

**É a TIM trabalhando por mais  
cobertura e qualidade de sinal.**



**Você, sem fronteiras.**



**4Q10 & FY2010  
Results Presentation**

**Investor Relations  
Rio de Janeiro, 21 Feb. 2011**

- ▶ **Results in Summary – Luca Luciani**

- ▶ Turnaround Accomplished – Lorenzo Lindner

- ▶ Financial Results 4Q10 – Claudio Zezza

- ▶ Strategy – Rogério Takayanagi

- ▶ Perspectives – Luca Luciani

# 2010 Summary



Você. sem fronteiras.

IFRS Brazil, R\$ Mln

Guidance ✓  
Compliance

		Q4 10		FY 2010	
		Δ YoY		Δ YoY	
Growth	<b>Customer Base</b>			<b>51.0 Mln</b>	<b>+24%</b>
	• Market Share			25.1%	+150 bps
	• Incremental Market Share			34.2%	
	<b>Net Revenues</b>	<b>3,926</b>	<b>+9.9%</b>	<b>14,457</b>	<b>+5.2%</b>
	• Service Revenues ✓	3,627	+6.0%	13,572	+6.1%
Profitability	<b>EBITDA Margin</b> ✓	<b>30.6%</b>	<b>+20 bps</b>	<b>29.0%</b>	<b>+320 bps</b>
	• EBITDA ✓	1,201	+10.7%	4,194	<b>+18,4%</b>
	• EBIT	515	+46.4%	1,200	+136%
	• Net Income			2,212	+176%
	<b>Operating FCF</b>			<b>1,372</b>	<b>+110%</b>
	• Cashflow (EBITDA - CAPEX)			1,358	+62%
	• CAPEX			2,836	+4.9%
• CAPEX as % of Sales			19.6%	-10 bps	
• Net Financial Position			984	-700	
• Net Debt to EBITDA			0,23x		

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# TIM Brasil – 2 years later



Você. sem fronteiras.

## Fundamentals



Brand



Customer Base



Drivers of Growth



Financials



Network

## Strategy

“Quality, Innovation, Convenience”

Leverage TIM Community

TIM’s value proposition distinctiveness:

- Voice: Long unlimited call concepts: “One Nation One Tariff” (Long Distance)
- Data: Unlimited concepts: foster smartphone penetration in a “no subsidy frame”

Combine Growth with Profitability:

- Revenues rebounded and re-mixed (out vs. in)
- Focus on cash generation

- Integrate Intelig Network, and start a new Turnaround
- Focus resources on core business (Network vs. Commercial)

## Achievements

- Top of Mind
- High Preference, Low Rejection

- Inverted erosion trend both in Pre-paid and Post-paid
- Leading incremental market share

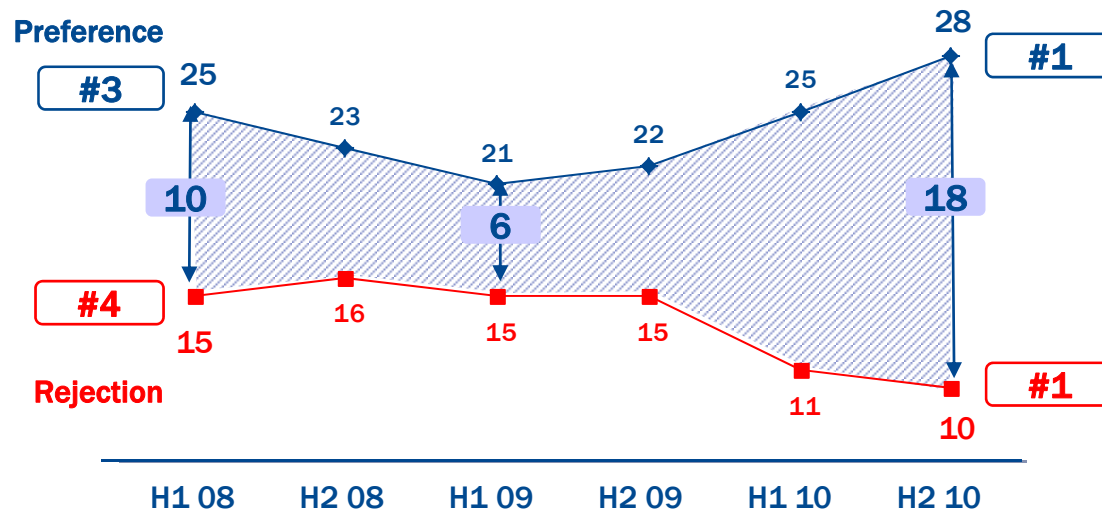
- ~2 x MOU vs Q1 09 (129 minutes)
- Leading Long Distance segment (volume)
- Infinity web: 4x daily unique users in 4 months (prepaid)

- +18% Ebitda growth while **Customer Base +24%**
- Boosting business generated (out-calls, data) while reducing business received (incoming)
- EBITDA – CAPEX at R\$ 1.4 Bln (+62% YoY)

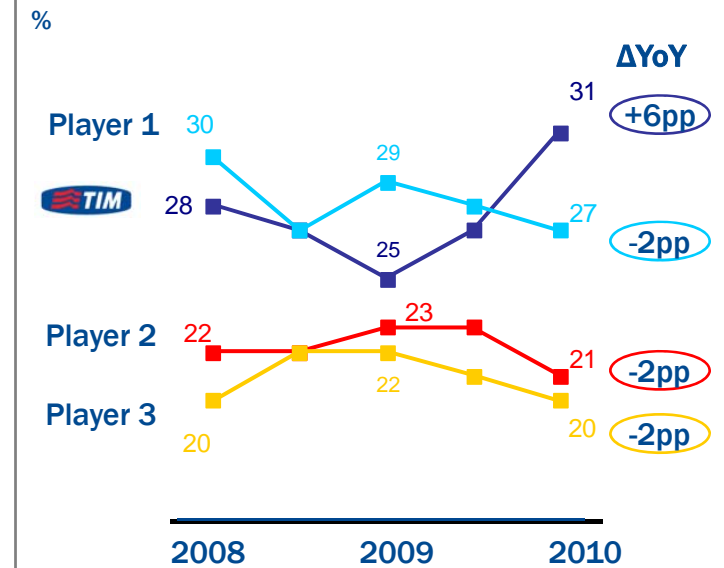
- TIM’s leased lines cost flattish vs. MOU and data jump
- Intelig Revenues +37% YoY
- +50% GSM capacity vs. YE 2008
- 10x 3G cities covered

# Brand Repositioning – Preference and Top of Mind

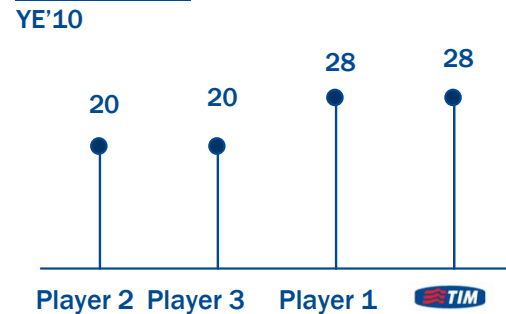
## Brand Preference



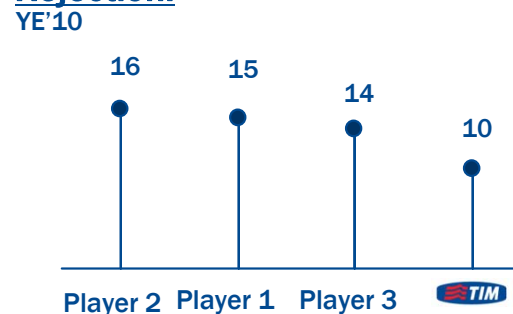
## Top of Mind



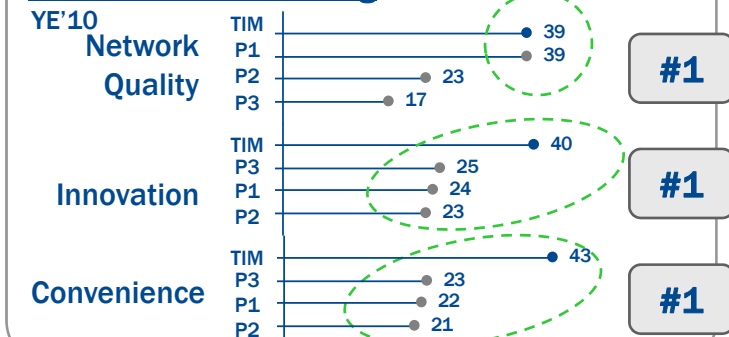
### Preference



### Rejection:



### Innovation and Offering



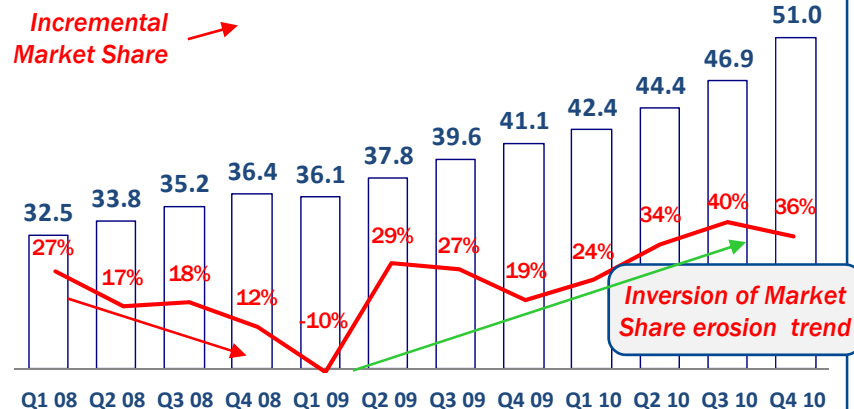
# Customer Base Market Share Recovery



Você, sem fronteiras.

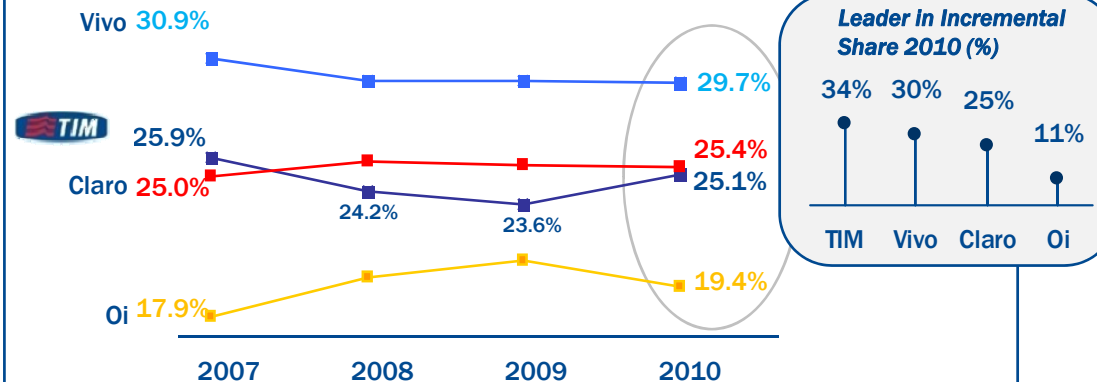
## Customer Base- Inverted erosion trend

Mln lines EoP, %



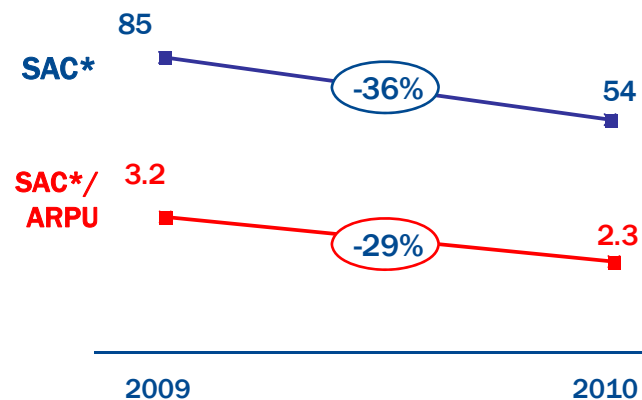
## Market Share (Total and Incremental)

% lines EoP



## Commercial Efficiency

R\$



## Customer Base Quality (Postpaid Base and Bad Debt)

Mln lines, % of Gross Total revenues, mobile



\*SAC = Subsidy + Commission + Advertising  
 Note: Bad Debt/ Revenues - BRGAAP for 2008 and IFRS Brazil for 2009 and 2010

# Drivers of growth

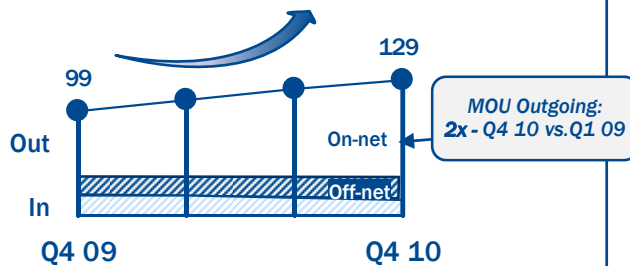


Você, sem fronteiras.

## MOU

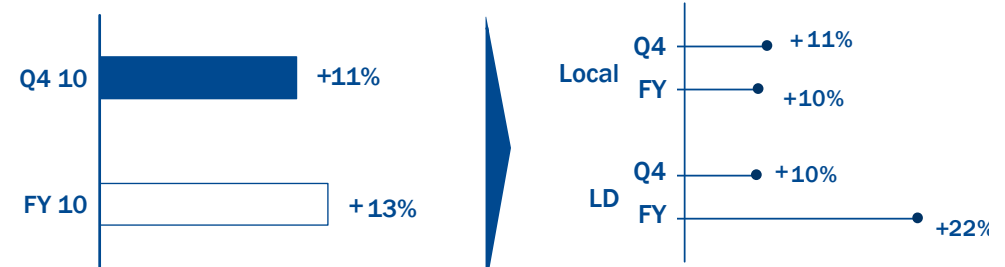
### Infinity / Liberty

Min/month/user



### Voice Outgoing – double digit Revenues growth

Gross Revenues, % YoY



## Data Take-up

### Infinity Web – Pre-Paid

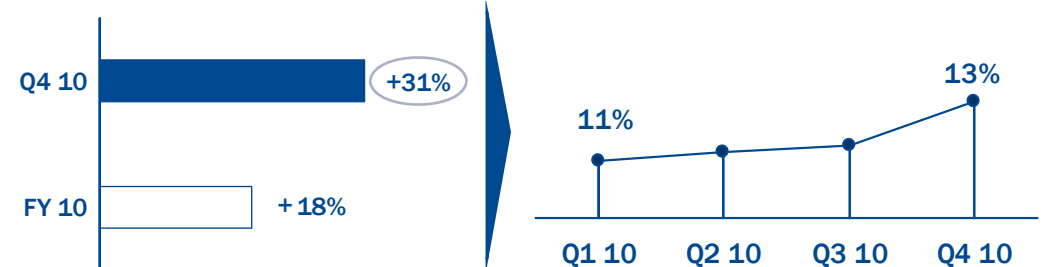
'000 unique users per day



### Data Mobile – Acceleration as of Christmas Campaign

Gross VAS Revenues, % YoY

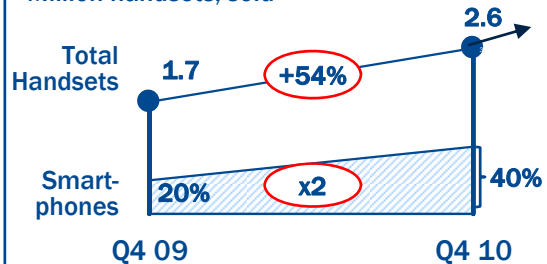
% of Net Service Revenues



## Smartphones Penetration

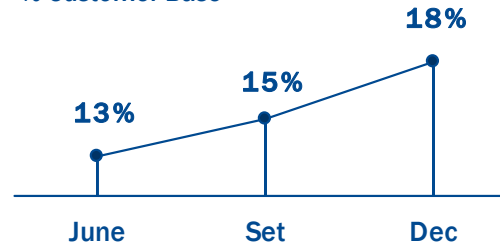
### Handsets

Million handsets, sold



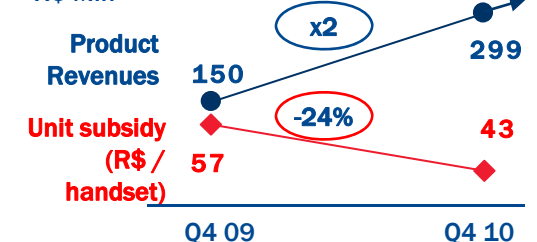
### Active Users per month

% Customer Base



### Push Smartphone penetration in a low subsidy

R\$ Mln





# Revenues and Profitability

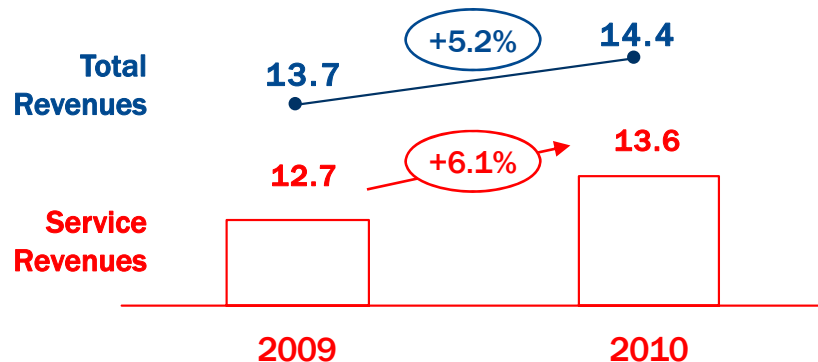


Você, sem fronteiras.

## IFRS Brazil

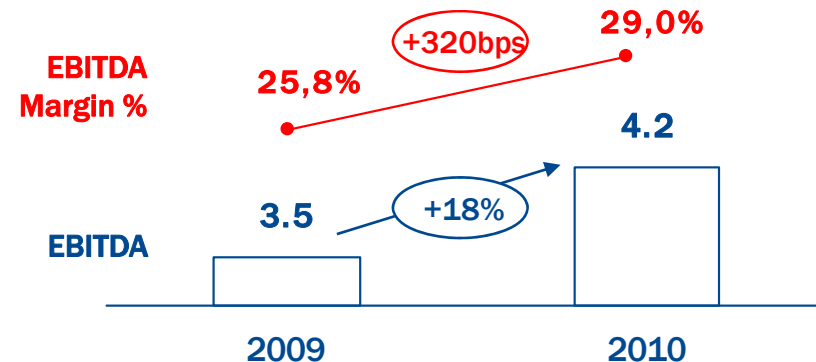
### Revenues

Net Revenues, R\$ Bln



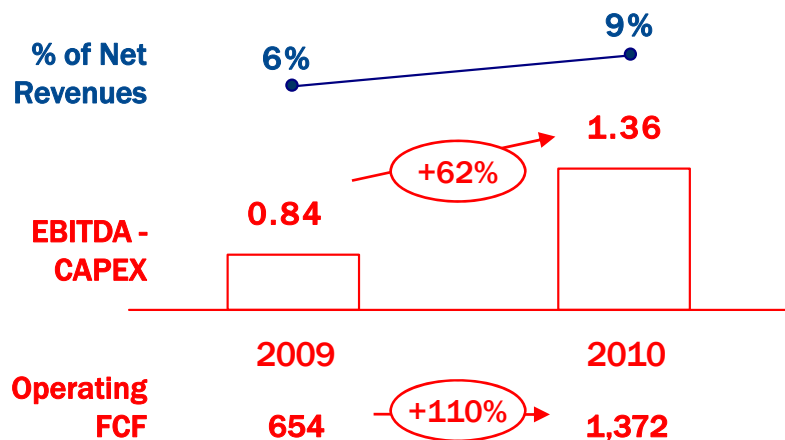
### EBITDA and Margin %

EBITDA, R\$ Bln



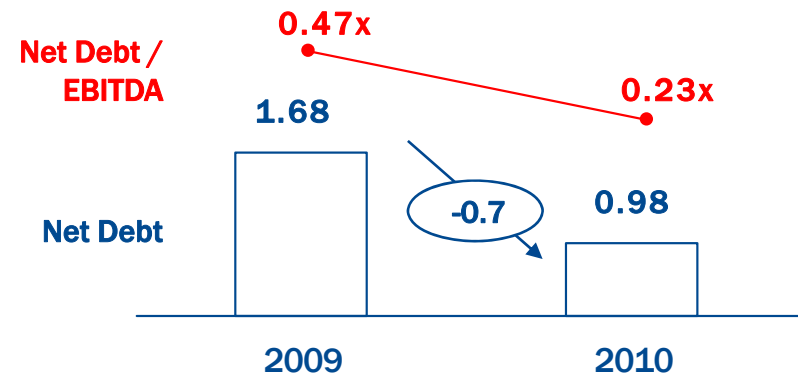
### Cashflow (EBITDA - CAPEX)

R\$ Bln



### Net Financial Position

R\$ Bln



# Strengthening Network Infrastructure

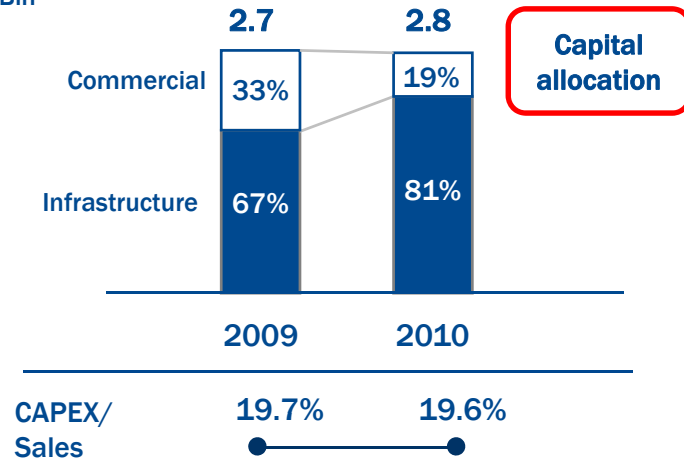


Você, sem fronteiras.

## IFRS Brazil

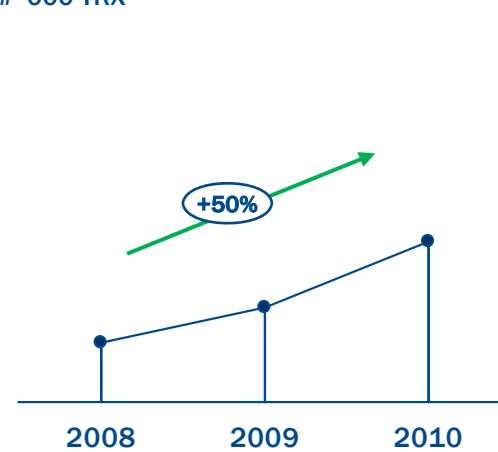
### CAPEX Mix

R\$ Bln

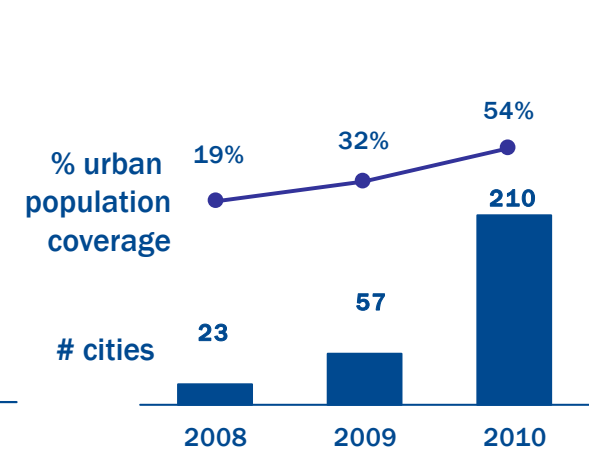


### 2G - Capacity

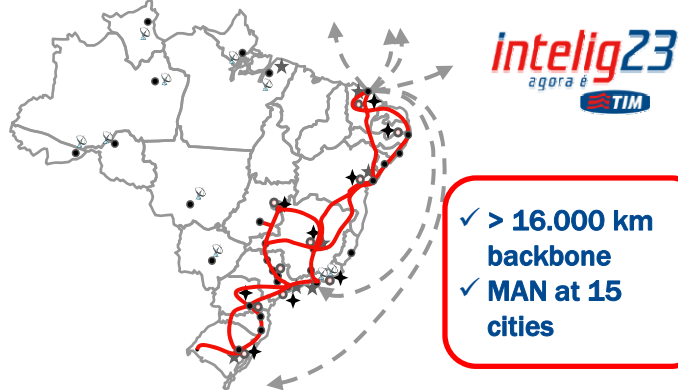
# '000 TRX



### 3G - Coverage

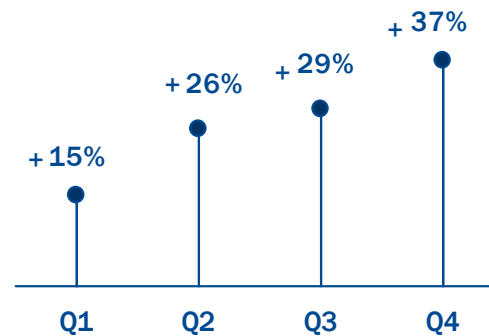


### Intelig successfully integrated



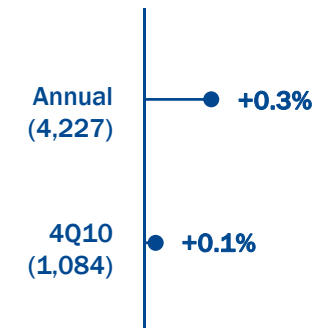
### Intelig Revenues Revamping

YoY growth; 2010 vs 2009



### Network Opex Efficiency

Network and ITX Cost (R\$ Bi, % YoY)



- ▶ Results in Summary – Luca Luciani
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# Switching towards IFRS



Você. sem fronteiras.

	Q1				Q2				Q3				Q4				FULL YEAR			
	2010	2009	abs. YoY	% YoY	2010	2009	abs. YoY	% YoY	2010	2009	abs. YoY	% YoY	2010	2009	abs. YoY	% YoY	2010	2009	abs. YoY	% YoY
<b>IFRS</b>																				
Net Revenues	3.296	3.198	98	3,1%	3.559	3.512	47	1,3%	3.677	3.466	211	6,1%	3.926	3.571	354	9,9%	14.457	13.747	710	5,2%
of which Services	3.176	3.009	167	5,6%	3.350	3.144	206	6,6%	3.418	3.213	205	6,4%	3.627	3.422	205	6,0%	13.572	12.788	784	6,1%
of which Handsets	120	189	(69)	-36,7%	209	368	(159)	-43,2%	259	253	6	2,3%	299	150	149	99,6%	886	959	(73)	-7,6%
EBITDA	947	715	232	32,5%	1.010	864	146	16,9%	1.035	877	158	18,1%	1.201	1.086	116	10,7%	4.193	3.541	652	18,4%
Ebitda Margin %	28,7%	22,4%			28,4%	24,6%			28,2%	25,3%			30,6%	30,4%			29,0%	25,8%		
Capex	689	322	368	114,4%	520	535	(15)	-2,7%	526	692	(166)	-24,0%	1.100	1.154	(54)	-4,7%	2.836	2.702	134	4,9%
EBITDA - Capex	258	393	(136)	-34,5%	490	329	161	49,0%	509	185	324	175,5%	101	(68)	169	-247,8%	1.358	839	519	61,9%

VS. Guidance

>5% ✓

>4 Bln ✓

~3 Bln ✓

Consistency in Growth/ Profitability  
Improvement during the Quarters

	Q1				Q2				Q3				Q4				FULL YEAR			
	2010	2009	abs. YoY	% YoY	2010	2009	abs. YoY	% YoY	2010	2009	abs. YoY	% YoY	2010	2009	abs. YoY	% YoY	2010	2009	abs. YoY	% YoY
<b>Br Gaap</b>																				
Net Revenues	3.269	3.174	96	3,0%	3.531	3.486	45	1,3%	3.648	3.440	208	6,1%	3.894	3.542	352	9,9%	14.342	13.641	701	5,1%
of which Services	3.146	2.985	161	5,4%	3.317	3.118	199	6,4%	3.387	3.186	201	6,3%	3.592	3.386	205	6,1%	13.442	12.675	767	6,1%
of which Handsets	124	189	(65)	-34,5%	213	368	(155)	-42,1%	261	254	7	2,8%	303	156	147	94,4%	900	967	(66)	-6,8%
EBITDA	810	618	191	30,9%	887	764	123	16,1%	924	772	152	19,6%	1.132	982	150	15,3%	3.752	3.136	616	19,6%
Ebitda Margin %	24,8%	19,5%			25,1%	21,9%			25,3%	22,5%			29,1%	27,7%			26,2%	23,0%		
Capex	576	201	375	186,7%	436	429	7	1,6%	463	541	(78)	-14,3%	1.072	1.003	69	6,8%	2.547	2.174	373	17,2%
EBITDA - Capex	234	418	(184)	-44,0%	450	335	116	34,6%	461	232	229	99,0%	60	(22)	81	-376,0%	1.205	962	243	25,2%

>5% ✓

>25% ✓

~2.5 Bln ✓

\* 2009 IFRS includes Intelig Proforma

Note: Key difference between BRGAAP and IFRS is in the capitalization of handsets subsidy.

# Revenues Analysis



Você, sem fronteiras.

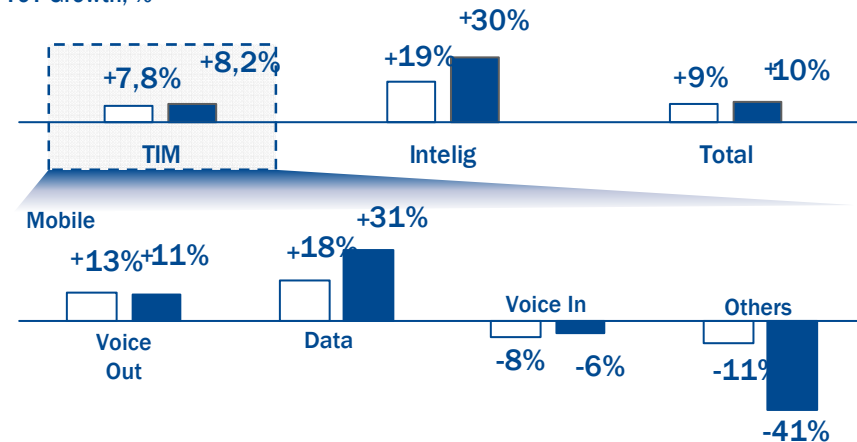
## IFRS Brazil

FY10 vs. FY09  
 Q410 vs. Q409

- ✓ **Outgoing voice double-digit solid growth (FMS)**
- ✓ **Data take-up over 30% YoY in Q4**
- ✓ **Intelig accelerating**
- ✓ **Acceleration of handsets sales to support data roll-out (small-screen browsing)**
- ✓ **Higher discounts to support SIM-only strategy in postpaid**

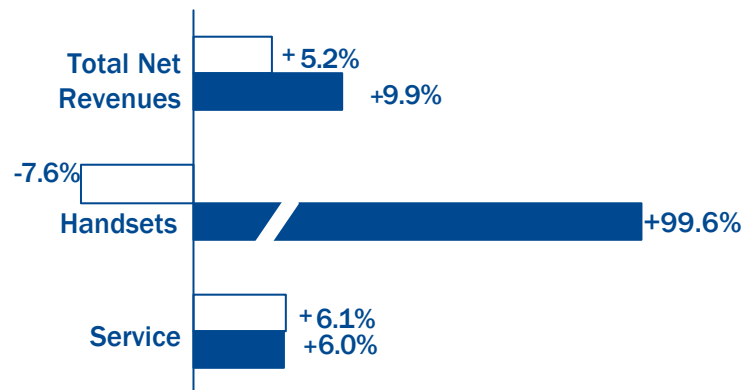
## Gross Service Revenues

YoY Growth, %



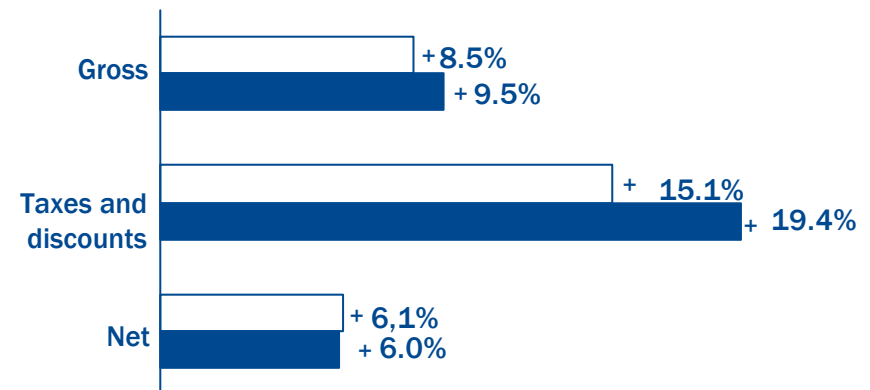
## Net Revenues

YoY Growth, %



## Service Revenues

YoY Growth, %



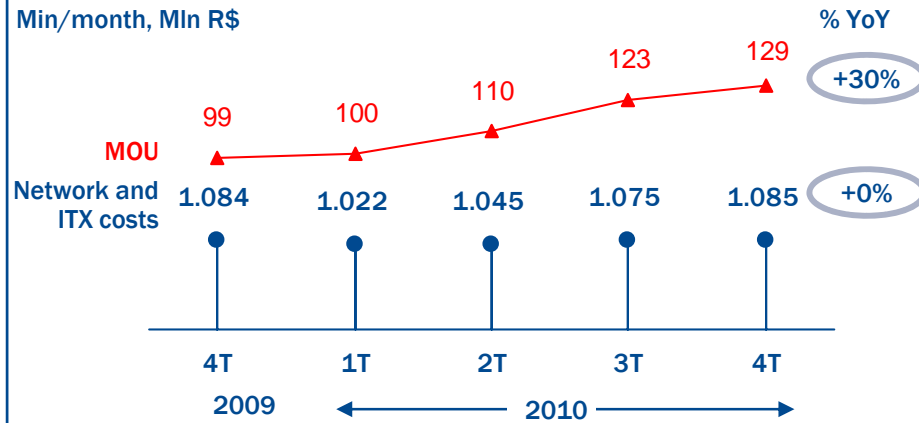
# Efficiency



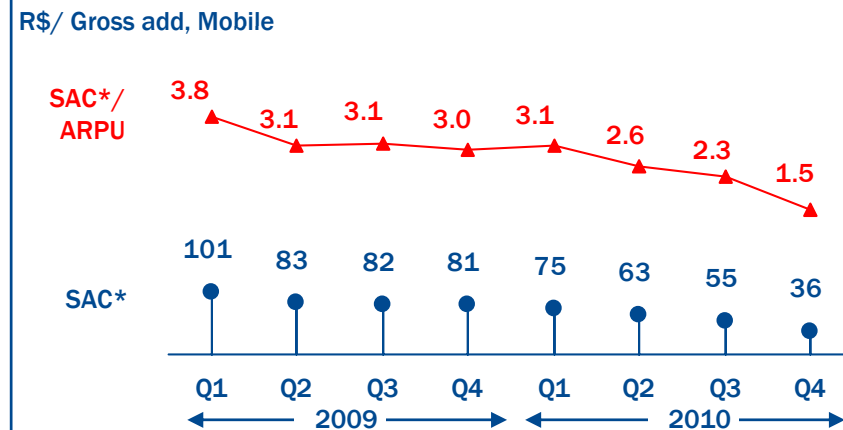
Você. sem fronteiras.

## IFRS Brazil

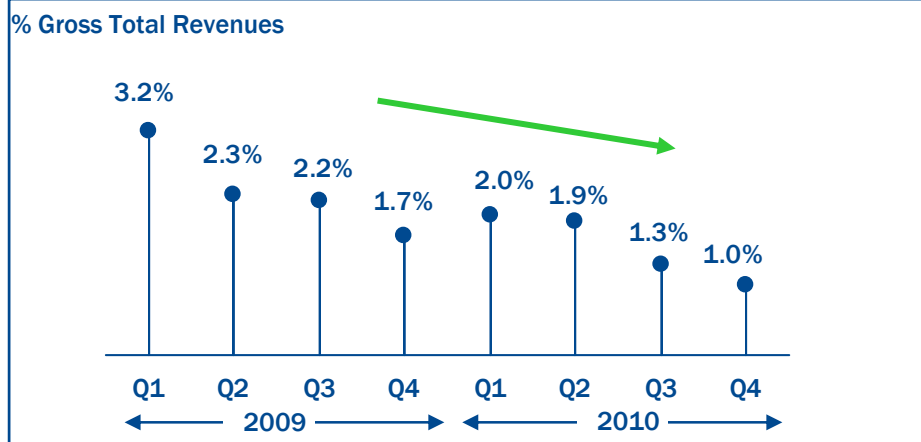
### Network Efficiency



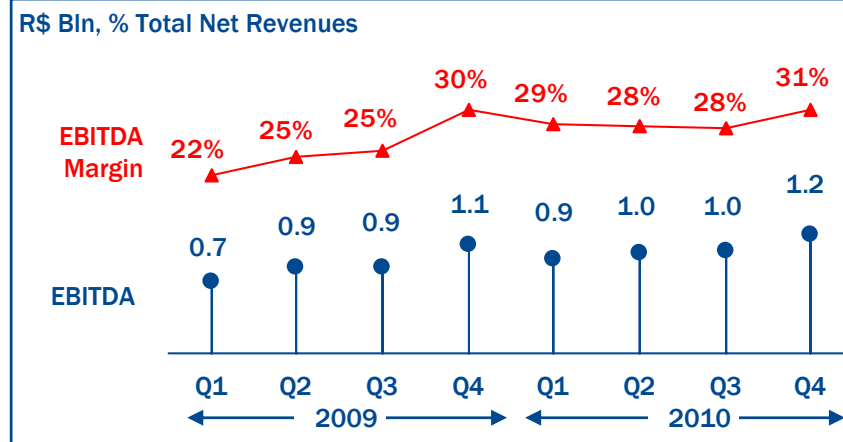
### SAC



### Bad Debt



### Profitability



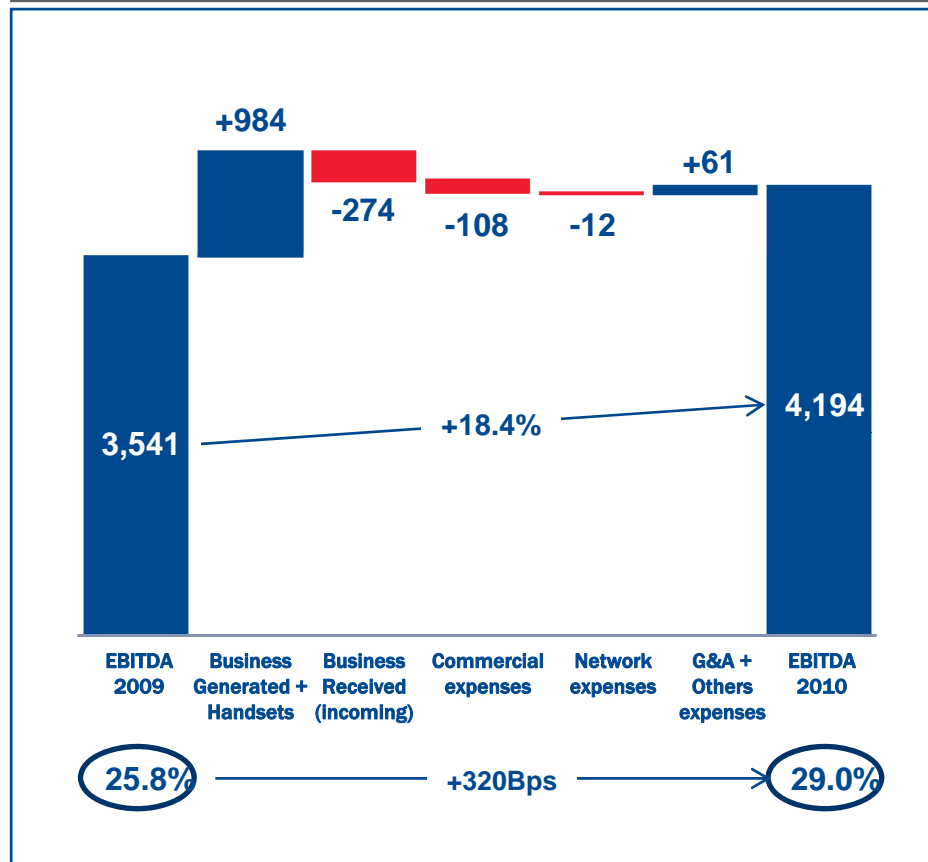
\*SAC = Subsidy + Commision + 100% Advertising

# Profitability and Cash Generation

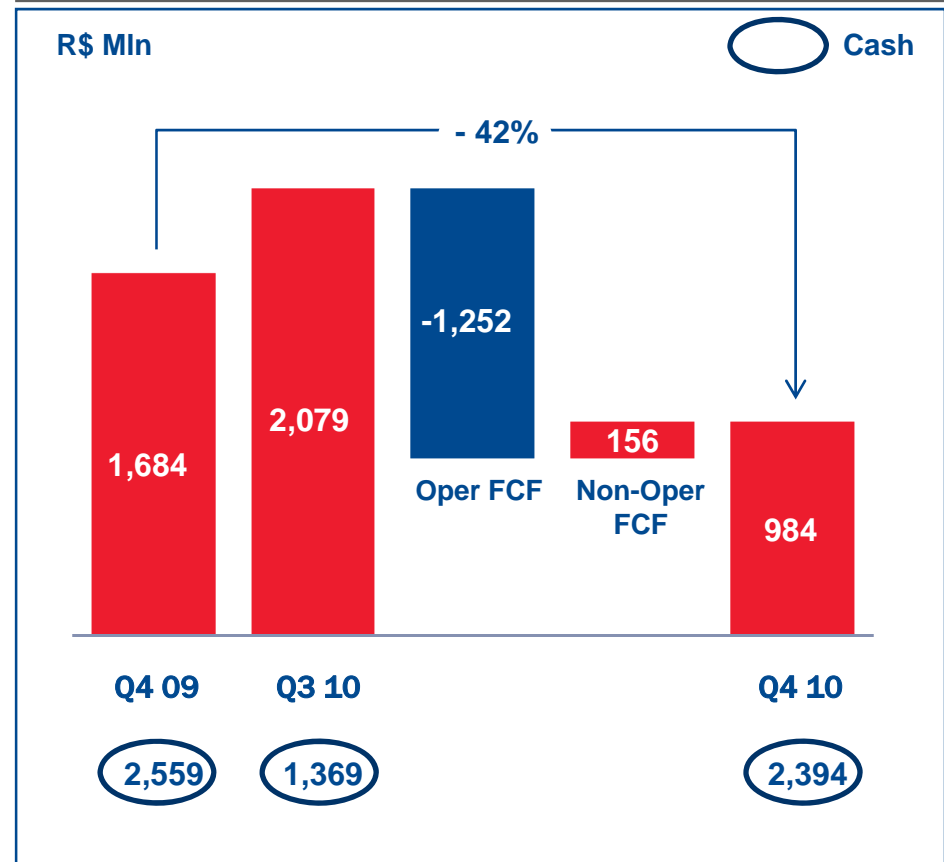


Você, sem fronteiras.

## EBITDA Evolution (in R\$ Mln)



## Net Financial Position – Dec10



### Gross Debt

- ▶ R\$ 3.38 bln (73% long term)
- ▶ ~22% of debt denominated in foreign currency (100% hedged against FX variation)

### Average Annual Cost

- ▶ 10.1% in Q4 10 vs. 9.67% in Q4 09 and 10.0% in Q3 10

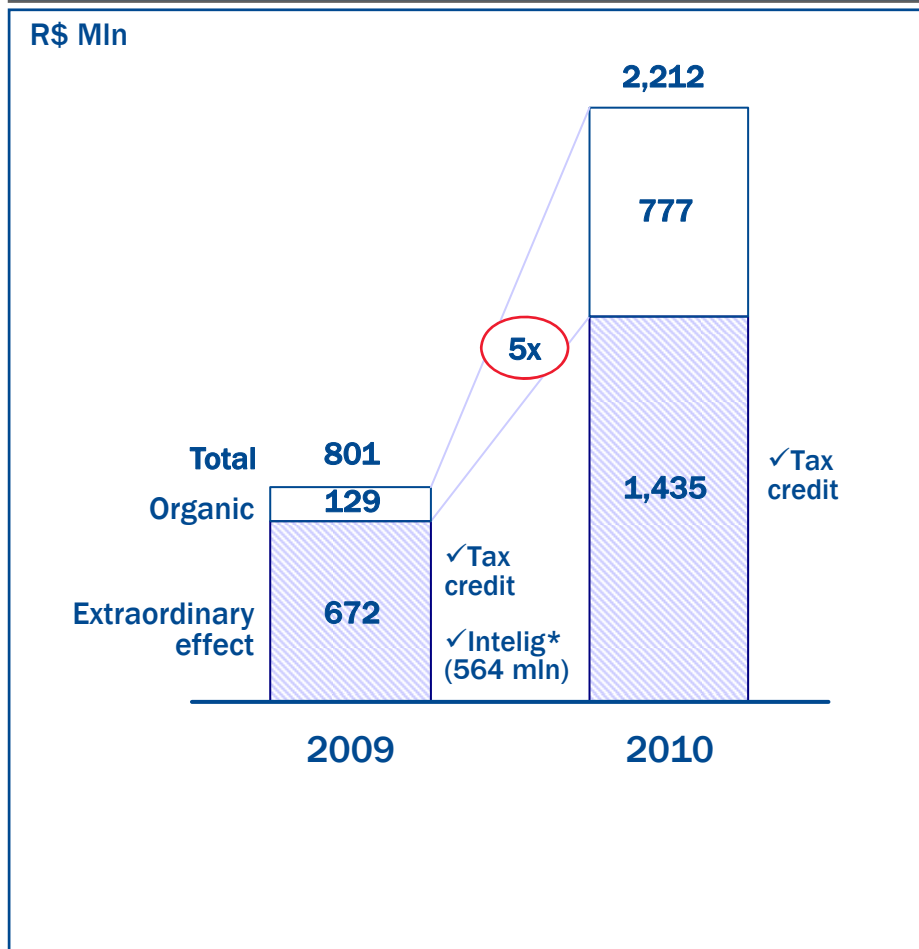
# Net Income and Proposed Dividend



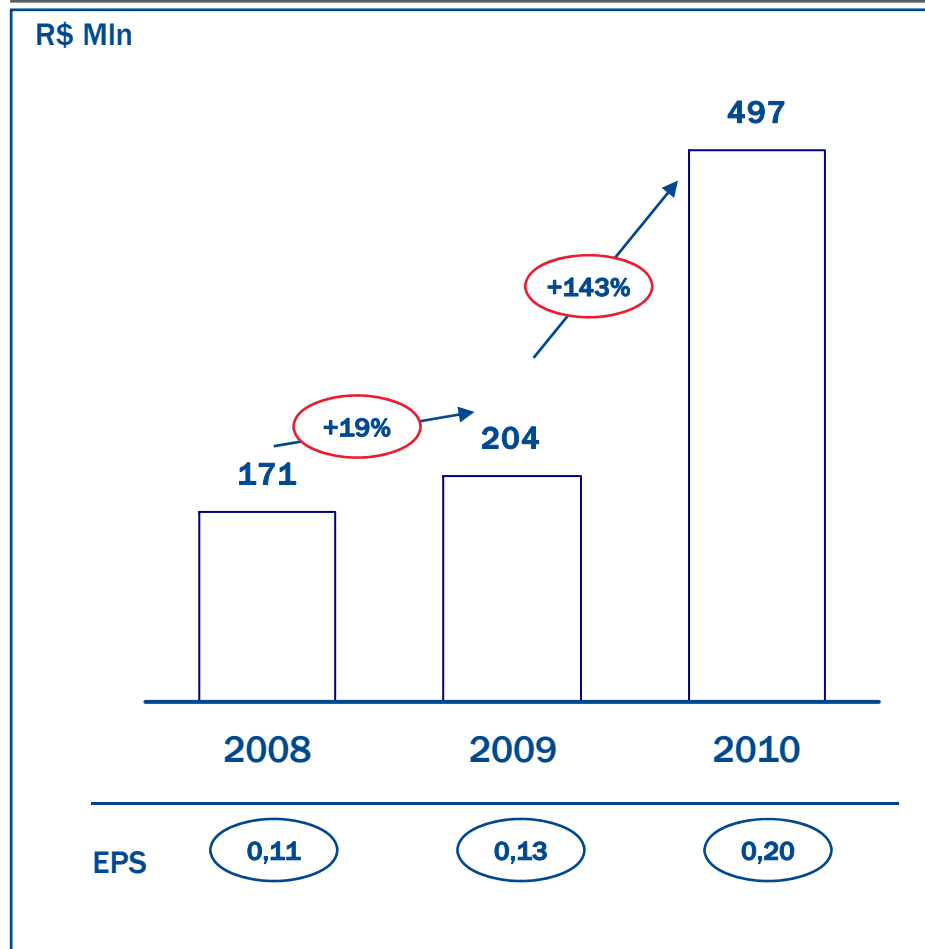
Você. sem fronteiras.

IFRS Brazil

## Net Profit



## Proposed Dividend for 2010\*\*



\*FX gain due to unhedged debt \*\* To be deliberate in the next Shareholder's Meeting



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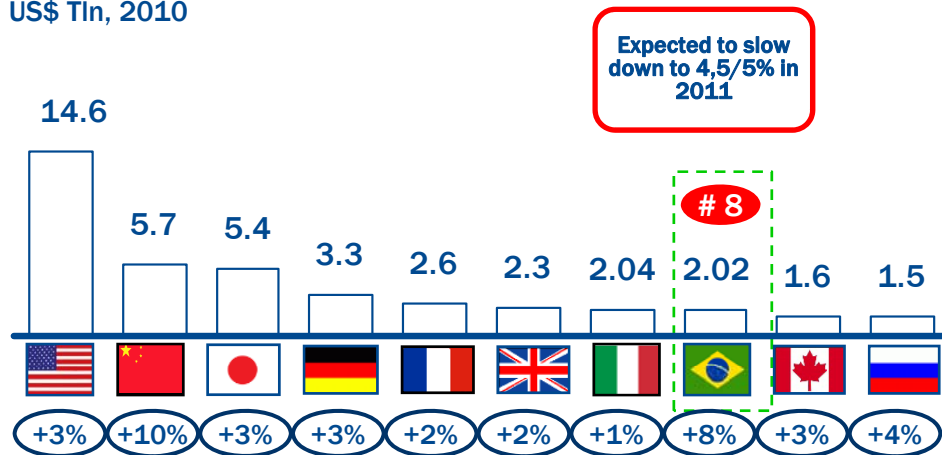
# Brazil, a large and fast growing country



Você. sem fronteiras.

## Gross Domestic Product (GDP)

US\$ Tln, 2010

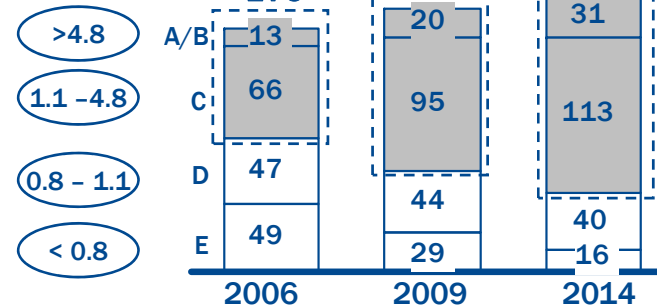


- ✓ USD 2 Trillion Gross Domestic Product
- ✓ +8% growth in 2010
- ✓ ~5% expected growth/ year for next years

## Middle Class Expansion

Mln people

Family Income  
(K R\$/ month)



- ✓ 200 million people with average age 29 years old
- Demographic bonus for next 10 years
- Middle-class explosion

### • Class C behavior:

- Very high willingness to use (everything)
- Willingness to pay (depends on new purchasing scheme)

An attractive country that requires innovation on Go-To-Market to attack emerging Class C/D people

# TLC market driven by Mobile



Você, sem fronteiras.

## CAGR 2010-2013

### Mobile

+6/8%

VOICE

+40/45%

+5/7%

DATA

- . More competition
- . MTR reduction

### Broadband

~25%

FIXED

+40/45%

+20%

MOBILE

### Fixed

-2%

VOICE

+20%

DATA

-6%

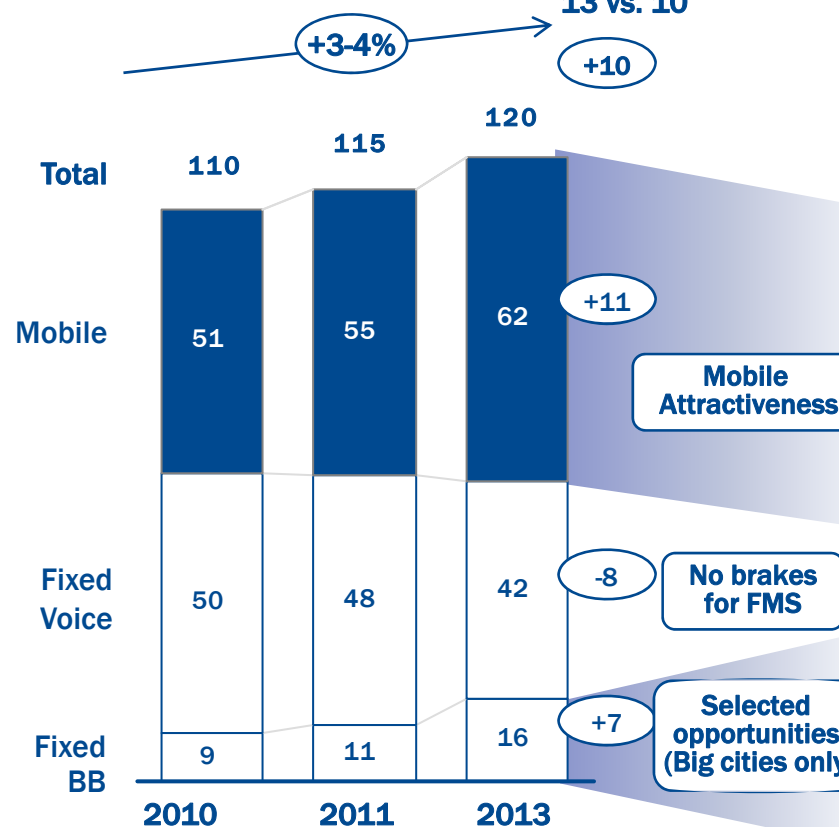
## Brazilian Telecom Market

R\$ Bln

CAGR 10-13

Incremental Revenues

Δ R\$ Bln  
13 vs. 10



### Competitive positioning TIM



- ✓ TIM: no trade-off in FMS (voce)
- ✓ Large room for growth in Mobile Internet access (data) for all (Class C opportunity)

Mobile Attractiveness

No brakes for FMS

Selected opportunities (Big cities only)

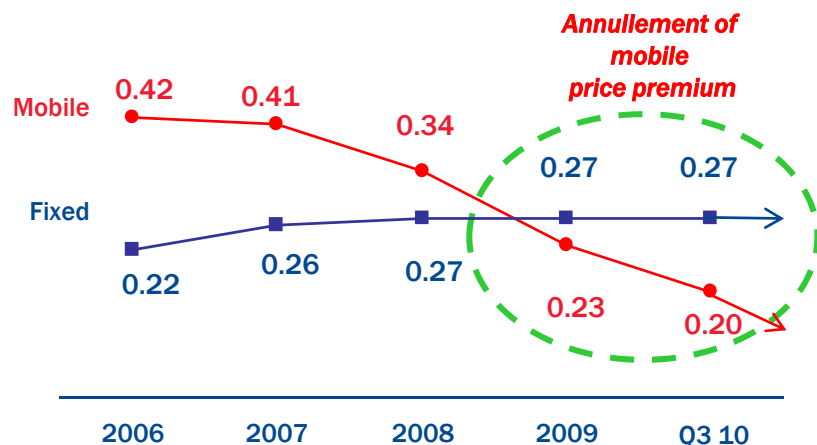


- ✓ Selective Intelig attack to Corporate/ SME segments (access, clouding)

\* BRL/US\$ = 1,70

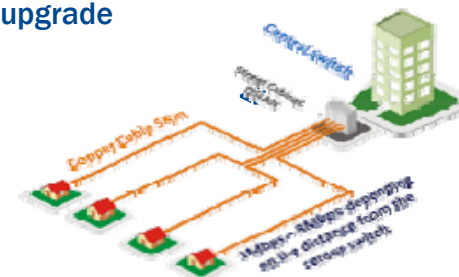
## Acceleration of Fixed-Mobile Substitution

R\$ / minute, voice



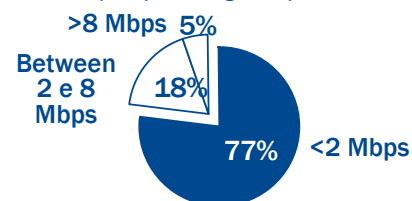
## Difficulties to upgrade from BB fixed lines legacy

- **Limited incumbent capability to upgrade to adsl infrastructure:**  
~ 5Km distance from central switch
- **Geo/demographic limit fixed BB expansion**  
(very CAPEX intensive)



### Low Speed Internet

% users per speed range, MBps



- ✓ Pure mobile has **no trade-off** between growth and **Fixed cannibalization**
- ✓ Likely increase of competition in 2011 will further pressure mobile tariffs:
  - Integration/Turn-around of existing players
  - Launch of 5th national player

- ✓ Difficult of fixed ops to combat **FMS**
- ✓ Need to access public funds to invest in broadband expansion
- ✓ Likely to pressure for **MTR cuts** (possible glide path starting from mid 2011 with 10-20% reduction)

Community matters (Size)

## Rationals

- ✓ Natural expansion of TIM Community pushed by word of mouth
- ✓ Win-back in selective geographic areas

No brake for FMS (Usage)

- ✓ Push FMS (TIM's distinctiveness)
- ✓ Keep innovation as part of core business (push Infinity concept)

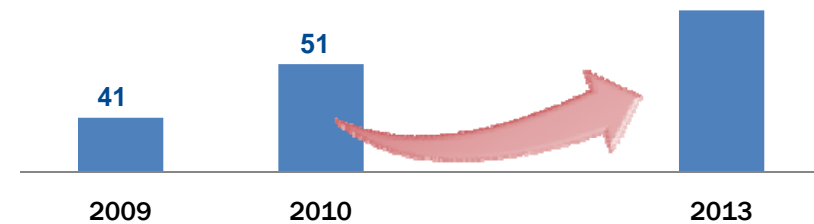
Digitalize the inclusion of TIM Community (Data)

- ✓ Foster webphone/ smartphone penetration
- ✓ Drop data price to leverage untapped demographic segment
- ✓ LAN House substitution

## Expected Results

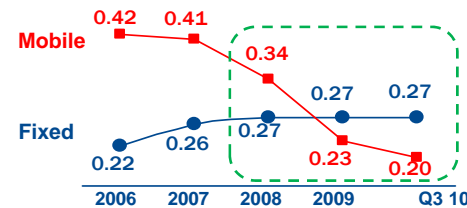
### Customer Base

Subscribers EoP, Mln



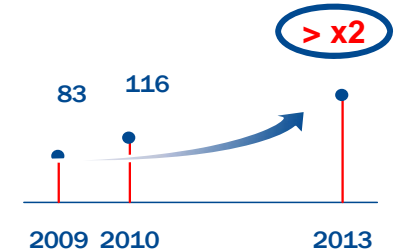
### Price per minute

R\$/min



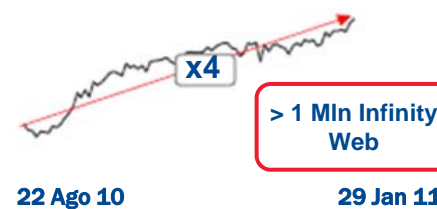
### MOU

Min/line/month, Average



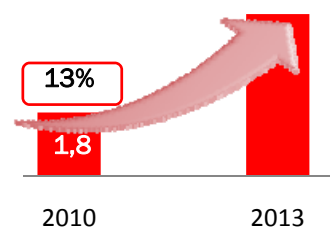
### Unique users

Infinity Web daily unique users



### Data Revenues

% on Service Revenues  
Data Revenues (bln R\$)



- ▶ Results in Summary – Luca Luciani
- ▶ Turnaround Accomplished – Lorenzo Lindner
- ▶ Financial Results 4Q10 – Claudio Zezza
- ▶ Strategy – Rogério Takayanagi
- ▶ **Perspectives – Luca Luciani**

# TIM Brasil Conclusions

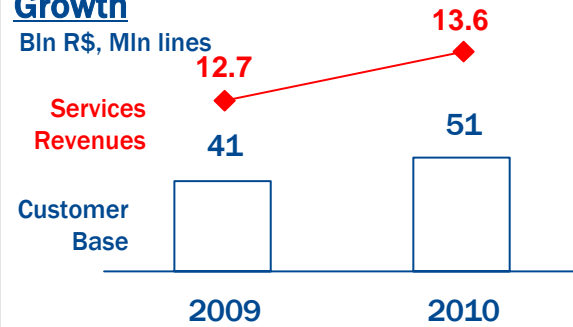


Você, sem fronteiras.

## TIM Brasil 2010

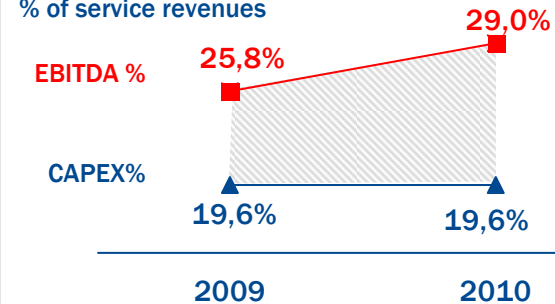
### Growth

Bln R\$, Mln lines



### Profitability

% of service revenues



### Turnaround Accomplished

- ✓ Company Repositioned
- ✓ Back to growth
- ✓ Increasing profitability

## Attractiveness Brazil



- ✓ Opportunity of Brazilian mobile market development
- ✓ Competitive advantage for Pure Mobile

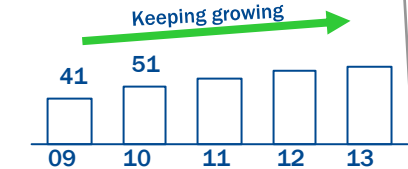
## TIM Brasil tomorrow

Community matters

“More people”

### Customer Base

Subscribers EoP, Mln



FMS

“Talking More”

### MOU

Min/line/month, Average



Data

“Connected”

### Internet users

000 unique users



### Perspectives

- Revenues: Keeping the pace
- Ebitda: High single digit growth
- Capex over Sales: Slight decrease

**25 February Industrial Plan**

\* Absolute growth: delta PIB 2010 - PIB 2009