

**TIM PARTICIPAÇÕES S.A.**  
Publicly-held Company  
CNPJ/MF nº 02.558.115/0001-21  
NIRE 33 300 276 963

**MATERIAL FACT**

**STRATEGIC PLAN 2019-2021 AND GUIDANCE RELEASE**

TIM Participações S.A. (“Company”) (B3: TIMP3 e NYSE: TSU), in compliance with Article 157 of Law No 6,404 and the provisions of CVM Instruction No 358, hereby informs its shareholders, the market in general and other interested parties that Telecom Italia Group released today its forecasts for 2019-2021 period. In this context, TIM updated the forecasts of its Strategic Plan 2018-2020, released to the market through a Material Fact dated March 6<sup>th</sup>, 2018.

This update occurs after a year with considerable positive results, and the Company has shown its resilience and execution capacity aiming its short term objectives of the 2018-2020 Plan, even under a challenging external environment.

2018-2020 Plan		
KPI <sup>i</sup>	Short Term Objective	2018 Results
Service Revenues Growth (YoY)	5-7%	5%
EBITDA Growth (YoY) / % EBITDA Margin	Double-digit growth	10%
EBITDA – CAPEX over Net Revenues	≥13%	15%

This environment was characterized by a macroeconomic recovery slower than previously expected by the market in general and by TIM, added to a more competitive scenario.

TIM, however, in this new triennium, reaffirms its commitment with (i) the preservation of an austere approach in cost controls, aiming to raise the profitability of its operation, and that is why maintains the target of **reaching the level of 40% of EBITDA Margin in 2020**, as well as (ii) an efficient capital allocation, characterized by the CAPEX destination to infrastructure (network and IT) extension and modernization projects, and (iii) the continuous expansion of the cash generation characterized by the growth of **EBITDA – CAPEX over Revenues indicator to the level of 20%**.

KPI <sup>i</sup>	2018-2020		2019-2021	
	Short Term	Long Term	Short Term	Long Term
Service Revenues Growth (YoY)	5-7%	CAGR '17-'20 Mid to High-Single Digit	3-5%	CAGR '18-'21 Mid-Single Digit
EBITDA Growth (YoY) / % EBITDA Margin	Double Digit Growth	≥40% in 2020	Mid to High-Single Digit Growth	≥40% in 2020
$\frac{\sum \text{CAPEX}}{\% \text{ CAPEX over Net Revenues}}$	n/a	~R\$ 12 bi ( $\sum$ '18-'20) / ~20%	Low 20s	~R\$ 12,5 bi ( $\sum$ '19-'21)
% EBITDA – CAPEX over Net Revenues	≥13%	≥ 20%	>15%	≥20%



Lastly, TIM presents, as an attachment to this Material Fact, additional details about the 2019-2021 Strategic Plan and its guidance.

Rio de Janeiro, February 21<sup>st</sup>, 2019.

**TIM Participações S.A.**  
Adrian Calaza  
Investor Relations  
and Chief Financial Officer

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<sup>i</sup> The projected values for the indicators do not consider the adoption of the new IFRS 15 and 16 accounting standards and are presented under a pro-forma view to facilitate comparability with the Company's results.

# 2019-2021 Strategic Plan

February, 2019



# Key strategic priorities for 2019-2021 plan

## Areas

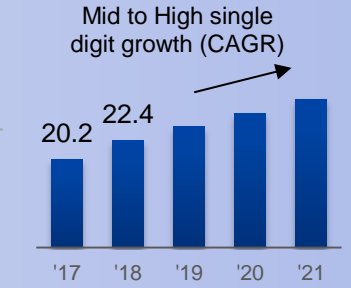
## Key priorities

### Growth waves

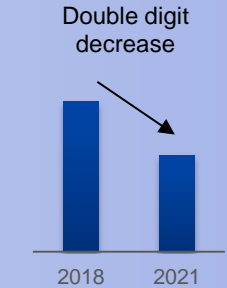
#### A Consumer

- Mobile **Pre Paid**
  - Offer simplification to improve customer experience with continued evolution of digital channels
- Mobile **Post Paid** Consumer (“the Controle wave”)
  - Growth based on a «Mobile Challenger» approach **pushing migration from prepaid**
  - Leverage the benefits of **4G coverage** leadership
  - Customer long term relationship driven by **loyalty initiatives**

#### Blended ARPU (R\$)



#### Postpaid Churn (monthly %)



#### B Mobile B2B

- Opportunity to **gain relevance** in overall business revenues leveraging on:
  - Revision of value proposition
  - More convergent approach offering **E2E solutions**
  - Increase in **efficiency** and sales **productivity**

#### C Digital

- Increased role in **IoT growing ecosystem** (beyond connectivity)
- New revenues opportunity from being a **Platform provider** (analytics, BD, mobile advertising, etc.)
- **Content offer aggregation** to support Mobile + Fixed service revenue growth

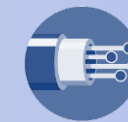


#### Opportunity size by 2021

~1 bln Reais >30 mln lines

#### D Infrastructure deployment

- **Fiber deployment acceleration** (backbone, backhaul and FTTH), with **FTTH offer in selected regions**
- Launch of **global deals for Network Access**, according to spectrum mix evolving towards **significant use of 4G vs. 2G and 3G by 2021**



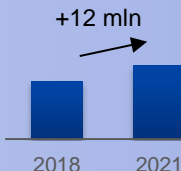
**FTTCITY** 601 (2018) → >1,500 (2021)  
**FTTH** 1.1 (mln HH) (2018) → >4 (2021)

#### E Efficiency Plan

- Successful Efficiency Plan still leveraging TIM results
- Accelerate **Digital Transformation** in customer facing activities and internal process and systems
- Continuous **margin improvement**, reaching more than 40% in 2020, due to rigid cost control (Opex growth below inflation)



#### Digital Interactions (mln)



# TIM Brasil 2019-'21 Targets

GOALS	DRIVERS	SHORT TERM (2019) TARGETS	LONG TERM TARGETS
Revenue Growth Sustainability	<ul style="list-style-type: none"> <li>Further improve mobile ARPU</li> <li>Expand Residential BB Revenues contribution</li> <li>Tap B2B opportunity</li> </ul>	Service Revenues Growth: <b>3% – 5% (YoY)</b>	Service Revenues Growth: <b>Mid single digit (CAGR '18-'21)</b>
Improve Profitability	<ul style="list-style-type: none"> <li>Accelerate digitalization efficiencies</li> <li>Maintain zero-based approach and traditional initiatives</li> <li>Improve risk management models</li> </ul>	EBITDA Growth: <b>Mid to High single digit growth (YoY)</b>	EBITDA Margin: <b>≥40% in 2020</b>
Infrastructure Development	<ul style="list-style-type: none"> <li>Additional Capex to grow fiber and improve mobile capacity</li> </ul>	Capex on Revenues: <b>Low 20's</b>	Capex: <b>~R\$ 12.5 bln (Σ'19-'21)</b>
Expand Cash Generation	<ul style="list-style-type: none"> <li>Increase cash flow from operations</li> <li>Continue with debt and tax rate optimization</li> </ul>	EBITDA-Capex on Revenues: <b>&gt;15%</b>	EBITDA-Capex on Revenues: <b>≥20% in 2021</b>