

RESULTS PRESENTATION

3RD QTR 2017

4G



 **TIMP3**
NOVO
MERCADO
BM&FBOVESPA

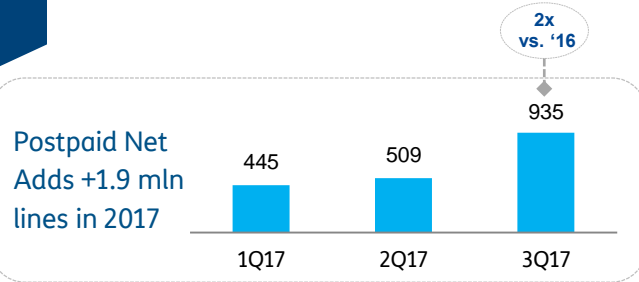
 **TIM**

3Q17 Highlights: Solid Trends in All Fronts

Accelerating Growth

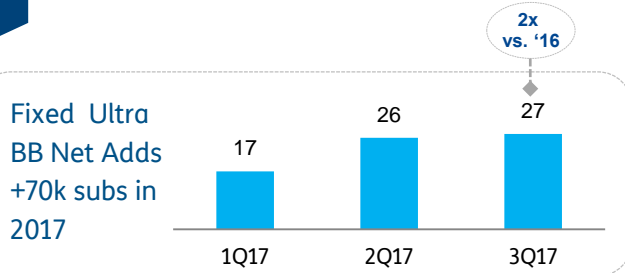
Net MSR
+5.8%
YoY

- Mobile Net Service Revenues accelerating from +5% YoY in 2Q



UBB Revs
+54%
YoY

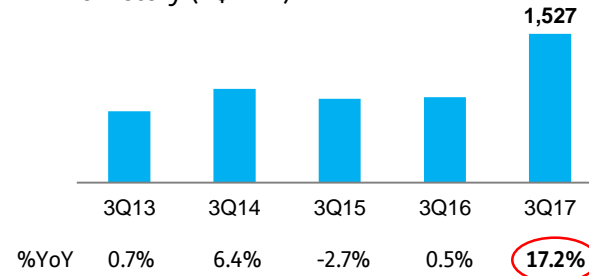
- Fixed Ultra BB (TIM Live) Net Revenues jumping from +32% YoY in 2Q



Total Gross Service Revenues +2.0% YoY
Total Net Service Revenues +5.9% YoY

State of the Art Profitability

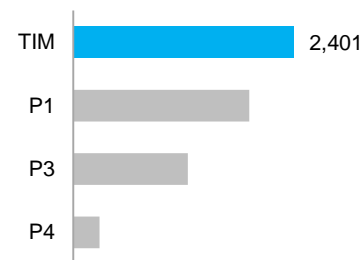
Highest 3Q Normalized EBITDA in TIM's history (R\$ mln)



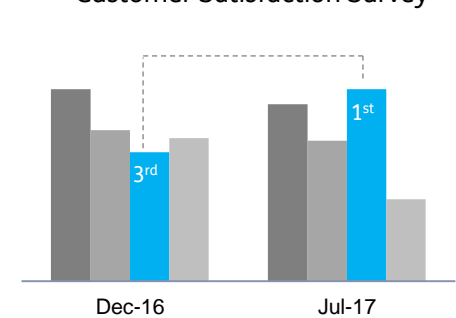
EBITDA Margin
37.4%
in 3Q

Customer Experience Supported by Leadership in 4G

Cities covered with 4G



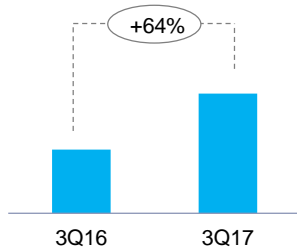
Pure Postpaid Customer Satisfaction Survey¹



Improving Value Through Customer Base Transformation

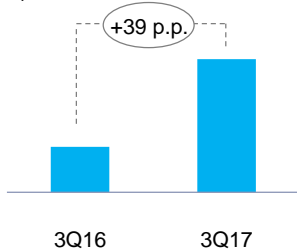
Postpaid (Gross + Migration)

(lines; % YoY)



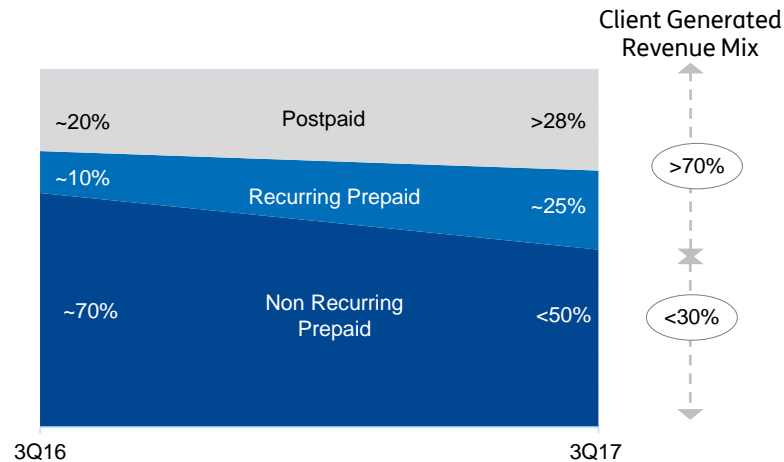
Prepaid Recurring Offers (bundles) over Gross Adds

(% YoY)



CB Reshaping Towards Recurrence

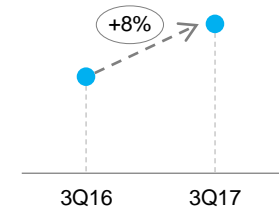
(% of total base)



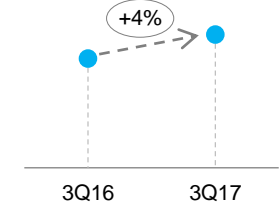
Client Generated ARPU

(% YoY)

Postpaid



Prepaid



Further Evolving in the Go 2 Market

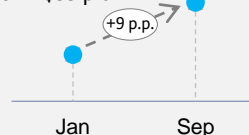
Pure Postpaid Plans: focus on loyalty and churn reduction



- Promotions on services and/or handset with 12 months lock-in contracts
- ~40% of Pure Postpaid gross comes from customers with lock-in contracts

Control Plan better value for money at R\$55 offer

- Up-sell between Control Plans: ~90k users to Control R\$55 in Sep/17
- Mix of gross + migration on R\$55 plan



Prepaid New Offer, encouraging the recurrence :

@ 1GB+ 1GB Bonus



☎ Unlimited calls TIM-TIM + 100 minutes off-net

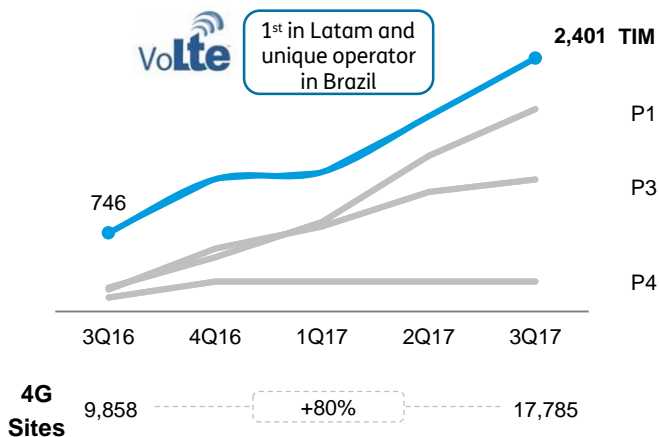
📱 Unlimited Whatsapp messaging



Further Advancing on Infrastructure

4G Coverage Evolution

(# of cities)



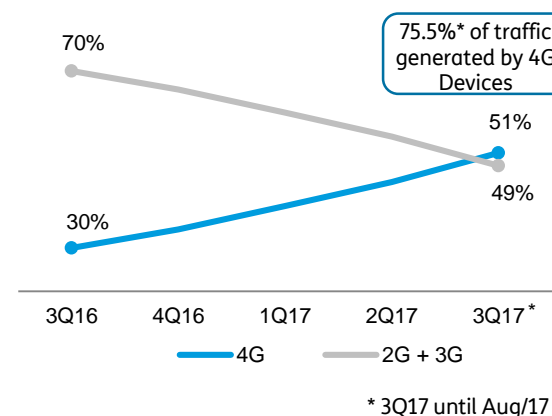
Leadership in 4G coverage
86% of urban pop

301 Cities with 4G 700MHz

177 Cities with VoLTE

Network Data Usage

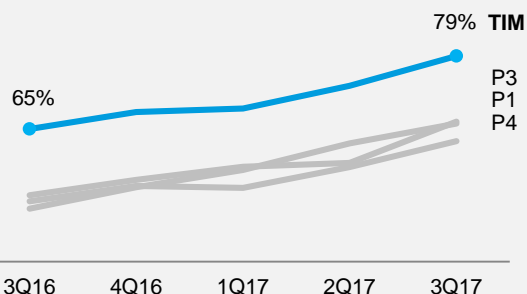
(% of data traffic by technology)



Best 4G Coverage leveraged by 1.8GHz refarming and Leadership in LTE 700MHz

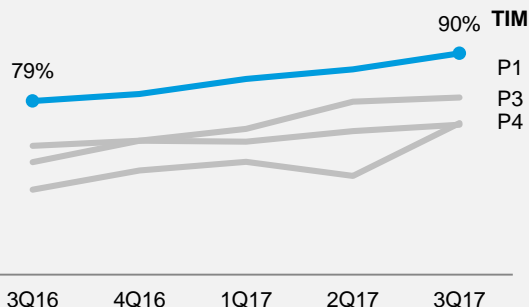
Brazil

(Ookla Speedtest; % of tests in 4G Network)



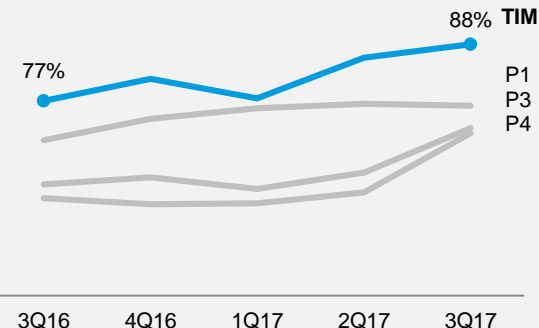
São Paulo

(Ookla Speedtest; % of tests in 4G Network)



Rio de Janeiro

(Ookla Speedtest; % of tests in 4G Network)



Digital Transformation Across the Company to Improve CEX and Process Efficiency

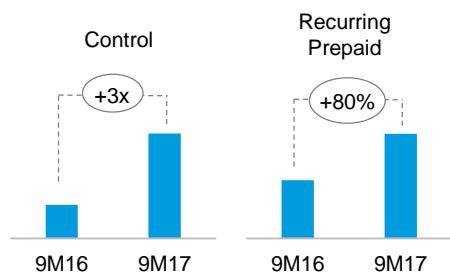


Digital Evolution of Customer Journey

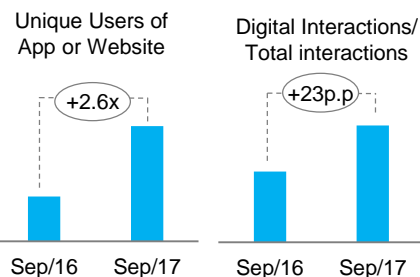


Sales in Digital Channels

(# of digital activations)

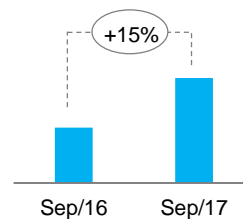


Digital Caring



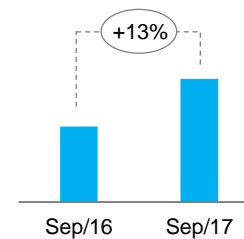
E-Billing

(# 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



API



AI



Procurement to Payment



Network Planning SQM



Big Data



TAX Management



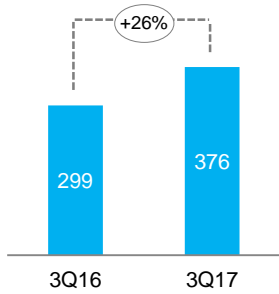
Billing Platforms

Improving Trends for Customer Satisfaction¹

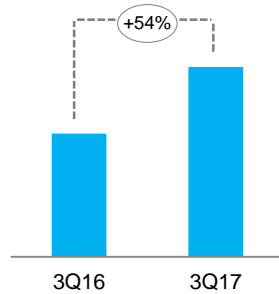
- #1 General Satisfaction
- #1 in Pure Postpaid
- #1 in Prepaid

TIM Live: Growing its Importance Every Quarter with Solid Results

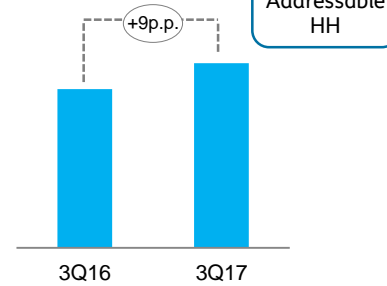
User Base
(‘000; %YoY)



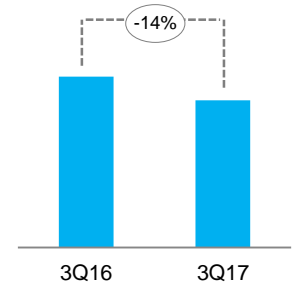
Net Revenues
(R\$ mln; %YoY)



Occupation Rate
(% of ports used)



SAC/ARPU
(months; %YoY)



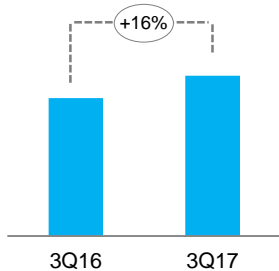
Growing at robust double digit rates

Efficient approach guaranteeing profitability

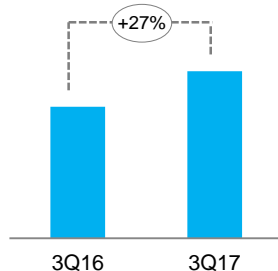
TIM Live



ARPU (new clients)
(R\$; %YoY)

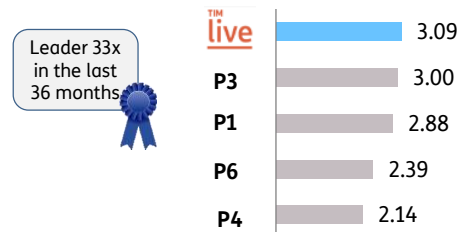


ARPU (user base)
(R\$; % YoY)

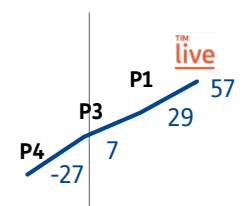


Extracting value with new portfolio: upselling and pricing

Netflix ISP Speed Ranking
(Mbps, Sep 17)



Net Promoter Score
(%; Jul 17; Bridge Research)

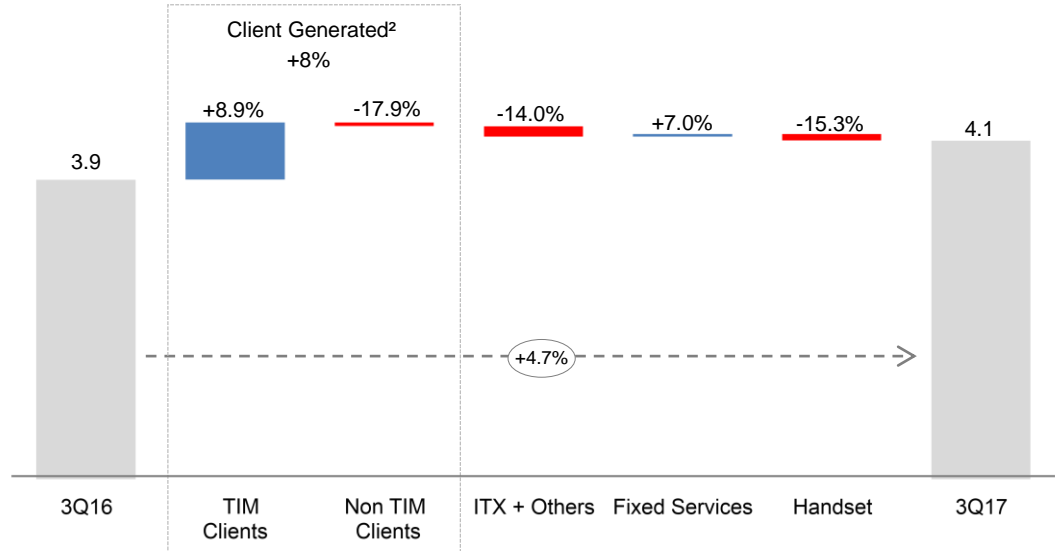


Leadership in customer experience

Consolidating Revenue Improvements with More Focus on Bundle Offers

Total Net Revenues Breakdown

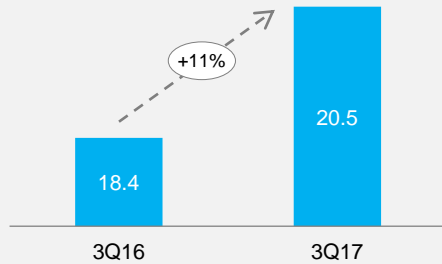
(R\$ bln; %YoY)



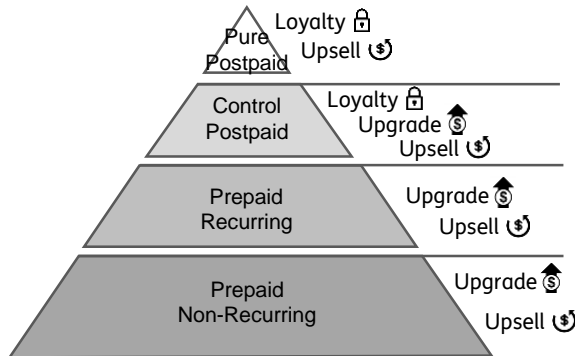
Total Mobile ARPU

(R\$; % YoY)

7th quarter of ARPU uplift

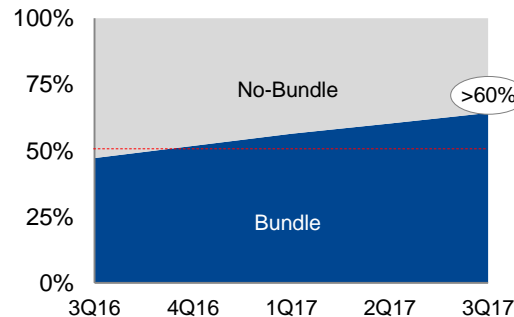


Improving Revenue Predictability and monetizing Customer Base



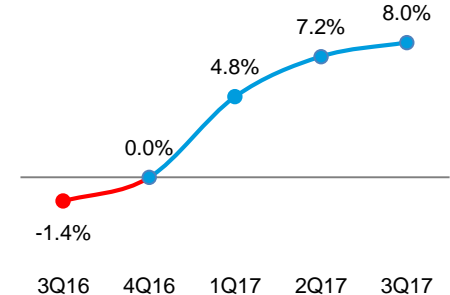
Revenues Mix from Bundled¹ Offer

(% of TIM Client Generated Revenues)



Client Generated² Revenue Growth

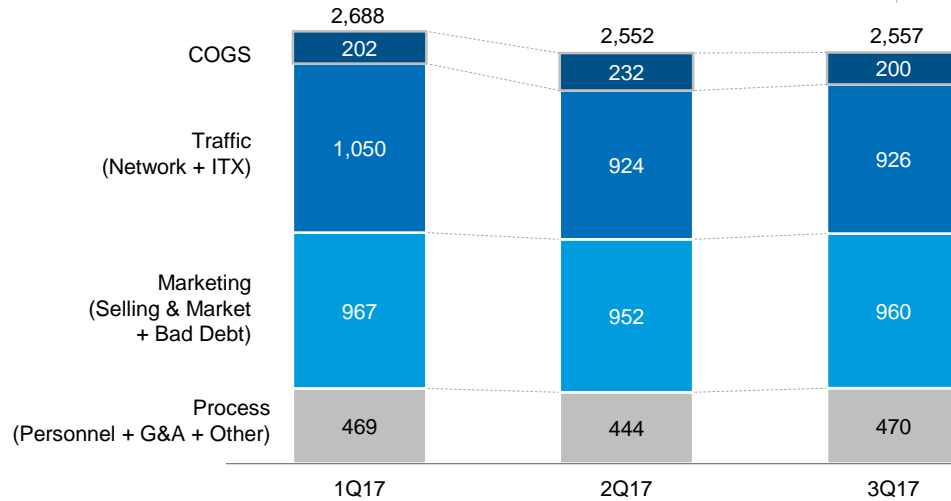
(% YoY)



Opex Dynamics: Efficiency Continues to be a Driver

Normalized Opex Breakdown Analysis

(R\$ mln; %YoY)



-1.5% Δ YoY

-13.7%

COGS

- ⊖ Reduction in volume due to lower sales to prepaid customers, postpaid users represents ~80% of total sales (+ ~35% YoY).
- ⊖ Lower acquisition price from vendors.

-4.3%

Traffic

- ⊖ ITX: lower cost after MTR (VU-M) cut partially offset by off-net traffic growth.
- ⊕ Rental & Power: growth driven by network expansion and inflation.
- ⊖ Network: leased line price cut after Res. 639 (last quarter of "comparability" benefit) and efficiency gains thanks to "zero leased lines" project.

-

Market

- ⊕ Higher postpaid Customer Base and sales generating increase in customer management opex (customer care, billing and collection, bad-debt) partially offset by digital efficiencies.
- ⊖ Positive impact of Fistel (-11.8% YoY in 3Q17) and recharge fees in prepaid.
- ⊕ Commissioning costs growth, +10.0% YoY, due to postpaid gross adds.

+7.7%

Process

- ⊕ Personnel (+4.1% YoY) and G&A (+2.8% YoY) grew low single digit, close to inflation, thanks to impact efficiency program gains
- ⊕ Other Operating (income) expenses, +26.4% YoY, trend impacted by higher provisions for labor lawsuits of mainly third parties from previous years.

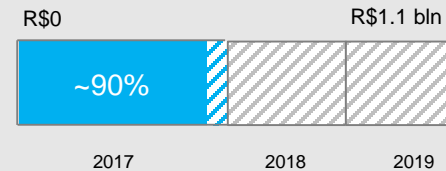
Efficiency Plan Recap

(R\$ bln)



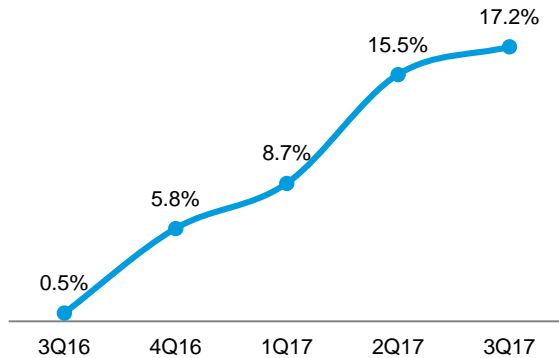
Efficiency Plan Completion

(%)

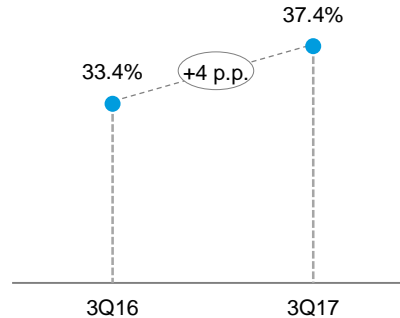


Solid EBITDA Growth Boosting Bottom Line and Cash Generated

Normalized EBITDA¹ Growth
(%YoY)

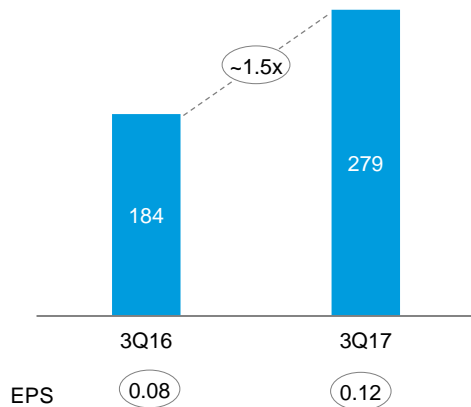


Margin Expansion
(% Normalized EBITDA Margin)

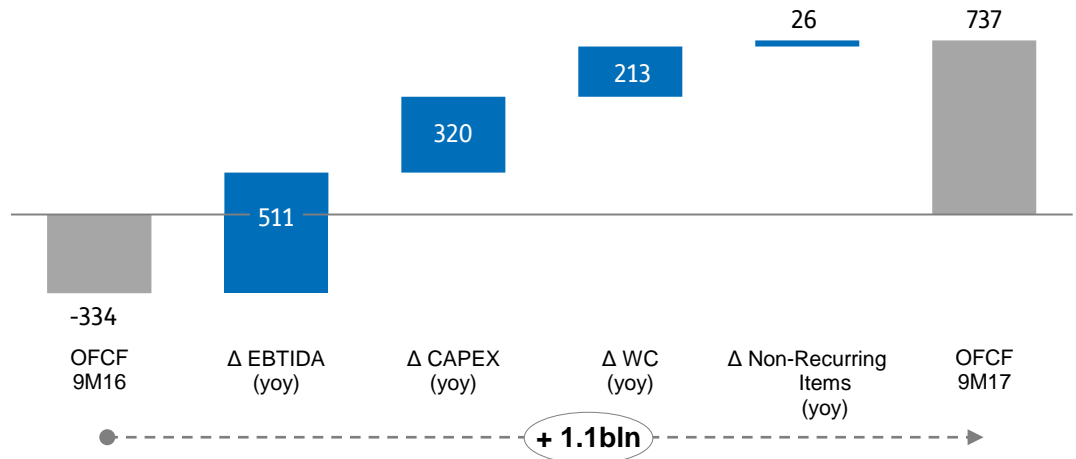


- ▶ 9M17 Normalized EBITDA up 13.9%
- ▶ 9M17 Normalized EBITDA Margin at 34.9%
- ▶ 16 quarters of YoY EBITDA margin expansion: from mid 20's to high 30's
- ▶ Service EBITDA Margin at 39.7% in 3Q17 and 37.1% 9M17
- ▶ 9M17 EBITDA - Capex of R\$1.7 bln, (+2x YoY), 14.1% on Net Revenues, (+7p.p. YoY)

Reported Net Income
(R\$ mln)



Operating Free Cash Flow Ex-License²
(R\$ mln)



Closing Remarks

1 Turnaround evolved from a “recovery” to a “growth story”

R\$ 1.5 bln Highest EBITDA for a 3rd quarter

2 “State of the art” profitability considering tax burden in Brazil...

TIM	P1	P3	3Q17 EBITDA Margin Benchmark
37%	34%	29%	

3 ...additional profitability gains and CEX improvements with digital transformation

4 Improving cash generation profile alongside maintaining a strong balance sheet

R\$ 1.7 bln EBITDA- Capex

0.7X net debt/ EBITDA

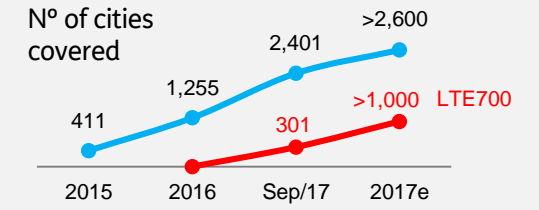
↓

R\$ 190 MLN

in IOE

Still to come in 2017

4G Network Expansion: beating targets



- ✓ Urban pop covered ('17YE): >90%
- ✓ Cities with VoLTE ('17YE): ~1000

Postpaid repositioning continues: more DATA... more CONTENT... more LOYALTY

Bundle Video Offer

Double Data to Watch:

TIM Live Expansion:

FTTH “soft launch” in Oct/17, available in 4 neighborhoods in RJ and SP