

EARNINGS RELEASE TIM PARTICIPAÇÕES

2ND QTR 2013



Você, sem fronteiras.



TIM PARTICIPAÇÕES S.A. Announces its Consolidated Results for the Second Quarter of 2013

BM&FBOVESPA*

(lot = 1 share)
TIMP3: R\$ 8.40

NYSE*

(1 ADR = 5 ON shares)
TSU: US\$ 18.71

(* closing prices of July 30th, 2013

Rio de Janeiro, July 30th, 2013 – TIM Participações S.A. (BOVESPA: TIMP3; and NYSE: TSU), the company which controls directly TIM Celular S.A. and Intelig Telecomunicações Ltda., announces its results for the second quarter of 2013. TIM Participações S.A. ("TIM Participações" or "TIM") provides telecommunication services with a nationwide presence in Brazil.

The following financial and operating consolidated information, except where otherwise indicated, is presented according to IFRS (*International Financial Reporting Standards*) and in Brazilian Reais (R\$), pursuant to Brazilian Corporate Law. All comparisons refer to the second quarter of 2012 (2Q12) and first quarter of 2013 (1Q13), except when otherwise indicated.

Improvements Across the Board

Investor Relations

Contacts

ri@timbrasil.com.br

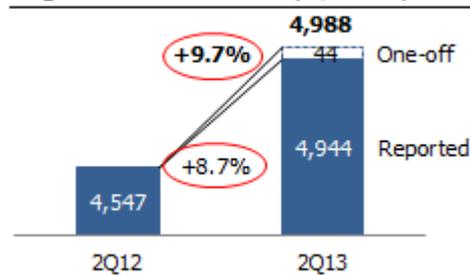
Twitter: @TIM_ri

www.tim.com.br/ir

(+55 21) 4109-3360 / 4109-4017 / 4109-3751 / 4109-3446

- **Postpaid base grew 13.9% YoY** with postpaid ex-M2M up 19.6% YoY;
- **Data revenues came at R\$1.3 bln, +25.3% YoY** and backed by a smart/webphone penetration above 50% (~80% of new sales);
- Voice usage also at a solid pace, **MOU came at 148' (+16.0% YoY)**;
- **Improving ARPU trend:** ARPU reached R\$18.1 in 2Q13, a decrease of 0.7% on a yearly basis, or an increase of 0.4% when adjusted by non-recurring event;
- **Organic total revenues increased 9.7% YoY**, reaching R\$ 4,988 mln, while **Organic Net Service Revenues grew by 3.1% YoY**;
- **High Efficiency:** Commercial strategy continues to pay off. SAC stood at R\$27.2 (vs. R\$25.5 in 2Q12) while bad debt stood below 1% of gross revenues, amid a post-paid growth of 13.9% YoY;

Organic Net Revenues (R\$ Million)



Organic EBITDA (R\$ Million)



- **Organic EBITDA reached R\$1,263 mln, a +4.4% YoY growth**, with Organic EBITDA margin at 25.3% and Organic Service margin of 31.5%;
- **Organic Net Income grew by 17.9% YoY**, totaled R\$405.8 mln. Reported Net Income growth reached 12%;
- **Live TIM customer base reached 26.4k users**, adding 10k clients in the quarter. **Addressable Households grew by 32.0%, to 804K.**

Message from Management

TIM's second quarter results confirmed my initial view on the company's fundamentals, discussed in the first quarter's announcements released a little after I had joined the company. During these initial five months, I was able to verify, first hand, that our team's execution is undoubtedly best-in-class. The strength of our innovative offer, combined with an extremely well recognized market positioning and the solidity of our distribution network, ensures an excellent competitive position in the marketplace, and guarantees the necessary resilience to face difficult market transitions. Based on a sound investment plan, we continue to show solid improvement on our infrastructure and the associated quality indicators. On top of that, our financial and operational discipline guarantees the sustainability of our business model. Our performance in the second quarter continues to demonstrate an improvement trend both in operational as well as financial aspects, what makes us maintain a constructive outlook for the second part of the year.

Performance in the 2nd quarter

During this last quarter we saw improvements in the operating metrics, such as the organic ARPU growth of 0.4% in comparison with the same period in 2012 excluding non-recurring adjustments, reverting a long series of year-over-year ARPU decreases. We also had a continuous improvement on the use of voice and data services, with a 16% annual growth of MOU (Minutes of Use) on voice and a 20.6% growth in the number of monthly users of data. It is worth highlighting as well, other operating metrics which showed important improvements, such as the net additions of post-paid subscribers and the increased penetration of smartphones both in our base as well as in new handset sales.

It is important to emphasize that the operating improvements were directly reflected in the financial performance during the quarter. Total organic gross revenues increased by 10.0% year-over-year, resulting in a 4.4% growth of organic EBITDA, before a non-recurring adjustment, thanks to an improvement in the industrial costs, particularly the reduction of expenses with leased lines, following the strategy established by the company of replacing leased circuits with its own infrastructure whenever possible. This shows an acceleration of the results from Q1 and indicates an important trend to be followed.

Network and Infrastructure

As I mentioned in the last quarter, we have as a strategic priority the improvement of our network infrastructure and all its support systems, including both network expansion as well as quality improvement actions. I would like to reinforce the

message that the topic of network quality is a personal priority, and is receiving top management's utmost attention on a daily basis. This quarter alone we have invested over R\$1.1 billion, a 6.2% increase in comparison with the same period in 2012, and have achieved the goals established by Anatel for the launch of 4G technology in the Confederations Cup host cities, while continued to expand our capacity for voice and data services both for 2G and 3G. As an important step of our network evolution, our Fiber To The Site projects have also presented important progress, with the goal of reaching a much expanded coverage of the high capacity site connections by year-end.

Regulatory matters

In early May, Anatel has concluded its internal technical evaluations and officially released its final report on the topic of the so called "Dropped Calls" accusation. The report stated that there were no intentional disconnections of calls made by Infinity plan clients, confirming the company's position, which in August 2012, vehemently denied the allegations aired in the media. Throughout this process, the company maintained a very high level of transparency and cooperation with the Agency, which were important to eliminate any question about the topic. It is also worth highlighting that, according to Anatel's own measurements, today TIM's dropped call indicators are in line with the market average, and below Anatel's maximum thresholds.

The second quarter was also marked by the intensification of TIM's "Portas Abertas" campaign, a pioneering initiative which publishes, very transparently, the coverage maps and investment indicators for the entire country, in addition to inviting customer feedback through a dedicated web site and also through a mobile application for smartphones.

TIM Fiber

Our fixed broadband operation continues to progress as planned. During Q2, we increased the sales pace, reaching ~10 thousand net additions, a sound improvement to the first quarter of the year, when this metric was around 6 thousand. With that, the Live TIM service ended the month of June with a total subscriber base of over 26.4 thousand clients.

Conclusions and perspectives for the second semester

We closed the first half of the year observing that the operation continues in a gradual recovery path, with growth in virtually all operating key performance indicators. Despite a more difficult macroeconomic scenario and the planned impact of the new reduction of mobile interconnection rates (MTR), it is possible to see that the operation has demonstrated very good resilience. We have also observed that, in spite of some isolated movements, in general, the competitive scenario continues to be stable.

With this in mind, we keep a positive outlook for the second semester of 2013, and, even though we may face more challenging macroeconomic conditions, we expect our operation to continue on a solid improvement path, supported by our innovative market approach, the growth of data services and a better post-paid customer base mix.

Rodrigo Abreu

CEO

Institutional and Marketing Developments

Reaffirming Quality & Transparency Commitments

After concluding the website "Portas Abertas", TIM's innovative quality and transparency website, in 1Q13, the Company reaffirms its commitment with these two important pillars. In a meeting in Brasília, whose participants included the Minister of Communications and the President of Anatel, **Rodrigo Abreu, TIM's CEO, presented the website "Portas Abertas"**, among other initiatives related to network and quality. This meeting not only reinforced TIM's brand positioning towards quality and transparency, but also the Company's commitment to strengthen regulatory and institutional dialogs.

New Offers

TIM launched, **for the prepaid segment**, a new international roaming offer, targeting the vacation period in Brazil. This offer also includes Controle and Liberty Express plans, giving it hybrid characteristics. Discount for international roaming tariffs reaches up to 60% and includes voice, data and SMS services. This offer is valid until September.

As for the postpaid segment, TIM launched two new internet plans in addition to the previous Liberty Web Smart, a 300 MB speed cap plan with the smart concept (pay when used) for R\$29.90/month. **The new plans are: Liberty Web 300 MB (R\$21.90/month) and Liberty Web 600 MB (R\$34.90/month)**. These new options charge the customer every month regardless of the use. This movement follows our strategic priority of offer evolution, while increases our portfolio to adapt to customers' needs.

New Internet Packages for Mobile

Following the success of TIM's Express plans, which consist in acquiring and paying for services through credit card, **in 2Q13 two new plans were launched**. The first was the **Liberty Express** (R\$69.90/month) which includes unlimited on-net calls, unlimited SMS, unlimited internet (200 MB speed cap) and a credit of R\$30.00 for usage (corresponding to 50 minutes of local calls, for example). The customer has also the "Crédito Extra" option, which, when enabled, automatically recharges R\$20.00 when customer's credit goes below R\$5.00.

New Express Plans

The second plan launched this quarter. Was **TIM Liberty Web Express**, TIM's first Express plan for mini-modems and tablets. This new plan has 3 options: (i) Liberty Web Express Light: 500 MB speed cap for R\$35.00/month; (ii) Liberty Web Express Tablet: 800 MB speed cap for R\$49.90; and (iii) Liberty Web Express Modem: 3 GB speed cap for R\$61.00/month. It is noteworthy that **all Express Plans have a greater convenience for TIM's customers**, not only because of the easier way to pay their bill, but more importantly, because they have a different credit rating analysis as customers only need an available credit card to contract the service.

Handsets

TIM kept the strategy to push access to mobile internet through an efficient portfolio, which brings the most important devices in the market with a competitive price – although not subsidized.

During this quarter, two Motorola devices were released: **Motorola RAZR D1 Dual Chip**, a smartphone with affordable price and an exclusivity of TIM in the country, and the **Motorola RAZR D3**, with advanced features and great value for money. The first device costs R\$499.00 and the second R\$799.00. Another new release made in 2Q13 was the **Samsung Galaxy S4**, with prices starting from R\$2,499. TIM made a pre-release event at São Paulo for its customers.

Keeping the Innovative Path

TIM added another OTT solution during this quarter: **TIMmusic**. This application provides access to millions of songs at affordable prices, in a unique format in the industry: **R\$0.50 per day of unlimited usage in prepaid** (Infinity Music) or **R\$9.90 per month in postpaid** (Liberty Music), by charging only on the day or month in which the customer uses the service. New users will have seven days of free trial. It is important to highlight that more than 50% of Brazilians listen to music through their mobile phone at least once a week.

*TIMmusic:
Entering in
the OTT
world as a
Smart Pipe*

NFC Technology

After being the first Brazilian Company to test handsets with NFC technology for a mobile payment solution in a partnership with Itaú, Gemalto and MasterCard, TIM kept its efforts to develop new solutions. During 2Q13, **TIM started another pilot project, now with Bradesco, Visa and Cielo, for mobile payment through NFC technology**. In this partnership, selected Bradesco and TIM's employees with a Visa debit card in Rio de Janeiro and São Paulo cities can use their already registered mobile phones with NFC technology for payments, if the establishment has a Cielo POS with NFC technology available. This partnership also includes LG and Motorola, which will provide mobile phones to the pilot test.

*New NFC
Payment
Partnership*

On the Social Front

TIM sponsored, for the second year in a row, the project "Dream Football", idealized by the former Portuguese football player Luís Figo. The Dream Football allows aspirants to a career in football to show their talents in the sport through videos uploaded to the site. These videos are analyzed and selected by great names of the football scenario to compete in the championship. The project happened in Rio de Janeiro and brought more than 400 young people between 9 and 14 years. The winners will have the opportunity to do tests at one great football team from Rio de Janeiro as well as one week of training at Barcelona's football school at Rio de Janeiro as well. This project is in line with TIM initiatives to support the Brazilian football.

*Supporting
Brazilian
Football*

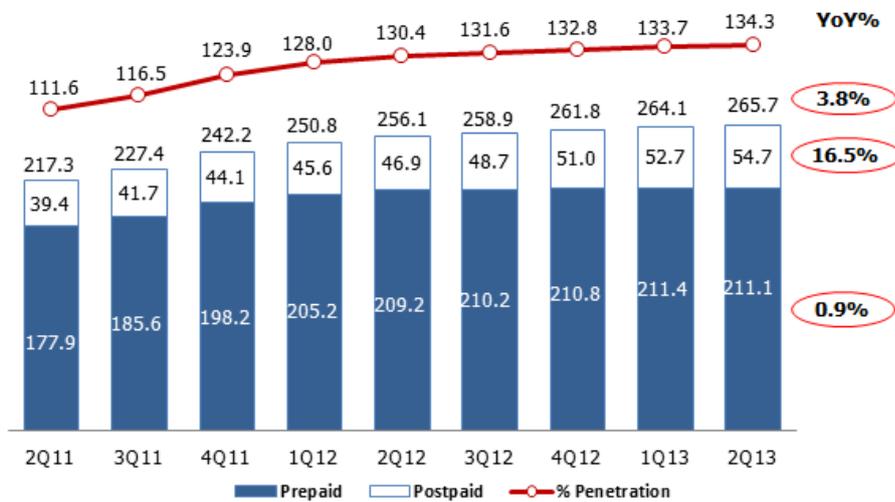
Operational Performance

Brazilian Market Overview

Brazilian mobile market reached 265.7 million lines by the end of June, representing a yearly growth of 3.8% (vs. 17.8% by the end of 2Q12). Such pace reduction is mainly explained by already high penetration rate, which reached 134.3% in June, up from 130.4% at the end of 2Q12.

Brazilian Mobile Market

(Million of lines)



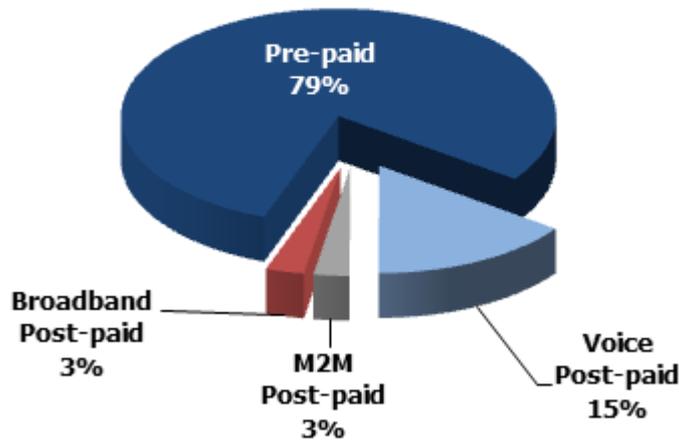
Source: Anatel

Market net additions continued to slow down in 2Q13, totaling 1.7 million new lines, a decrease of 68.2% versus the 5.3 million registered in the same period of last year, chiefly by customer base clean-up process carried out by players.

- **Prepaid market reached 211.1 million lines** (+0.9% YoY), and accounting for 79.4% of total Brazilian market (vs. 81.7% in the 2Q12).
- **Postpaid market reached 54.7 million lines** (+16.5% increase versus June 2012). **Important to highlight that human postpaid usage (excluding M2M)** came at 47.1 million lines (86.1% of total), while machine-to-machine amounted to 7.6 million.

Growth has been concentrated on the post paid

Total Market Base



Source: Anatel

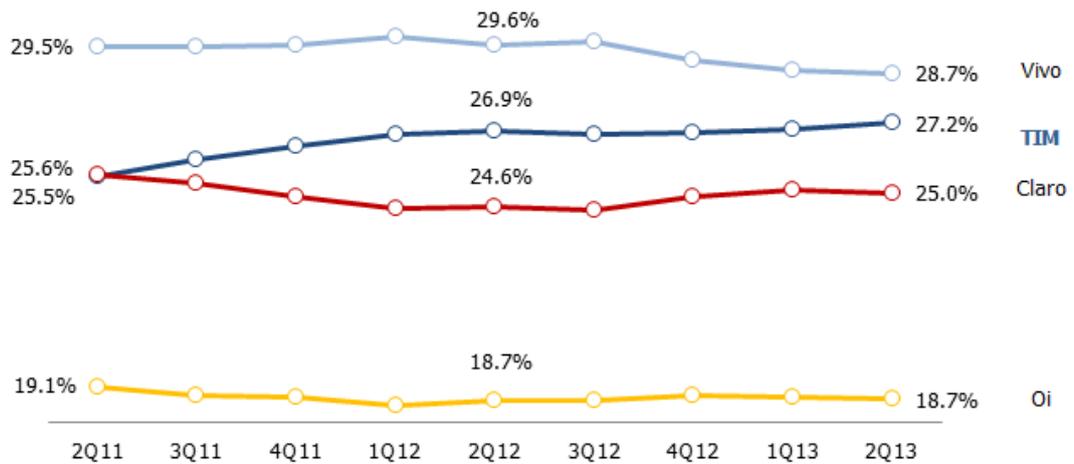
TIM'S PERFORMANCE

TIM led the growth again

Total subscriber base ended the second quarter with 72.2 million lines, +4.8% against 2Q12, and above total market growth of 3.8%, reaching a market share of 27.2% (vs. 26.9% a year ago).

In the second quarter, TIM registered gross additions of 9.7 million lines (vs. 9.8 mln in 2Q12) which resulted in 963 thousands of net additions, following a strict disconnection policy.

Total Market Share



Source: Anatel

Stable churn rate

Disconnections reached 8.8 million lines in the quarter, with a churn rate of 12.3%, stable vs. 12.1% showed in 2Q12. Churn rate continues to be impacted an austere disconnection policy for prepaid segment.

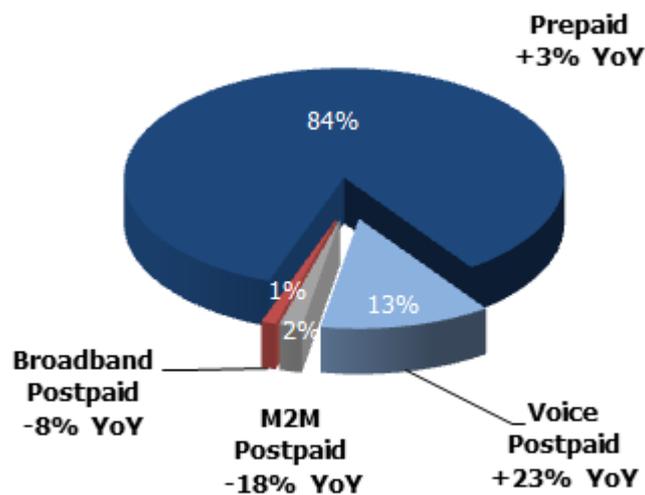
*Human
Post-paid
leading
growth*

Postpaid customer base reached 11.4 million users, a 13.9% YoY growth (vs. +24.7% in 2Q12). In this quarter, TIM added 466k Postpaid clients (vs. 348k in 2Q12).

- Voice lines reached 9.4 million users (+22.6% YoY)
- Machine-to-machine business reached 1.3 million users (-17.5% YoY)
- Mobile broadband reached 769 thousand users (-8.4% YoY)

As for the prepaid segment, users totaled 60.8 million, up 3.3% YoY and largely leveraged by the Infinity Pre plan, which reached 59.4 million users or 97.6% of the base in that segment. TIM continues to lead the prepaid segment in Brazil, due to the unique and transparent concepts. Also, the Company has sequentially added innovative offers and features to its Infinity family (i.e.: "Infinity Torpedo", "Infinity Web Modem", "Infinity Mais" and "Infinity Torcedor"), thus remaining the market best valuable choice.

TIM Total Base



Source: Company

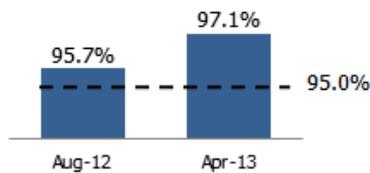
Network & Quality

Quality improvements on track

TIM's April results of the 3rd quarterly evaluation (last figures released) of the Improvement Plan released by Anatel, shows that recent network investments and management focus are positively impacting quality indicators. Voice network access rate, voice network drop rate, data network access rate and data network disconnection rate performances are represented in the charts below:

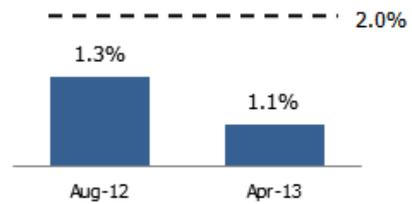
Voice network access rate

% of success (higher the better)



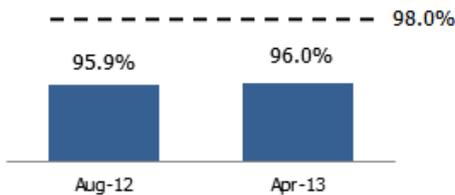
Voice network drop rate

% of call drop (lower the better)



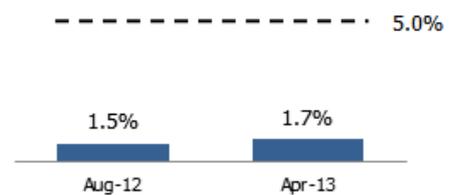
Data network access rate

% of success (higher the better)



Data network disconnection rate

% of data connection drop (lower the better)



----- Anatel target for Dec/13

Source: Anatel and TIM.

In April, TIM initiated a specific program to improve the network quality and enhance customers' satisfaction, focusing in this first moment in a group of cities, which represents almost 50% of voice total traffic. The main activities of this task force are: build technical diagnostics specific to each of the cities selected, analyze key improvement opportunities, establish control of critical faults based on online monitoring of the CRC and improve customer service related to network.

During 2Q13 more than 5.5 thousand TRXs (elements for voice) were implemented, while 51 thousand data channel elements were also added and 1.8 thousand km of optical fiber, reaching 42.5 thousand km of optical fiber. All of these elements additions are allowing the Company to improve network quality and also be in compliance with Anatel target plan for 2013.

*FTTS project
speeding up
2nd phase*

The first phase of FTTS project is almost completed with **88.2% of sites in the main 14 Brazilian cities being connected with own fiber in the 2nd half of the year**. The second phase, which consists in adapting the electronics, lighting up the fiber and shifting the traffic towards own fiber is accelerating. Recife **has all sites connected and working with TIM's optical fiber**.

The Wi-Fi project added more than 50 hotspots in 2Q13. TIM added two new airports with Wi-Fi coverage (Montes Claros and Uberlândia airports) and now has 19 airports covered.

Our GSM coverage reached 94.7% of the urban population, serving 3,393 cities, of which 100% already count with data coverage with GPRS technology.

*149 new cities
with 3G*

The Third Generation Technology (**3G**) **had its roll-out speeded up with 149 new cities this quarter, totaling 898 cities covered with 3G – reaching approximately 75% of urban population in Brazil**. We expect to continue accelerating the 3G coverage in the coming quarters.

As for the 4G coverage, it reached 7 cities in this quarter, representing 17.9% of Brazilian urban population.

FIXED BROADBAND UPDATE: LIVE TIM

*Live TIM: net
add leader
after 1 year
launch*

After one year of launching, Live TIM reached the leadership position for Ultra Broadband service in RJ and SP cities. Net additions in Q2 achieved 10.1k leading to a total customer base of 26.4k clients. This performance is mainly explained by client's satisfaction that is generating a word of mouth effect. **Live TIM has almost 4x more delighted clients than market average**.

At the end of 2Q13, Live TIM had more than 6,300 buildings connected (almost 10,000 authorized) and more than 300k prospect clients are registered in Live TIM website. As for active MSAN's, Live TIM ended 2Q13 with 1,004 MSAN's.

Lastly, **network footprint ended 2Q13 with 804 thousand addressable households, 32.0% higher** than 1Q13. This evolution is in line with our expectation to reach 1 million homes passed by the end this year.

Financial Performance

SELECTED FINANCIAL DATA – REVENUES

DESCRIPTION	2Q13	2Q12	% YoY	1Q13	% QoQ
R\$ thousands					
Gross Revenues	7,413,009	6,780,536	9.3%	7,024,216	5.5%
Telecommunications Services	6,136,654	5,924,891	3.6%	6,125,517	0.2%
Mobile	5,852,094	5,511,726	6.2%	5,831,734	0.3%
Usage and Monthly fee	2,777,176	2,705,363	2.7%	2,694,316	3.1%
Value added services - VAS	1,291,470	1,030,655	25.3%	1,245,483	3.7%
Long distance	830,045	766,462	8.3%	830,331	0.0%
Interconnection	893,936	948,318	-5.7%	1,005,954	-11.1%
Others	59,466	60,928	-2.4%	55,649	6.9%
Fixed	284,560	413,165	-31.1%	293,783	-3.1%
Products	1,276,354	855,644	49.2%	898,699	42.0%
Discounts and deductions	(2,468,868)	(2,233,204)	10.6%	(2,313,501)	6.7%
Taxes and discounts on services	(2,071,343)	(1,940,717)	6.7%	(2,038,855)	1.6%
Taxes and discounts on handset sales	(397,525)	(292,487)	35.9%	(274,646)	44.7%
Net Revenues	4,944,141	4,547,332	8.7%	4,710,715	5.0%
Services Revenues	4,065,311	3,984,174	2.0%	4,086,662	-0.5%
Products Revenues	878,830	563,158	56.1%	624,053	40.8%
Organic Net Revenues	4,988,050	4,547,332	9.7%	4,710,715	5.9%
Organic Services Revenue	4,109,220	3,984,174	3.1%	4,086,662	0.6%

OPERATING REVENUES

Total gross revenues in the quarter reached R\$7,413 million (+9.3% YoY), chiefly by products sales (+49.2% YoY) and secondly by the continuous improvements of service revenues (+3.6% YoY). Both performances offset the negative impact from fixed business. Excluding the one-off events related to interconnection disputes with other carriers, **organic gross revenues would have increased 10.0% YoY**.

Gross revenues breakdown and highlights in 2Q13 are presented as follows:

Mobile usage and monthly fee gross revenues reached R\$2,777 million this quarter, an increase of 2.7% year-over-year due to postpaid mix and a better usage profile.

Mobile long distance gross revenues stood at R\$830 million this quarter, an increase of +8.3% YoY, mainly due to the improvement on postpaid base mix and resilient market share of long distance¹ traffic (~50%).

Interconnection gross revenues decreased by 5.7% YoY to R\$894 million. In this quarter interconnection revenues were negatively impacted by a one-off event related to

¹ Anatel releases long distance market share every six months, and the last official figure was the 2012 FY.

Solid revenues growth

Incoming SMS offset MTR reduction

interconnection disputes involving other carriers in previous quarters. On top of that, interconnection performance was also impacted by MTR cut, and partially offset by incoming revenues from SMS offer. Recurring interconnection revenues performance in 2Q13 would have been -0.9% YoY without the one-off event mentioned.

*Data kept
the solid
growth pace*

VAS gross revenues reached R\$1,291 million, a steady and strong growth of 25.3% YoY. This performance is a result of strong adherence to Infinity and Liberty Web data plans, and also the positive contribution of Infinity Torpedo. As % of mobile gross service revenues, VAS reached 22.1% in 2Q13 vs. 18.7% in 2Q12.

*Smartphone
already
accounts for
50% of total
base*

Such performance on VAS is largely influenced by **handset sales, which totaled R\$1,276 million**, a 49.2% increase versus 2Q12. This increase is explained mainly by handset mix enhancement, with **78% of total sales being web or smartphones**. The average price grew by around 5.1% due to a higher profile of phones sold. It is worth highlighting that **web/smartphone penetration surpassed 50%** of total base (vs. 35.2% in 2Q12).

Fixed business gross revenues, including Intelig, TIM Fixo and Live TIM, **totaled R\$285 million** in 2Q13, a sharp decline of 31.1% when compared to the same period of last year. This result is due to Intelig business restructuring process..

Without the one-off event, **organic total net revenues reached R\$4,988 million in the quarter**, an increase of 9.7% YoY, and organic service revenues growing at 3.1% YoY. This performance shows a continuous improvement of revenue trend.

ARPU (average revenue per user) reached R\$18.1 in 2Q13, a decrease of 0.7% YoY (vs. -15.3% in 2Q12 and -3.6% in 1Q13), once again improving the trend seen in the last quarters. Disregarding the one-off impact in the incoming revenues, ARPU would have grown by 0.4% YoY. This continuous rebound performance was mainly driven by higher postpaid additions, lower customer base mix effect and solid data business performance.

*MOU reached
148 min.*

MOU (minutes of use) reached 148 minutes in 2Q13, up 16.0% when compared to 2Q12, mainly due to **a strong total outgoing traffic increase of 24.1% YoY**, following the Infinity and Liberty platform.

OPERATING COSTS AND EXPENSES

DESCRIPTION	2Q13	2Q12	% YoY	1Q13	% QoQ
R\$ thousands					
Operating Expenses	(3,711,943)	(3,337,150)	11.2%	(3,486,942)	6.5%
Personnel expenses	(200,623)	(186,441)	7.6%	(200,579)	0.0%
Selling & marketing expenses	(973,227)	(920,101)	5.8%	(946,656)	2.8%
Network & interconnection	(1,321,534)	(1,316,023)	0.4%	(1,352,476)	-2.3%
General & administrative	(152,075)	(126,452)	20.3%	(159,075)	-4.4%
Cost Of Goods Sold	(912,158)	(631,464)	44.5%	(655,634)	39.1%
Bad Debt	(67,720)	(62,050)	9.1%	(72,631)	-6.8%
Other operational revenues (expenses)	(84,605)	(94,619)	-10.6%	(99,891)	-15.3%

In 2Q13, total operating costs and expenses increased by 11.2% on a year-over-year comparison to R\$3,712, **mainly explained by stronger sales of handsets and G&A expenses.**

Costs and expenses breakdowns in 2Q13 are presented as follows:

Labor cost increased attached to business expansion

Personnel expenses reached R\$201 million in 2Q13, a growth of 7.6% when compared to the same period of last year, as a consequence of increasing own-stores (+35 stores vs. 2Q12) and business expansion, leading total employees to reach 11,522 people (+574 employees than 2Q12).

Selling & Marketing expenses amounted to R\$973 million, 5.8% higher when compared to the same period of last year. This performance is mainly explained by higher postpaid mix over gross additions, as postpaid has greater commission per sale.

Network and Interconnection costs reached R\$1,322 million in the 2Q13, fairly stable (+0.4%) on a yearly comparison, driven by lower MTR tariff and increasing proprietary infrastructure.

Leased line cost under control

- Network cost increased by 3.5% YoY (vs. +14.2% YoY in 2Q12), amid a total traffic growth of 22.1% YoY. Such performance is largely impacted by the development of a proprietary infrastructure, also leading leased line cost to drop. The new EILD regulatory framework (instr. 590) is not fully impacting this cost performance yet.
- As for Interconnection cost, if in one hand MTR cut helped to bring savings on Interconnection cost, the increasing of SMS sent (following the Infinity Torpedo offer) is partially offsetting this impact. This cost line was also impacted positively by the one-off event described above.

General and Administrative expenses (G&A) amounted to R\$152 million in the 2Q13, an increase of 20.3% when compared to same period of last year, mainly due to third parties services increase related to IT services.

Smart/Web phones representing 78% of total sales

Cost of Goods Sold reached R\$912 million in the quarter, an increase of 44.5% versus the same period of last year, and following the handset revenue growth aforesaid. TIM kept following the strategy to increase penetration of web enable phones as a way to empower data usage. It is worth noting that TIM remains without handset subsidy policy.

Bad debt under control

Bad Debt expenses as % of gross revenues came at 0.9% (flat vs. 2Q12) reaching R\$67.7 million. It is a strong and efficient performance considering the solid postpaid segment growth in the period.

Other operational expenses reached R\$85 million in 2Q13, or -10.6% vs. same period of last year, mainly due to the reversal of non operating revenues in 2Q12. If we exclude this effect, other expenses would have come 3.2% higher YoY.

Efficient Go-to-market approach

Subscriber Acquisition Costs (where SAC = subsidy + commissioning + total advertising expenses) came at R\$27.2 in 2Q13, a decrease of 4.9% QoQ. The performance reflects continued customers acquisition efficiency approach, especially with a higher postpaid mix over gross additions.

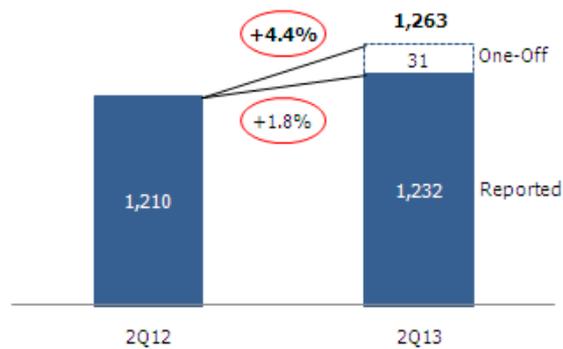
EBITDA

Organic EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) reached **R\$1,263 million or an increase of 4.4% YoY**. This result shows an annual positive trend over 1Q13, backed by higher organic service revenue growth of 3.1% and partially off-setting the MTR cut that happened in this quarter. **Organic EBITDA margin stood at 25.3%**, mainly due to a stronger handset business performance, diluting consolidated margin. On the other hand, Organic EBITDA margin on services (excluding handset revenues and costs) came at 31.5% (vs. 32.1% in 2Q12).

The one-off event above-mentioned brought an impact of R\$30.7 million in EBITDA, resulting in a Reported EBITDA of R\$1,232 million in 2Q13, an expansion of 1.8% over 2Q12. EBITDA margin came at 24.9%, a decrease of 169 bps when compared to 2Q12.

Organic EBITDA

(R\$ Million)



Source: Company

Depreciation and Amortization

Depreciation and amortization accounted for R\$671 million in 2Q13, an increase of 0.9% YoY. On a separate basis, depreciation increased 0.7% YoY while amortization increased by 1.2% YoY.

EBIT

EBIT (earnings before interest and taxes) totaled R\$560.9 million in 2Q13, an increase of 2.9% on a yearly comparison.

Net Financial Result

Net financial result on 2Q13 totaled -R\$40.9 million, a decrease of 35.8% if compared to the -R\$63.6 million in the same period of last year, composed by:

Financial expenses of R\$122.7 million, up 56.3% YoY being this increase mainly due to the monetary adjustments that affected positively last year data and partially compensated by financial revenues of R\$83.6 million (-12.1% YoY).

Net FX variation came at -R\$1.8 million (vs. -R\$80.3 million in 2Q12). It is worth highlighting that in 2Q12, a non-cash effect of -R\$54 million impacted the FX variation line, namely the MTM of the derivatives, due to an anomalous volatility in the relevant market parameters (particularly the "cupom cambial").

Income and Social Contribution Taxes

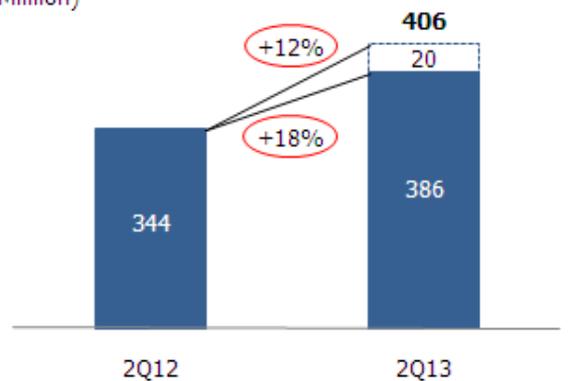
Income and Social Contribution taxes came at R\$134.4 million in 2Q13 (and effective tax of 25.9%), fairly stable with the R\$137.2 million in 2Q12.

Net Income

Organic Net Income totaled R\$405.8 million in 2Q13, +17.9% versus R\$344.3 million in 2Q12 and EPS (Earnings per Share) reached R\$0.17 (vs. R\$0.14 in 2Q12). Considering the one-off event, reported net income totaled R\$385.6 million (+12% YoY).

Net Income

(R\$ Million)



Source: Company

CAPEX

Investments totaled R\$1,123 million in 2Q13, an increase of 6.2% vs. the same period of last year. It is worth noting that in 2Q13, there was R\$123 million spent in licenses acquisitions and renewals. **93.5% of the total Capex was dedicated to infrastructure, confirming our commitment to enhance coverage (3G and 4G) and improving the quality of services.**

Net Financial Position and Free Cash Flow

Gross Debt amounted to R\$4,521 million, an increase of 26.4% if compared to the R\$3,578 million in 2Q12, mainly due to new disbursements totaling R\$330 million from BNDES in the quarter, on top of the first disbursement of R\$1 billion made in December last year.

Company's debt is concentrated in long-term contracts (80.6% of the total) composed mainly by financing from BNDES (Brazilian Economic and Social Development Bank), EIB (European Investment Bank) and Banco do Brasil, as well as borrowings from other local and international financial institutions.

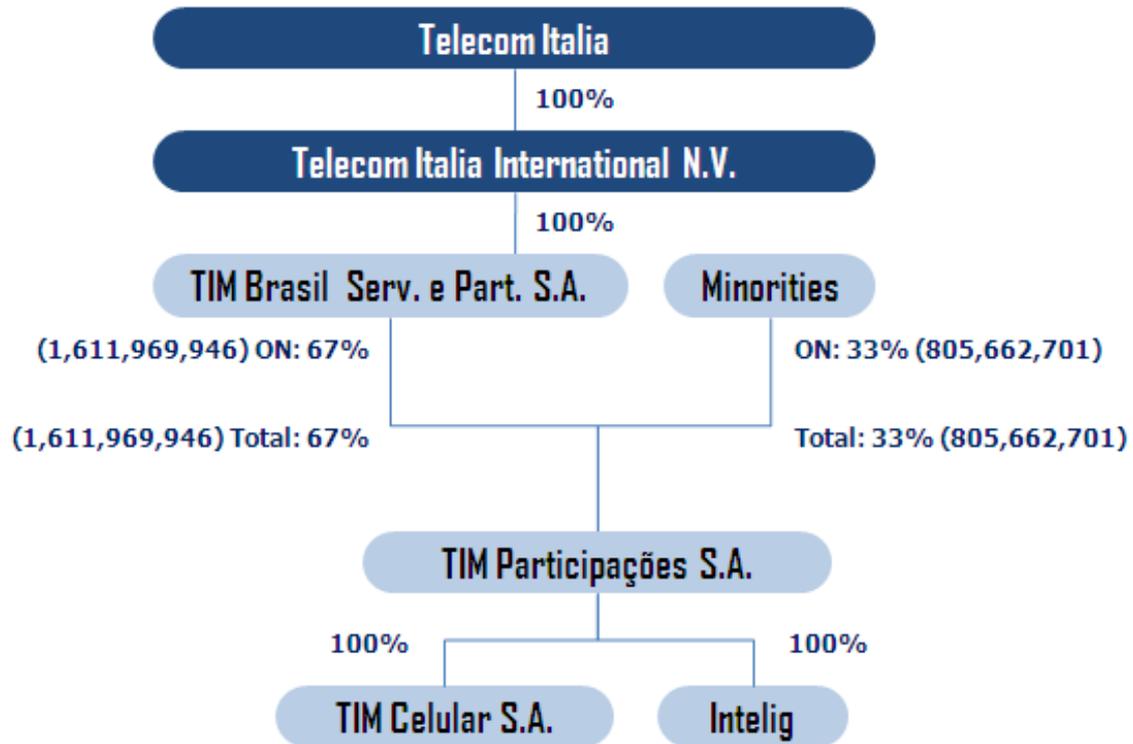
Approximately 37% of total debt is denominated in foreign currency (USD), and it is 100% hedged in local currency. **Average cost of debt totaled 7.58% in 2Q13 compared to 8.81% in 2Q12.**

Cash and Cash equivalents reached R\$2.537 million (vs. R\$1,300 million in 2Q12) with an average cash yield of 7.39% in 2Q13.

Net debt position stood at R\$1,984 million or 12.9% lower than in 2Q12. **Net debt/EBITDA LTM yields a ratio of 0.39x (vs 0.47x in 2Q12).**

Operating Free Cash Flow, in 2Q13, was positive in R\$147 million, a decrease of 55.3% when compared to 2Q12. The result is mainly explained by a negative delta working capital due to the payment of the 4G licence (R\$328 Mln in May/13).

Ownership Breakdown



About TIM Participações S.A.

TIM Participações S.A. is a holding company that provides telecommunication services all across Brazil through its subsidiaries, TIM Celular S.A. and Intelig Telecomunicações LTDA. TIM Participações is a subsidiary of TIM Brasil Serviços e Participações S.A., a Telecom Italia group company. TIM launched its operations in Brazil in 1998 and consolidated its nationwide footprint in 2002, thus becoming the first wireless operator to be present in all of Brazilian states.

TIM provides mobile, fixed and long distance telephony as well as data transmission services, with the focus always on the quality of the services offered to clients. Thanks to the GSM technology, TIM has a nationwide reach of approximately 94.7% of the urban population – the widest GSM coverage in Brazil, with presence in 3,393 cities. TIM also provides extensive data coverage services in the country, 100% of it using GPRS, besides having a sophisticated Third Generation (3G) network serving 75.3% of the country's urban population. The Company has 450 networks available for international roaming for TIM clients in more than 200 countries across six continents.

The TIM brand is strongly associated with innovation and quality. During its presence in the country, it has become the pioneer in a diversity of products and services, such as MMS and Blackberry in Brazil. Continuing this trend, it renewed its portfolio in 2009 to position itself as the operator that devises "Plans and Promotions that Revolutionize". It launched two families of plans – 'Infinity' and 'Liberty'. The new portfolio is based on an innovative concept, with a great deal of incentive to use (billing by call, unlimited use) and constantly explores the concept of TIM community, with 72.2 million lines in Brazil.

In December 2009, the company concluded the merger of 100% of Intelig, which provides fixed, long distance and data transmission services in Brazil. This merger supports the expansion of TIM's infrastructure, a combination that allows to speed up the development of the 3G network, to optimize the cost of renting facilities, and also to improve our competitive positioning in the telecom market.

In accordance with our commercial strategy of expansion of activities and strengthening of the Company's infrastructure, its wholly-owned subsidiary TIM Celular acquired TIM Fiber RJ and SP, both merged into TIM Celular in 2012. Both Companies are providers of infrastructure and solutions to high performance communications, which serve the main municipalities of the metropolitan areas of the States of Rio de Janeiro and São Paulo, encompassing a potential market of approximately 8.5 million homes and more than 550 thousand companies in 21 cities, through an optical fiber network of 5.5 thousand kilometers.

TIM Participações is a publicly-held company, whose share are listed on the São Paulo Stock Exchange (BM&FBOVESPA) and ADRs (American Depositary Receipts) are listed on the New York Stock Exchange (NYSE). TIM is also included in a selective group of companies of the Corporate Sustainability Index (ISE) and the only telecom company in Novo Mercado segment of BM&FBOVESPA.



- » **Consolidated company with a nationwide footprint since 2002**
- » **Network: excellent GSM coverage and proven quality**
- » **Innovative offers: new concepts leveraging TIM community**
- » **Brand: associated to innovation**
- » **Sustainability: Maintained in ISE index for 2013/2014**
- » **Is listed in Novo Mercado since August 2011**

Disclaimer

This document may contain forward-looking statements. Such statements are not statements of historical fact and reflect the beliefs and expectations of the Company's management. The words "anticipates", "believes", "estimates", "expects", "forecasts", "plans", "predicts", "projects", "targets" and similar words are intended to identify these statements, which necessarily involve known and unknown risks and uncertainties foreseen, or not, by the Company. Therefore, the Company's future operating results may differ from current expectations and readers of this release should not base their assumptions exclusively on the information given herein. Forward-looking statements only reflect opinions on the date on which they are made and the Company is not obliged to update them in light of new information or future developments.

Attachments

- Attachment 1: Balance Sheet
- Attachment 2: 2Q13 Income Statements
- Attachment 3: 2Q13 Cash Flow Statements
- Attachment 4: Operational Indicators

The Complete Financial Statements, including Explanatory Notes, are available at the Company's Investor Relations Website: www.tim.com.br/ir

Attachment 1
TIM PARTICIPAÇÕES S.A.
Balance Sheet
(R\$ Thousands)

DESCRIPTION	2Q13	1Q13	% QoQ	2Q12	% YoY
ASSETS	25,780,052	25,422,296	1.4%	22,568,189	14.2%
CURRENT ASSETS	9,248,415	9,403,942	-1.7%	6,806,420	35.9%
Cash and cash equivalents	2,536,591	2,772,714	-8.5%	1,299,787	95.2%
Short-term investments	297	280	5.9%	232	28.0%
Accounts receivable	4,022,529	3,933,159	2.3%	3,559,645	13.0%
Inventories	382,252	336,850	13.5%	314,515	21.5%
Indirect recoverable Taxes	1,011,901	912,615	10.9%	626,190	61.6%
Direct recoverable Taxes	420,094	340,276	23.5%	371,665	13.0%
Prepaid expenses	632,103	893,055	-29.2%	521,675	21.2%
Derivative contracts	118,980	101,970	16.7%	25,966	358.2%
Other assets	123,668	113,022	9.4%	86,747	42.6%
NONCURRENT	16,531,637	16,018,354	3.2%	15,761,769	4.9%
Noncurrent assets	2,740,134	2,675,051	2.4%	3,013,350	-9.1%
Long-term investments	23,830	21,270	12.0%	24,038	-0.9%
Accounts receivable	42,011	46,162	-9.0%	83,532	-49.7%
Indirect recoverable Taxes	200,200	204,827	-2.3%	451,539	-55.7%
Direct recoverable Taxes	22,047	21,846	0.9%	24,357	-9.5%
Deferred income and social contribution taxes	1,148,782	1,237,646	-7.2%	1,375,408	-16.5%
Judicial deposits	1,006,398	950,872	5.8%	774,907	29.9%
Prepaid expenses	105,978	107,994	-1.9%	94,868	11.7%
Derivative contracts	177,597	70,304	152.6%	170,864	3.9%
Other assets	13,292	14,132	-5.9%	13,838	-3.9%
Permanent Assets	13,791,503	13,343,302	3.4%	12,748,419	8.2%
Property, plant and equipment	7,555,494	7,378,354	2.4%	6,954,802	8.6%
Intangibles	6,236,009	5,964,949	4.5%	5,793,617	7.6%
LIABILITIES	25,780,052	25,422,296	1.4%	22,568,189	14.2%
CURRENT LIABILITIES	6,207,053	6,130,486	1.2%	5,272,745	17.7%
Suppliers	3,441,552	2,916,737	18.0%	2,968,642	15.9%
Loans and financing	978,757	906,469	8.0%	1,062,237	-7.9%
Derivative contracts	17,520	46,498	-62.3%	38,666	-54.7%
Salaries and related charges	171,614	162,704	5.5%	158,264	8.4%
Indirect taxes, charges and contributions	547,636	772,926	-29.1%	545,881	0.3%
Direct taxes, charges and contributions	158,622	193,491	-18.0%	129,348	22.6%
Dividends payable	409,091	373,205	9.6%	35,996	1036.5%
Authorizations payable	71,449	376,177	-81.0%	22,858	212.6%
Other liabilities	410,812	382,279	7.5%	310,853	32.2%
NON CURRENT LIABILITIES	5,444,743	5,150,568	5.7%	3,955,175	37.7%
Loans and financing	3,793,379	3,498,150	8.4%	2,559,315	48.2%
Derivative contracts	27,799	49,162	-43.5%	114,438	-75.7%
Indirect taxes, charges and contributions	351,812	346,202	1.6%	238,482	47.5%
Direct taxes, charges and contributions	179,259	177,516	1.0%	172,219	4.1%
Deferred income and social contribution taxes	233,609	215,870	8.2%	181,815	28.5%
Provision for contingencies	377,467	372,728	1.3%	240,508	56.9%
Pension plan	4,486	4,471	0.3%	2,836	58.2%
Asset retirement obligations	300,657	300,538	0.0%	278,068	8.1%
Other liabilities	176,275	185,931	-5.2%	167,493	5.2%
SHAREHOLDERS' EQUITY	14,128,256	14,141,241	-0.1%	13,340,269	5.9%
Capital	9,839,770	9,839,770	0.0%	9,839,770	0.0%
Capital reserves	839,718	387,971	116.4%	387,428	116.7%
Income reserves	2,760,512	3,610,802	-23.5%	2,503,304	10.3%
Treasury Stocks	(3,369)	(3,369)	0.0%	(3,369)	0.0%
Net Income for the period	691,625	306,067	126.0%	613,136	12.8%

Attachment 2
TIM PARTICIPAÇÕES S.A.
2Q13 Income Statements
(R\$ Thousands)

DESCRIPTION	2Q13	2Q12	% YoY	1Q13	% QoQ	YTD 2013	% YoY
R\$ thousands							
Gross Revenues	7,413,009	6,780,536	9.3%	7,024,216	5.5%	14,437,225	7.8%
Telecommunications Services	6,136,654	5,924,891	3.6%	6,125,517	0.2%	12,262,171	3.4%
Mobile	5,852,094	5,511,726	6.2%	5,831,734	0.3%	11,683,828	5.9%
Usage and Monthly fee	2,777,176	2,705,363	2.7%	2,694,316	3.1%	5,471,492	1.1%
Value added services - VAS	1,291,470	1,030,655	25.3%	1,245,483	3.7%	2,536,953	25.0%
Long distance	830,045	766,462	8.3%	830,331	0.0%	1,660,377	5.8%
Interconnection	893,936	948,318	-5.7%	1,005,954	-11.1%	1,899,890	-0.9%
Others	59,466	60,928	-2.4%	55,649	6.9%	115,116	7.4%
Fixed	284,560	413,165	-31.1%	293,783	-3.1%	578,344	-30.3%
Products	1,276,354	855,644	49.2%	898,699	42.0%	2,175,054	42.3%
Discounts and deductions	(2,468,868)	(2,233,204)	10.6%	(2,313,501)	6.7%	(4,782,369)	9.3%
Taxes and discounts on services	(2,071,343)	(1,940,717)	6.7%	(2,038,855)	1.6%	(4,110,198)	6.4%
Taxes and discounts on handset sales	(397,525)	(292,487)	35.9%	(274,646)	44.7%	(672,171)	31.1%
Net Revenues	4,944,141	4,547,332	8.7%	4,710,715	5.0%	9,654,856	7.1%
Organic Net Revenues	4,988,050	4,547,332	9.7%	4,710,715	5.9%	9,698,765	7.6%
Services	4,065,311	3,984,174	2.0%	4,086,662	-0.5%	8,151,973	1.9%
Organic Services	4,109,220	3,984,174	3.1%	4,086,662	0.6%	8,195,882	2.5%
Products	878,830	563,158	56.1%	624,053	40.8%	1,502,883	47.9%
Operating Expenses	(3,711,943)	(3,337,150)	11.2%	(3,486,942)	6.5%	(7,198,885)	8.6%
Personnel expenses	(200,623)	(186,441)	7.6%	(200,579)	0.0%	(401,203)	10.7%
Selling & marketing expenses	(973,227)	(920,101)	5.8%	(946,656)	2.8%	(1,919,883)	-0.8%
Network & interconnection	(1,321,534)	(1,316,023)	0.4%	(1,352,476)	-2.3%	(2,674,011)	2.4%
General & administrative	(152,075)	(126,452)	20.3%	(159,075)	-4.4%	(311,150)	20.3%
Cost Of Goods Sold	(912,158)	(631,464)	44.5%	(655,634)	39.1%	(1,567,792)	34.6%
Bad Debt	(67,720)	(62,050)	9.1%	(72,631)	-6.8%	(140,350)	18.2%
Other operational revenues (expenses)	(84,605)	(94,619)	-10.6%	(99,891)	-15.3%	(184,497)	3.5%
EBITDA	1,232,198	1,210,181	1.8%	1,223,773	0.7%	2,455,971	3.0%
Organic EBITDA	1,262,852	1,210,181	4.4%	1,223,773	3.2%	2,486,625	4.2%
EBITDA Margin	24.9%	26.6%	-169bps	26.0%	-106bps	25.4%	-102bps
Organic EBITDA Margin	25.3%	26.6%	-130bps	26.0%	-66bps	25.6%	-82bps
Depreciation & amortization	(671,297)	(665,047)	0.9%	(679,439)	-1.2%	(1,350,736)	1.0%
Depreciation	(373,258)	(370,498)	0.7%	(364,335)	2.4%	(737,593)	0.4%
Amortization	(298,039)	(294,549)	1.2%	(315,103)	-5.4%	(613,142)	1.8%
EBIT	560,901	545,134	2.9%	544,335	3.0%	1,105,235	5.4%
EBIT Margin	11.3%	12.0%	-64bps	11.6%	-21bps	11.4%	-18bps
Net Financial Results	(40,881)	(63,636)	-35.8%	(71,085)	-42.5%	(111,965)	4.5%
Financial expenses	(122,692)	(78,500)	56.3%	(123,705)	-0.8%	(246,398)	32.4%
Financial income	83,643	95,179	-12.1%	79,223	5.6%	162,866	-6.7%
Net exchange variation	(1,831)	(80,315)	-97.7%	(26,602)	-93.1%	(28,434)	-70.2%
Income before taxes	520,020	481,498	8.0%	473,250	9.9%	993,270	5.5%
Income tax and social contribution	(134,462)	(137,193)	-2.0%	(167,183)	-19.6%	(301,645)	-8.0%
Net Income	385,558	344,305	12.0%	306,067	26.0%	691,625	12.8%
Organic Net Income	405,790	344,305	17.9%	306,067	32.6%	711,857	16.1%

Reconciliation to Organic Values

Reported EBITDA	1,232,198	1,210,181	1.8%	1,223,773	0.7%	2,455,971	3.0%
Adjustment EBITDA	30,654	-	-	-	-	30,654	-
Organic EBITDA	1,262,852	1,210,181	4.4%	1,223,773	3.2%	2,486,625	4.2%
Reported EBIT	560,901	545,134	2.9%	544,335	3.0%	1,105,235	5.4%
Adjustment EBIT	30,654	-	-	-	-	30,654	-
Organic EBIT	591,555	545,134	8.5%	544,335	8.7%	1,135,889	8.4%
Reported Net Income	385,558	344,305	12.0%	306,067	26.0%	691,625	12.8%
Adjustment Net Income	20,232	-	-	-	-	20,232	-
Organic Net Income	405,790	344,305	17.9%	306,067	32.6%	711,857	16.1%

Attachment 3
TIM PARTICIPAÇÕES S.A.
Cash Flow Statements
(R\$ Thousands)

DESCRIPTION	2Q13	2Q12	% YoY	1Q13	% QoQ	YTD 2013	% YoY
EBIT	560,901	545,134	2.9%	544,334	3.0%	1,105,235	5.4%
Depreciation and amortization	671,297	665,047	0.9%	679,439	-1.2%	1,350,736	1.0%
Capital expenditures	(1,122,851)	(1,056,892)	6.2%	(470,318)	138.7%	(1,593,169)	-0.4%
Changes in net operating working capital	37,227	174,548	-78.7%	(2,127,394)	-101.7%	(2,090,167)	26.6%
Free Operating Cash Flow	146,574	327,837	-55.3%	(1,373,939)	-110.7%	(1,227,365)	41.9%
Net Financial Income	(40,881)	(63,637)	-35.8%	(71,084)	-42.5%	(111,965)	4.5%
Income & Social Contribution Taxes	(27,859)	(49,179)	-43.4%	(133,747)	-79%	(161,606)	-8.8%
Other changes in Non Current Assets/Liabilities	(142,381)	(73,562)	93.6%	(127,303)	11.8%	(269,684)	64.9%
Increase in capital	-	(1,078)	-100.0%	-	0.0%	-	-100.0%
Paid Dividends & IoC	(364,431)	(519,475)	-29.8%	(36)	1012208.3%	(364,467)	-29.8%
Net Cash Flow	(428,978)	(379,094)	13.2%	(1,706,109)	-74.9%	(2,135,087)	16.2%

Attachment 4
TIM PARTICIPAÇÕES S.A.
Operational Indicators

DESCRIPTION	2Q13	2Q12	% YoY	1Q13	% QoQ
Brazilian Wireless Subscriber Base (million)	265,741	256,131	3.8%	264,053	0.6%
Estimated Total Penetration	134.3%	130.4%	382bps	133.7%	59bps
Municipalities Served - TIM GSM	3,393	3,312	2.4%	3,390	0.1%
Market Share	27.2%	26.9%	28bps	27.0%	19bps
Total Lines ('000)	72,195	68,874	4.8%	71,232	1.4%
Prepaid	60,803	58,873	3.3%	60,306	0.8%
Postpaid	11,393	10,001	13.9%	10,926	4.3%
Gross Additions ('000)	9,744	9,814	-0.7%	9,244	5.4%
Net Additions ('000)	963	1,656	-41.9%	889	8.4%
Churn ('000)	8,781	8,158	7.6%	8,356	5.1%
ARPU (R\$)	18.1	18.3	-0.7%	18.5	-1.7%
MOU	148	127	16.0%	145	1.9%
SAC (R\$)	27	26	6.6%	29	-4.9%
Handsets sold ('000)	3,525	2,483	42.0%	2,662	32.4%
Employees	11,522	10,948	5.2%	11,580	-0.5%