TIM Brasil
Strategic Plan Update

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Safe Harbour

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Agenda

- What we did
  (2009 Repositioning path)
- Where we want to go (Strategy)
- Where we are (Expected Q1 2010)
# Telecom Italia 2009 Results & Strategic Plan Update

## 2009: TIM #2 in the Brazilian Market (4Q 2009)

### KPIs

<table>
<thead>
<tr>
<th>KPIs</th>
<th>Size Q4</th>
<th>Growth Q4 vs Q3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Base</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(41.1 MM)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(23.6% Market Share)</td>
<td>#3</td>
<td>#3</td>
</tr>
<tr>
<td>ARPU</td>
<td>R$ 28.8</td>
<td>#1</td>
</tr>
<tr>
<td>Net Services Revenues</td>
<td>R$ 3.47 Bln</td>
<td>#2</td>
</tr>
<tr>
<td>EBITDA, organic</td>
<td>R$ 1.07 Bln</td>
<td>#2</td>
</tr>
<tr>
<td>EBITDA margin, organic</td>
<td>29.6%</td>
<td>#1</td>
</tr>
</tbody>
</table>

### Market Share TIM (Q4 2009)

- **Stable**: 23.6% [Volume (# of lines)]
- **Value**: 26.0% [Revenues]

**#2**
2009 Repositioning Path

Quality

Network
% ranking Anatel
84.1% YE08
100% YE09

Caring
85 Jan/09
74.6 YE09

*ANATEL’s performance index
**Customer Satisfaction Index

Innovation

Most innovative brand
% of respondents indicated as “innovative company”

Infinity 34 9pp

Liberty 32 5pp

Efficiency Plan
% on serv. revenues

Commercial costs and Bad Debt*
-340 bps 4Q08 4Q09

Industrial costs and ITX
-250 bps 4Q08 4Q09

Personnel and G&A costs
-120 bps 4Q08 4Q09

* Including handset cost

Customer Base
MM of lines

YE08 YE09
36.4 41.1

+ 4.7 MM of Lines

Sales / Customer Base development

Efficiency

• R$ ~2 Bln Industrial CAPEX

• R$ ~0.8 Bln savings

• 2x advertising
• 17 MM Infinity Pre
• 1 MM Infinity Post

QoQ growth

Telecom Italia
2009 Results & Strategic Plan Update

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Marketing Approach: “Breaking the Rules”

Post-paid: Market rule

- Handset based (with max 12 months fidelity)
- Low MOU; flat on-net vs. off-net calls (with high MTR)

TIM “Breaking the Rules”

- “All you can eat” community based (local and long distance)
- Chip-only + handset sales in 12x (unlocked)

Take up of Liberty and Chip Only plans

100%=
Gross Adds post voice consumer 1Q 10

% Infinity/Liberty % Chip-only
70% 61%

Benefits

- Customer:
  - Free to talk at lower cost
  - SIM-unlocked phones
- Operator:
  - Higher return (lower SAC, ITX and Bad Debt)
  - TIM Community valorization

Pre-paid: Market rule

- Short local calls (aggressive promos based on local calls only)
- Long distance calls just via fixed line (or public phones)

TIM “Breaking the Rules”

- Pay per call vs. traditional pay per minute
- Community based local and Long Distance (Local=Long Distance)

Infinity (Pre-paid)

# of customers (MM)

0 1Q 09 YE09 1Q 10

17
23

Benefits

- Customer:
  - Long calls via mobile (both local and long distance)
- Operator:
  - Long calls via Mobile (both Local and LD)
  - Differentiation
  - ARPU increase
2009: Consistent QoQ Growth

**ARPU**

- Q1: 27.6
- Q2: 28.1
- Q3: 28.2
- Q4: 28.8

*Outgoing +9%*

**MOU**

- Q1: 70
- Q2: 73
- Q3: 90
- Q4: 99

*Outgoing +14%*

**Services Revenues**

- Q1: 2,993 R$ MM
- Q2: 3,110 R$ MM
- Q3: 3,275 R$ MM
- Q4: 3,470 R$ MM

*YOY: +3.9% +5.3% +5.9%*

**EBITDA % organic**

- FY 2009: 25.7%
- +230 bps YoY

*23.7% 24.6% 24.5% 29.6%*

**EBITDA organic**

- FY 2009: 3.6 Bln R$
- +9.6% YoY

*FY 2009: 20.9% +230 bps YoY
- 12.8 Bln R$
- ~Flat YoY

*Inverted trend in 2H
- FY 2009
  * 12.8 Bln R$
  * ~Flat YoY*
Agenda

- What we did (2009 Repositioning path)
- Where we want to go (Strategy)
- Where we are (Expected Q1 2010)
## Strategy: 5 Tasks to Create Value

### Grab growth opportunities

<table>
<thead>
<tr>
<th>Service</th>
<th>2009</th>
<th>2012</th>
<th>Incremental Market</th>
<th>CAGR '09-'12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile Voice</td>
<td>105</td>
<td>122</td>
<td>+17</td>
<td>+5%</td>
</tr>
<tr>
<td>Mobile BB</td>
<td>45</td>
<td>52</td>
<td>+7</td>
<td></td>
</tr>
<tr>
<td>Fixed Voice</td>
<td>50</td>
<td>48</td>
<td>-2</td>
<td></td>
</tr>
<tr>
<td>Fixed BB</td>
<td>8</td>
<td>16</td>
<td>+8</td>
<td></td>
</tr>
</tbody>
</table>

#### Task #5 - Efficiency

<table>
<thead>
<tr>
<th>Cost Category</th>
<th>2009</th>
<th>2012</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial costs and Bad Debt**</td>
<td>-250 bps</td>
<td>-200 bps</td>
<td></td>
</tr>
<tr>
<td>Industrial costs and ITX</td>
<td>-200 bps</td>
<td>-50 bps</td>
<td></td>
</tr>
<tr>
<td>Personnel and G&amp;A costs</td>
<td>-50 bps</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

** Including handset cost

#### Task #4 - Build a solid Network

- **One back-bone**
- **Property backhauling**
- **Capacity in 2G**
- **Coverage in 3G**

### Task #1: Voice

#### Task #2: Mobile data

#### Task #3: Convergence

<table>
<thead>
<tr>
<th>Network Type</th>
<th>2009</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>MAN</td>
<td>105</td>
<td>122</td>
</tr>
<tr>
<td>Back-hauling</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Network Type</th>
<th>2009</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed BB</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobile Voice</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobile BB</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed Voice</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Task #1 - Voice: “Keep the Pressure”

**Source of growth**
- Penetration: Data
- Usage: "Regional" approach

**Expected results**
- MOU: >180’
- ARPU: Maintain leadership
- Outgoing: CAGR ~10%
- Customer base:
  - 2009: 40
  - 2012: 39

**Penetration: “Regional” approach**
- TIM
- Main Competitor
- Ex. NE: Strong TIM Areas
- Ex. SP: Intermediate Areas
- Ex. RJ: “Virgin Areas”
- Tough for new comers
- Explore Untapped Market

**Usage: Push on FMS (positive elasticity)**
- Pre-Paid: Leveraging LD
  - % of population
  - A/B: MOU LD
  - c
  - 1Q 09
  - 1Q 10
- Willingness to use: LD via fixed and mobile
- Willingness to pay: LD via mobile

**Post-paid: “Cut the wire”**
- Monthly fee (R$)
  - 40
  - 39
- Includes unlimited on-net (Local + LD)

**Source of growth**
- TIM
- Liberty
- Fixed incumbents

**Willingness to pay: LD via mobile**

**Willingness to use: LD via fixed and mobile**

**Strong TIM Areas**
- Ex. NE

**Intermediate Areas**
- Ex. SP

**“Virgin Areas”**
- Ex. RJ

**Tough for new comers**

**Explore Untapped Market**

**Develop current TIM Market Share**
- MOU LD

**Expected results**
- MOU >180’
- ARPU: Maintain leadership
- Outgoing: CAGR ~10%
- Customer base:
  - 2009: 40
  - 2012: 39
Task #2 - Mobile Data: “Ready to Go” as of H2 2010

Source of growth

“Me too” strategy

- Internet experience via mobile smartphone (micro-browsing)
- Selective approach on internet key (browsing)

Brazilian Internet Market

- On average, 23 hours/month per user on the Internet (top in the world)
- 50% of the users access from public places

- Average age: 29 years
- Soon in the internet

- Total population
  - ~190
- Not Internet users
  - 126
- Current internet users
  - 62
- Without a PC at home
  - 33
- With a PC at home
  - 29

- Urban population coverage
  - 30%
  - 50%
  - 75%

TIM “Breaking the Rules”

- Mobile Internet in a profitable way

Enabling factors

- Fast Network roll-out (14 Mbps downlink and 2.8 uplink in main cities)
- Low-end handsets with rich internet experience (<100 USD)
- Affordable and simply tariff plans

Expected results

<table>
<thead>
<tr>
<th>Source of growth</th>
<th>VAS / Service Revenues (%)</th>
<th>2009</th>
<th>2010</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>4Q 09</td>
<td>2012</td>
<td></td>
</tr>
</tbody>
</table>

Boost VAS contribution
Task #3 - Convergence: Attack Fixed Incumbents

Intelig “Option Value”

- Fixed Consumer (LD) - “Attack to Fixed Incumbents”
- Business (Voice & Data) - “Convergence and Solutions”
- Wholesale - “Reference Partner for emerging Telco”

Expected results

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>~0.7</td>
<td></td>
<td></td>
<td>~2</td>
</tr>
<tr>
<td>Business</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wholesale</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

~3x growth

Supporting evidences

Convenience

<table>
<thead>
<tr>
<th>Rates (cent R$/min)</th>
<th>Minimum monthly cost (R$)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Incum-bents</td>
<td>Intelig</td>
</tr>
<tr>
<td>30</td>
<td>10</td>
</tr>
<tr>
<td>Fixed Incumbents</td>
<td>TIM Fixo Post-paid</td>
</tr>
<tr>
<td>40</td>
<td>20</td>
</tr>
<tr>
<td>TIM Fixo Pre-paid</td>
<td>0</td>
</tr>
</tbody>
</table>

Quality

<table>
<thead>
<tr>
<th>IDA</th>
<th>Telesp</th>
<th>Embratel</th>
<th>Intelig</th>
<th>TIM Mobile</th>
</tr>
</thead>
<tbody>
<tr>
<td>73.0</td>
<td>83.7</td>
<td>100.0</td>
<td>94.9</td>
<td></td>
</tr>
</tbody>
</table>

- Intelig: F-F Long Distance calls via “23” code
- Bundling of fixed solutions (TIM Fixo/Web)
- Cross-selling: direct sales force integration (TIM and Intelig)
- Solutions for Top Customers (voice, data, fixed and mobile)
- Partnership with local utilities (ex:AES)
### Task #4: Build a Solid Network

#### Key actions

1. One single backbone (TIM - Intelig)
2. Link to Intelig MANs
3. Roll-out microwaves backhauling
4. Double 3G coverage
5. Double 2G capacity

#### Network Infrastructure

- **Backhauling**
  - PoP
  - Node-B
  - BTS
- **Backbone**
  - Leased lines
  - Access 3G/HSDPA
  - Access 2G/Edge
  - Access 2G/Edge
- **Metro**

#### Network targets and priorities

- **2010-12**
  - 3G Coverage (# antennas): ~6,000
  - 2G Capacity (# TRX): >50,000
  - 2G Coverage (# BTS): 1,500
  - Radio back-hauling: ~10,000
- **2010**
  - 3G Coverage (# antennas): ~3,500
  - 2G Capacity (# TRX): >15,000
  - 2G Coverage (# BTS): 750
  - Radio back-hauling: >4,000

#### Efficiency & reliability in Back-Hauling

<table>
<thead>
<tr>
<th>MW replacing leased lines</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Buy vs. Make</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buy</td>
<td>65%</td>
<td>35%</td>
</tr>
<tr>
<td>vs. Make</td>
<td>35%</td>
<td>65%</td>
</tr>
</tbody>
</table>
Task #5: Efficiency for a Sustainable Growth

**Commercial costs and Bad Debt**
- **Chip-only**
- **Bad debt**

-250 bps

**Industrial costs and ITX**
- **Intelig**
- **Community based offering**

-200 bps

**Personnel and G&A costs**
- **Efficiency**

-50 bps

---

**Net Service Revenues**
- "high single digit" growth

<table>
<thead>
<tr>
<th>Year</th>
<th>2009*</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bln R$</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INTELI Gordon</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TIM</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**EBITDA Margin**
- >500 bps

<table>
<thead>
<tr>
<th>Year</th>
<th>2009*</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

24.9% ~30%

**EBITDA% – CAPEX%**
- >15%

<table>
<thead>
<tr>
<th>Year</th>
<th>2009*</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

-120 bps dilution by Intelig

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*: 2009 Proforma Intelig 12 months ** Including handset cost
Agenda

- What we did
  (2009 Repositioning path)

- Where we want to go (Strategy)

- Where we are (Expected Q1 2010)
Sales Force Restructuring Speeds up Customer Base Growth

**Customer Base**

- **MM of customers**
  - 1Q09: 36.1
  - Feb '10: 41.8
  - 1Q10: 32.8

**Net Adds Post Paid**

- **MM**
  - 1Q09: 0.4
  - 1Q10: 0.3
  - Excl. clean-up: 1Q09: 0.4, 1Q10: 0.3

**MNP Post Paid**

- **% Port IN / Port Out**
  - 100%: In=Out
  - 1Q09: 32%
  - 1Q10: 156%

**Net Adds Pre Paid**

- **MM**
  - 1Q09: 0.1
  - 1Q10: 0.8
  - Excl. clean-up: 1Q09: 0.1, 1Q10: 0.8

**SAC / ARPU**

- **Traditional channels**
  - 1Q09: 2.5x
  - 1Q10: 0.5x

**Pre Paid Consumer**

- **Efficiency**
  - SAC / ARPU: +193%

**Post Paid Consumer**

- **Productivity**
  - +172%

- **Coverage**
  - +61%

**Key Success Factors**

- **Net Adds Pre Paid**
  - +16%

- **SAC / ARPU**
  - +193%
Visible signs of Company's turnaround:
Expected Q1 2010 Results

<table>
<thead>
<tr>
<th>Year</th>
<th>YoY % - Service Revenues</th>
<th>Year</th>
<th>YoY % - EBITDA, organic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4 2009</td>
<td>+1.4%</td>
<td>Q4 2009</td>
<td>+5.4%</td>
</tr>
<tr>
<td>Q1 2010</td>
<td>-54% handset revenues</td>
<td>Q1 2010</td>
<td>“Double digit”</td>
</tr>
</tbody>
</table>

Handset revenues

Vs. 2010 Company's Guidance

“On track” ✔

“On track” ✔
TIM Brasil - Take Aways

2009 Path
- Repositioning of the Company based on quality, innovation and efficiency
- Able to grow QoQ in 2009, confirming #2 position in Brazilian mobile market

Strategy (2010-2012)
- Ready to grab market growth opportunities:
  - Voice: further penetration and FMS
  - Mobile Data, as of H2 2010
  - Convergence / Intelig “Option value”
- Fast roll-out of solid network infrastructure
- Efficiency to combine top line growth with improving profitability and cash

Visible signs of turnaround
- Q1 2010 confirming YoY growth acceleration (Revenues and EBITDA)