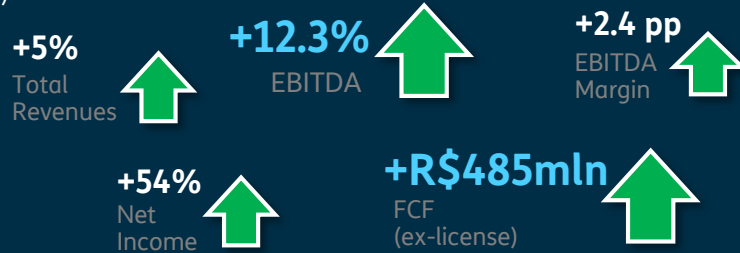
Cash and Debt Optimization:

- Reviewing agreements with BNDES in order to improve Net Financial Expenses and Net Cash Flow;
- Prepayments totaled R\$ 2.6 bi since September/17
- 9M18 Net Cash Flow (ex-license) increase R\$ 0.3 bi YoY.

Key Messages & 2018 Closing

Positive 9M18 Results...

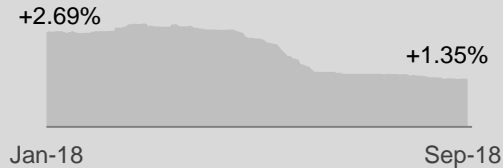
(YoY)



... amid a tougher environment:

➤ GDP Growth for 2018: Slow Recovery

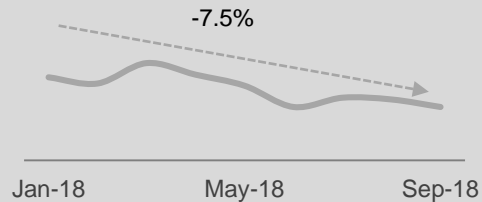
(Weekly estimates; BC-Focus; YoY%)



Expectations deteriorated as economy showed signs of weakness

➤ Consumer Confidence at its Lowest in 2018

(ICC - FGV; pts)



End of election cycle may reduce short term uncertainties

➤ More Competition in Prepaid and Pure Postpaid

Closing the Year Solidly and Already Working on 2019

- ➔ Improving analytics to understand and act on CEX throughout customer journey.
- ➔ Take advantage of seasonality and promotional dates (Black Friday and Christmas) to regain commercial momentum.
- ➔ Adjusting Go To Market (channel mix, incentives, policies) to improve sales productivity and quality.
- ➔ Keep focus on cost control, executing the efficiency plan and working on improving credit risk
- ➔ Opportunities and new projects:

TIM Agribusiness

- IoT solutions for the agribusiness
- Partnership with AgroTechs
- Contracts with large agriculture groups

Live TIM

- New Cities to be launched in 2019
- Increase penetration in 2018 cities (expand to new neighborhoods)

Porto Conecta

- Customer migration: postpaid and M2M
- Focus on smooth transition
- New business opportunities in M2M

Tax Efficiency

- Supreme court decision over PIS/COFINS tax base
- Three judicial processes, with an estimated amount of R\$ 3.2 bln to be recorded in the coming quarters