

RESULTS PRESENTATION

2ND QTR 2017

4G

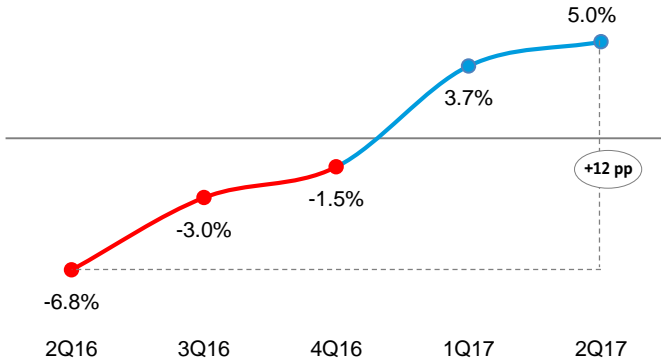


 TIMP3
NOVO
MERCADO
BM&FBOVESPA

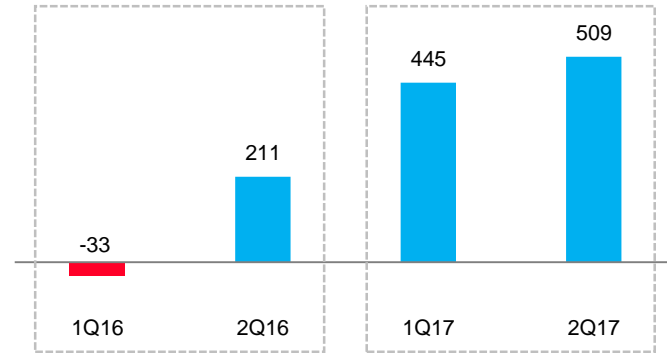
 TIM

2Q Main Highlights: Accelerated Recovering Path

Mobile Net Service Revenues (%YoY)



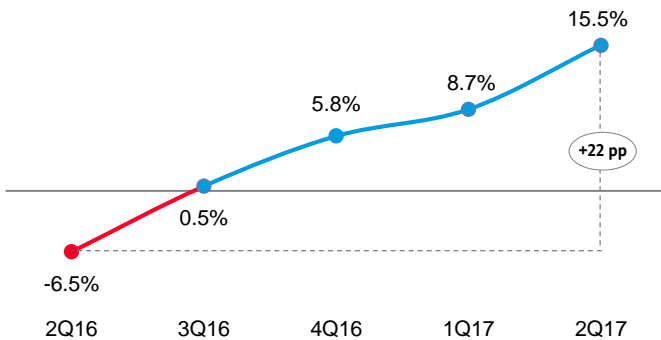
Postpaid Net Adds in New Rhythm (Thd lines)



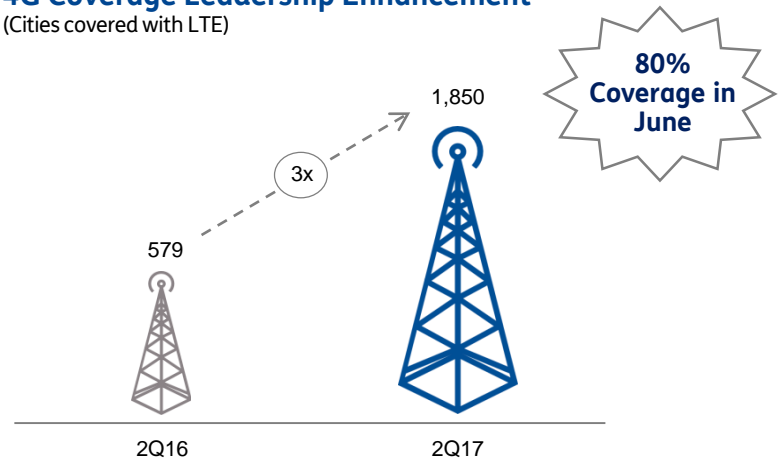
1H Net Adds: 178K — 5x — 954K

Source: Anatel

EBITDA¹ Growth (%YoY)



4G Coverage Leadership Enhancement (Cities covered with LTE)



Portfolio Evolution: More Focus on Postpaid and Changing Prepaid Profile



Pure Postpaid

- Launched in June, 2017
- No price change** (same as 2016)
- Reinforce communication with postpaid users: back to top brand awareness ranking after 18 months
- Gathering all benefits into one plan

TIM music
by DEEZER



Unlimited
Calls

- Offering Service + Handset with lock-in



Prepaid

- Weekly plan focus : 40% of gross additions in 2Q (> 50% in July)
- Top-up incentives campaigns
- Facebook partnership: dedicated monthly package for R\$ 9.90



- Smartphone with 12m retention and no subsidy
- 500 minutes
- 2 GB of internet

lançamento

PLANO
TIM CONTROLE
+
SMARTPHONE

LG K4
NOVO

R\$ 79,90
/mês



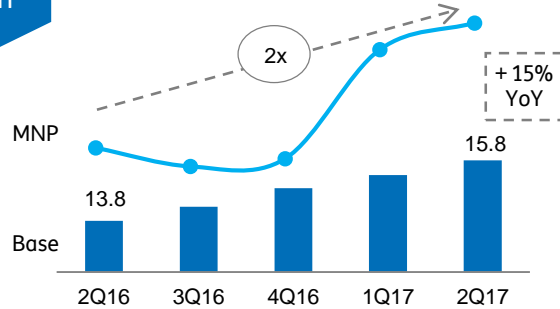
- Partnering to produce content, shows, festivals and singers
- Additional features for the music platform differential

Customer Base Evolution: Focus on Value vs Volume

Postpaid Gaining Traction

User Base and Acquisition Dynamics

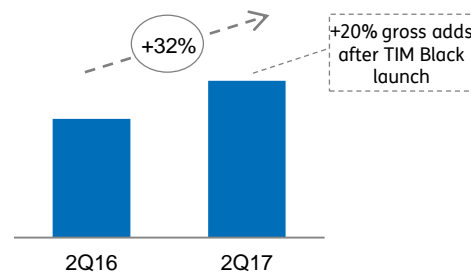
(Net MNP '000; base mln lines; EoP)



➡ Positive MNP balance against all players in every region

Gross Adds + Migrations (Pre-Post)

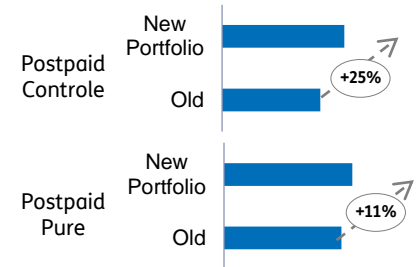
(lines; % YoY)



➡ Pre to Post migrations remain strong

ARPU Breakdown

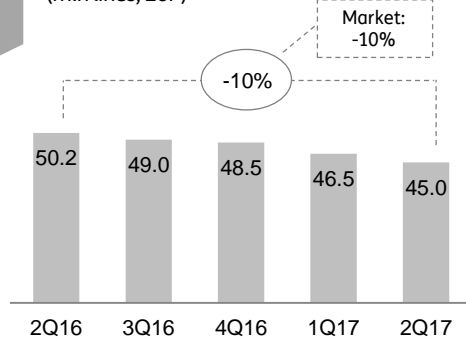
(%)



Prepaid Value vs Volume

User Base Evolution

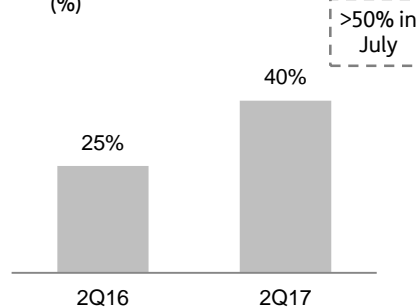
(mln lines; EoP)



➡ Strict disconnection policy ➡ Avoiding one-off effects

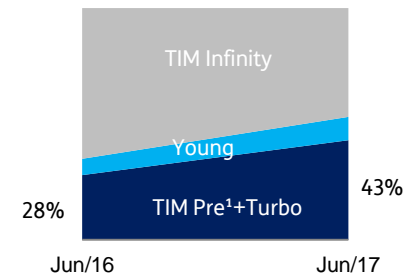
Recurring Offers Over Gross Adds

(%)



Recharge by Segment

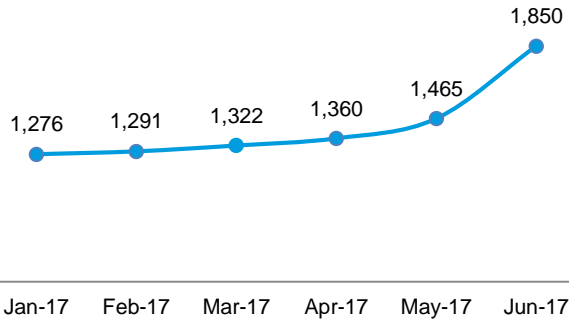
(%)



Network Evolution: 4G Fastest Roll Out

4G Cities Coverage Evolution

(# of cities)



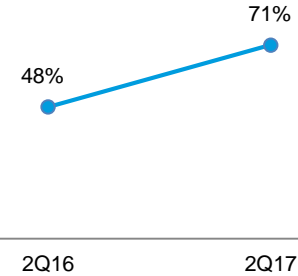
528 new cities in 2Q

80% of urban pop. covered

>90% sites w/ proprietary backhaul

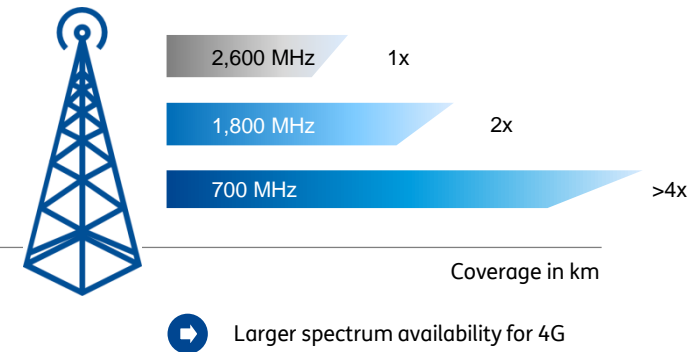
4G Traffic Evolution

(% of traffic generated by 4G devices)

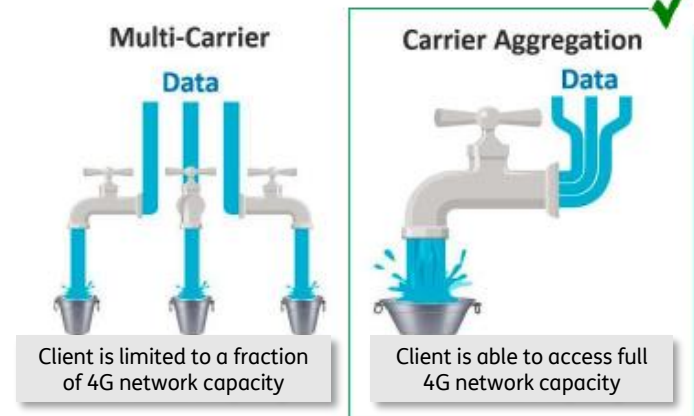


Enhancing Capacity and Efficiency with 1,800 MHz & 700MHz

(bandwidth serving 4G)

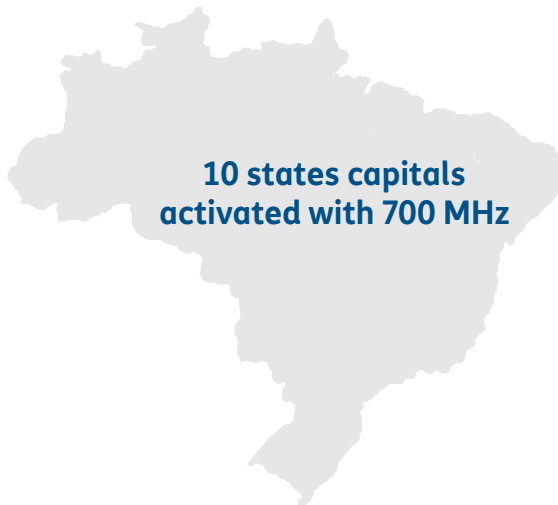


Carrier Aggregation Strategy



➡ Utilizing multiple bandwidth strategy to promote capacity increase and higher speed experience

Network: Speeding Up 4G Under 700 MHz



Before x
After 700
MHz

Signal Propagation Effect



Sites with 2.6 MHz



Sites with 1.8 MHz



Sites with 700 MHz

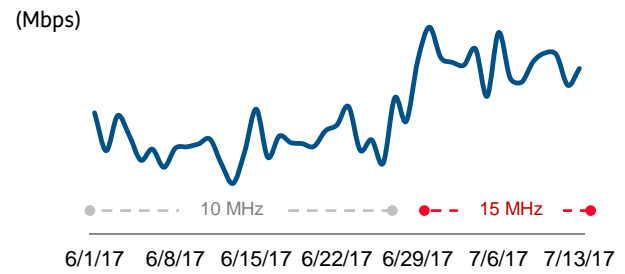
➔ 4G traffic increased 65% in Brasilia after the full speed operation of 700 MHz

Continues
Reforming
of 1800
MHz

Reaching Rio de Janeiro State and São Paulo interior (from 10 MHz to 15 MHz)

Download speed enhanced 60%

SpeedTest – 4G 1,800 MHz Download rate (Mbps)



NEW
HD Voice (VoLTE)

Launched in cities with 700 MHz availability

For The Customer

- ✓ 100% service transparency
- ✓ Improved voice quality
- ✓ Faster Call Setup
- ✓ Optimization of the battery life
- ✓ Improved indoor coverage

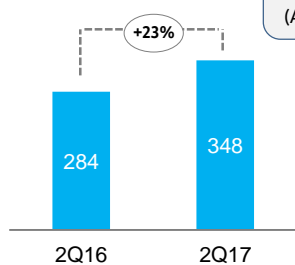
For New Revenues and Costs Optimization

- ✓ IMS platform available for new services
- ✓ Increase the voice coverage area: WiFi + LTE 700 MHz
- ✓ VoLTE spectrum efficiency
- ✓ Simplified the network architecture
- ✓ Infrastructure reutilization for VoLTE, WiFi Calling and other services

TIM Live: Another Great Quarter For the Ultra Broadband Business

Growth

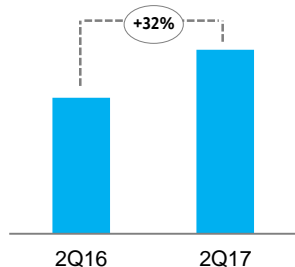
User Base (‘000)



#1 net adds in SP & Rio (Apr/May)



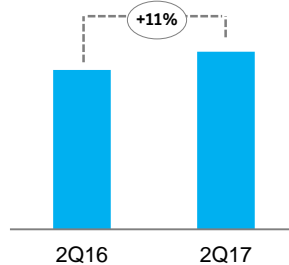
Net Revenues (R\$ mln)



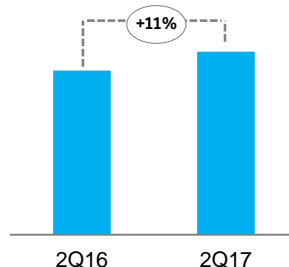
Strong revenue performance backed by solid user base expansion.

Value Offer

User Base Mix (>=50Mb) (Volume ‘000)



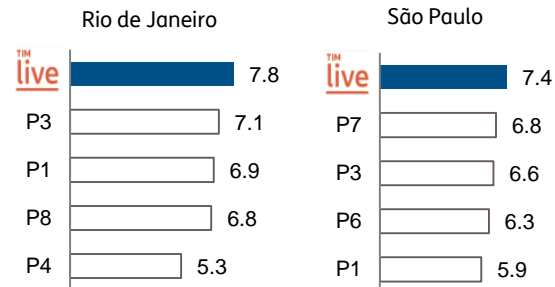
ARPU (R\$)



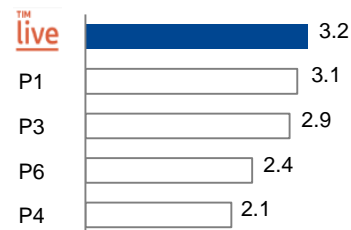
High value customer mix is boosting ARPU levels.

Customer Experience

ANATEL Satisfaction Survey (2016, General Satisfaction in points; 0-10)



Netflix ISP Speed Index (Jun/17, Mbps)



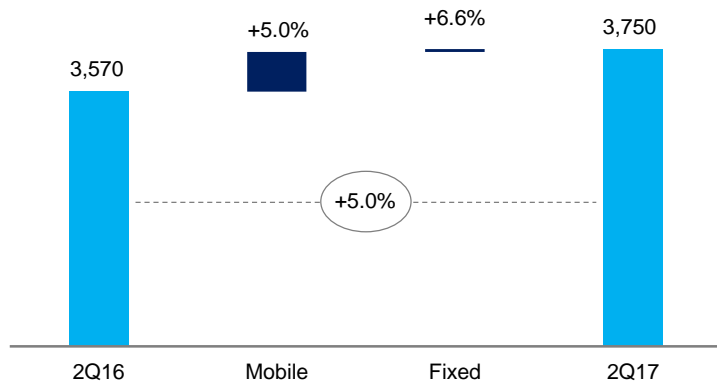
Leader 23x in the last 26 months



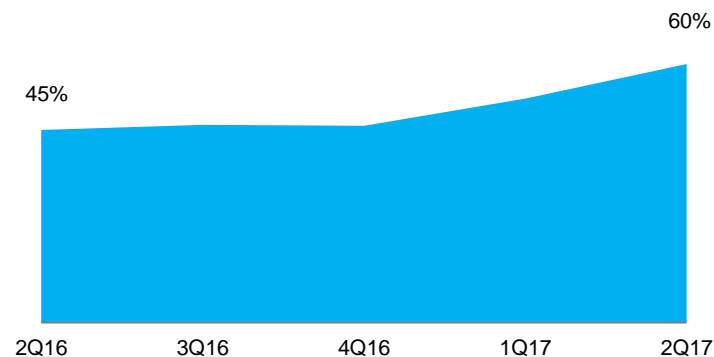
Investments in customer experience and network quality are perceived by the clients.

Continuous Revenue Recovery: New Trajectory Confirmed

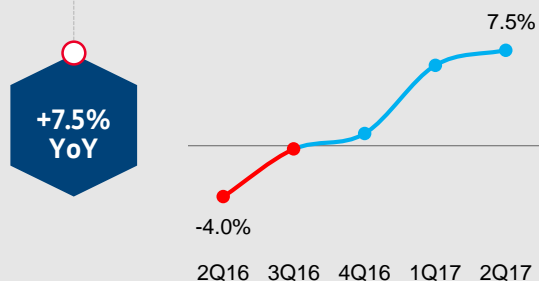
Net Service Revenues
(%YoY)



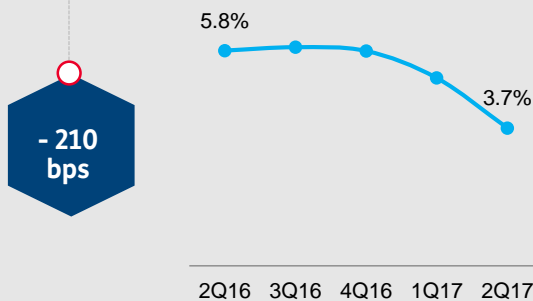
Data on Mobile Net Service Revenues
(% of VAS Revenues over MSR)



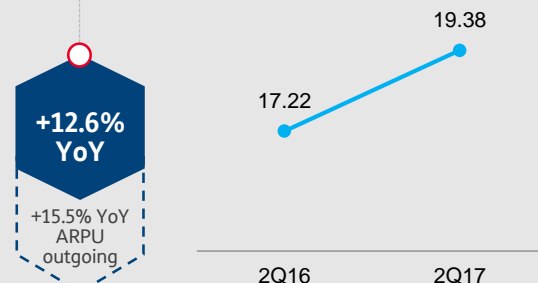
Business Generated
(excl. incoming rev.)
(%YoY)



MTR Exposure
(% VU-M/Service Revenues)



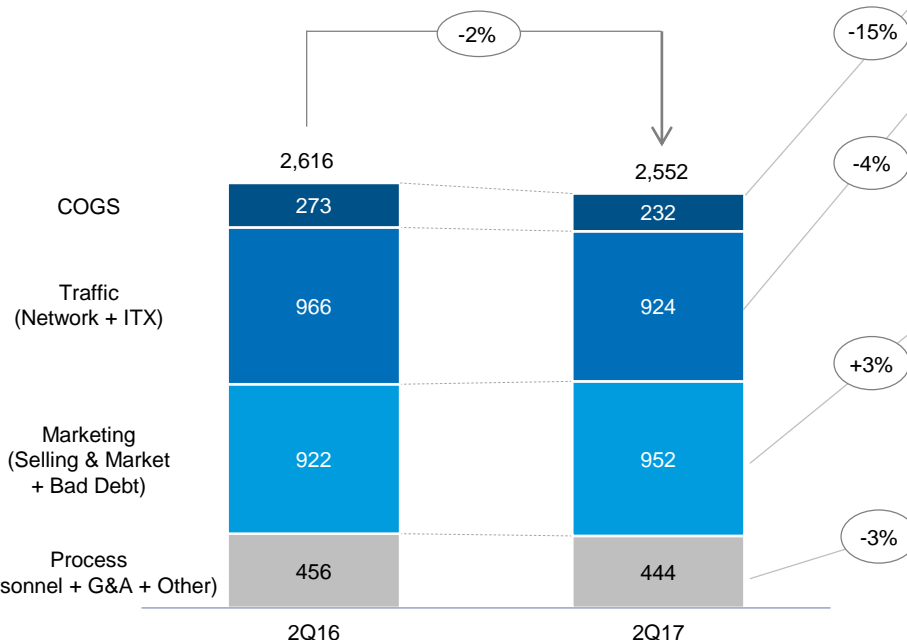
ARPU
(R\$)



Opex: Second Quarter in Details

Normalized Opex Breakdown Analysis

(R\$ mln; %YoY)



COGS

- Trend following reduction in prepaid handset sales and targeted lock-in contracts expansion.

Traffic

- ITX: lower cost after MTR (VU-M) cut partially offset by off-net traffic growth and negative one-off impact of TU-RL dispute*.
- Rental & Power: growth driven by network expansion.
- Network: positive one-off impact of 639 resolution* (already booked starting from 4Q16) and structural lower leased line costs (EILD).

Market

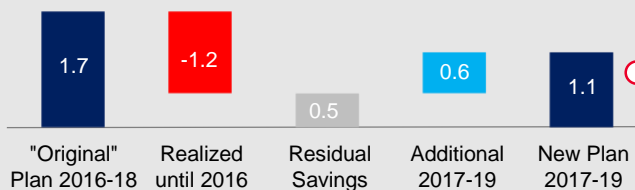
- Stronger postpaid sales (+32%) driving SAC increase.
- Higher postpaid CB (+15%) generating increase in customer management opex (customer care, billing and collection, bad-debt), partially offset by efficiencies.
- Positive impact from recharge channels revision

Process

- Lower process driven costs mainly due to third party services contracts renegotiation, FUST/FUNTEL reduction partially offset by higher personnel costs

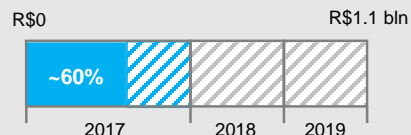
Efficiency Plan Recap

(R\$ bln)



Efficiency Plan Completion

(%)



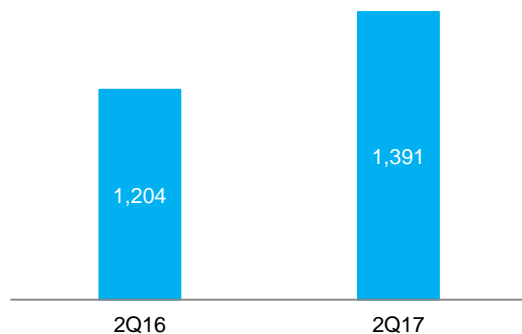
Main Actions

- Digitalization of business and administrative processes
- Sales channels redesign
- Project zero leased lines
- IT and Network vendors rationalization
- Zero based budget

EBITDA and Profitability: Cash Generation

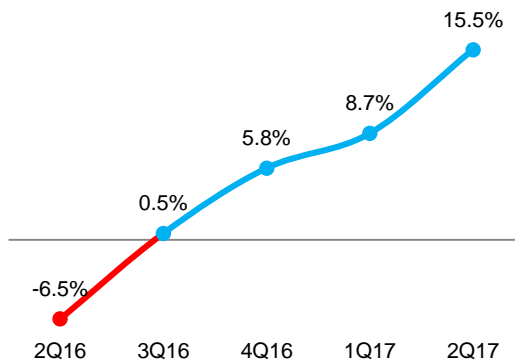
Normalized EBITDA¹

(R\$ mln)



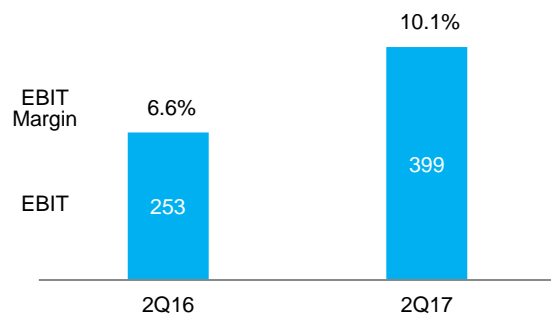
Normalized EBITDA¹ yearly Evolution

(%YoY)



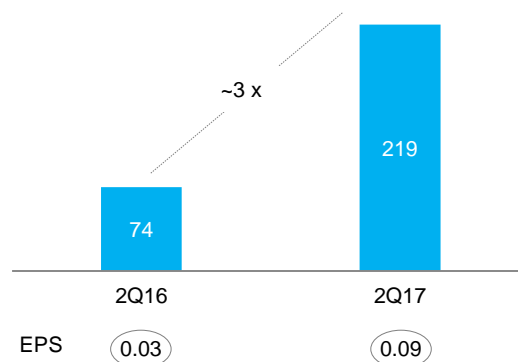
Normalized EBIT¹ Margin

(R\$ mln; %)



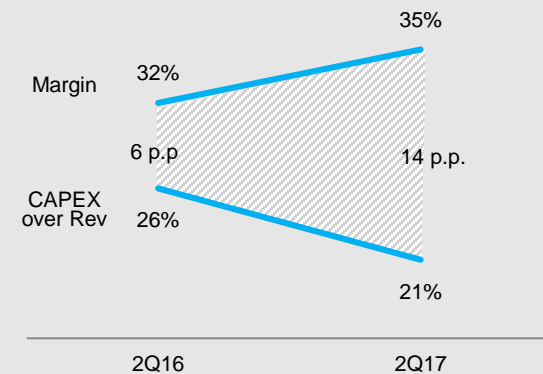
Reported Net Income

(R\$ mln)



Normalized EBITDA¹ – CAPEX as % of Revenues

(R\$ mln; %)






EBITDA - CAPEX

229	~2.5x	582
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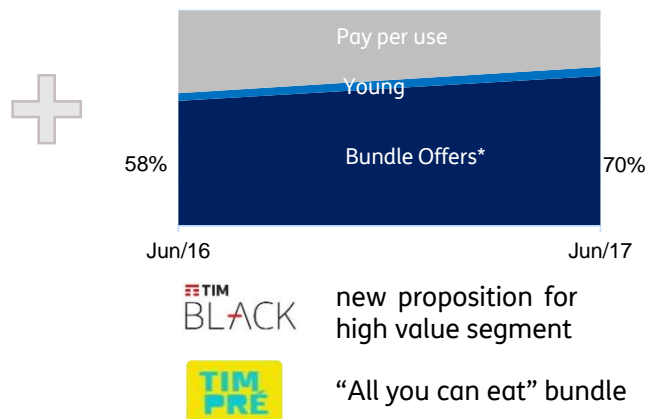
2Q17 Main Takeaways: Business Progressing Across the Board

Network Infrastructure Advances

- ✓ Acceleration in 4G coverage (YTD)
 -  **2,000 cities covered by end of July**
- ✓ Cities with 700 MHz
 -  **62 Cities o/w 10 Capitals**
- ✓ Launch of VoLTE
 -  **July 2017**

Improved Revenue Mix

(MSR excl. incoming)

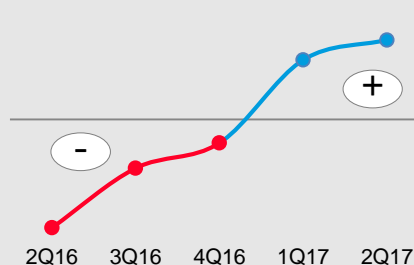


Customer Experience

- ✓ Speed up of digital transformation initiatives
- ✓ Dedicated caring for high value customers
- ✓ Big Data analyses driving marketing and network decisions
- ✓ TIM Live remains as #1 fixed ultra broadband quality of services

Turnaround Progressing

Revenues at new frontier



EBITDA Margin Improvement and High FCF Yield

