

4G

RESULTS
PRESENTATION
2Q2018



 TIMP3
NOVO
MERCADO
BM&FBOVESPA

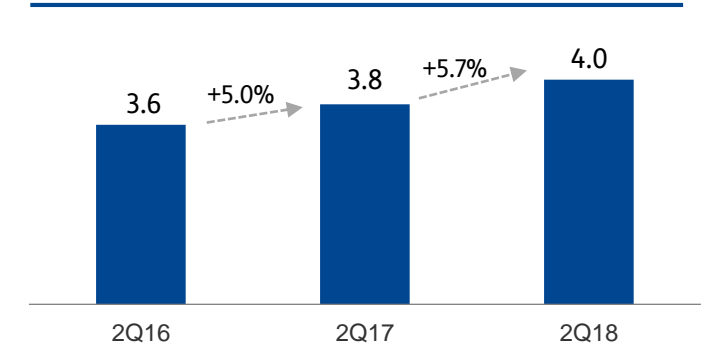
 TIM

Quarter Highlights

- Solid results amid worsening macro and temporary impacts.
- Reshaped user base profile increases resilience, reducing prepaid volatility exposure (~R\$ 15 mln impact in MSR from extraordinary events).
- 2018 efficiency target at 86%, supporting EBITDA Margin expansion.
- Operational and Network metrics remain strong.

Total Net Revs.	
R\$ 4.2 bln	+5.8% YoY
MSR	Live Revs.
+5.7 %	+41.0 %
YoY	YoY

Net Service Revenues (R\$ bln)



EBITDA ¹	EBITDA Margin ¹	Capex	Net Income
+12.7 %	37.6 %	1.02 bln	+53.2 %
YoY	+2.3 p.p YoY	+25.8% YoY	YoY

12M Postpaid Net Adds ²	12M UBB Net Adds
+3.0 mln	+75k

700 Mhz cities	FTTH ³ HH
1,131	+519 (000)
+215 vs. 4Q17	vs. 4Q17

¹Normalized figures

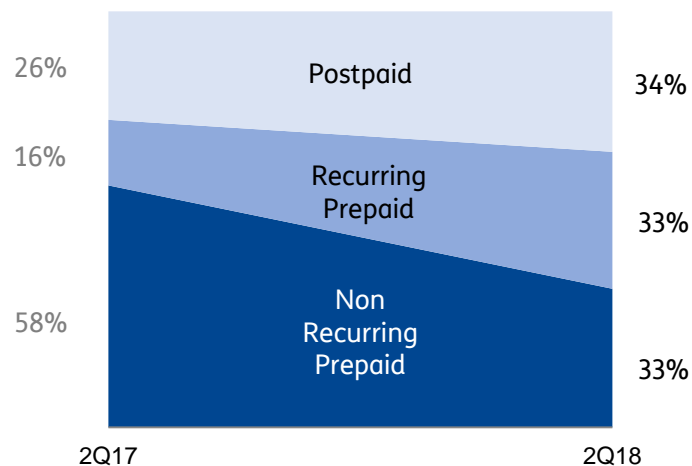
²Postpaid Net Adds Ex-M2M, Source: Company

³Addressable households ready to sell

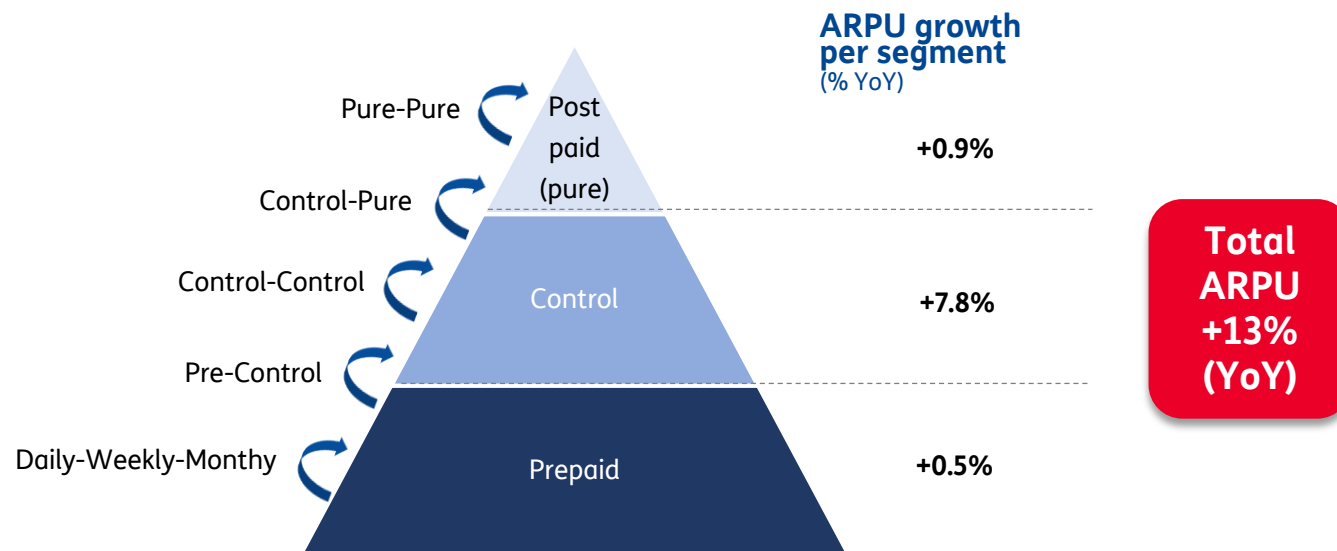
Mobile Operations: Managing the Customer Base Through Advanced Real-Time Analytics

Mobile Base¹ Mix Shift

(% of users)



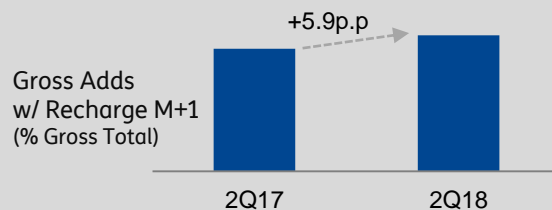
Mobile Strategy: upsell based on profiling to increase ARPU



Zooming-In Prepaid Dynamics

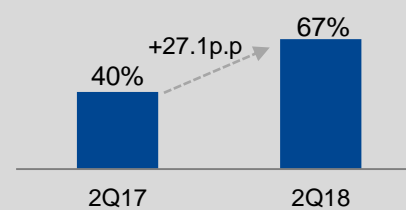
Despite Disconnections Prepaid Base Quality is Improving

Improving Acquisition Quality



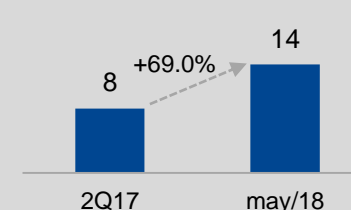
Increasing Recurrence

(% Prepaid Gross Adds)



Prepaid 4G Base²

(mln of users)



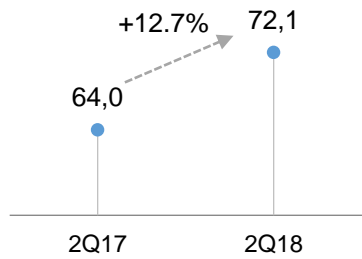
¹Source: Company; Anatel

²Base of May

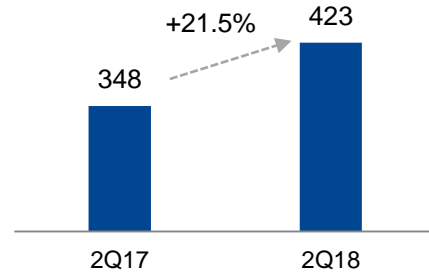
TIM Live Operations: Focusing on Execution

Sustaining solid revenue growth...

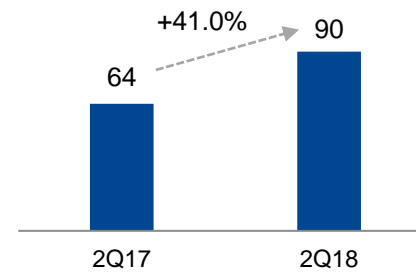
TIM Live ARPU (000)



UBB Customer Base (000)



TIM Live Revenues (R\$ mln)



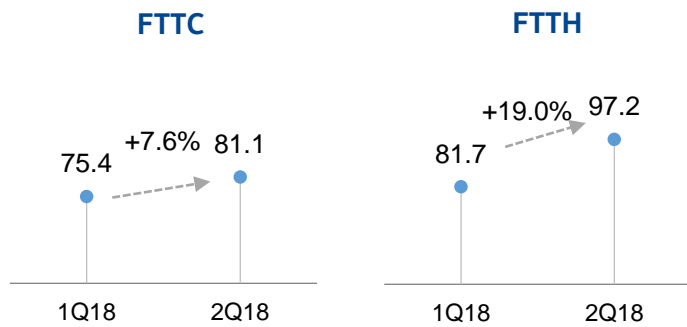
TIM Live arrives in Salvador-BA



... while transitioning focus from FTTC to FTTH

New Customers ARPU¹

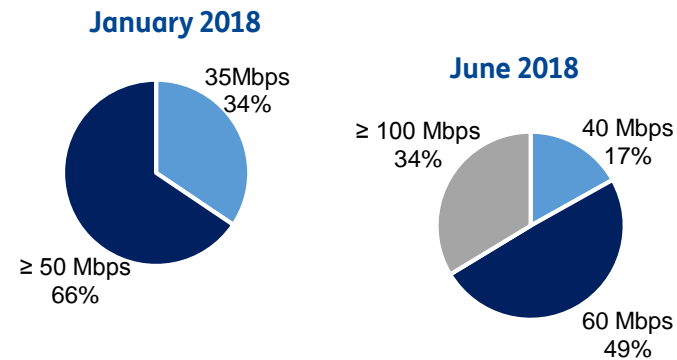
(R\$ mln; %QoQ)



New portfolio drives ARPU up

Sales Mix Evolution

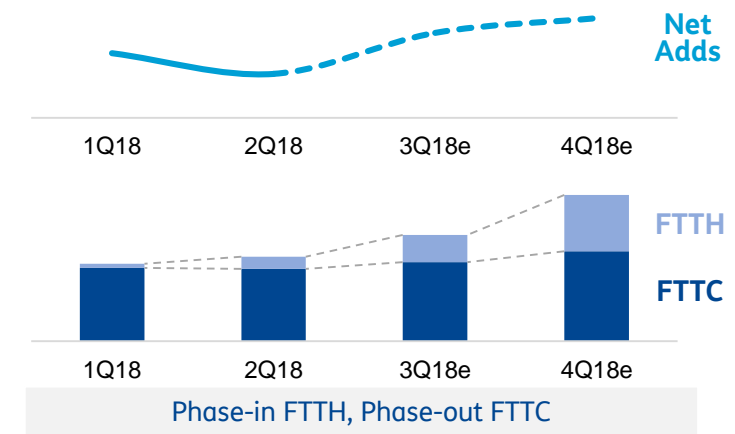
(% Gross Adds)



Higher speed as FTTH offers are introduced

Net Adds & Available Ports

(000)



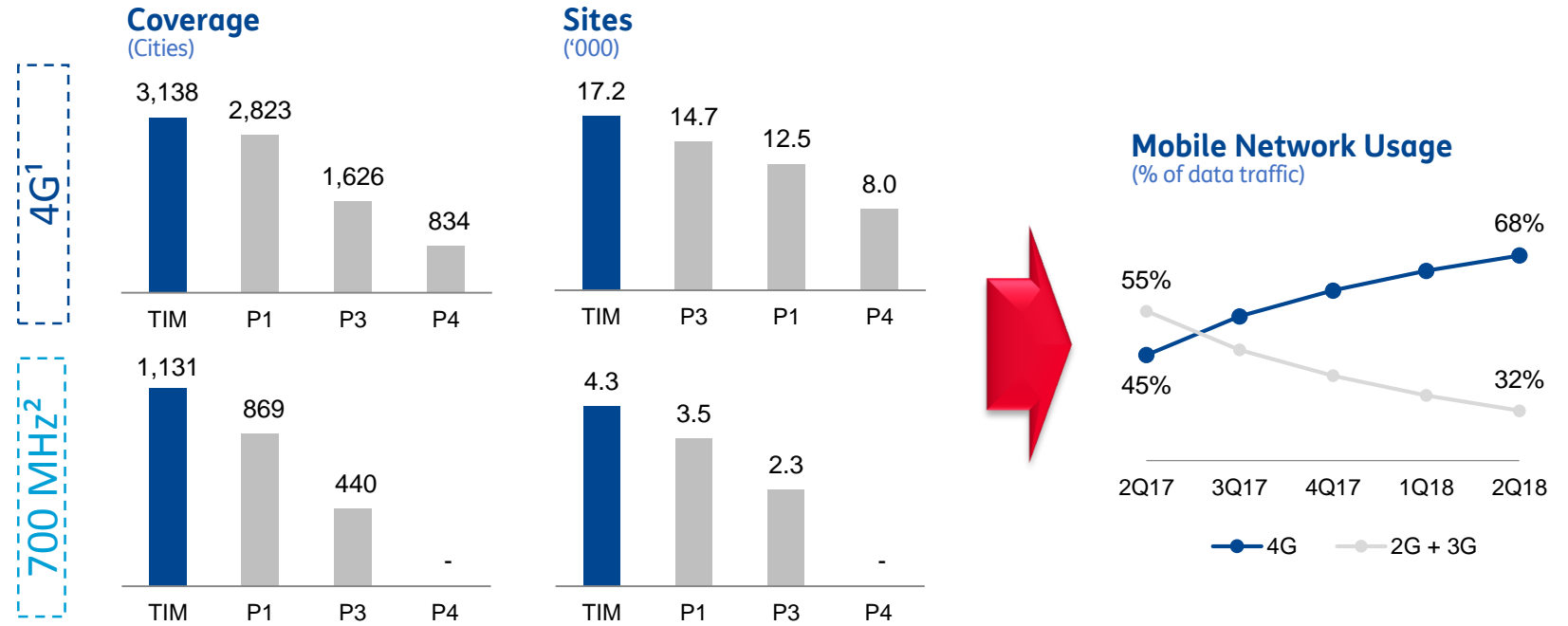
Phase-in FTTH, Phase-out FTTC

¹Broadband ARPU

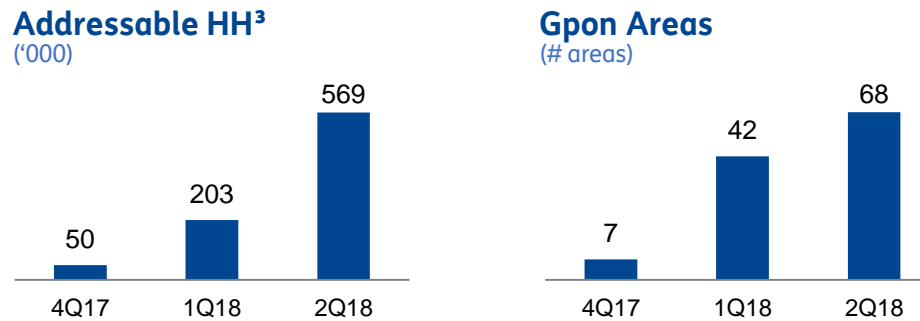
Mobile and Fixed Networks Evolving to Support Business Expansion and CEX

- 700 MHz available in major capitals helping to close indoor coverage gap.
- ~40% of urban pop. covered with LTE 700 MHz.
- 4G enabled devices already accounts for 87% of data traffic.
- FTTH outside Rio and SP, based on FTTS project.

4G at The Core of Mobile Network Strategy



FTTH Rollout Acceleration



New Cities with FTTH

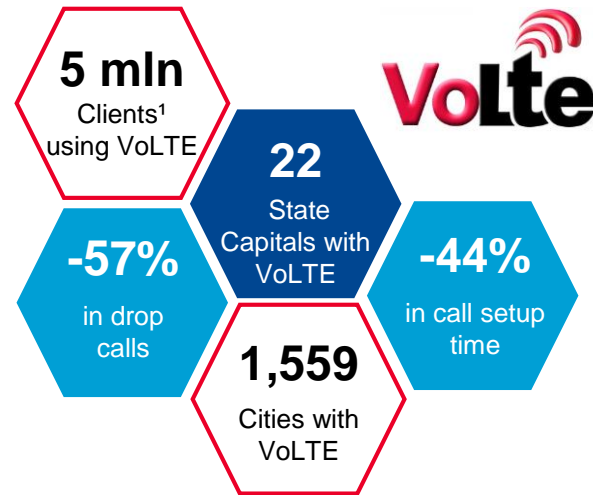
- Salvador – BA (02/Aug)
- Suzano – SP (07/Aug)
- São Gonçalo – RJ (07/Aug)
- Nilópolis – RJ (07/Aug)
- Mauá – SP

(1) Number of 4G cities based on Teleco website as of Jun/18. 4G sites extracted from Anatel's Siec system as of Jun/18
 (2) Number of 700Mhz cities and sites in 700 MHz extracted from Anatel's Mosaico system as of Jun/18. Cities with 700MHz = at least one site using this frequency. Number of 700 MHz sites based on sites licensed by Anatel which may include non-active sites.
 (3) Addressable households ready to sell

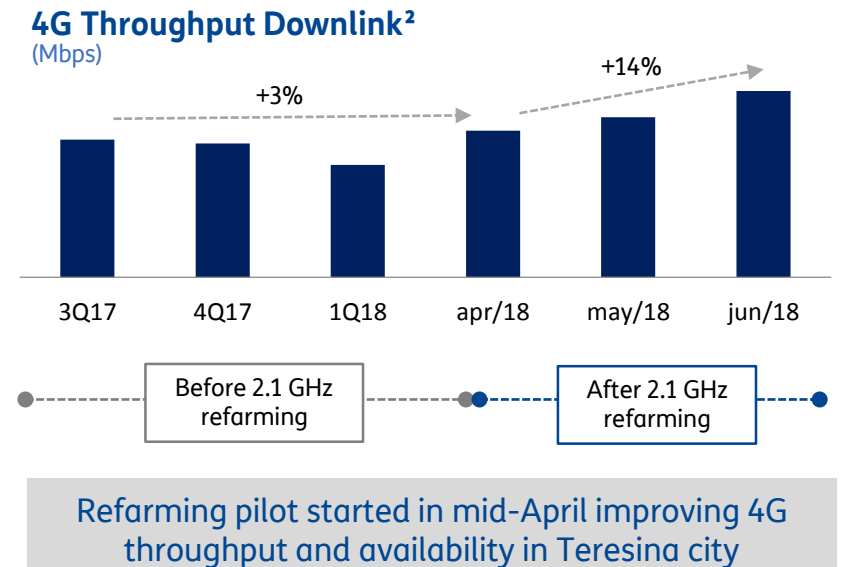
VoLTE & Refarming Enhancing Customer Experience

- VoLTE (HD calls) is available for more than 10 mln devices in Brazil.
- 2.1GHz refarming, starting a new wave after a successful implementation of LTE @1.8GHz.
- TIM continues to lead 4G availability in Open Signal Report (Jun/18).

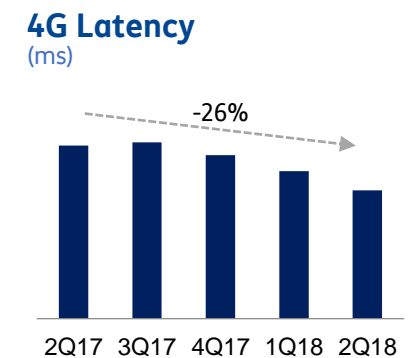
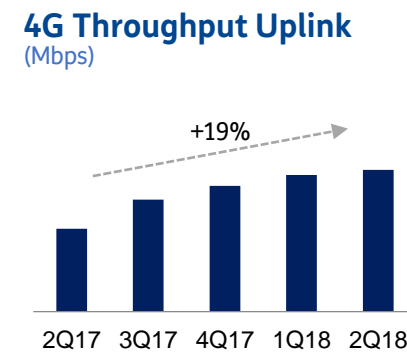
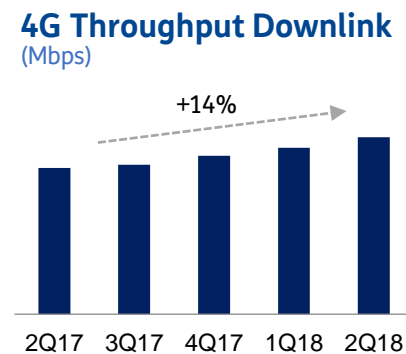
VoLTE Evolution



Refarming Strategy Moving on to 2.1 GHz: Teresina Case



Continuous Improvement in LTE Indicators³ Countrywide



(1) Number refers to the first week of July/18

(2) Based on analysis by Ookla® of Speedtest Intelligence® data for Q3 2017–June 2018. Ookla trademarks used under license and reprinted with permission.

(3) Based on analysis by Ookla® of Speedtest Intelligence® data for Q1 2017–Q2 2018. Ookla trademarks used under license and reprinted with permission.

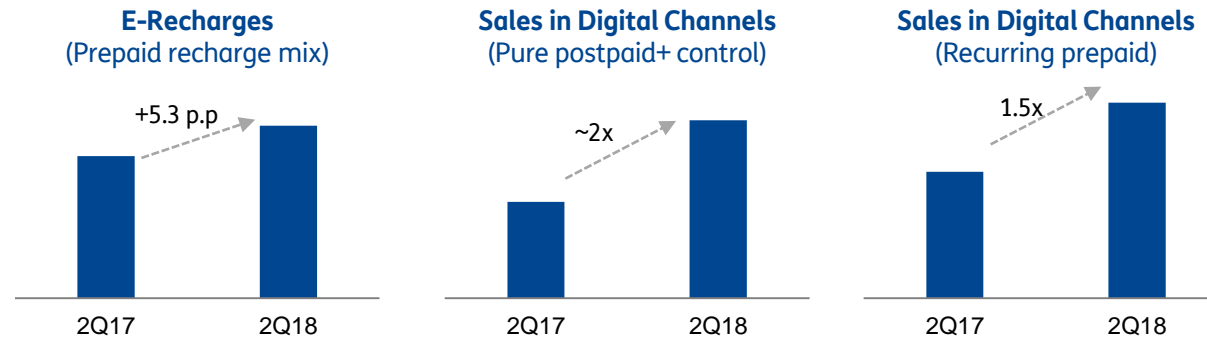
Digital Transformation at Full Speed

- Understanding clients' needs to improve customer journey.
- Re-engineering of processes to address clients' pain points.
- “Meu TIM” App Experience:

Best app rating in the Apple Store among Telcos.



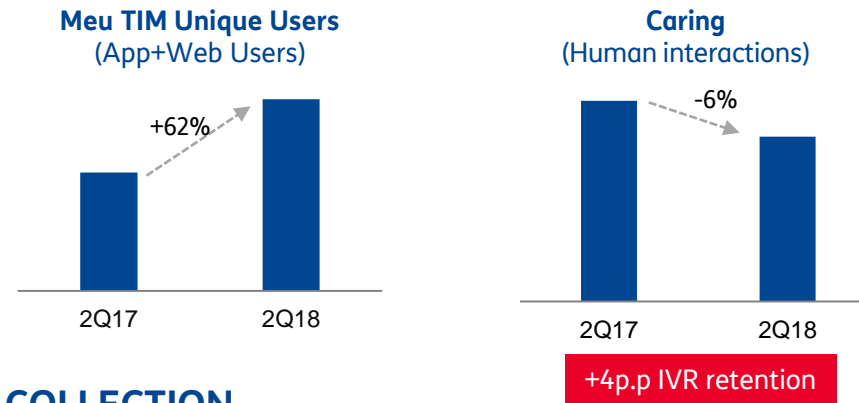
SALES



Prepaid recharge mix changing driven by e-channels.

E-sales is a key driver for TIM's upselling strategy.

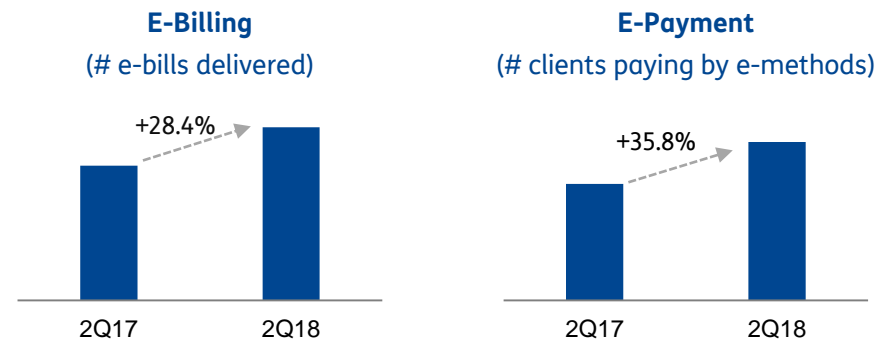
CARING



Focus on Customer Experience supported by self-caring.

Mobile App and modernized IVR are key in this approach.

BILLING & COLLECTION



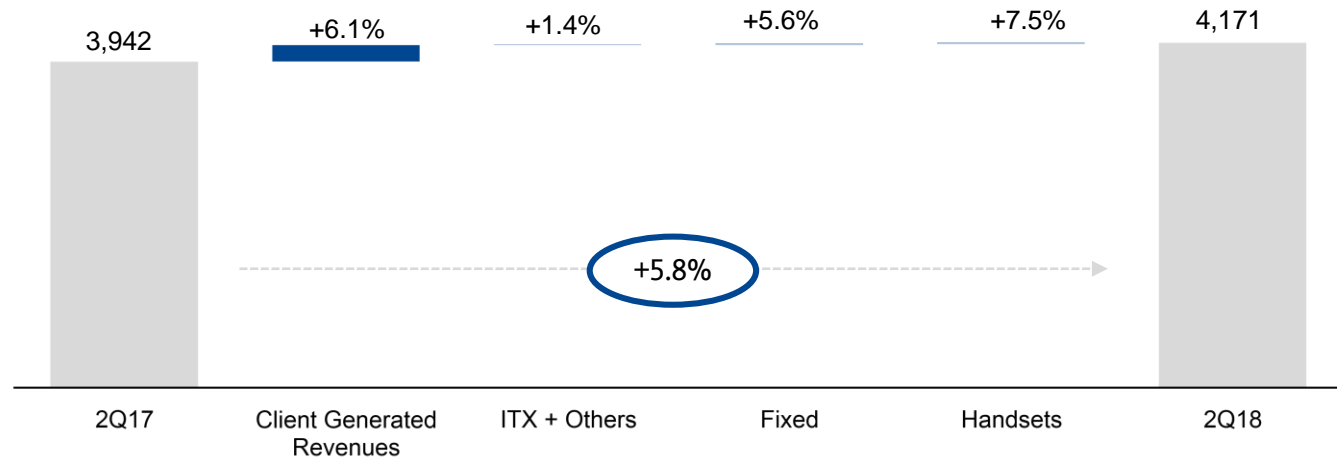
Adjusting incentives and pushing e-billing and e-payment through the right channels are driving adoption

A More Resilient Revenue Expansion

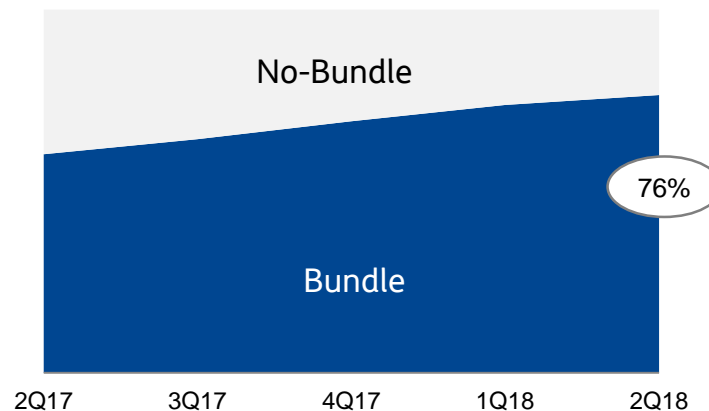
- 6M18 Net Service Revenues growing at 6.0% YoY, and MSR at 5.8% YoY.
- Reduction in working days¹ in 2Q impacted prepaid revenues due to lower recharge level (~0.4% of MSR).
- Mobile Recurring Bundled Offers Revenues growing at 34.9% YoY in 2Q18.

Total Net Revenues Breakdown

(R\$ mln, %YoY)

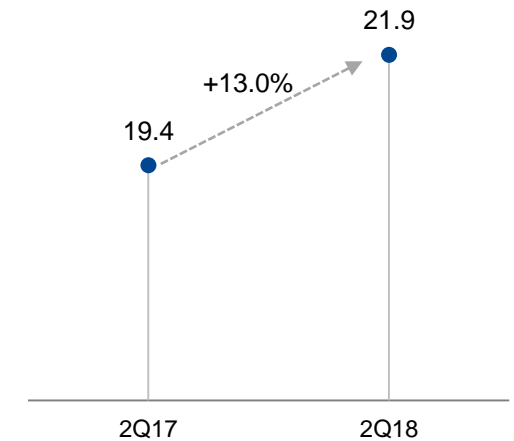


Mobile Revenues Mix: Bundled Offers (%)



Mobile ARPU

(R\$, %YoY)

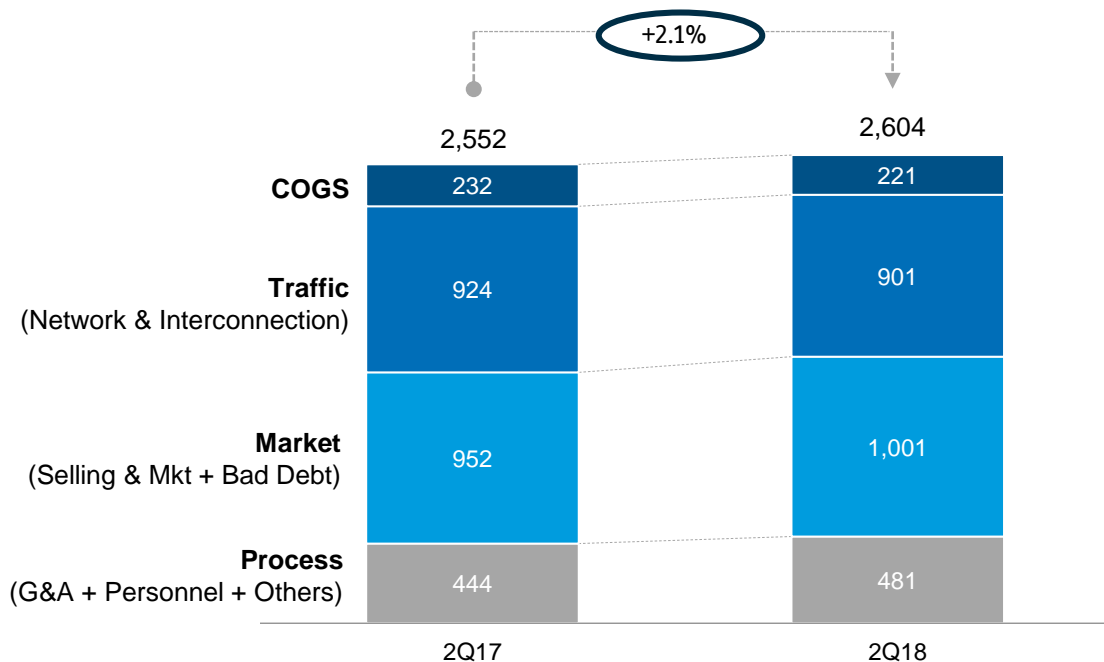


¹Number of full working days was affected by truck drivers' strike and Brazil's National soccer matches in FIFA World Cup.

Opex X-Ray: Efficiency Continues to Be a Key Driver

Normalized Opex Breakdown

(R\$ mln, %YoY)

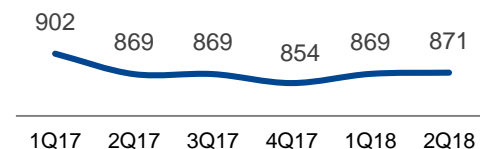


2Q Trends Explained

Costs remain under control, growing under inflation and in line with guidance. Low FX exposure reduce macro risks.

1 Selling & Marketing (+0.3% YoY):

Since 2Q17 costs remain practically stable, despite a higher commercial pressure from acquisition mix.



2 Bad Debt (+56% YoY):

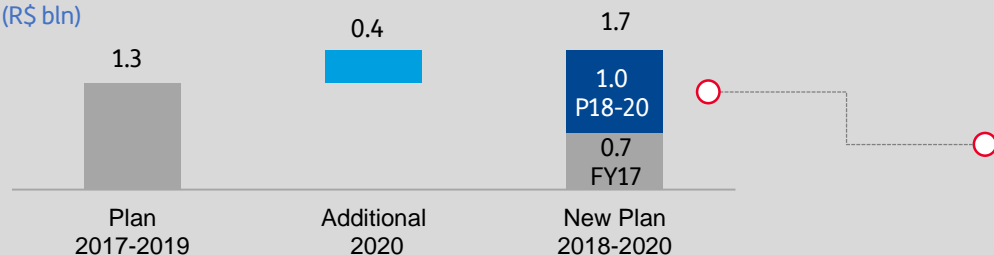
Despite expansion, remains under control (~2% of Gross Revenues). Performance is mainly explained by the larger revenue base exposed to payment default (up by ~50% in the case of Control). To a smaller extent non-recurring items also affected the trend.

3 Others (+61% YoY):

Explained by non-recurring events, that impacted both 2Q18 and the annual comparison, related to tax (2013 and 2014) and civil contingencies.

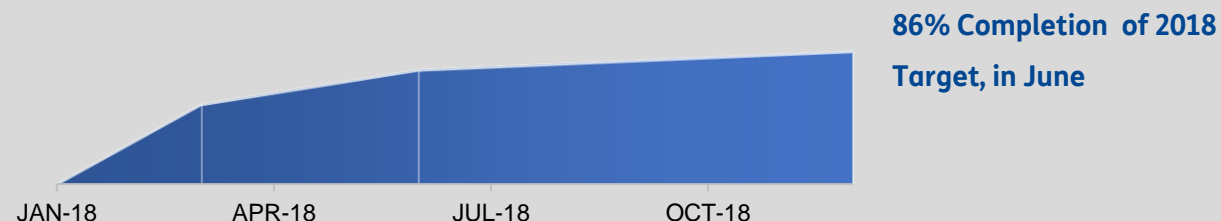
Efficiency Plan Recap

(R\$ bln)



Efficiency Plan Completion

(R\$ mln)

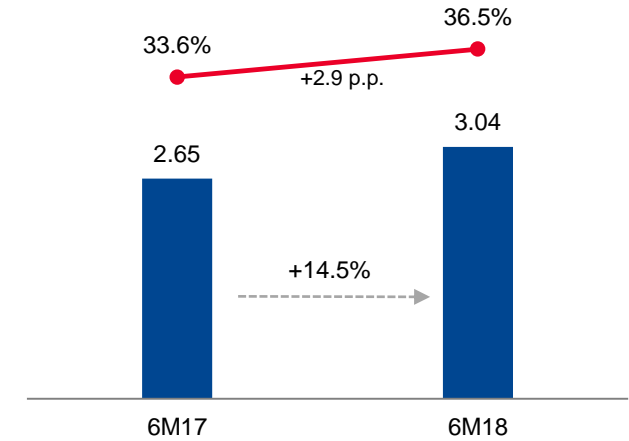
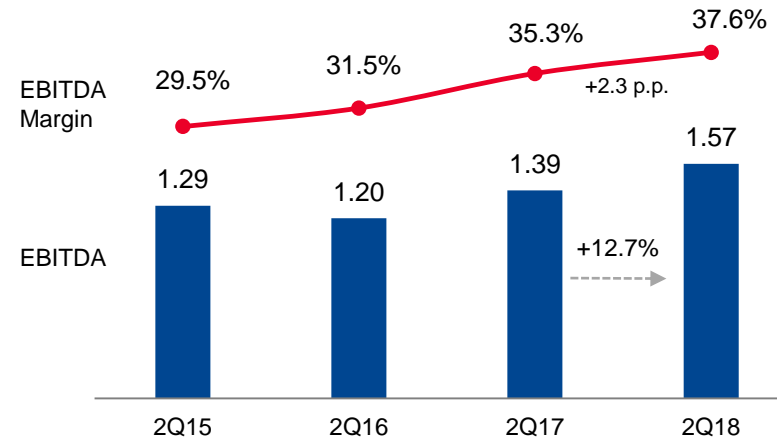


Solid Execution Translated Into Higher Profitability & Bottom Line

- Once again record high EBITDA and Margin for a 2nd Quarter
- Net Income boosted to ~R\$ 0.6 bln in 6M18
- Network Capex acceleration to anticipate availability of incremental capacity.

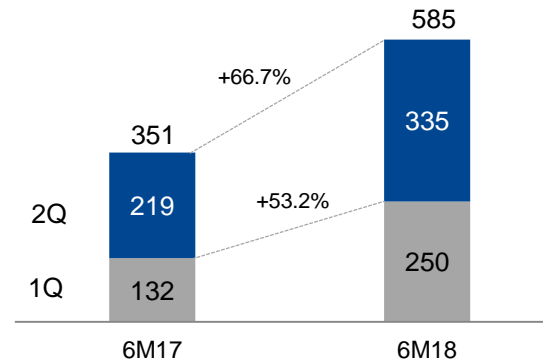
Consistent Evolution for Normalized EBITDA & Margin

(%; R\$ bln, %YoY)



Reported Net Income

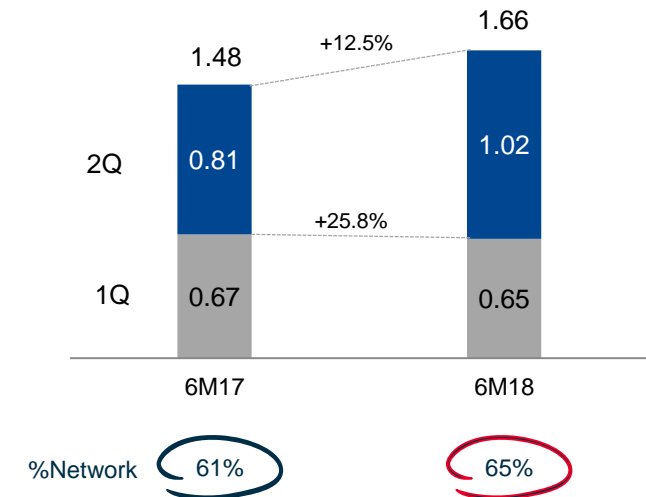
(R\$ mln, %YoY)



**New IOC distribution
R\$ 240 mln to be paid Nov/18**

Capex Acceleration

(R\$ bln, %YoY)

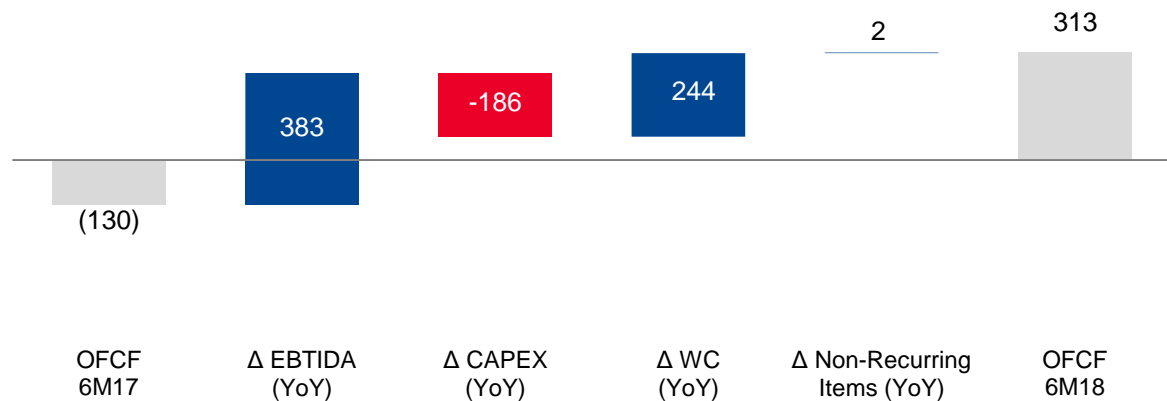


Cash Flow And NFP Dynamics

Operating Free Cash Flow Ex-License

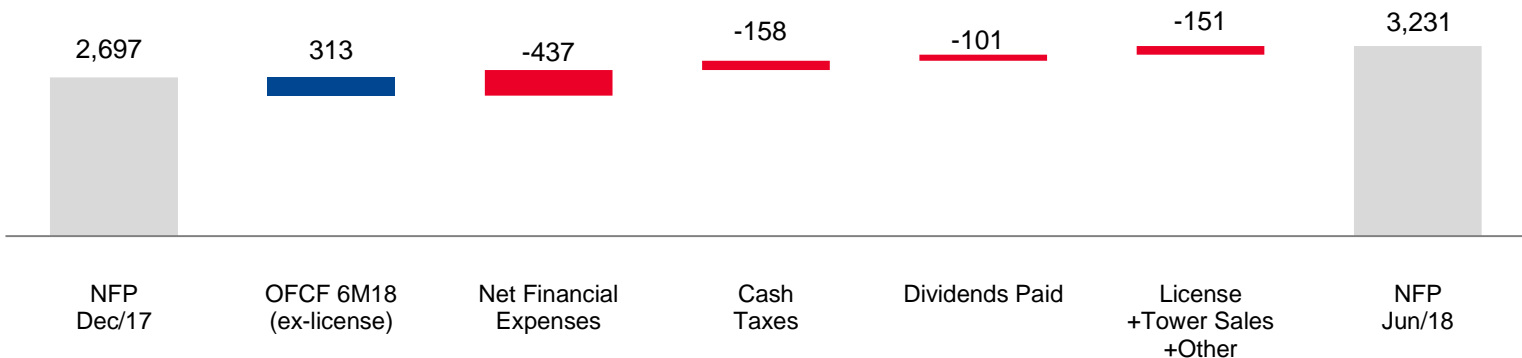
(R\$ mln)

- 6M18 EBITDA-CAPEX up 16.9% YoY
- 6M18 OFCF expanded R\$443 mln



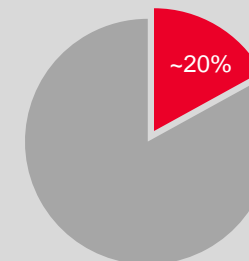
Net Financial Position

(R\$ mln)



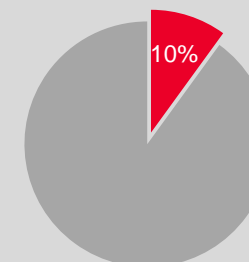
Exposure to FX

Capex



Fx Bands to further reduce potential impacts.

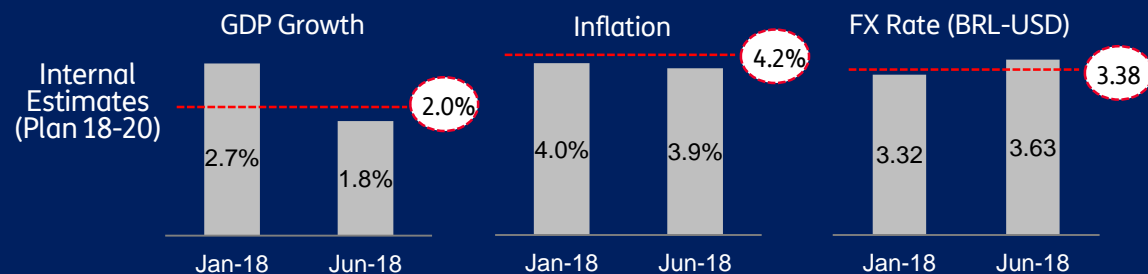
Debt



Key Messages & Outlook

❑ Macro recovery decelerating, expectations deteriorating

Focus Survey Estimates for 2018



❑ Slow and unbalanced economic recovery requires even more focus in execution

2H18 actions:

- ❑ Accelerate FTTH rollout adjusting phase-in/phase-out with FTTC
- ❑ Maintain focus in our own customer base: upsell + migrations to continuously improve ARPU
- ❑ Accelerate 700 MHz deployments + 2.1 GHZ refarming to improve quality and CEX
- ❑ B2B (mobile and fixed) turnaround refocused to accelerate results

2018 Targets checkpoint

Guidance Metrics	Short Term Targets (2018)	6M18 Results	Status
1) Service Revenues	5 – 7%	6%	●
2) EBITDA Growth	Doublet Digit (YoY)	14.5%	●
3) EBITDA – Capex on Revenues	≥ 13%	16.5%	●
4) IOC Distribution	R\$ 800 – 900 mln	R\$ 470 mln	●
5) CAPEX	~ R\$ 4 bln	R\$ 1.66 bln	●

2018 YEAR-END GUIDANCE
CONFIRMED