

TELECOM ITALIA GROUP

2015-2017 Industrial Plan

Rio de Janeiro, February 20th, 2015

TIM Brasil

2015-2017 Industrial Plan



Você, sem fronteiras.

Safe harbor

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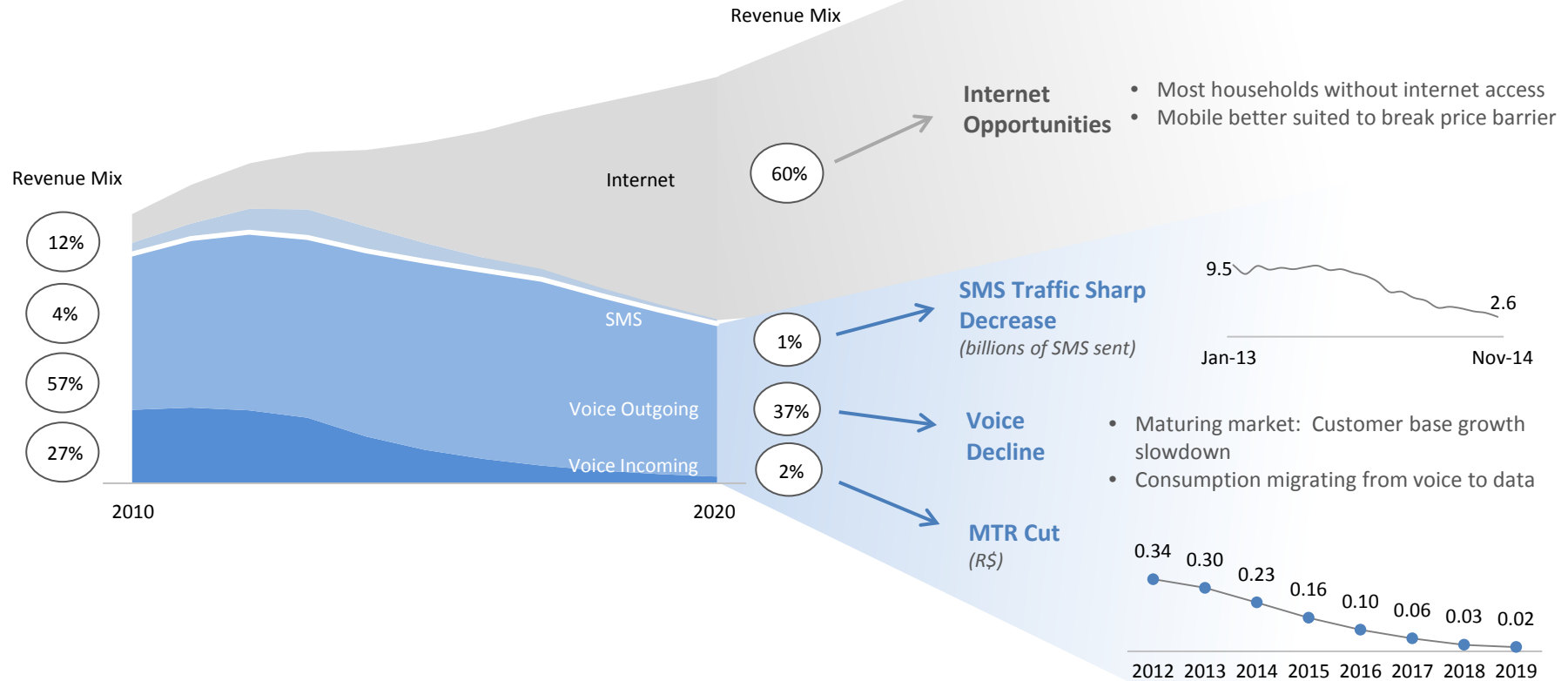
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Strategic Positioning

Internet Market Evolution

Mobile Market Revenues Evolution

(Mobile Service Net Revenues; %)

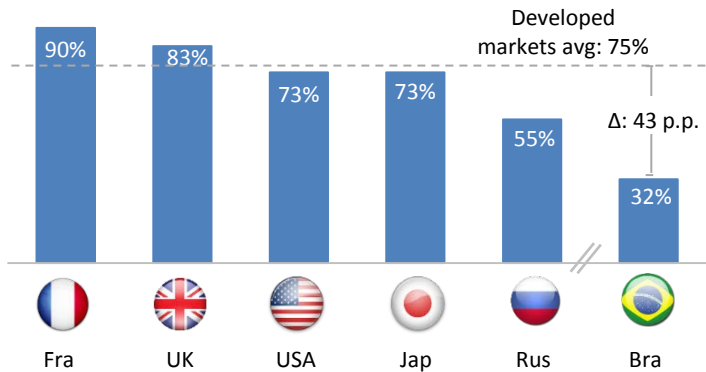


Mobile Internet is the growth driver and will be the largest mobile market, although Voice remains important

Data: Connectivity and Beyond

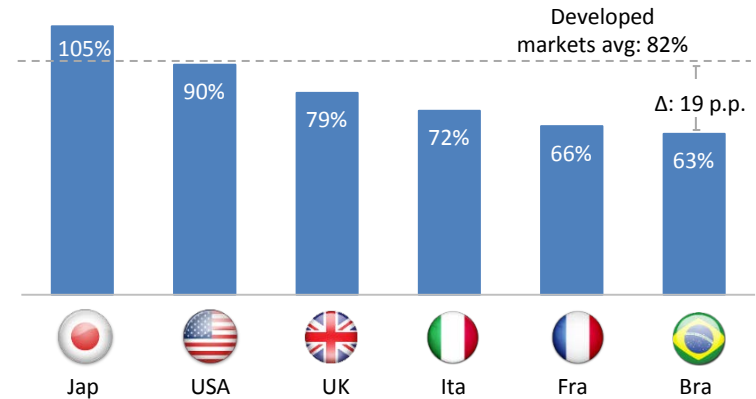
Getting People Connected: Broadband Penetration

Fixed (% households)



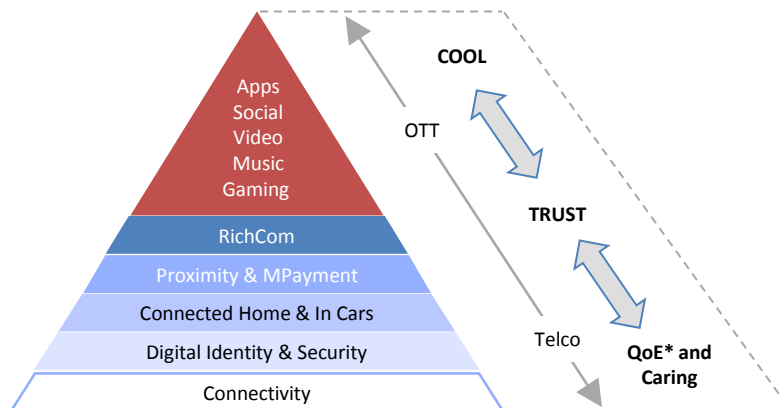
- Huge gap between Brazil and developed markets
- Lack of infrastructure: low quality and speed
- Affordability issues (high prices, combos)

Mobile (% population)



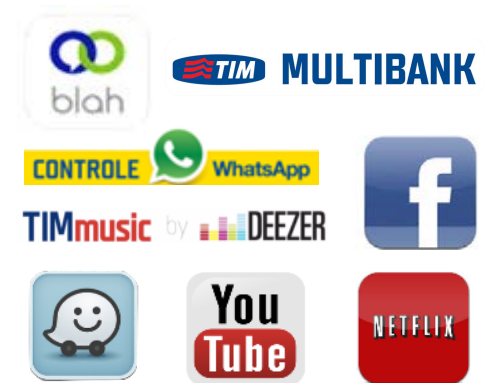
- Smaller gap between Brazil and developed markets
- Additional drivers for growth: days of use, data consumption
- Affordable prices

Entering in the Content World



Content & Usage Offer

Pure Connectivity Offer



* Quality of Experience

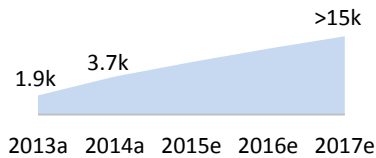
State of the art Capex Allocation: Enhance Quality to Increase Returns

Network Rollout

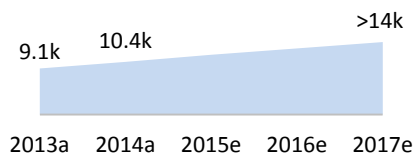
MBB Project Geographic Area

- ✓ 1,137 cities prioritized due to business relevance, based on IRR and Payback
- ✓ MBB program is addressing >70% of TIM's business, and is the key investment program in 2015-2017
- ✓ High business concentration in few cities allows for a focused infrastructure enhancement program

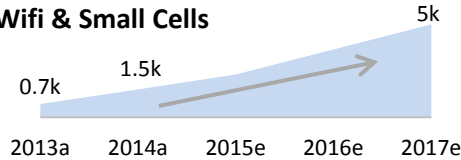
Number of 4G Sites



Number of 3G Sites

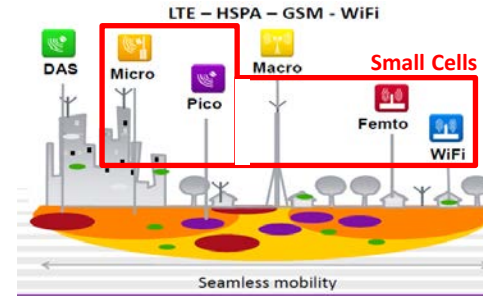


Number of Wifi & Small Cells



New Coverage Strategy

HetNet



MACRO SITES

- 1,400 sites in 2015
- 3,902 sites in 15-17

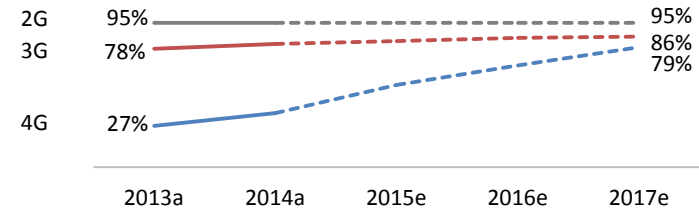
SMALL CELLS

- 800 sites in 2015
- 3,477 sites in 15-17

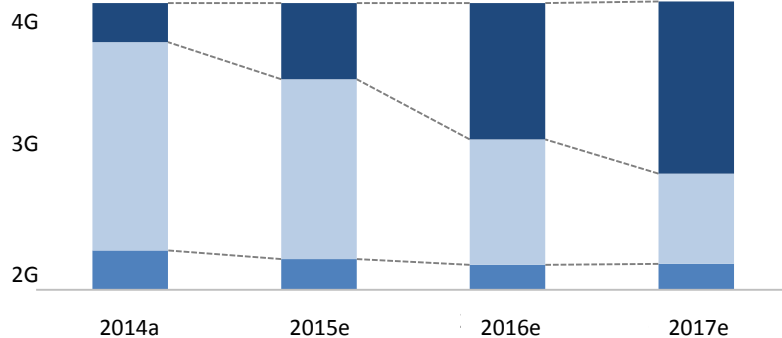
WiFi / Femto / DAS

- 3,000 WiFi in 2015
- >150 DAS in 2015

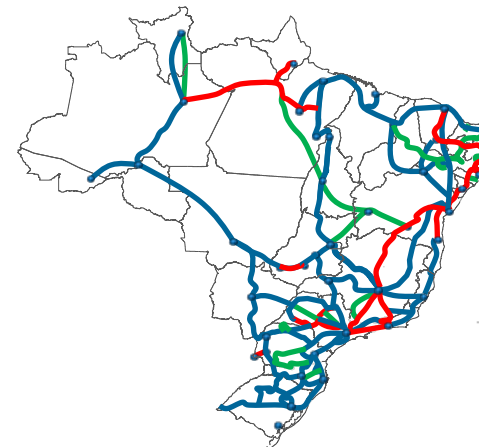
% of Urban Covered Population



Technology Capex Allocation



TIM LD Backbone



Legend

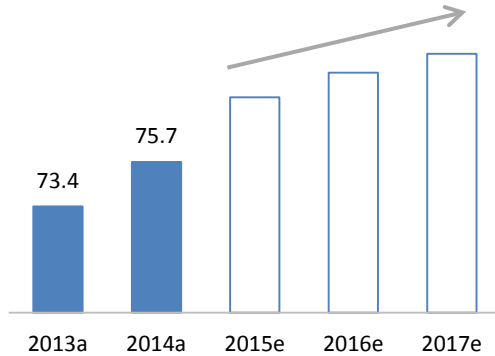
- IRU + Construction
- SWAP until 2014
- SWAP @ 2015-2017

Network and Commercial Synergies

Business Growth

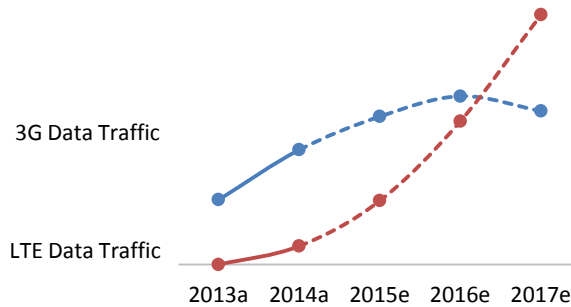
Mobile Customer Base

(mln customers)



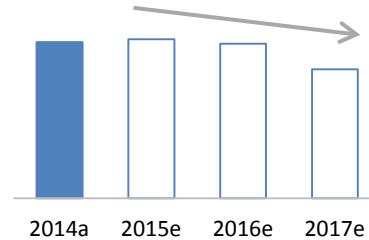
Data Traffic Expectation

(in petabytes)

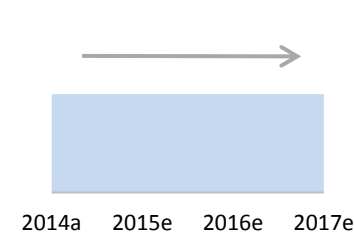


Network & Interconnection Savings

Leased Lines Cost (R\$)



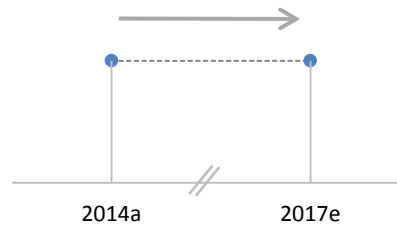
Network & Interconnection Cost (R\$)



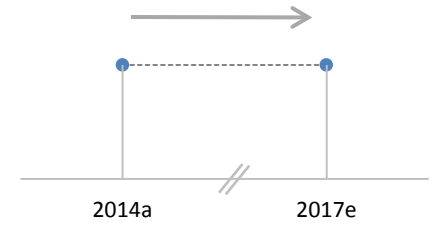
✓ Flat network and interconnection cost as a percentage of total costs

Operational Efficiency

SAC (Subscriber Acquisition Cost) (R\$)

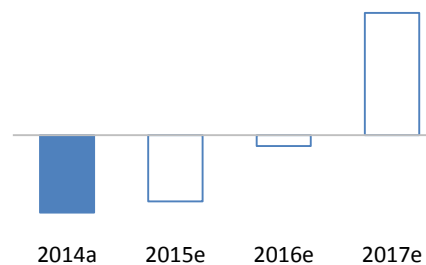


Bad Debt (R\$)

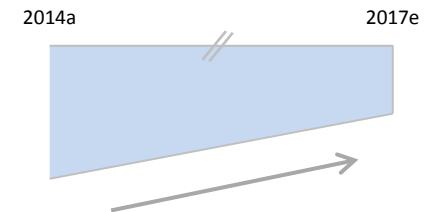


Fixed Business Progress

EBITDA Evolution (R\$ without intercompany)



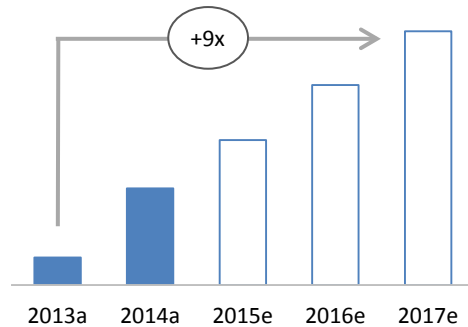
EBITDA - Capex



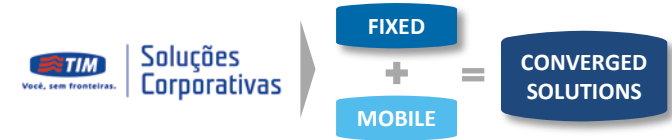
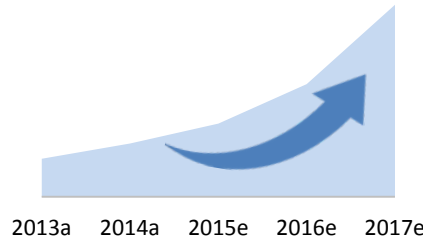
Fixed Corporate Solutions & Live TIM Positive Trends

Corporate Solutions as a Sustainable Business

Revenues from New Sales
(R\$; YoY)



EBITDA



2015-2017 Drivers:

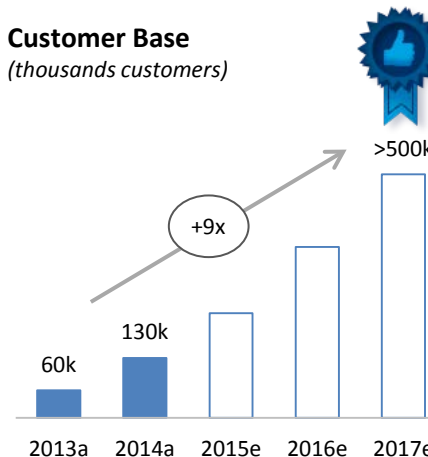
- Revenue and EBITDA rebound
- Sales team resizing and training
- Customer care unification (F+M)
- Improvement on service level
- Fine tuning mobile portfolio
- Launch of new convergent solutions

Live TIM Plan: Accelerating Growth

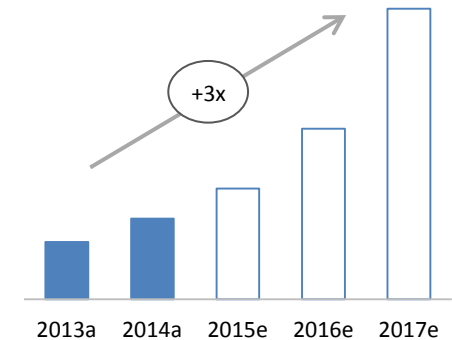
From option value to reality:

- Accelerate growth through incremental investment
- Focus on keeping customer experience leadership
- Introduction of new services (Voice and Bluebox)
- Support the discussion on “Banda Larga Para Todos” program

Customer Base
(thousands customers)



Investments
(R\$; YoY)

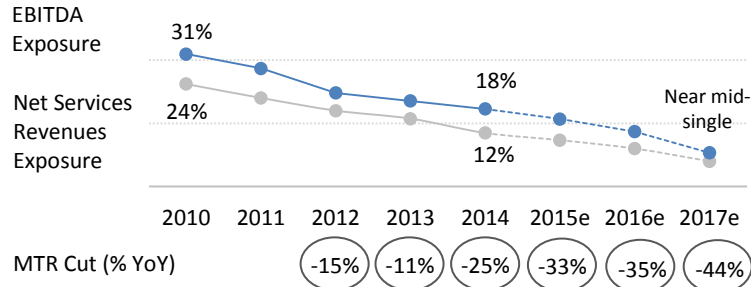


Perspectives

A Close Look at Business Performance

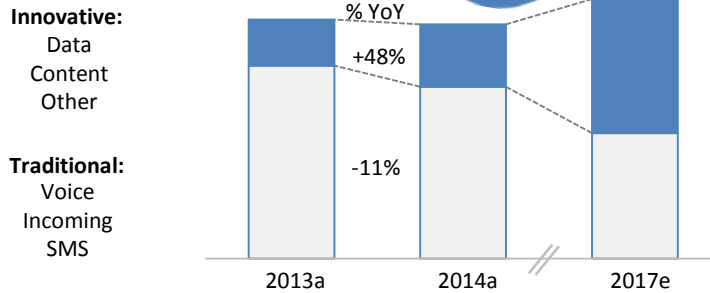
MTR Impact Analysis

(R\$, %)



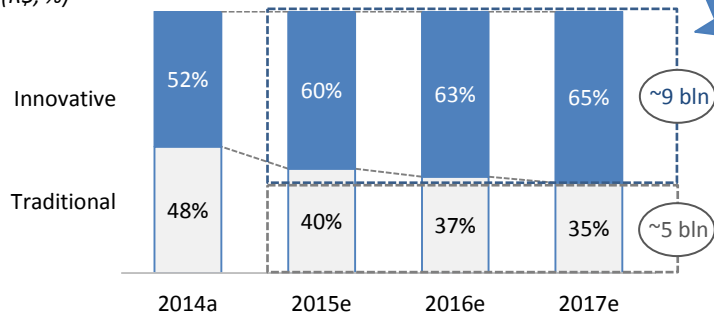
Mobile Net Revenues Analysis

(R\$, %)



Innovative and Traditional Investments

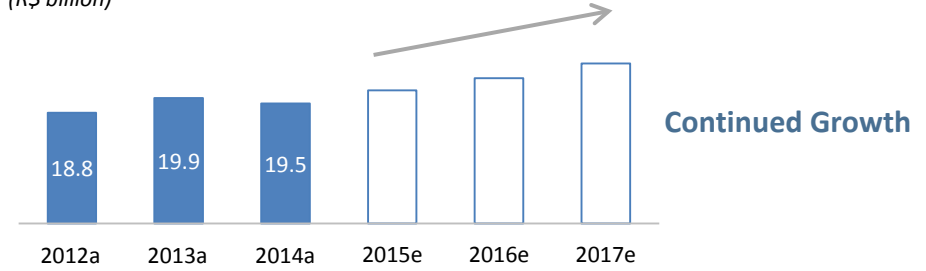
(R\$, %)



2015-2017 Guidance

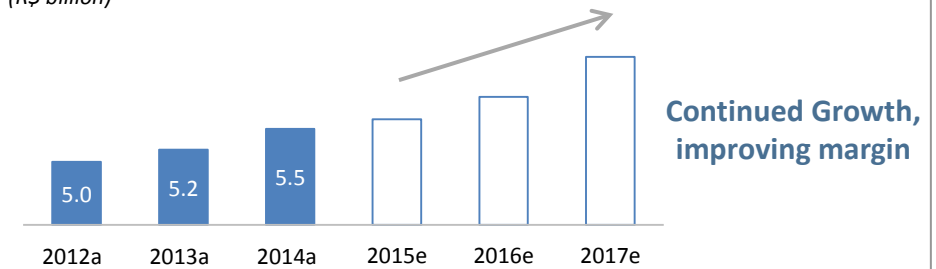
Net Revenues

(R\$ billion)



EBITDA

(R\$ billion)



CAPEX

(R\$ billion)

