

2018-2020 Strategic Plan

March, 2018



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.



Such **forward looking statements are not guarantees of future performance** and involve risks and uncertainties, and actual **results may differ materially from those projected** as a result of various factors.



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Executive Summary:

More Postpaid and Broadband to support Revenue Growth and Expand Cash Generation

Strategic actions

Best in class customer engagement

- Continued expansion of the best fixed and mobile infrastructure (4G, FTTX) to differentiate experience
- Improve Customer engagement through increased penetration of Digital interactions

Sustain leadership position

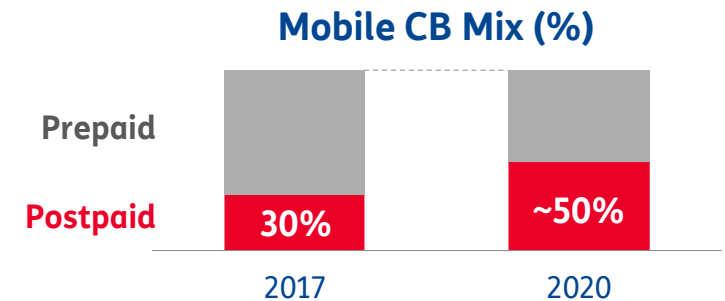
- Acceleration of **Mobile growth** targeting **more affluent segments** (e.g., controle, post-paid)
- Growth of **Residential BB contribution to top-line**
- **Step-change growth in SMB segment** leveraging new Organization, go-to-market and value proposition
- Development of **new and innovative revenue streams** (e.g., IoT, mobile adv, etc.)

Cash-flow generation

- **Improvement of Cash Generation ability** through “smart” Capex and Debt/Tax optimization
- Capture of **digitalization efficiency** potential
- “Zero-based” approach on traditional efficiency levers

Impact by 2020

- >4K Cities covered by 4G (96% of Urban Population)
- >2X growth of e-bill and e-pay penetration
- ~5X growth in My-TIM App users



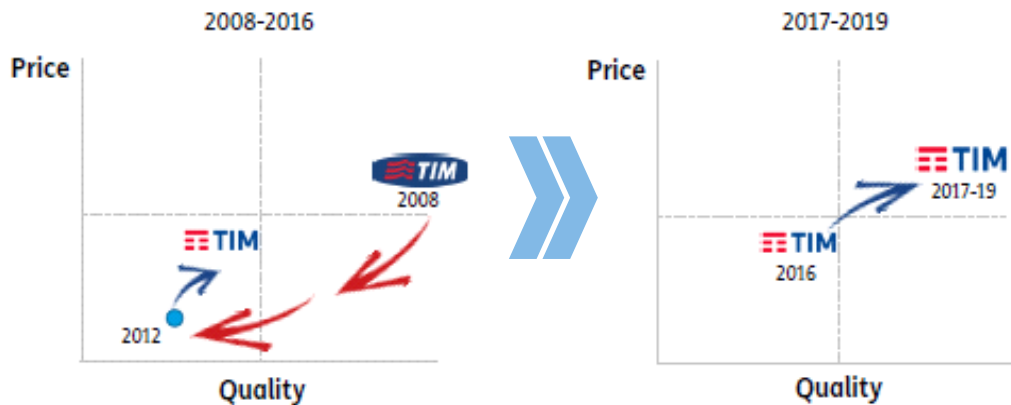
4X growth of residential BB CB (FTTX + WTTx)

≥40% EBITDA margin in 2020

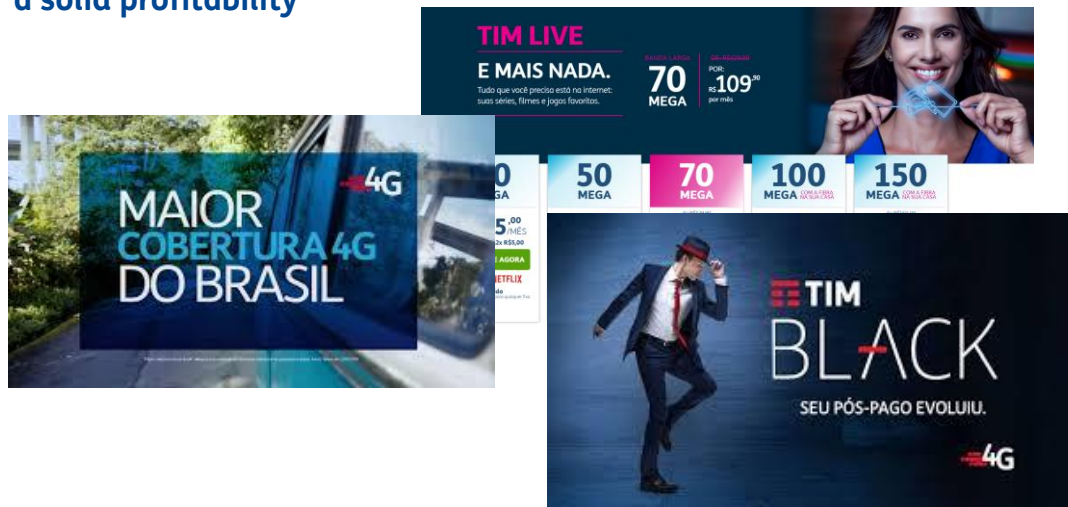
≥20% EBITDA-CAPEX on revenues in 2020

Turnaround Plan: from Recovery to Consistent and Sustainable Growth

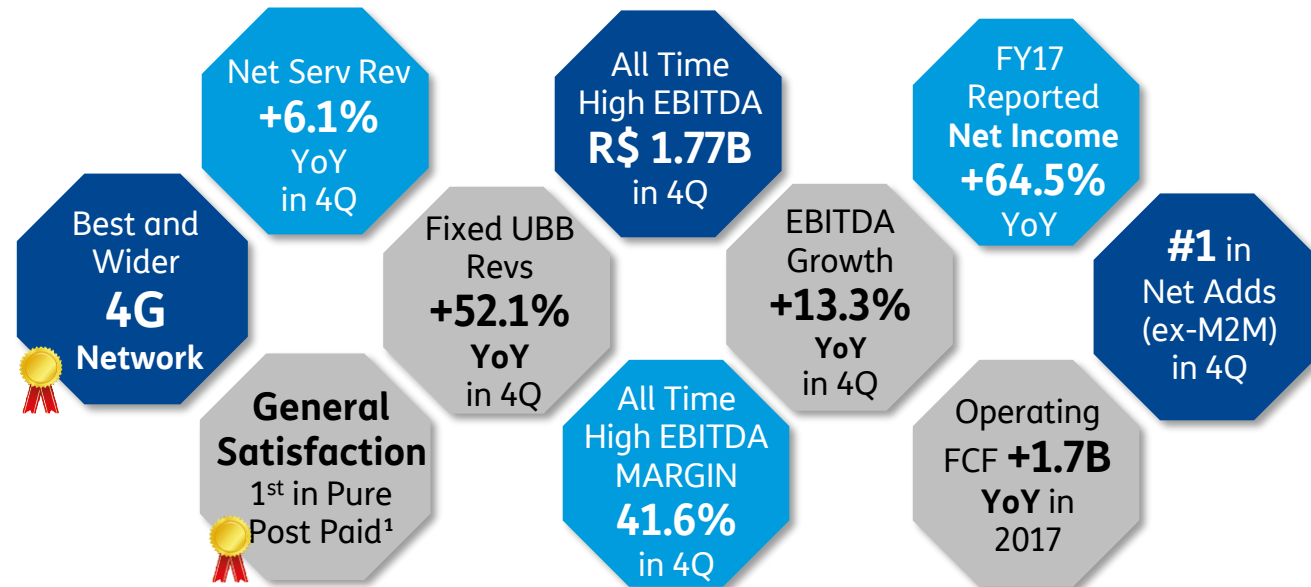
2017-19 Turnaround Strategy



Relaunch of TIM Brasil with a **deep turnaround** to evolve from a “cheap” brand to a **convergent Total Quality operator**, capable to successfully compete in the **Post-Paid segment** and to quickly **recover a solid profitability**



2017 Turnaround Execution



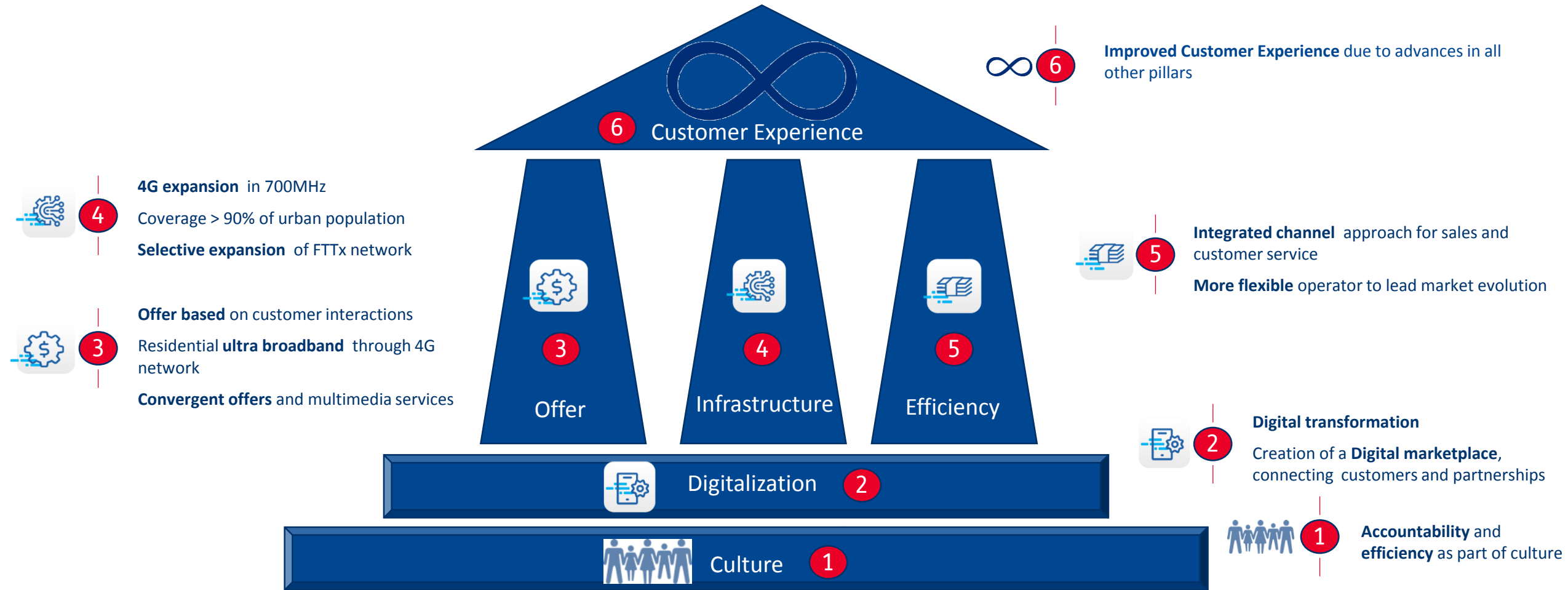
2018-2020 Turnaround Evolution

Confirm our leadership in **Ultra-Broadband Networks** and **Digitalize** our **Customers' Experience** to become the **Best TLC Provider in Brazil** and consistently continue to improve our Financial Results in terms of **Profitability** and **Cash Generation**



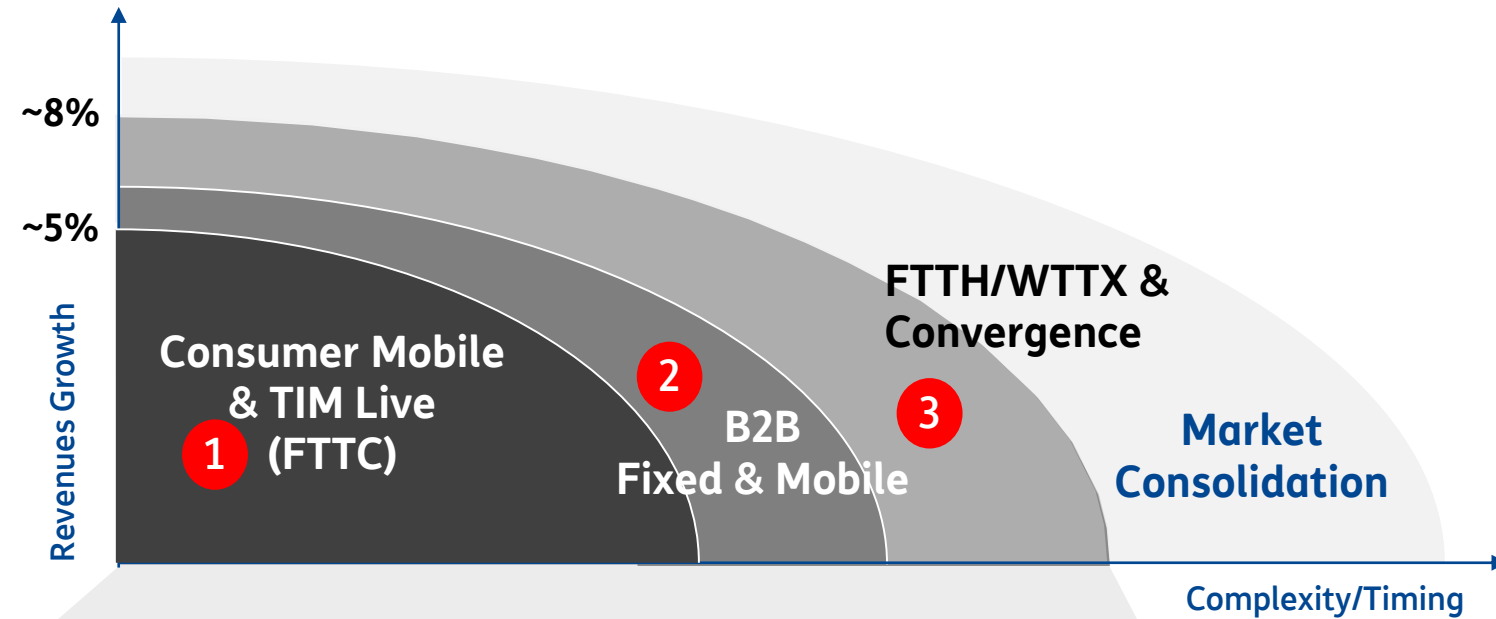
(1) National Quantitative Satisfaction Survey ran from Sep to Dec 2017 by Bridge Research consultancy.

TIM Brasil: Pillars of Turnaround



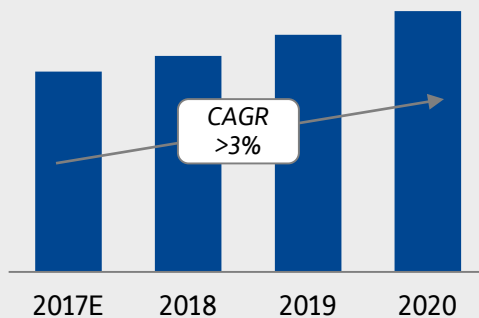
Redesign the Customer Experience of our customers to become the best value for money player leveraging our leadership position as an Ultra-Broadband player and our disruptive Offer proposition. Shift internal Culture from “excusability” to Accountability, redesign Platforms and Processes from analogue to Digital to allow a full Digital Transformation.

TIM Brasil: Growth Waves



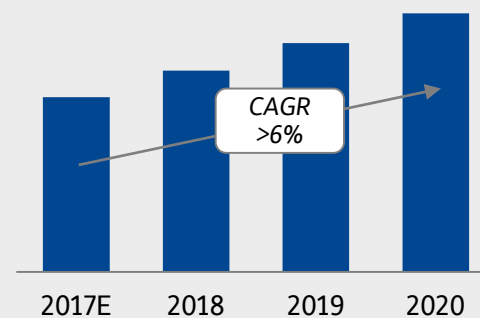
Mobile Market Revenues

(R\$ mln)



BB Market Revenues

(R\$ mln)









- 1 Consumer Mobile (“the *Controle* wave”)**
 - Growth mostly based on a «Pure Mobile» approach with Residential BB opportunity geographically limited.
 - TIM exploits the benefits of its 4G acceleration.

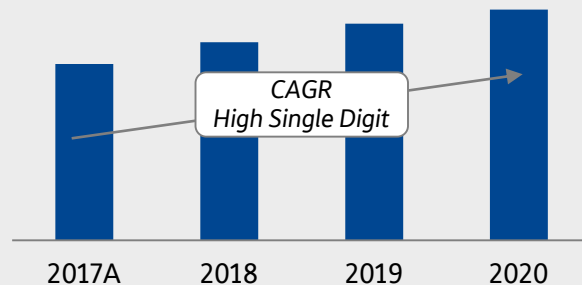
- 2 Business Segment (SMB and Top)**
 - Opportunity to gain Market Share and support a Top Line rebound leveraging on:
 - Brand repositioning and New Portfolio;
 - More Convergent approach;
 - CEX centric philosophy.

- 3 FTTH/WTTX & Convergence**
 - Accelerated Fiber deployment (backbone, backhaul and FTTH).
 - Additional revenues growth and Convergent CB expansion thanks to FTTH Service.

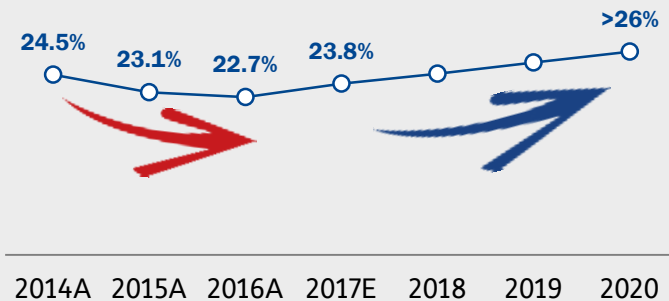
Mobile Growth Levers

	 BEST OFFER	 PORTFOLIO	 LOYALTY (CHURN MANAGEMENT)	 CB MANAGEMENT	 GO-TO-MARKET & POSITIONING	 CEX & DIGITAL
PREPAID		<ul style="list-style-type: none"> Simple and segmented offers 	<ul style="list-style-type: none"> Better acquisition quality Big Data Analytics to improve churn prediction 	<ul style="list-style-type: none"> 1-2-1 management with RTD (UP-SELL and RETENTION) 	<ul style="list-style-type: none"> Naked SIM to improve acquisition quality and go-to-market flexibility 	<ul style="list-style-type: none"> Recurring offer and Naked SIM simplify and improve the customer experience Continued evolution of digital channels
CONTROLE		<ul style="list-style-type: none"> Best offer using “more for more” Innovation: OTT partnerships 	<ul style="list-style-type: none"> Targeted handsets and services lock-in offers 	<ul style="list-style-type: none"> 1-2-1 management (UP-SELL and RETENTION) with segmented and dedicated offers (Mass Market) 	<ul style="list-style-type: none"> Best value for money, convenience and control 	<ul style="list-style-type: none"> Focus on convenience and digital payment Push Meu TIM App w/ new features (self-caring, up-sell)
PURE POSTPAID		<ul style="list-style-type: none"> Innovation: dedicated data package and OTT partnerships for 3P offers Convergence in FTTX/WTTX 	<ul style="list-style-type: none"> Services lock-in offers Handsets with lock-in as key element of proposition for the high end segment 	<ul style="list-style-type: none"> 1-2-1 management (UP-SELL and RETENTION) with segmented and dedicated offers (Mass Market) 	<ul style="list-style-type: none"> Enhance TIM Black positioning to accelerate the recovery of high end customer perception 	<ul style="list-style-type: none"> Focus on convenience and digital payment Push Meu TIM App w/ new features (self-caring, up-sell)

Total ARPU Trajectory (R\$)

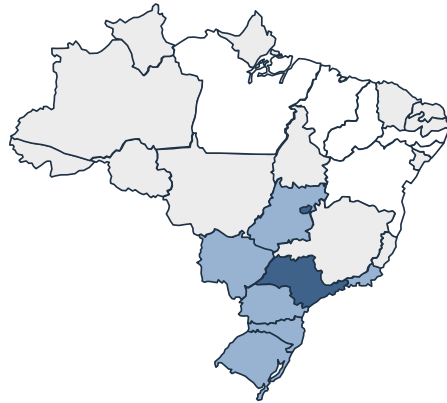


Mobile Service Revenues Share¹ (%)



Opportunity for Residential Broadband solutions to be captured

Residential Broadband Penetration

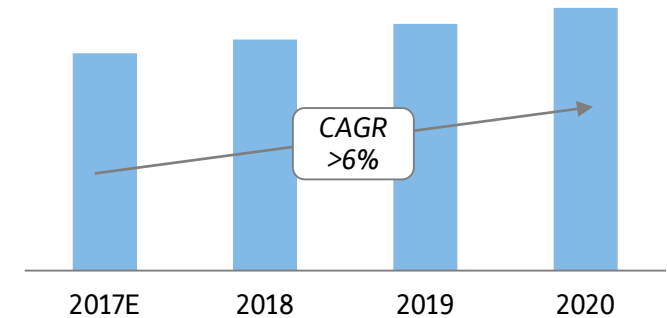


- Broadband Penetration 42%
- Ultra-BB Penetration 6%
- 96% of cities (~50% population) has very low BB penetration (~20%)
- 23% of BB connections have speeds < 2Mbps

Relevant opportunity to capture a strong unserved demand for Residential Broadband and Ultra-BB connectivity

Fixed Broadband Market Customers

(mln users)



1

FTTH

- Best overall performance (capacity, speed and stability)
- Focus on high value customers and high customer experience standards
- Smart strategy coverage launching in new cities
- Leverage in fiber infra already built for mobile
- Partnership with content providers

2

FTTC

- Increase of capacity on already saturated areas
- Refocus with dedicated offer to high income areas with historical low sales performance
- Higher speeds (UDSL2+) and ARPU over the existing coverage
- Partnership with content providers

3

WTTX

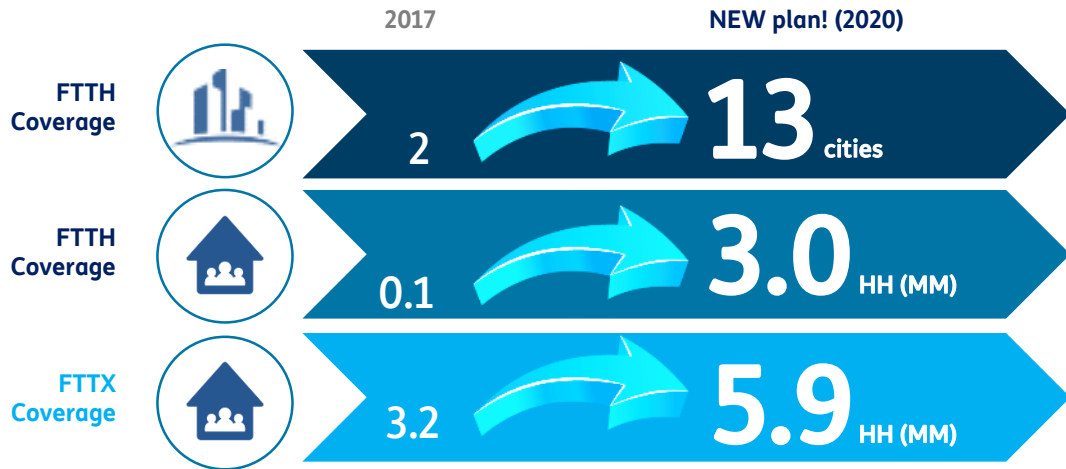
- Simple and smart solution (plug n play, value for money)
- Focus on customers with limited broadband services (suburbs and smaller cities) offers
- Fast time-to-market to attack new regions (incremental revenues)
- Optimize investments: use of 4G network (700Mhz) spare capacity

Network: Expansion in Mobile Access and Fiber



FIXED UBB BOOST

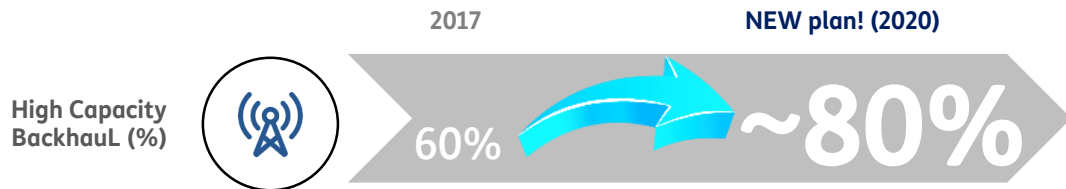
Focus on FTTH and FTTC



TRANSPORT INFRASTRUCTURE

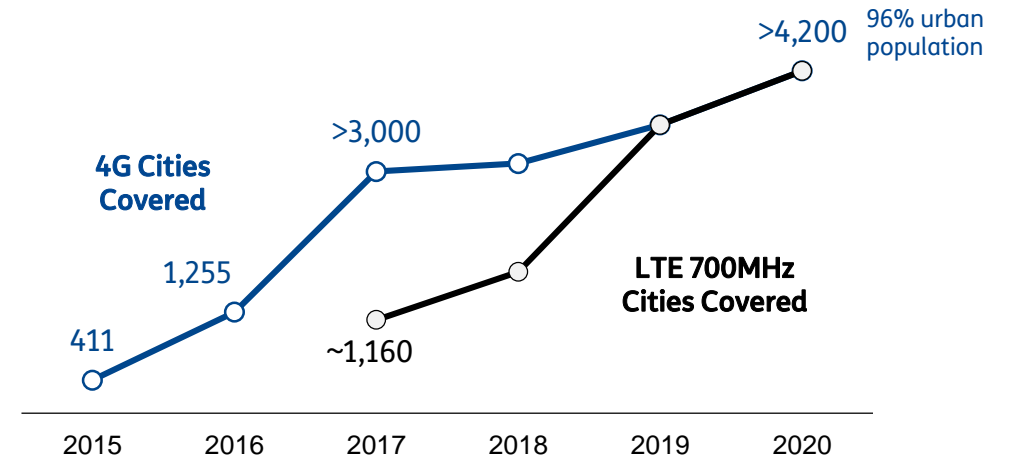
Capillarity to support Mobile and Residential Services

FTTSITE



4G EVOLUTION

Capacity Expansion and Coverage Evolution



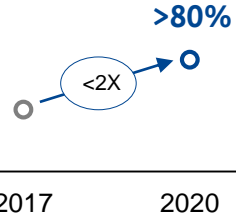
FTTCITY



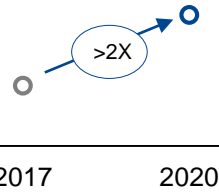
Digitalization will sustain our CEx improvement while supporting Efficiencies

Customer Management: Simplification of Customer Journey

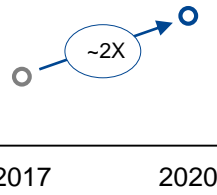
Digital Interactions (Total)



E-Billing (#users)

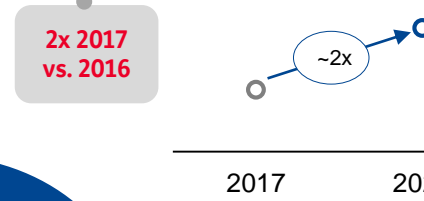


E-Payment (#users)

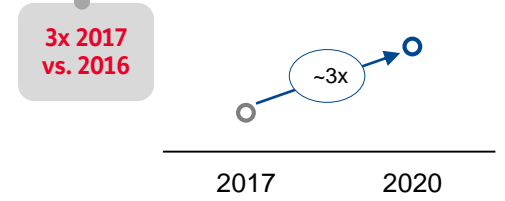


Customer Acquisition: Channel Mix Improvement

Sales in Digital Channels (Control+Pure Postpaid)



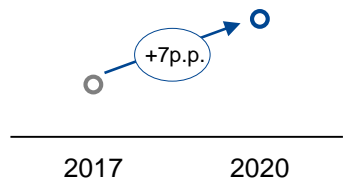
Sales in Digital Channels (Live)



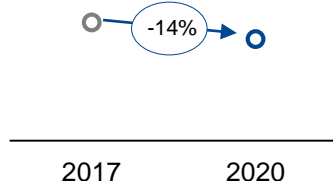
R\$0.5 bln in savings in 2020

Prepaid Recharges: Experience and Profitability

Digital Prepaid Recharge Mix (% Digital sobre Total)



Recharge Commission (ex. volume effect) (R\$ mln)



Support Processes & Systems: Upgraded and Strengthened IT Architecture

Process Enhancement

Asset Management:
RFID tagging process for assets: safe and reliable tracing

Inventory Clean up:
Reduction in WBS (>85%) and invoices (>25%) by 2H18 with A.I and Bots

Legal Process Optimiz.:
System automation and integration of legal processes with A.I and Bots

Vendor Portal:
11k invoices/month already automatized

Efficiency Oriented

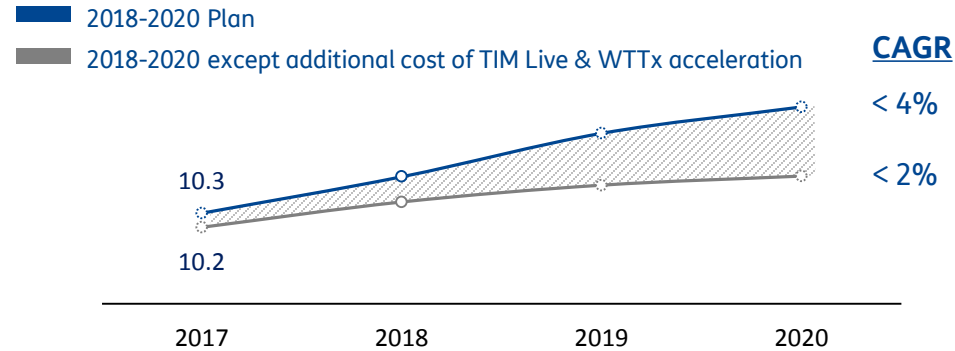
Compliance Tax:
Increase in fiscal credits utilization (R\$ 100 mln/year)

Sales & VAS Commiss.:
Automation of the charge creation process and VAS revenue share calculation

Opex Evolution: over-executing the Efficiency Plan thanks to Digitalization initiatives

Opex Evolution

R\$ Bln

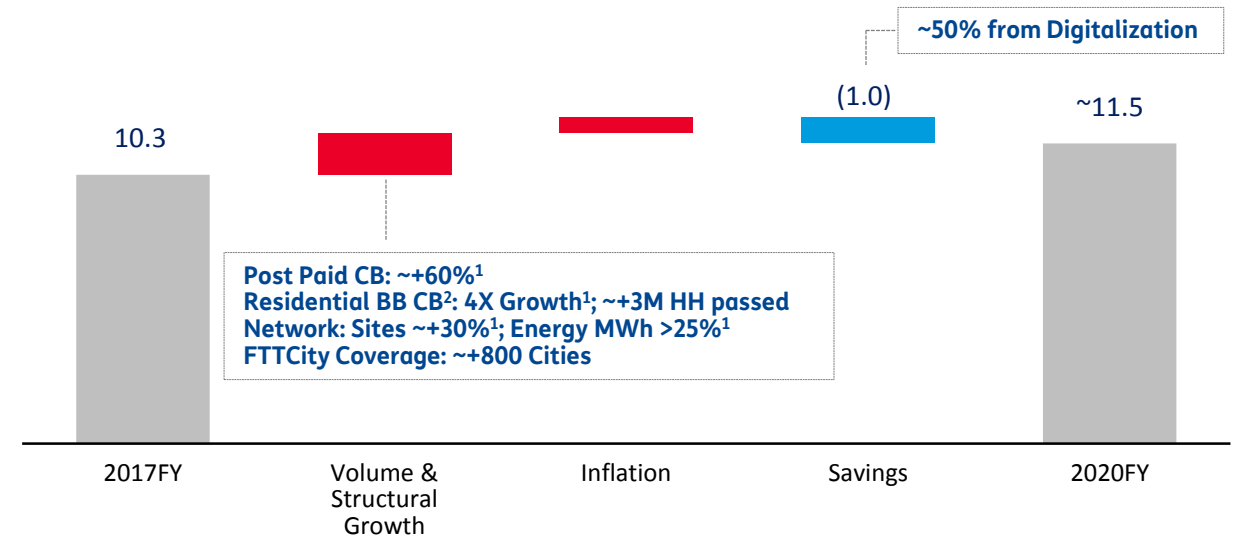
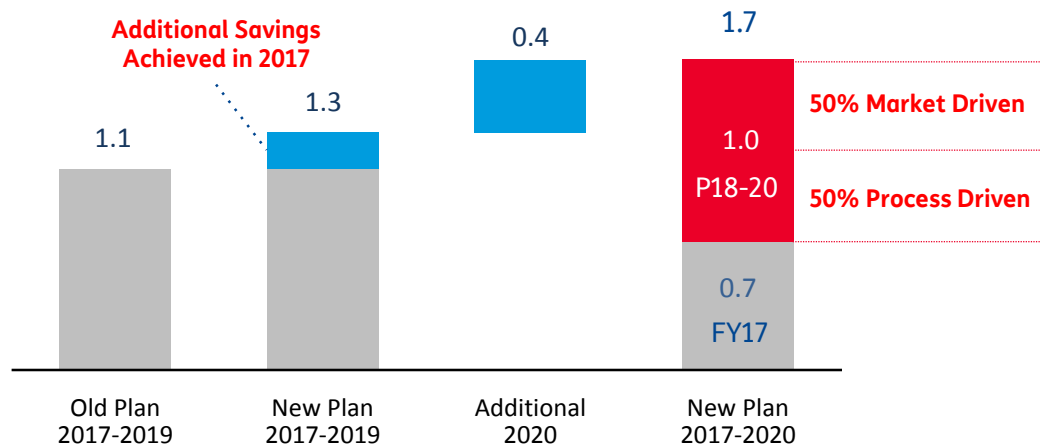


Efficiency Plan Highlights

- Expected OPEX growth below inflation.
- Excluding additional acceleration in WTTx and Live business, Opex should grow below 2%.
- Network and postpaid customers structural growth continues to impact costs considering the expected acceleration in commercial activity.

Efficiency Plan Evolution

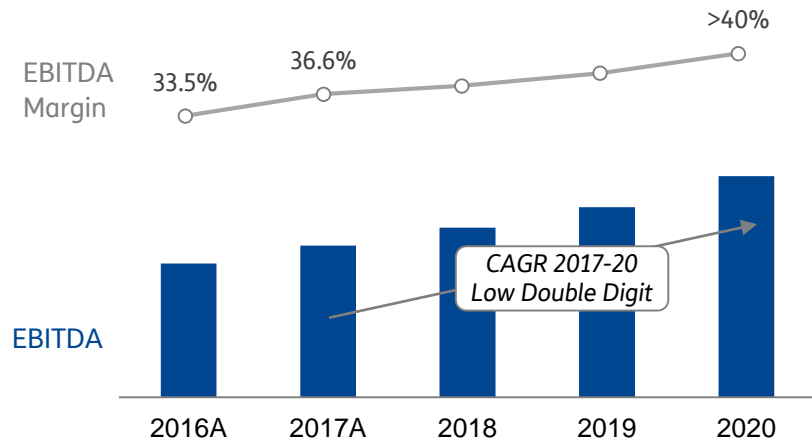
R\$ Bln



Increasing Profitability and Cash Generation

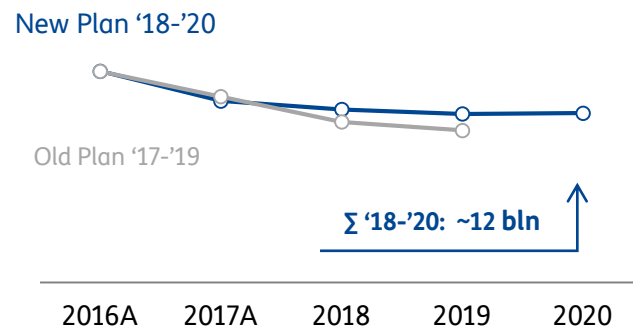
EBITDA and Margin Expansion

R\$ Bln; %



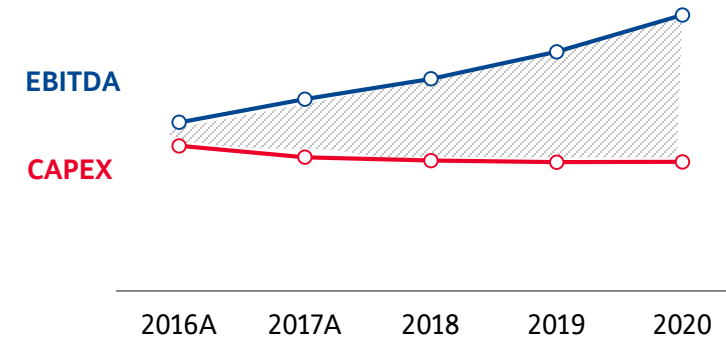
CAPEX

R\$ Bln



EBITDA - Capex

R\$ Bln

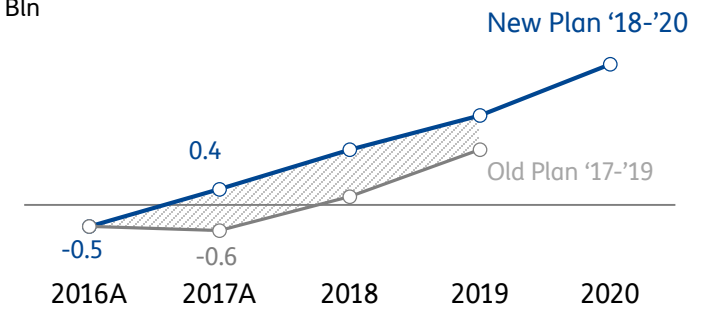


% on Tot. Revenues




3.9% 11.1% ≥13% ≥20%

Net Cash Flow Bef. Dividends

R\$ Bln



TIM Brasil 2018-'20 Targets

GOALS	DRIVERS	SHORT TERM TARGETS / KPIs	LONG TERM TARGETS / KPIs
 <p>Sustain Top Line Growth</p>	<ul style="list-style-type: none"> • Further improve Mobile Service Revenue Share • Expand Residential BB Revenues contribution 	<p>Service Revenues Growth:</p> <p>5-7% in 2018</p>	<p>Service Revenues Growth:</p> <p>Mid to High Single Digit CAGR '17-'20</p>
 <p>Improve Profitability</p>	<ul style="list-style-type: none"> • “Zero-based” approach on traditional efficiency levers • Capture digitalization efficiency potential 	<p>EBITDA:</p> <p>Double Digit growth in 2018</p>	<p>EBITDA Margin:</p> <p>≥40% in 2020</p>
 <p>Expand Cash Generation</p>	<ul style="list-style-type: none"> • Smart Capex “More with less” approach • Optimize Tax Rate • Optimize Debt and Shareholders’ Remuneration 	<p>Ebitda-Capex on Revenues:</p> <p>≥13% in 2018</p>	<p>Ebitda-Capex on Revenues:</p> <p>≥20% in 2020</p> <p>Capex:</p> <p>~12B R\$ in '18-'20 (~20% on Rev. in 2020)</p>