

2017-2019 Strategic Plan

February 2017

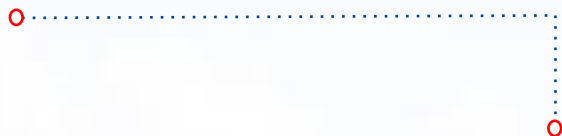


**LARGEST 4G
COVERAGE IN BRAZIL**

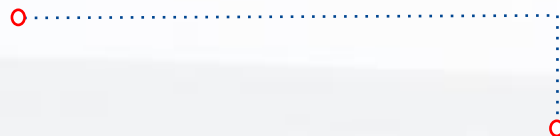
Disclaimer



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.



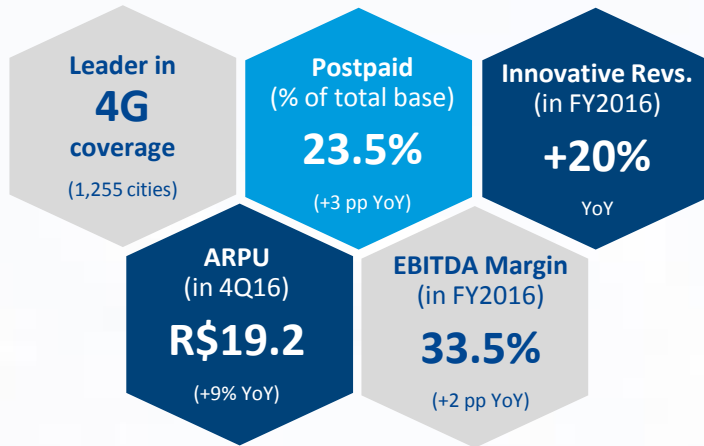
Such **forward looking statements are not guarantees of future performance** and involve risks and uncertainties, and actual **results may differ materially from those projected** as a result of various factors.



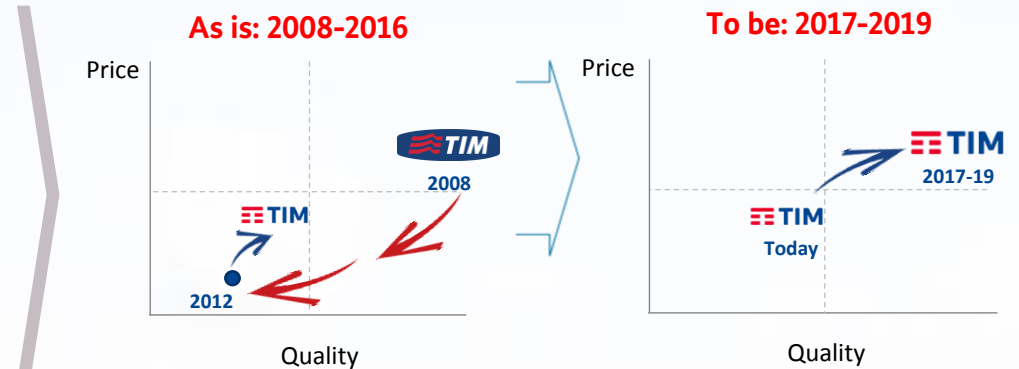
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A Strong Start Towards 2019

2016 Turnaround Evidences



2017-19 New Positioning



Improve our brand positioning in order to become the preferred option for Postpaid customers and confirming our leadership on prepaid leveraging on the quality of our Network and new offer schemes

Introduction of digital services bundled in the offers through the development of strategic partnerships with OTTs and content players



Develop a **Convergent n-Play offer** expanding the existing TIM Live FTTX coverage in Rio and São Paulo, exploiting the 700MHz LTE/WTTx coverage and also establishing partnerships to create 4P convergent offers (e.g. SKY)



Adapt commercial strategy to implement a regional approach exploiting our different market position and redesign go to market

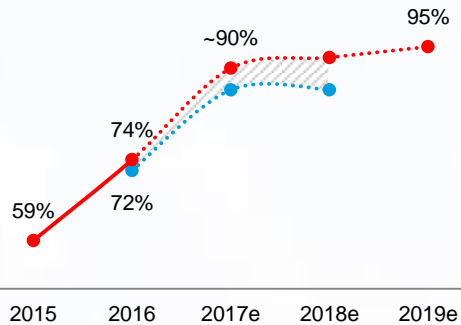
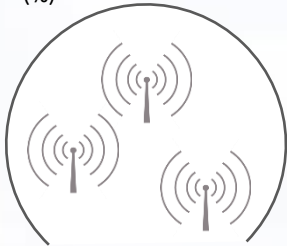
Deploying a Faster and Wider Broadband Network

4G

■ 2016-2018 Plan (Feb 2016)
 ■ 2017-2019 Plan

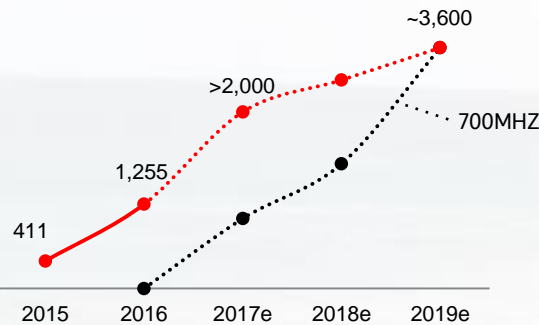
Population covered

(%)



Cities covered

(# of cities)

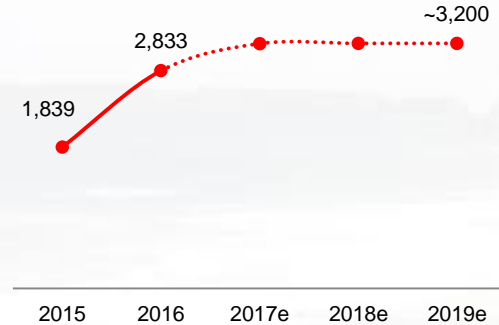
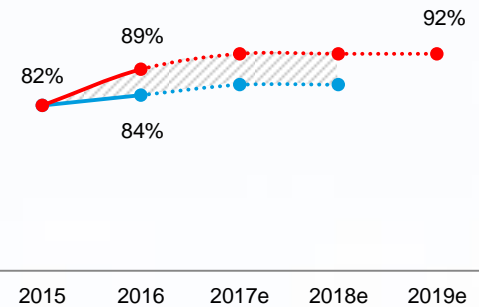


South and southeast: **additional 1,800MHz spectrum availability in 2017** to boost speed and customer experience

North, northeast and middle east: **beginning of the 700MHz frequency roll out** will guarantee more capacity and better coverage

3G

■ 2016-2018 Plan (Feb 2016)
 ■ 2017-2019 Plan



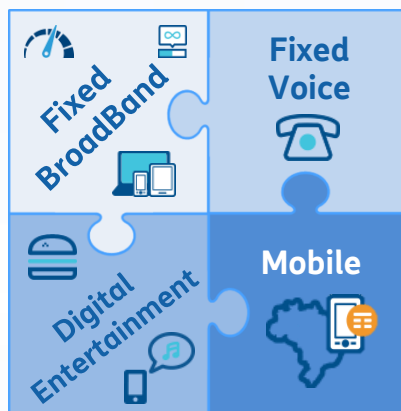
3G coverage evolution will support customers adopting data services and customers that are not using 4G yet

Mobile Market Scenario & TIM Revenue Share Evolution

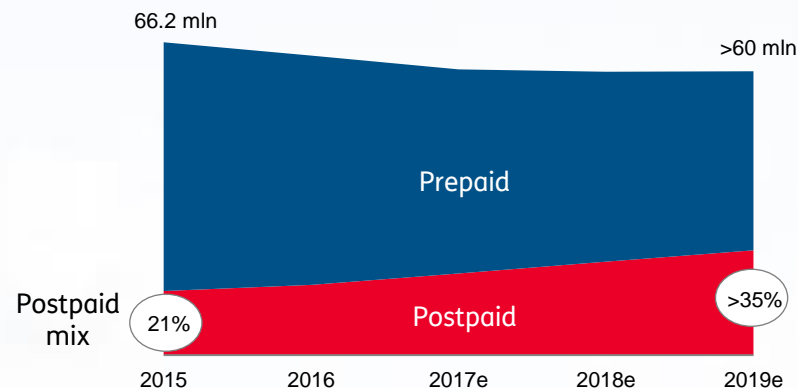
Mobile



Convergence in SP/RJ and Selected Regions

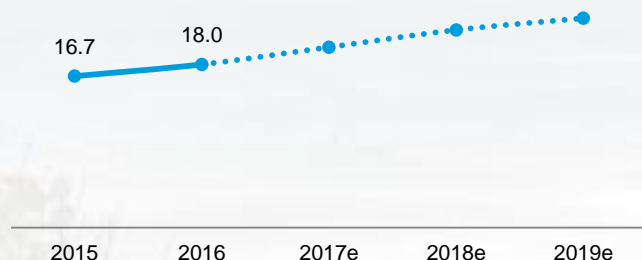


Customer base mix (customers)



ARPU Trend

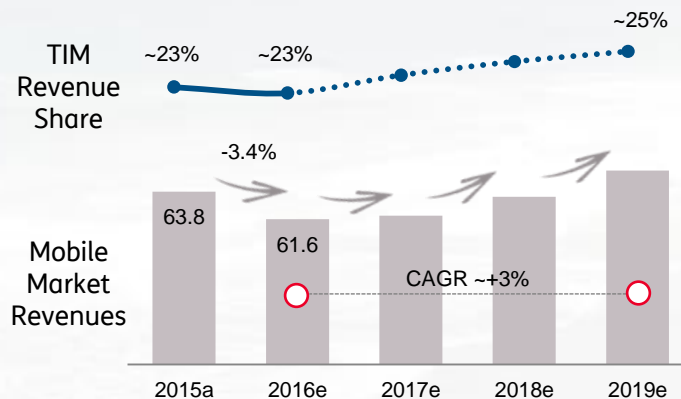
(R\$)



Innovative Revenues will support total ARPU growth

Mobile Market & TIM Revenue Share*

(Mobile Service Net Revenues; R\$ bln; %)



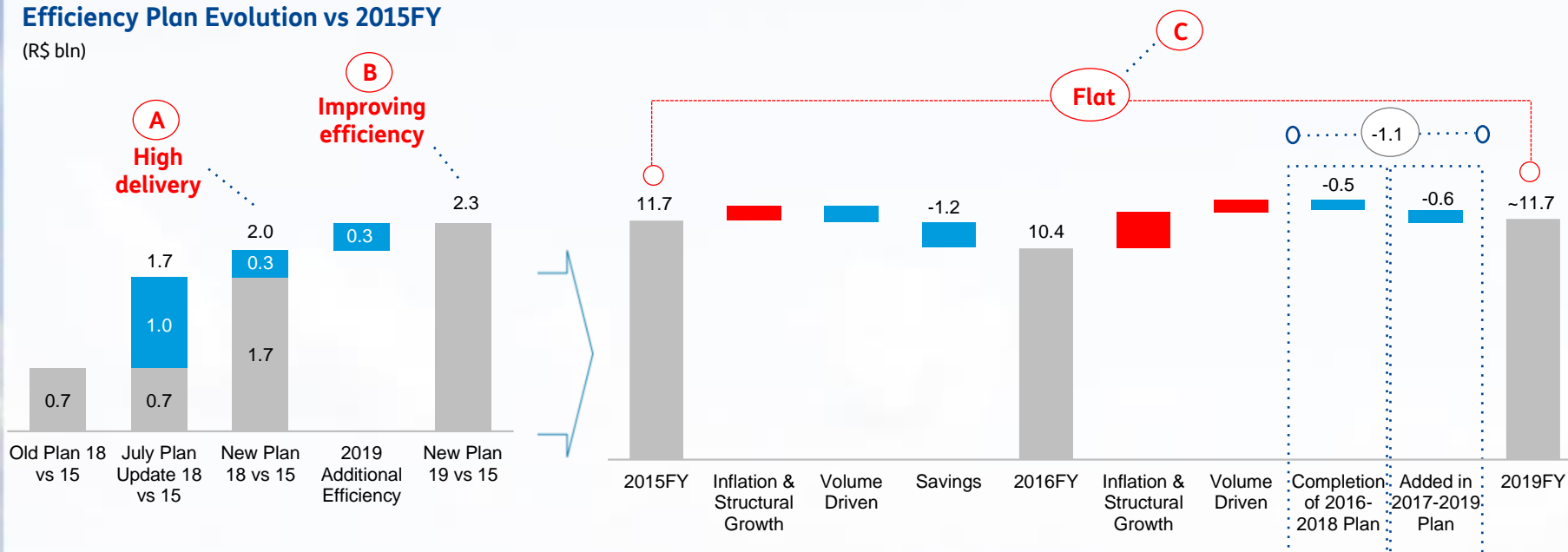
Best "value for money" positioning will support Revenue share rebound

*TIM Revenue Share and Mobile Market Revenues consider Revenues from top 5 players, including SME

Efficiency: Executing on Plan

Efficiency Plan Evolution vs 2015FY

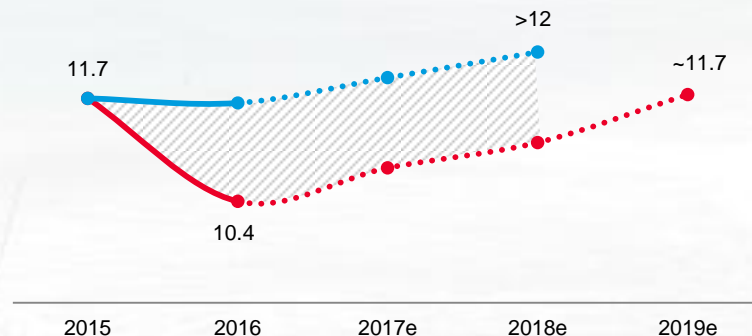
(R\$ bln)



Normalized OPEX Evolution

(R\$ bln)

- 2016-2018 Plan (Feb 2016)
- 2017-2019 Plan



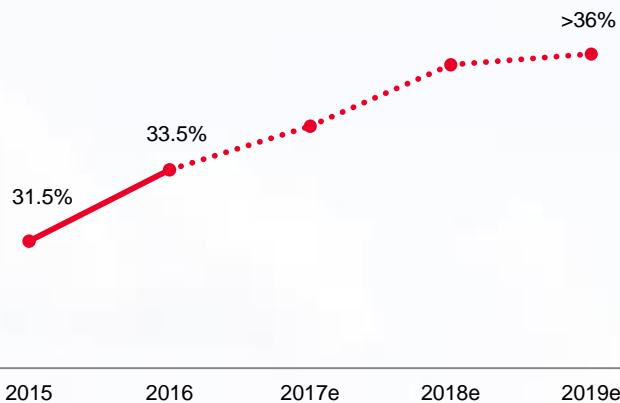
Efficiency Plan Highlights

- (A) **High delivery:** from R\$1.7 bln in savings to R\$2.0 bln (2016-18)
- (B) **Continuous efficiency:** expanding target to R\$2.3 bln at 2019
- (C) **Flat Opex 2019 vs. 2015** despite inflation

Improving Profitability and Cash Generation

Normalized EBITDA Margin

(%)



Consistent Growth in Profitability: improving EBITDA Margin and Free Cash Flow

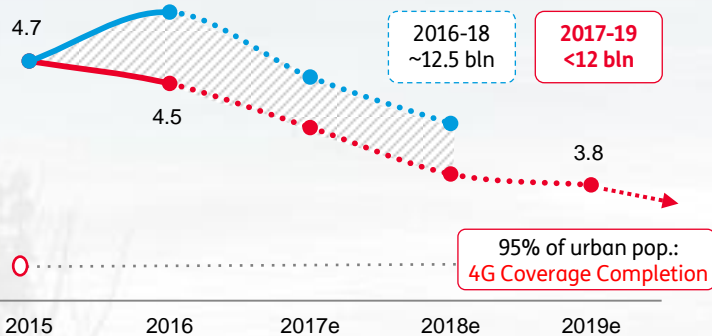
Run Rate Cash Cost Reduction supported by efficiency program, offsetting Inflation and Structural Growth Impacts

Significant Capex Reduction even though a Strong Upside in Network Coverage: Capex optimization and contracts negotiations

Capex Plan

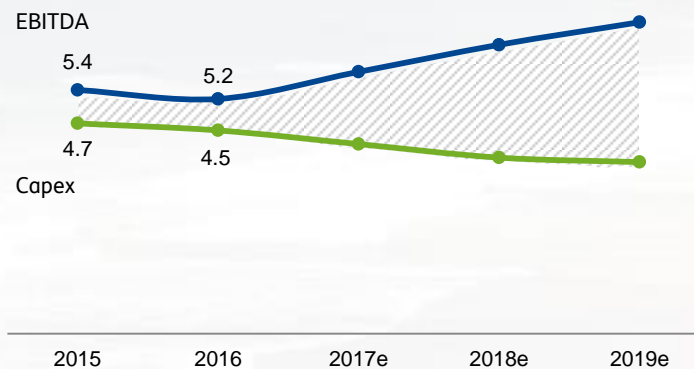
(R\$ bln)

- 2016-2018 Plan (Feb 2016)
- 2017-2019 Plan



EBITDA-Capex

(R\$ bln)



2017-2019 Strategic Plan Guidance Summary

KPIs	2016	Short Term Targets	Long Term Targets
Service Revenues (Mobile)	-5%	Positive in all quarters	Revenue share ~25% in 2019
EBITDA	-3%		EBITDA Margin >36% in 2019
Capex	4.5 bln	~R\$4 bln	< R\$12 bln 2017-19 period 3G/4G Coverage >92%
EBITDA-Capex (% on revenues)	~4%	High single digit	> 15%

Industrial Plan events:

February 6: New York
and
February 9: São Paulo