

TELECOM ITALIA ANALYST & INVESTOR BRIEFING
2007 Results & Strategic Guidelines

TIM BRASIL

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Safe Harbour

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Agenda

- ▶ **2007 results highlights**
- ▶ **The Brazilian market context**
- ▶ **2008-10 Plan overview**
- ▶ **Targets for 2008-10**

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Highlights 2007

- ▶ **TIM Brasil is positioned as leader in value in the Brazilian mobile market, by means of its:**
 - ▶ National presence
 - ▶ Innovation in terms of Marketing and Technology
 - ▶ Strong brand

- ▶ **In 2007, main results achieved were:**
 - ▶ Leadership in service revenues share (since 2006)
 - ▶ Best value customer mix (postpaid segment) and ARPU above market average
 - ▶ *Top of Mind* (four times in the last 5 years) and best preference index
 - ▶ Positive Net Cash Flow and positive Net Income
 - ▶ All 2007 targets achieved

- ▶ **In 2007, TIM Brasil decided to change through:**
 - ▶ Fixed line license acquisition: entrance in fixed and internet market
 - ▶ Launch of a new business model targeting Low ARPU
 - ▶ 3G License acquisition

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Footprint of the major players 2007ye

□ Miln. lines

□ Market Share

Telefonica/Vivo

Embratel/Claro

Oi

Brasil Telecom

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Mobile

Acquisition Telemig/
Amazonia Celular Ago/07



~33
28%

Acquisition of frequency in
set/07 completion of a
national coverage



~30
25%

27.0% in player
area



~16
13%

13,3% in player
area



~4
4%



~31
26%

Fixed

Incumbent in long
distance



~12
~32%



~1
~3%



~14
~37%



~8
~21%

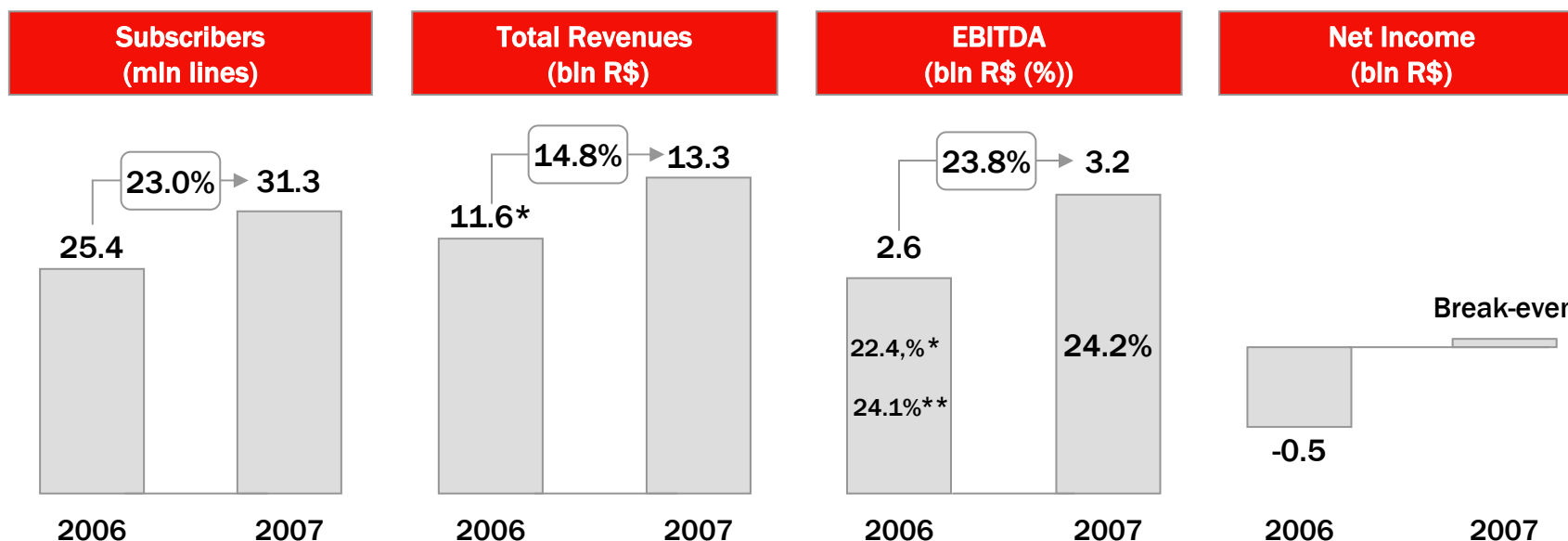


STFC license in
May 2007

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Leadership with profitability

IAS



* Figure adjusted considering Bill & Keep elimination starting 01/01/06

**Organic Local currency excluding exceptional items, IAS Gaap

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Achievement of all 2007 Targets

IAS	2007 Actual	2007 Targets	
Customers Portfolio (Mln SIM)	31.3	~29	✓
M/S TIM Brasil on SIM	25.8%	~26%	✓
Revenues Growth - Organic*	14.8%	>10%	✓
EBITDA margin - Organic	24.2%	~23%	✓
op. Free Cash Flow (mln R\$)	825	Break Even 2007	✓

22.7% with
Bill&Keep vs
>15% target

* Figure adjusted considering Bill & Keep elimination starting 01/01/06

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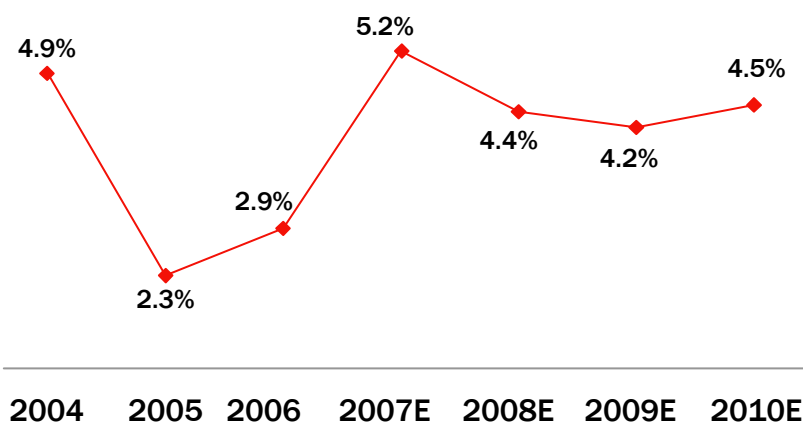
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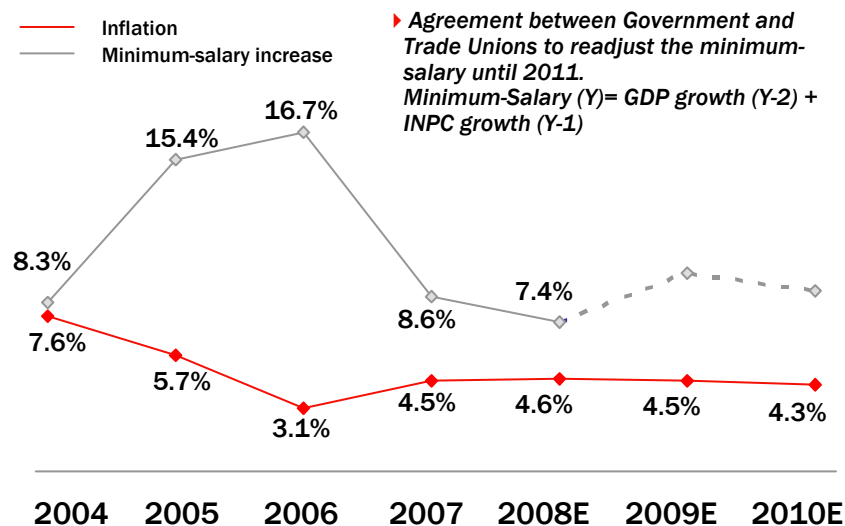
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Political and Economic Scenario

Gross domestic product growth



Minimum-salary increase* vs. inflation



- ▶ PAC – investments approx. R\$ 500 bln to R\$ 900 bln between 2007 – 2010.
- ▶ Lower interest rates producing a record bank lending, powering consumer spending
- ▶ Positive Trade Balance since 2001
- ▶ In January '08, Brazil became a net foreign creditor for the first time in history.

Source: Brazilian Central Bank, Abinee, BNDES

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Regulatory framework

	2008	2009-10
Termination rate (VU-M)	<ul style="list-style-type: none"> ▶ Definition of <i>cost based</i> model by Anatel 	<ul style="list-style-type: none"> ▶ Introduction of the new <i>cost-based</i> model of regulatory accountability.
Number Portability (F+M)	<ul style="list-style-type: none"> ▶ Commercial launch 2H/08. 	<ul style="list-style-type: none"> ▶ Full implementation (1Q/09)
3G License/Fixed license	<ul style="list-style-type: none"> ▶ Fixed license since 2Q07. ▶ 3G License of frequency available in 1Q/08 ▶ Value payment R\$ 1.3bln for 3G 	<ul style="list-style-type: none"> ▶ 3G and Wimax: high competition on broadband market ▶ Possibility of new auction of 3G frequencies (5 MHz band). ▶ Stringent obligations from 3G acquisition contracts
Wi-Max License	<ul style="list-style-type: none"> ▶ License of frequency available in 2008 	
Unbundling	<ul style="list-style-type: none"> ▶ Partially regulated commercially not viable 	<ul style="list-style-type: none"> ▶ Commercially viable
Bill 29 (PL 29)	<ul style="list-style-type: none"> ▶ Permission for telecom companies to provide PayTV content 	<ul style="list-style-type: none"> ▶ Increase PayTV offers into Telecom market ▶ Brazilian government stimulating national TV content

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Competitive Scenario

Challenges ahead



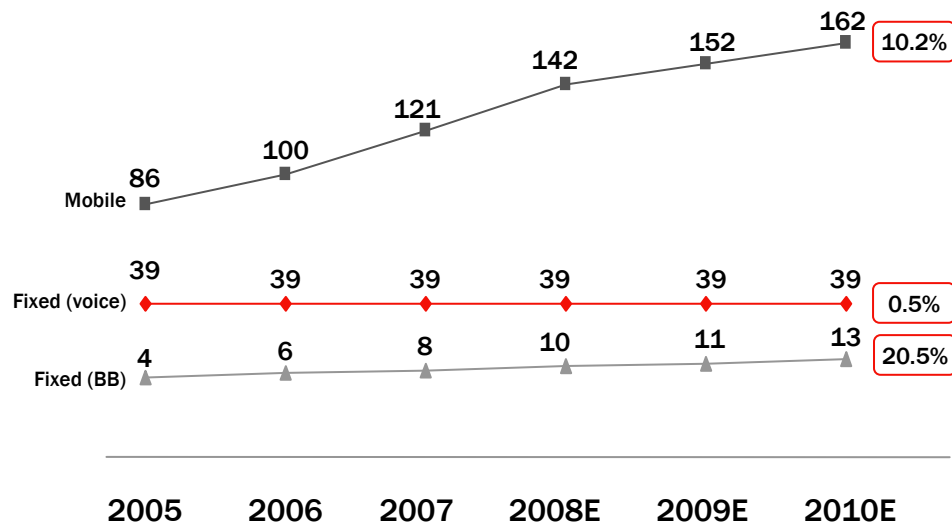
- ▶ Tim will no longer be the only national player
- ▶ A 4th operator will start in São Paulo, 35% of Brazilian GDP
- ▶ Mergers & Acquisitions will continue in 2008
 - ▶ Oi and Brasil Telecom
 - ▶ Telemig acquisition by VIVO and Amazonia by Oi.
- ▶ Number portability
- ▶ New mobile operator rules (SMP)
- ▶ Launch of 3G
- ▶ Handset subsidy

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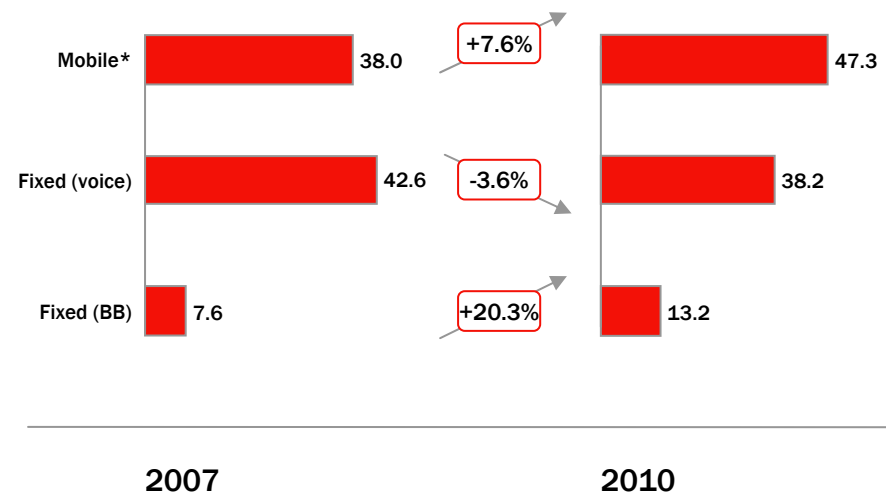
Market Evolution

CAGR 07-10

Lines (millions)



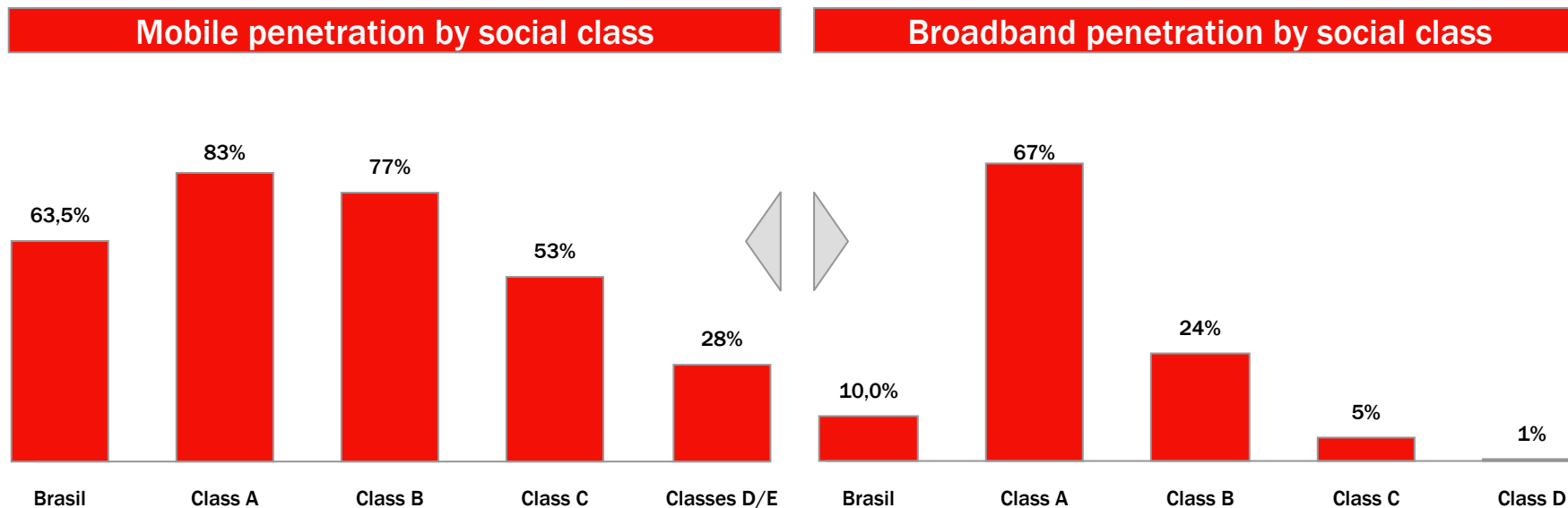
Revenues (R\$ bln)



Source: Internal estimate
 * Service revenues

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Mobile residual market in lower classes and broadband penetration



MS = Minimum-salary = R\$ 415.00 / month

Class A > 20 MS

Class B > 10 and < 20 MS

Class C > 5 and < 10 MS

Class D > 3 and < 5 MS

Class E > 1 and < 3 MS

Source: IBGE (PNAD, 2006), CGI 2006, Consumer Market Sizing Research

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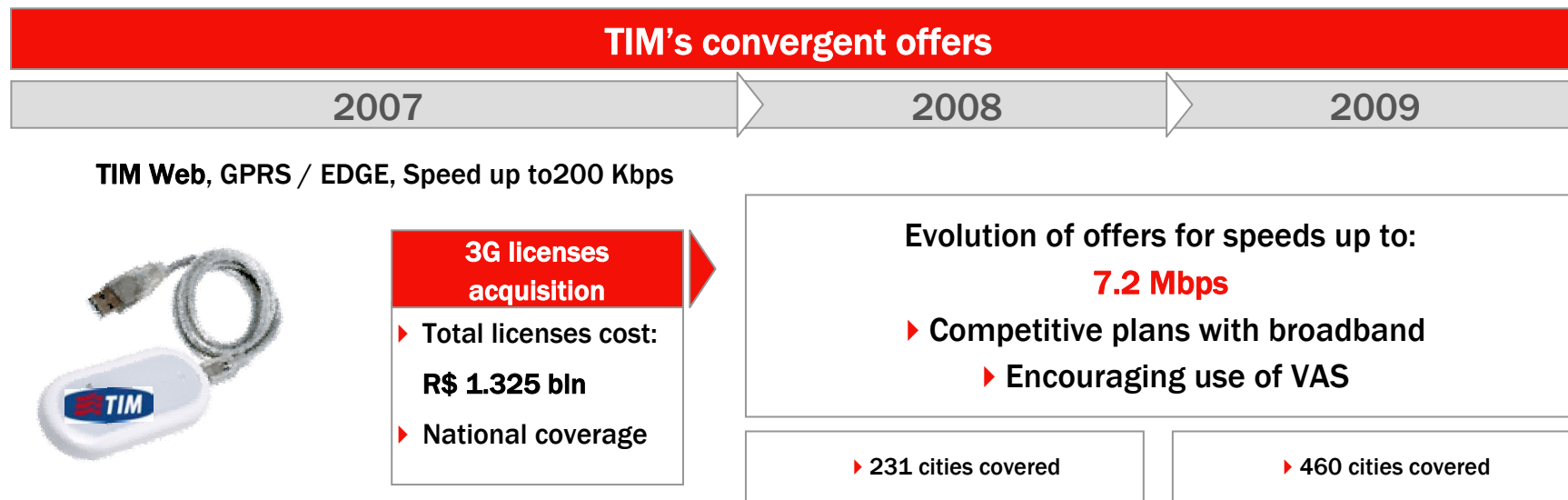
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In 2008 TIM will continue to execute on the following strategy

	Market Evidence	Strategic goals	Guidelines
Mobile	Core Business	<ul style="list-style-type: none"> ▶ Generate more value from the customer base ▶ Optimize services offer to increase profitability 	<ol style="list-style-type: none"> 1 Postpaid: increase cross/up selling and loyalty 2 Prepaid: efficiency in acquisition cost 3 Corporate: increase portfolio share
Convergence	Potential market revenue: ~R\$50bln	<ul style="list-style-type: none"> ▶ Attack the fixed-line and broadband market 	<ol style="list-style-type: none"> 4 Increase focus on fixed voice services, through pure fixed offer, leveraging number portability. 5 Compete on Broadband market with 3G/HSPA. Take advantage of PCs sales boom. 6 Increase customer value with mobile, data and fixed bundle offer.
Low-ARPU	Potential customers market: 60mln	<ul style="list-style-type: none"> ▶ Grow customer base ensuring profitability 	<ol style="list-style-type: none"> 7 Micro-recharges: R\$1; R\$3 and R\$5 8 Extensive door-to-door sales channel

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3G: Wireless Broadband



- ▶ The PC market* in Brazil will grow +21.3% in 2008 reaching 12.9 mln units, of which 88.3% Desktops and 21.7% Laptops
- ▶ Brazil has the highest usage of internet per home user, 23 hours and 04 minutes per month **
- ▶ As of Sept 2007 Brazilian dial up internet home users totaled 7.1 mln

* IBOPE/Netratings - November 2007

** IDC 2007

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TIM Brasil targets

IAS	2007 Actual	2008 Targets	2010 Targets
Customer Portfolio (MIn SIM)	31.3	~37	~43
Mkt Share on SIM	25.8%	~26%	stable
Revenues Growth - Organic	14.8%*	> 12%	~8% (CAGR '07-'10)
EBITDA margin - Organic	24.2%	> 24%	~ 29%
CAPEX (BIn €)	0.9	~1.5	~ 3.0 (Cum. '08-10)
<i>License 3G excluded</i>		~1.0	~ 2.5 (cum. 08-10)

* Growth considering Bill & Keep elimination starting 01/01/06
 Revenues growth reported: 22.7%

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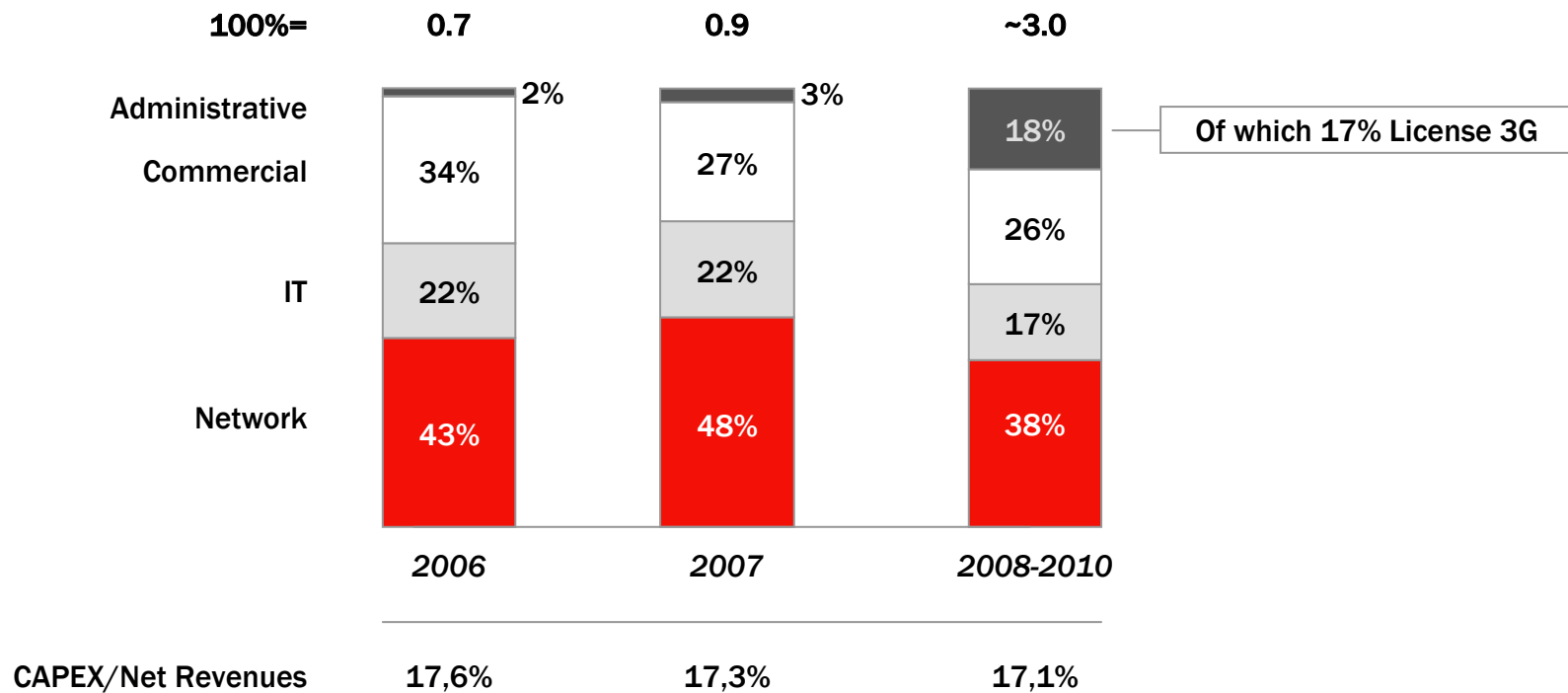
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▶ Back Up

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CAPEX evolution breakdown

IAS, Bln Euros



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3G Licenses

- ▶ Brazil's telecoms regulator Anatel, during the 2.100MHz 3G Auction, raised a total of 5.3 bln Reais (US\$2.9 bln), representing an 86.7% premium over the bid base prices
- ▶ TIM Brasil acquired 10+10 MHz for all areas, but for:
 - ▶ Area III e IV, São Paulo Metropolitan area and North Region: TIM acquired 15+15 MHz
 - ▶ Area VII, Cities of Minas Gerais State that are considered part of “Triangulo Mineiro”: Despite not having acquired 2.100MHz license in this small area, TIM will be able to provide 3G services based on the current 850 MHz license

