

**TELECOM ITALIA GROUP**

London, February 16th, 2016

# Telecom Italia Group – TIM Brasil

2016-2018 Plan Update



**Você, sem fronteiras.**

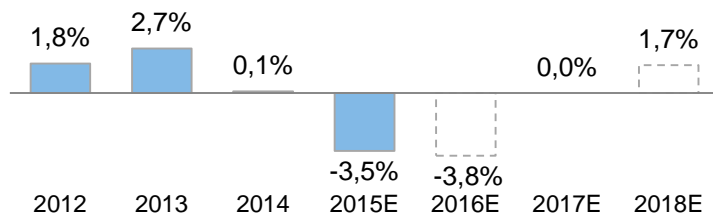


**TSU  
LISTED  
NYSE**

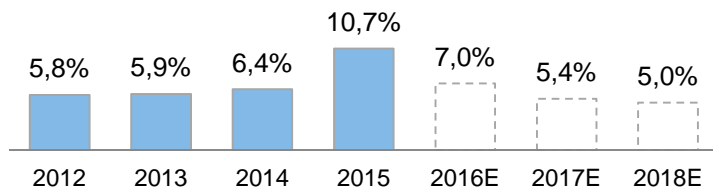
# Brazil 2016-18: Meeting the Challenges

## Protecting results in a tougher Macroeconomic Scenario...

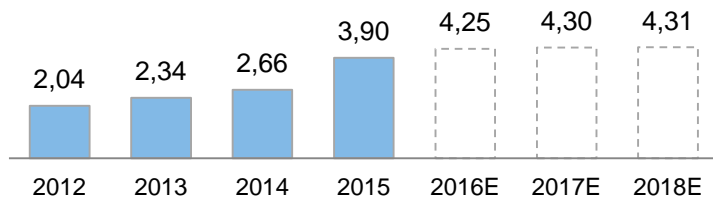
### Real GDP (% , YoY)



### Inflation Rate (%)

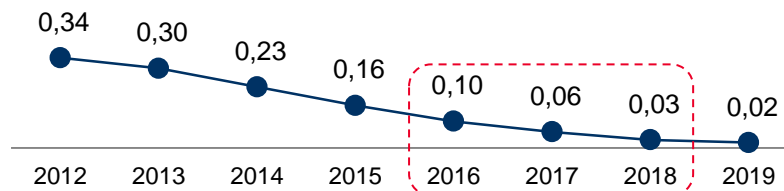


### R\$/USD Exchange Rate

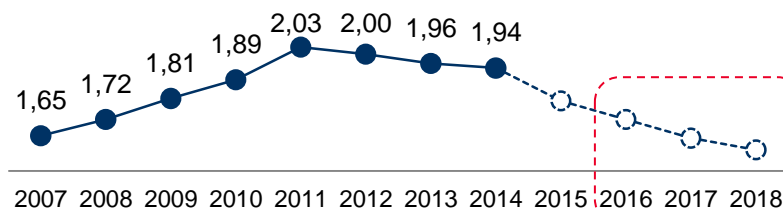


## ... and adapting fast to capture opportunities in a reshaped industry context

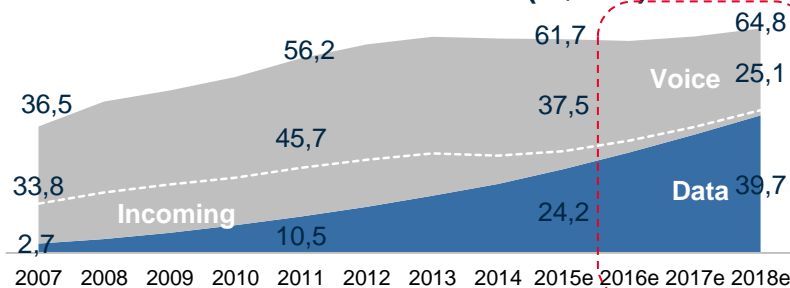
### MTR Glide Path (R\$/min)



### SIM / Unique User



### Mobile Market Revenues (R\$ Bln)



Source: latest IMF estimates for GDP; Internal Estimates for Exchange Rates forecast, Inflation, MTR Value, SIM/user and market revenues trend

# Highlights of the 2016-2018 Plan

## Context Changes

Telecom industry transformation from Voice to Data

Market maturity and user behavior change impacting Customer Base and Positioning

Challenging Macroeconomic Scenario

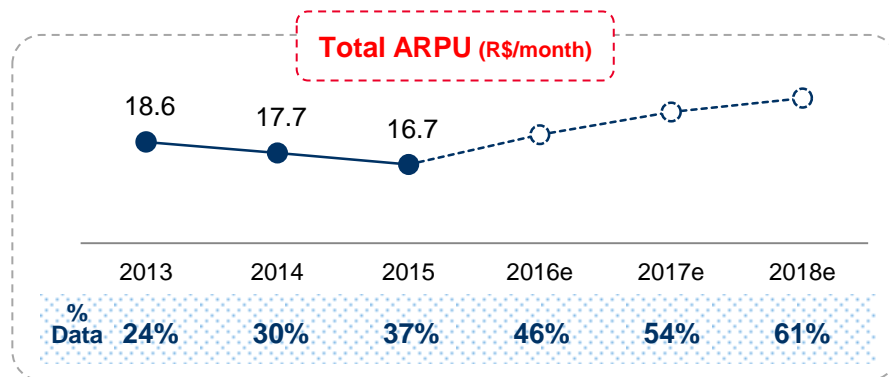
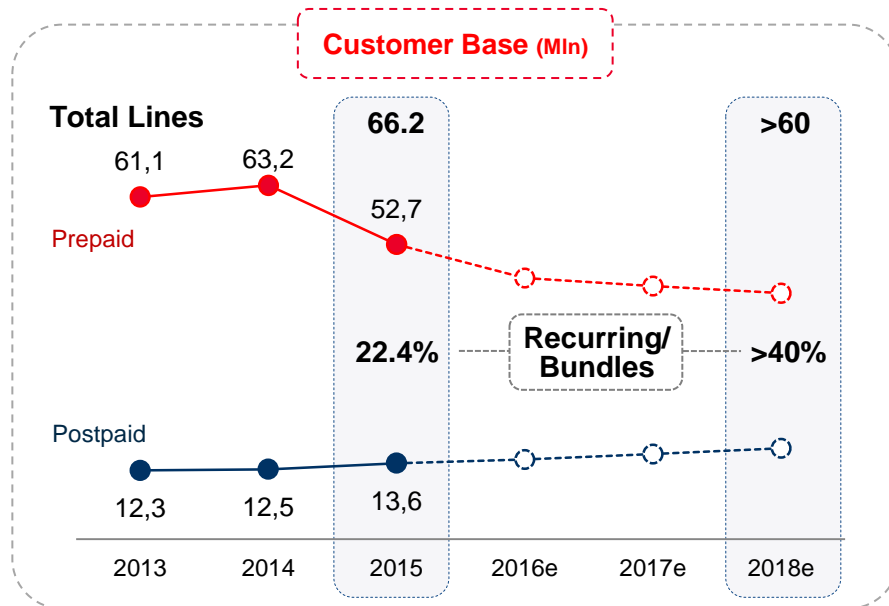
Infrastructure requirements evolving with Data and 4G

## Key Strategic Priorities

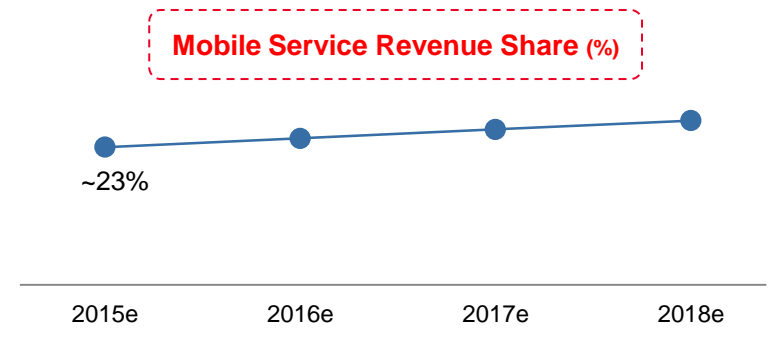
1. Reset positioning - Network Quality / Offer Innovation / Customer Experience
2. Protect value of Prepaid base - From Mkt Share to Revenue Share
3. Increase share of Mid/High Value customers - focus on higher value
4. Stabilize Corporate - accelerate Top /Enterprise and turnaround SMB
5. Sustain Network investment with prioritized approach and focus on 4G
6. Focus on Efficiency as a structural element

# Market Dynamics leading to slower growth in Customer Base with better quality and ARPU

## Changing customer profile: increasing value



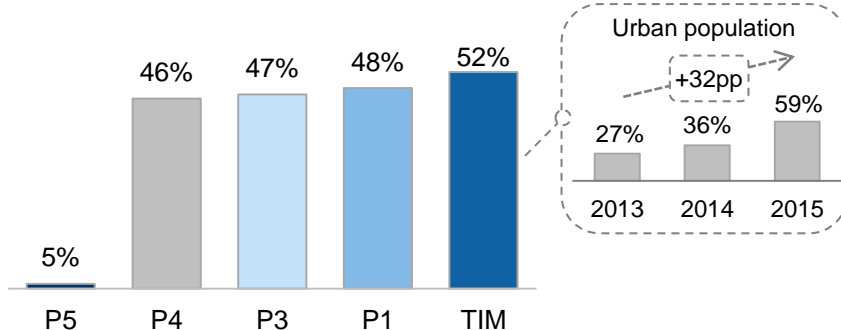
- **Focus on recurring clients:** decoupling method of payment and value
- **Smaller Prepaid base,** but higher ARPU and better quality profile
- **Controle as key source of value generation** as users concentrate spending on TIM
- **Postpaid stabilization and growth** as a result of new offers and business turnaround
- **Constant Revenue Market Share** growth during plan period



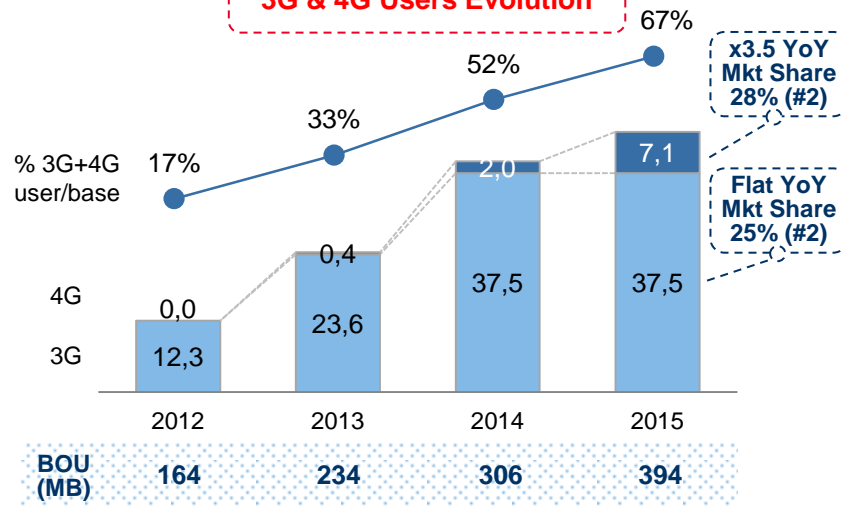
# Enlarging our Data Opportunity

## 4G coverage leadership

### 4G Total Population Coverage<sup>1</sup>



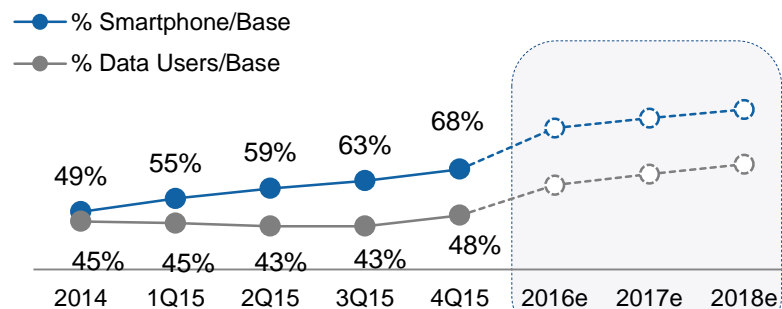
### 3G & 4G Users Evolution



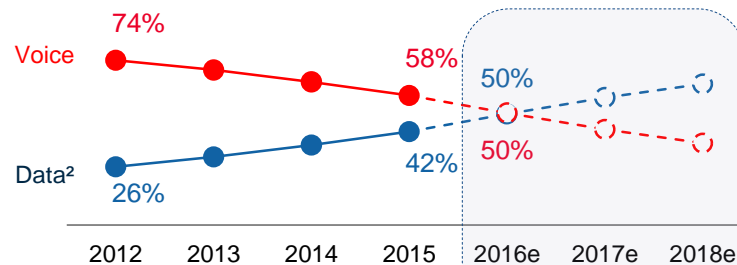
<sup>1</sup> Coverage calculated by Teleco website (www.teleco.com.br)

## Data adoption drives change of revenue profile

### Data Penetration (on TIM Brasil's User base)



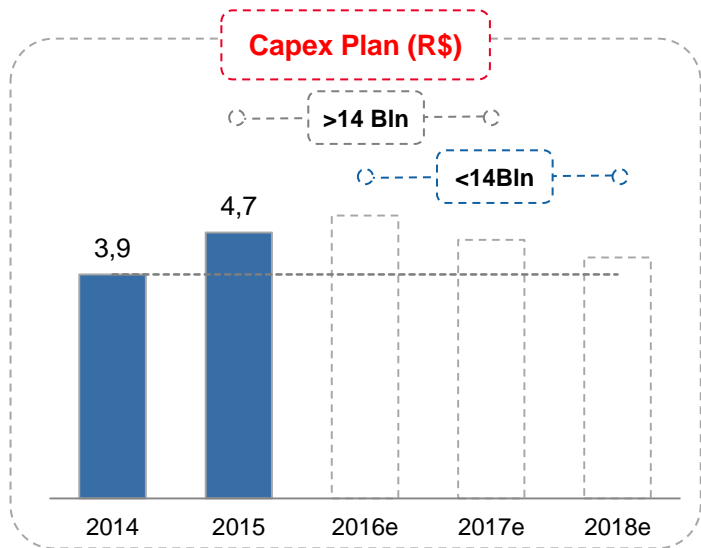
### Data Penetration (on TIM Brasil's Generated Revenues)



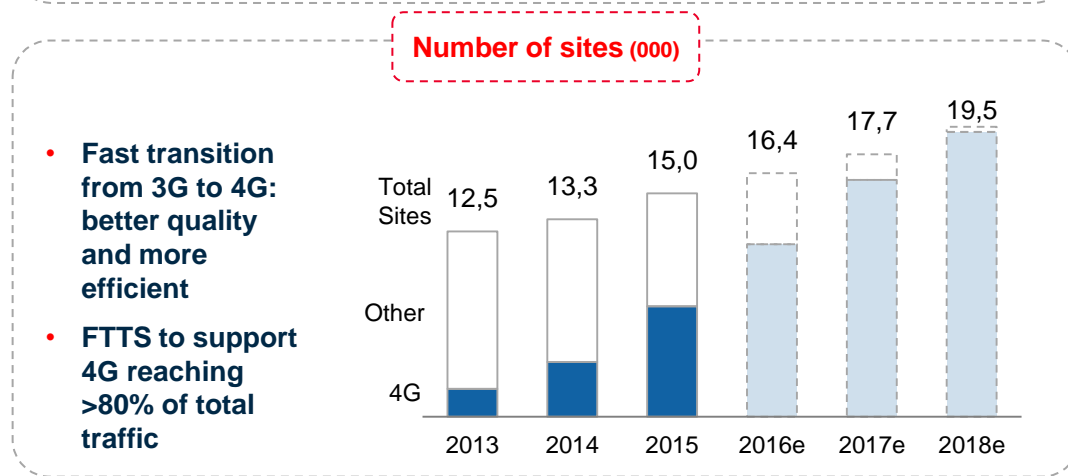
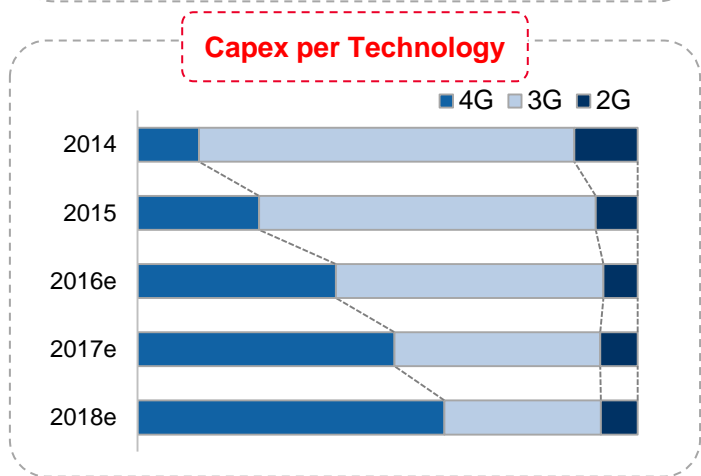
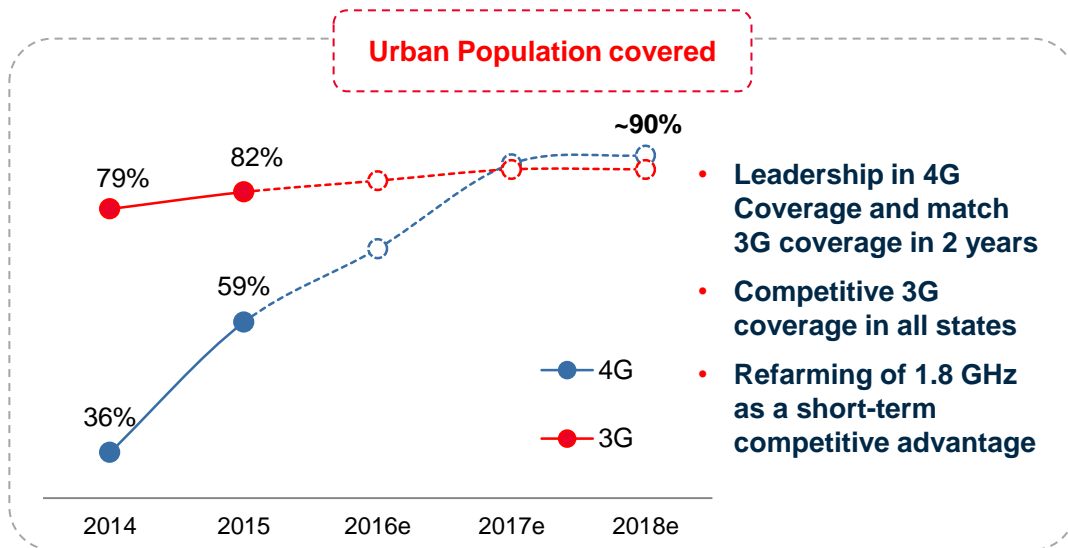
<sup>2</sup> Data = Data connectivity, Content, Other VAS, SMS

# Capex Cycle: accelerating 3G and 4G data coverage

After the 2015-16 cycle, Capex intensity\* to gradually decline



4G coverage to overtake 3G



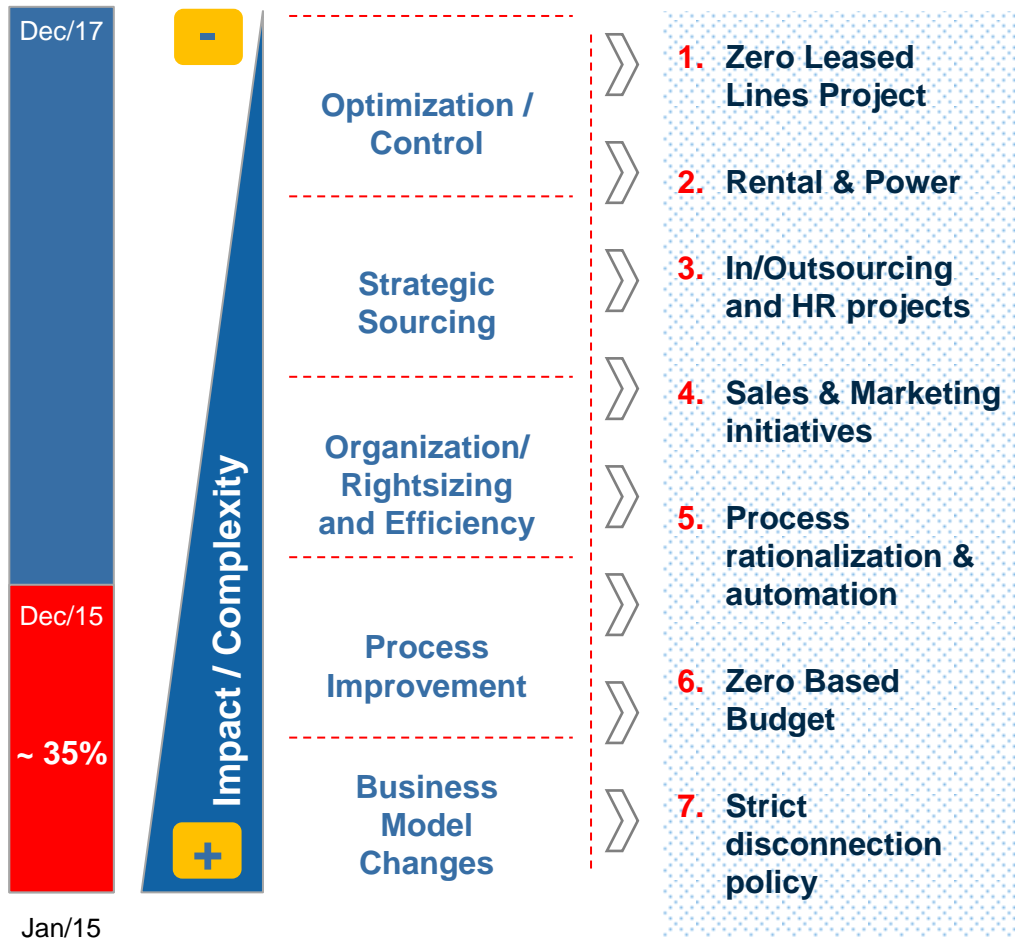
\* Excluding Spectrum

# Growing support from Cost Efficiency

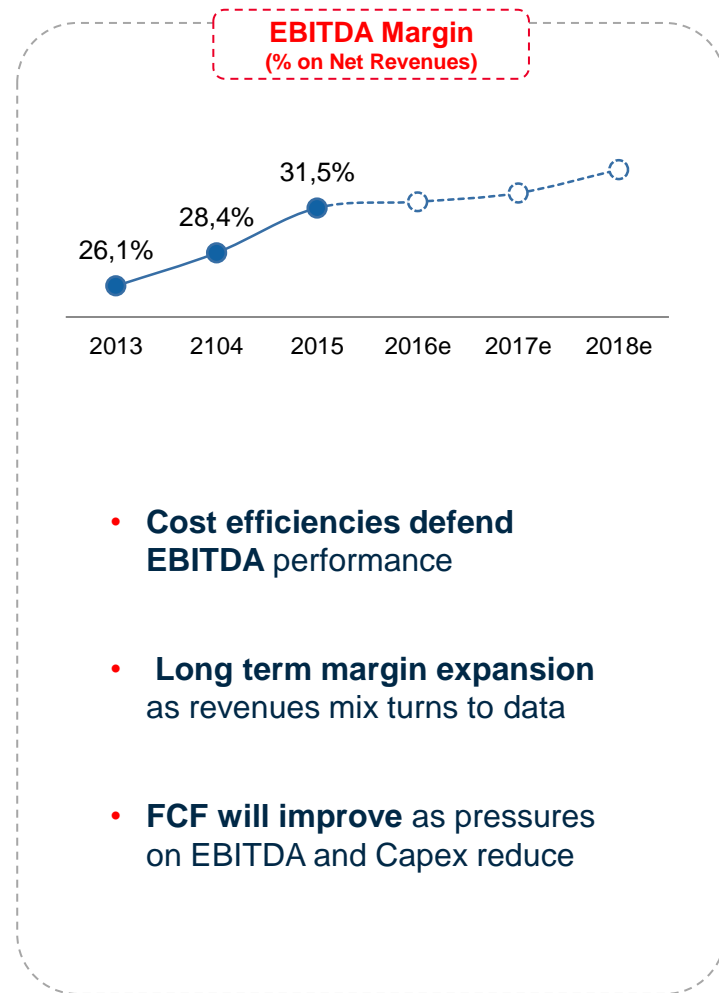
## 2015-17 Efficiency Plan + Network Efficiencies

> R\$1 Bln

### Efficiency Drivers



## Improving EBITDA Margin and FCF



# Guidance Summary

Targets reaffirm commitment to long term value creation for all shareholders

KPIs	Targets
Service Revenues	Data as main revenue component from 2016, focus on Revenue Share
Opex	> R\$1 bln in 2015-17 savings
EBITDA Margin	Margin expansion for every year between 2016-18
Capex*	< R\$14 bln between 2016-18

\*Excluding Spectrum