

RESULTS PRESENTATION

4th QTR 2016



TIM. Brazil's largest 4G network, available
in over 1.200 cities and the only
4G carrier in Fernando de Noronha.

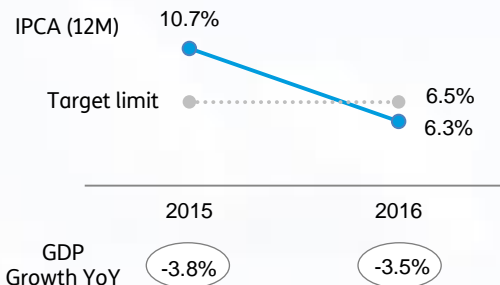
2016: A Turn Around Year

Macro scenario still tough but improving looking forward...

...along with deep operational turnaround...

...showing consistent recovery in 2016 results

Inflation back to control but GDP is still contracting



Source: IBGE

Real (BRL) appreciation

+17% in 2016

Other relevant improvements

- ✓ Less uncertainty on political scenario
- ✓ Better consumer confidence index
- ✓ Decreasing interest rate

+9% YoY at R\$19 ARPU growth (in 4Q16)

Improving user base value

23.5% of total base (up from 20% in 2015)

Focus on postpaid

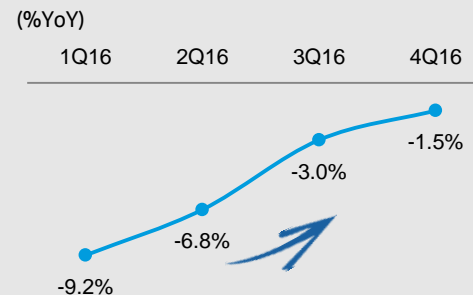
-12% YoY in OPEX¹

Strong Cost efficiency

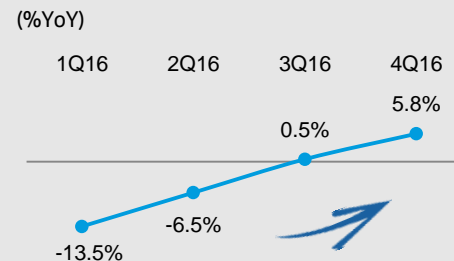
1,255 cities w/ 4G (up from 411 in 2015)

Faster & Wider MBB deployment

Mobile Service Net Revenues (%YoY)



Normalized¹ EBITDA (%YoY)



Improving Profitability & Cash Generation

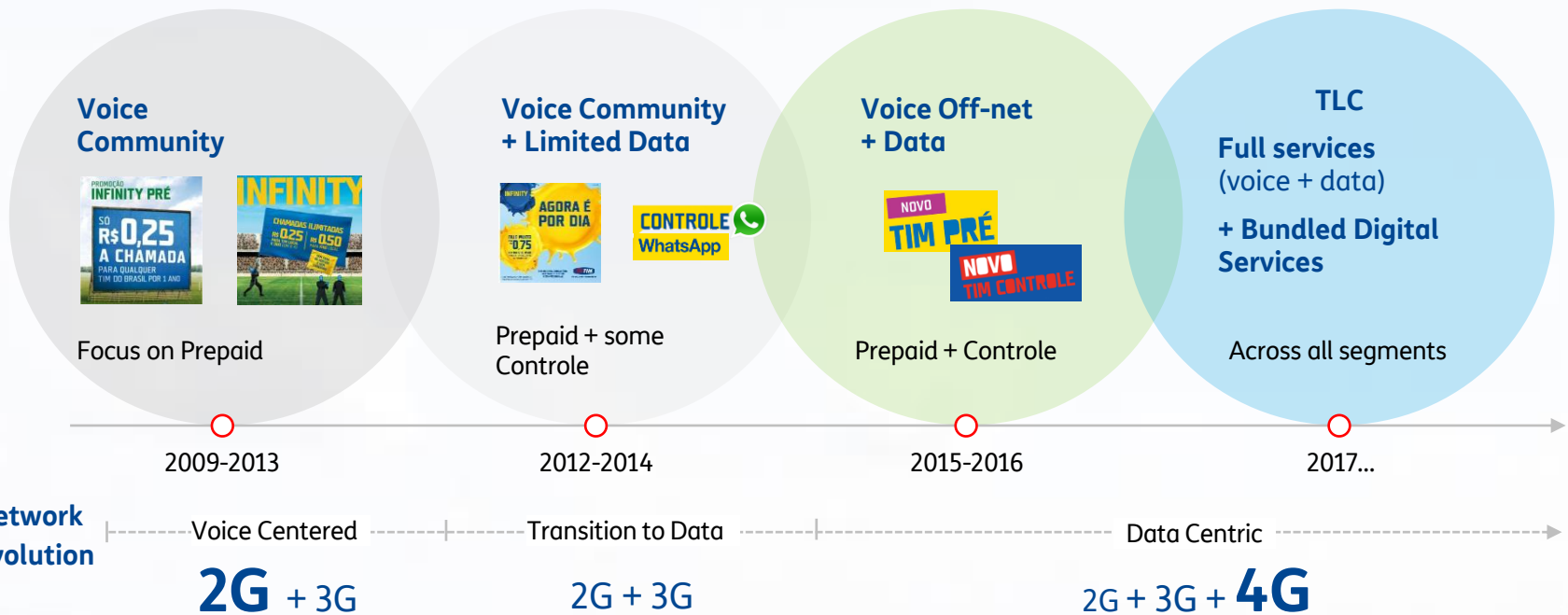
33.5% of EBITDA margin in 2016

Back to Positive FCF

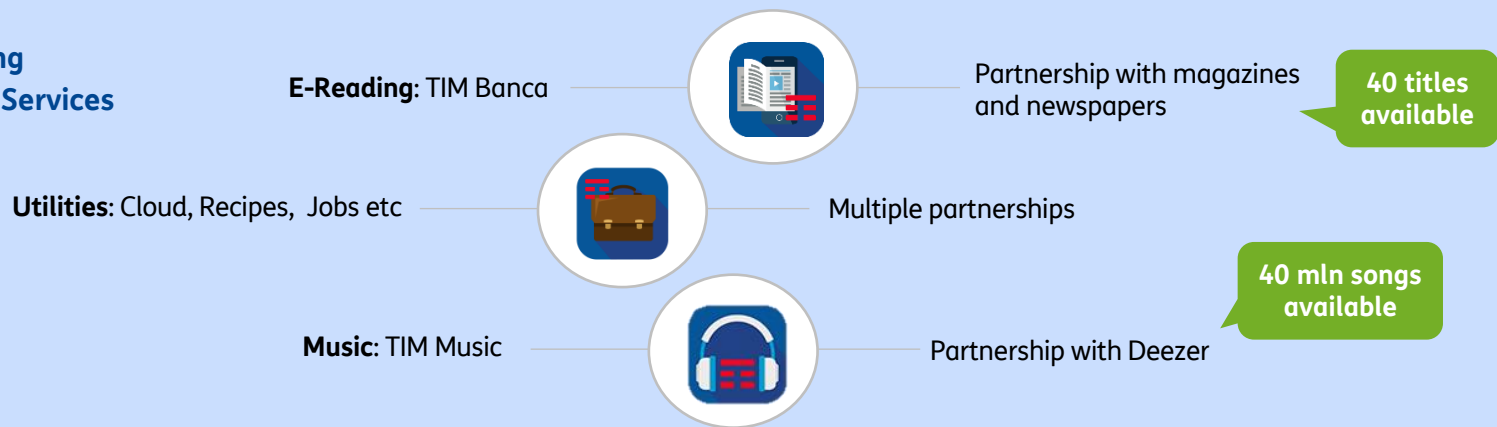
Source: Company, except where other wise indicated

¹ Normalized for towers sale and other effects

Value Proposition Evolution

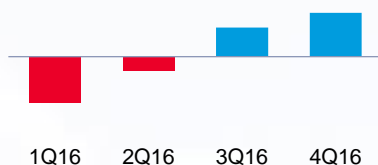


Bundling Digital Services



Customer Base Reshape to Higher Value

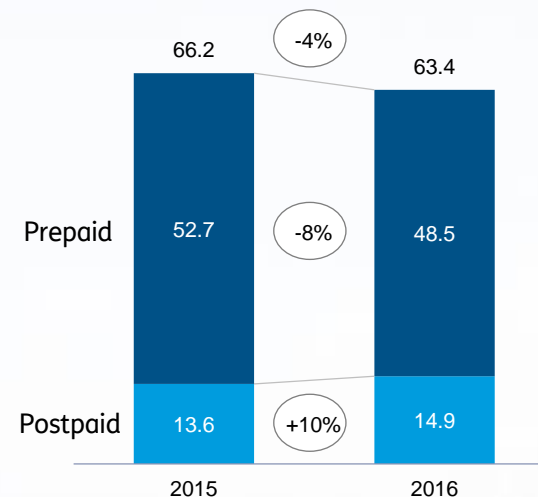
Net Migrations Prepaid to Postpaid
(thousand lines)



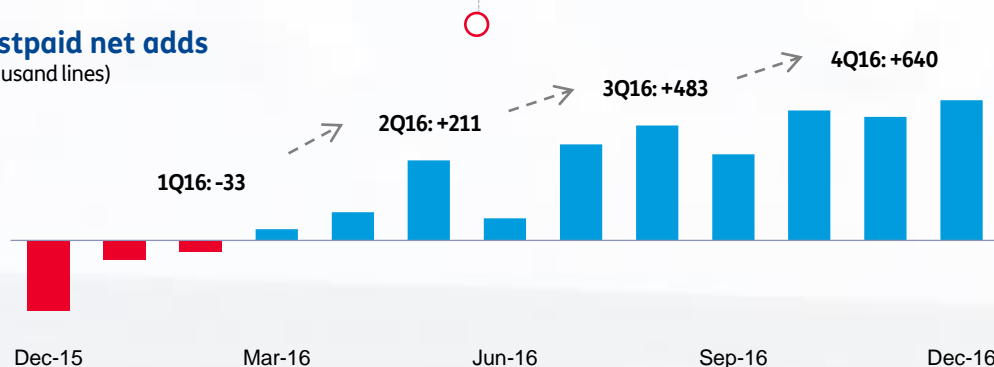
Postpaid Mobile Number Portability
(thousand lines)



Customer Base Breakdown
(mln lines; %YoY)

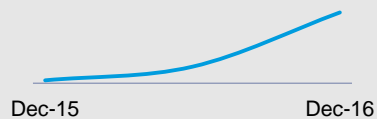


Postpaid net adds
(thousand lines)

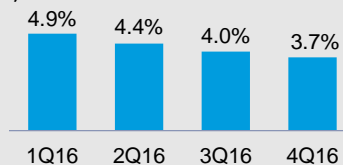


Control Plan Performance

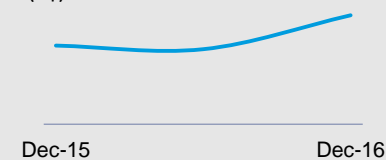
Net Adds
(thousand lines)



Churn rate
(%)



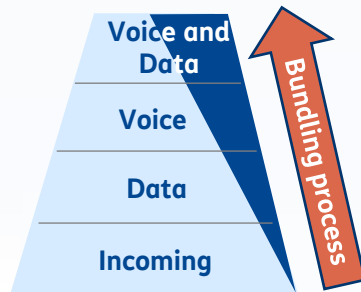
ARPU
(R\$)



“More for More” Approach: Win-Win Combination

Prepaid

Towards recurring approach



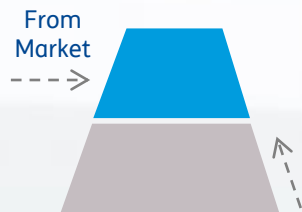
From Daily to Weekly

From R\$7 to R\$9/R\$10

■ Consumption based ■ Recurring based

Control

Upsell
Prepaid to
Control plans
Market inflow



Fast growing Best value for money

SIM Card Consolidation

Postpaid

New
Proposition
to sustain
MNP



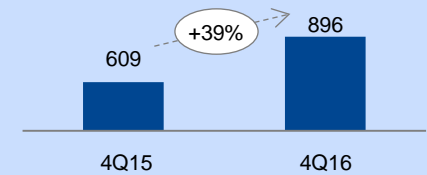
Full bundling services

Differentiated caring

Improving customers' usage & value

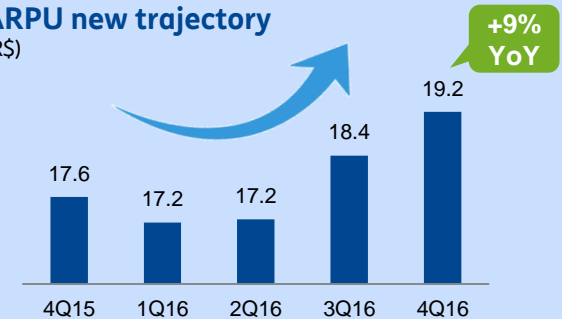
Data usage

(Mbytes of use per data customers; %YoY)



ARPU new trajectory

(R\$)

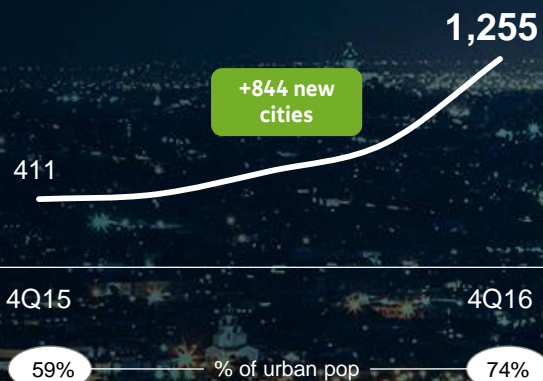


Value added services bundled
in all plans

Head Start in 4G Coverage, while fast improving on 3G

Taking advantage of 1,800 MHz refarming to secure 4G leadership

Cities covered with 4G



2x more cities than 2nd player

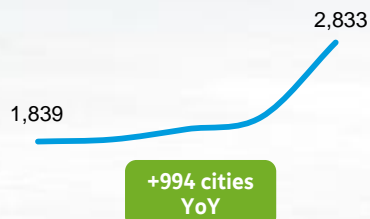


Access Network Evolution

4G sites ('000)



Cities covered with 3G



4Q15 4Q16

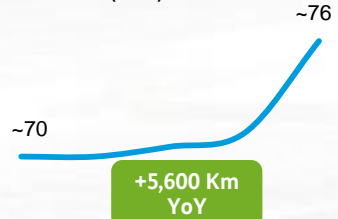
4Q15 4Q16

82% — % of urban pop — 89%



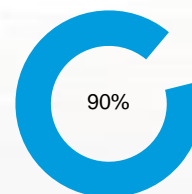
Transport Network Evolution

Km of Fiber ('000)



4Q15 4Q16

Sites connected with own backhaul (%)



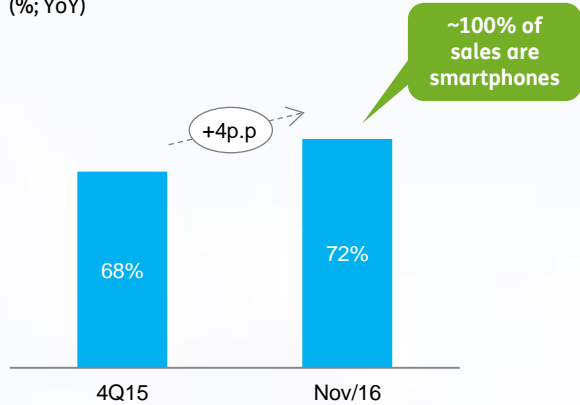
4Q16

4G Revolution is Changing Usage and Revenue Profiles



Smartphone penetration

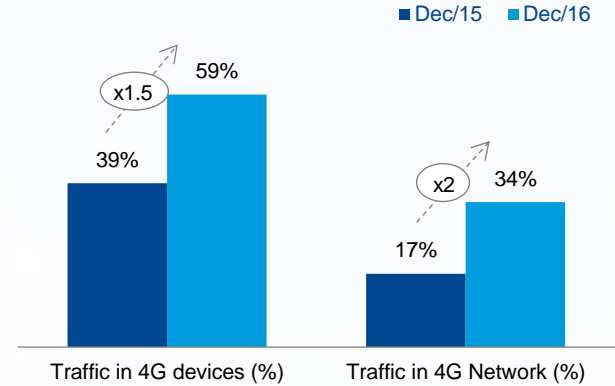
(%; YoY)



Users with 4G smartphones accelerate traffic shift when coverage arrives

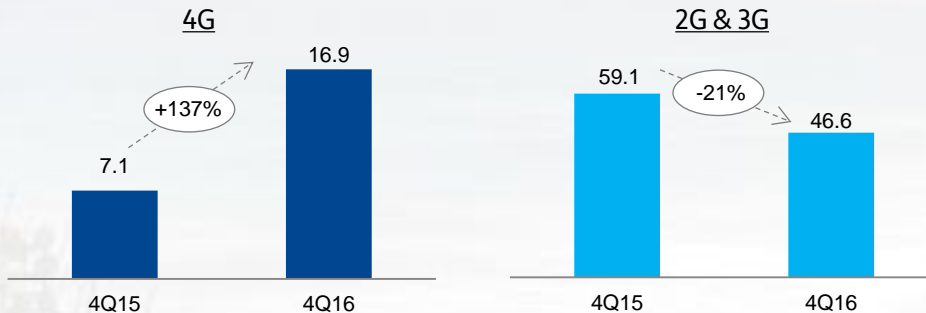
4G Traffic

(% of total traffic; YoY)



Data users per technology

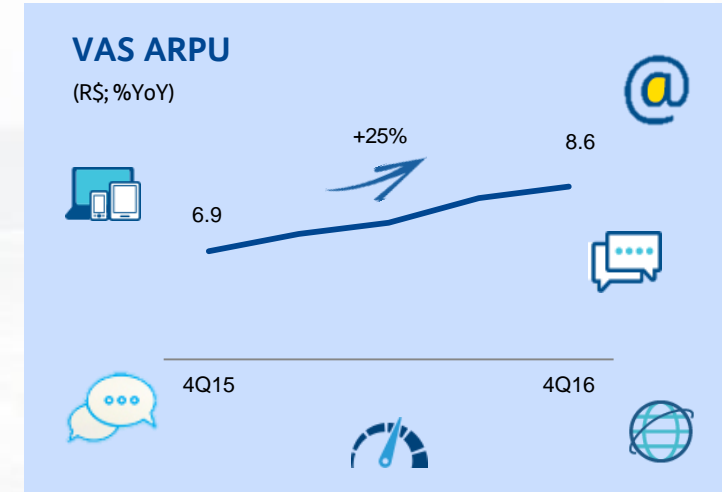
(mln lines; %YoY)



Source: Anatel

VAS ARPU

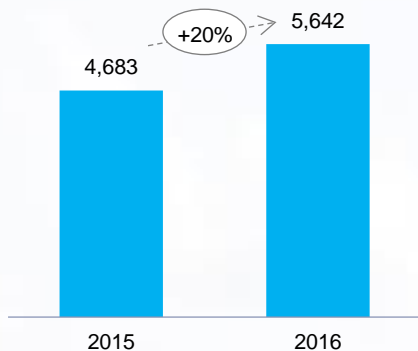
(R\$; %YoY)



Revenues Performance: Back to Business Generated Growth

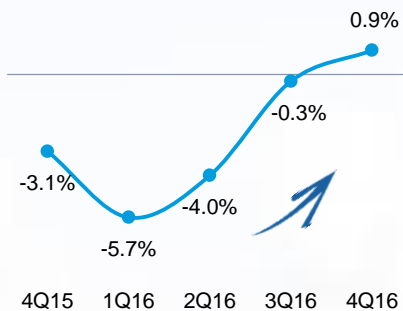
Innovative Revenues

VAS ex - SMS (R\$ mln; %YoY)



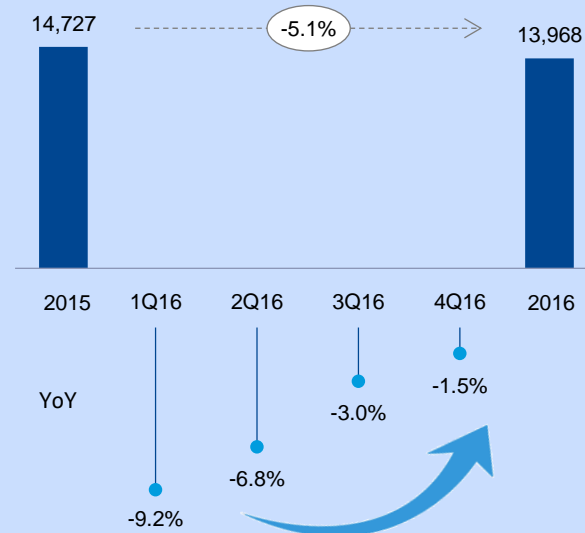
Business Generated Growth

Mobile Services Revenues
ex-incoming (%YoY)



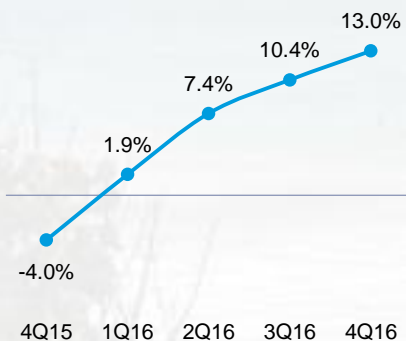
Mobile Service Net Revenues

(R\$ mln; %YoY)



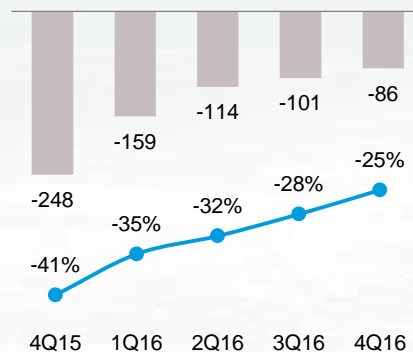
Incoming Voice Traffic

(%YoY)



Delta Incoming per Quarter

(R\$ YoY; %YoY)

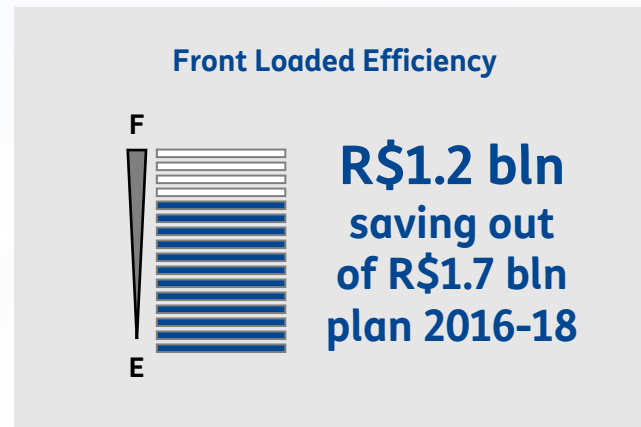
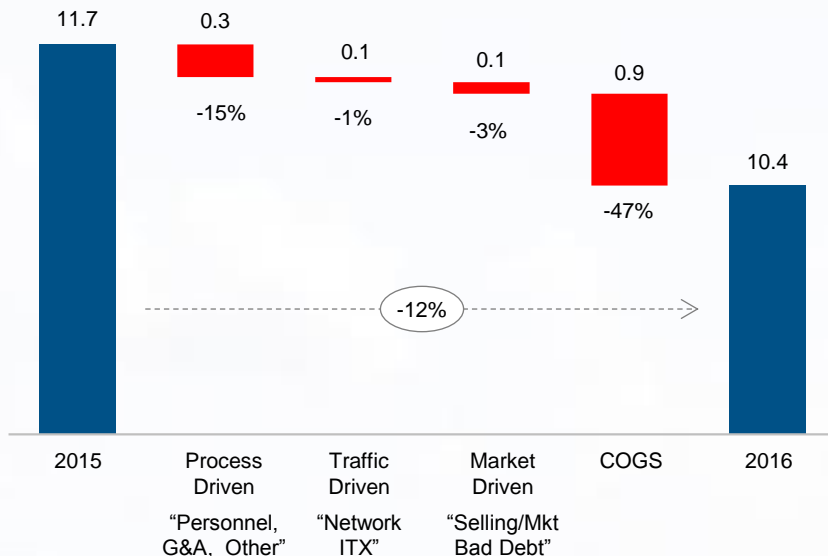


Positive Business Generated and improving trend in Incoming Revenues is driving MSR recovery

Opex Trends: Strong Cost Control Accelerating Savings

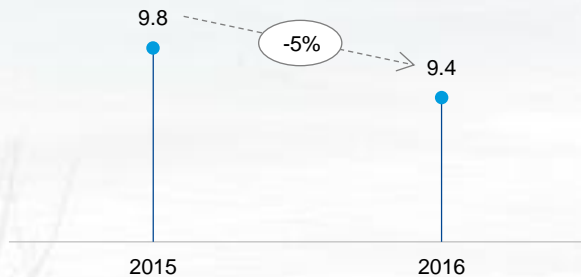
Opex Breakdown Analysis

(R\$ bln; %YoY)



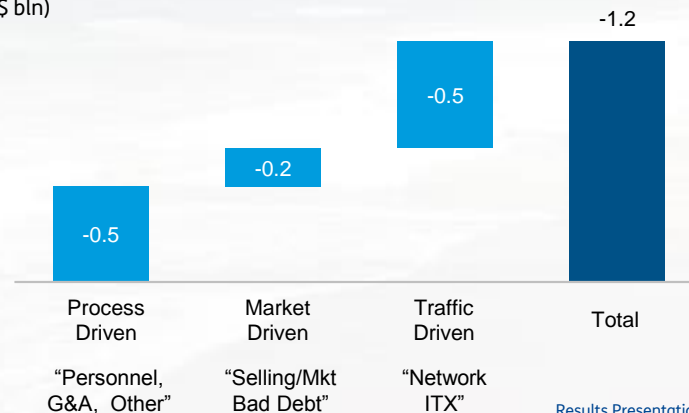
Opex ex - COGS

(R\$ bln; %YoY)



2016 Savings Breakdown

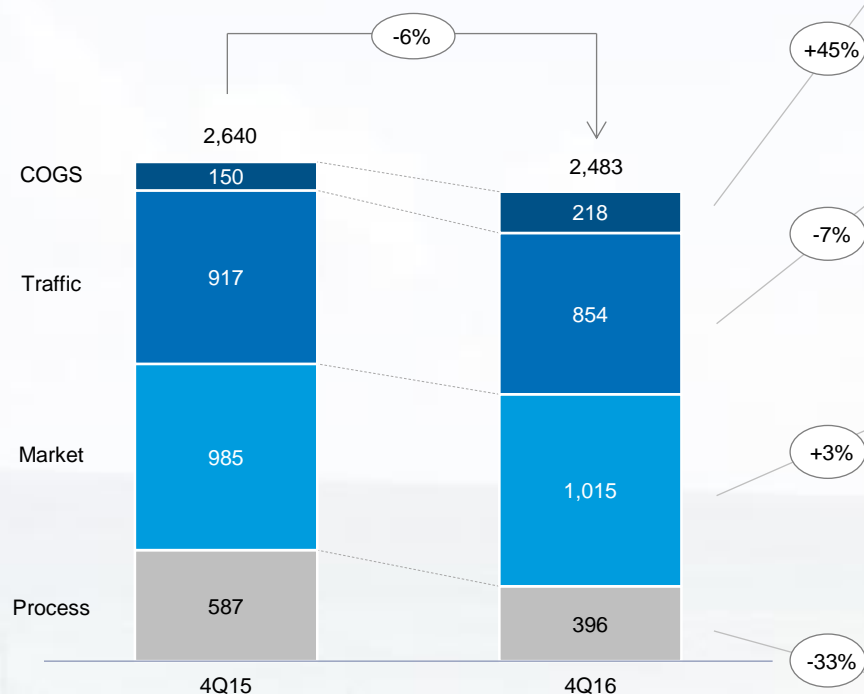
(R\$ bln)



Fourth Quarter Opex in Details

Opex Breakdown Analysis

(R\$ mln; %YoY)



COGS

Confirming selective approach on handset strategy. 4Q YoY analysis affected by changing handset rebates allocation (from commercial cost to COGS) retroactively in 4Q15 with no impact on FY value comparison.

Traffic

Efficiency on network Opex fully offsets off-net traffic and network components growth impacts. 4Q16 result also benefits from the effect of leased lines regulated price reductions (Anatel resolution 639/14). 2Q and 3Q numbers were booked on 4Q16 (~R\$30 million).

Market

QoQ growth reflects further improvements in postpaid commercial KPI's and outgoing revenues driven costs partially offset by efficiency actions. Consistent trend YoY (4Q16 vs 4Q15) comparison notwithstanding one-off clean up of customer base in 4Q15 which impacts were offset by the above mentioned handset rebates re-allocation.

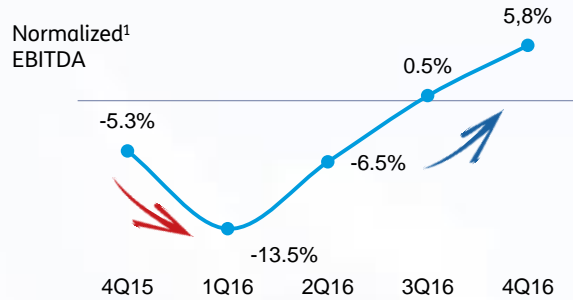
Process

Accelerating efficiencies thanks to full impacts of lay-off program (-24.5% YoY in headcount) and strong reductions in G&A (-35% YoY).

EBITDA Growth Back on Track

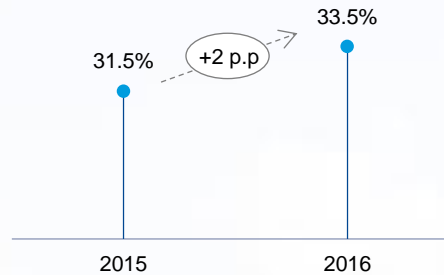
EBITDA Growth

(%YoY)



Normalized¹ EBITDA Margin

(%; YoY)

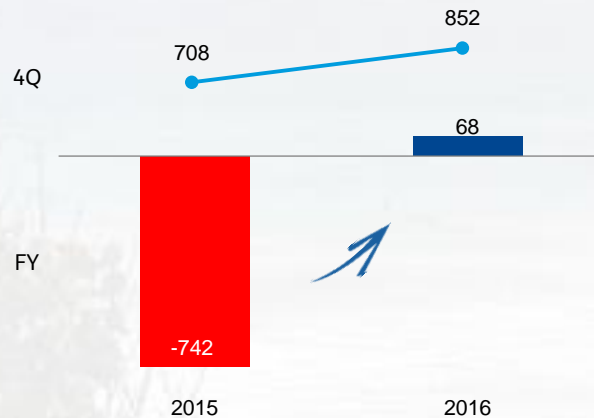


EBITDA and margins improvements backed by:

- Well executed efficiency plan
- Lighter impacts from MTR
- Improved revenues mix (more data and less handsets)

Normalized¹ Free Cash Flow

(R\$ mln)



Quarterly Evolution of Normalized¹ FCF

(R\$ mln; YoY)

