

RESULTS PRESENTATION
TIM PARTICIPAÇÕES

2ND QTR
2013



Você, sem fronteiras.



15 years Anniversary

-

Rodrigo Abreu

Q2 Discussions:

▶ **Q2 in Few**

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Rodrigo Abreu

▶ **Operations**

-

Lorenzo Lindner

▶ **Marketing**

-

Roger Solé

▶ **Live TIM**

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Rogério Takayanagi

▶ **Financials**

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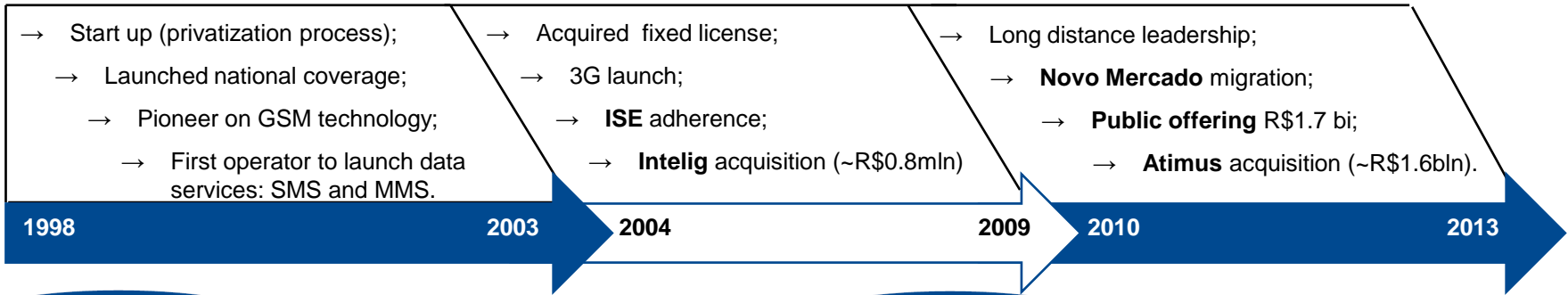
Claudio Zezza

Conclusions

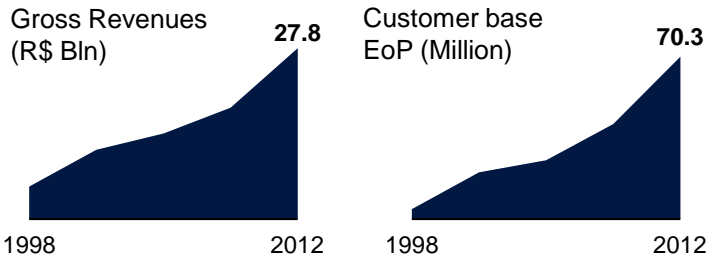
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Rodrigo Abreu

15 years anniversary: Building up a solid organization



Organic Growth



Growth via Acquisitions

Accessing Capital Market

intelig

15,000 km fiber optical backbone

AES Atimus
Uma Empresa AES Brasil

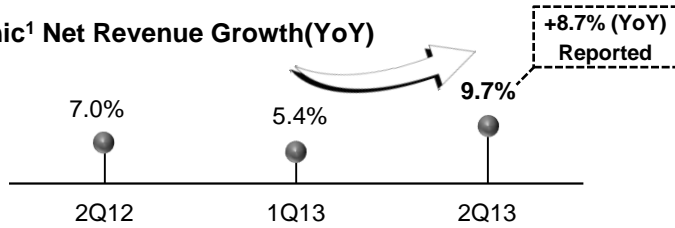
5,500 km fiber optical backhauling

- **Leadership on prepaid and advancing on postpaid.**
- **Consolidated 2nd player in value and volume.**
- **Building a robust fixed infrastructure.**
- **Leadership in market net adds.**

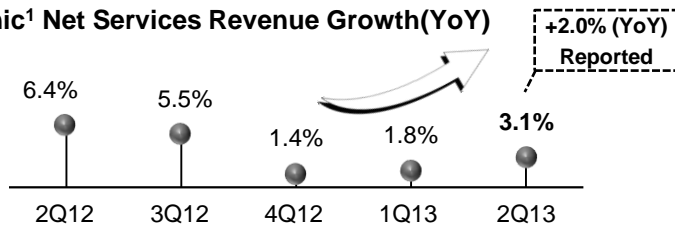
- **>400,000 points of sale.**
- **>11,500 employees.**
- **>23,000 indirect jobs.**
- **Recognized as the market innovator.**

Financial

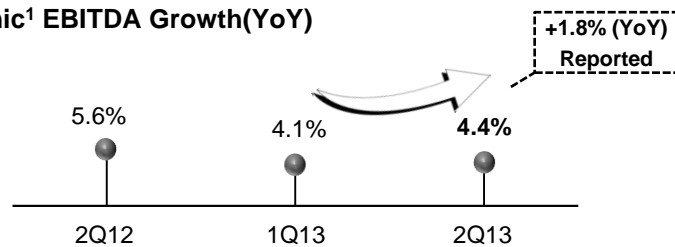
Organic¹ Net Revenue Growth(YoY)



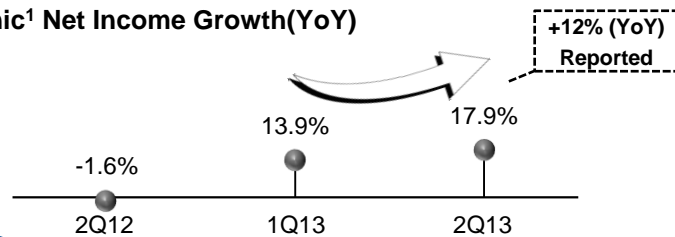
Organic¹ Net Services Revenue Growth(YoY)



Organic¹ EBITDA Growth(YoY)

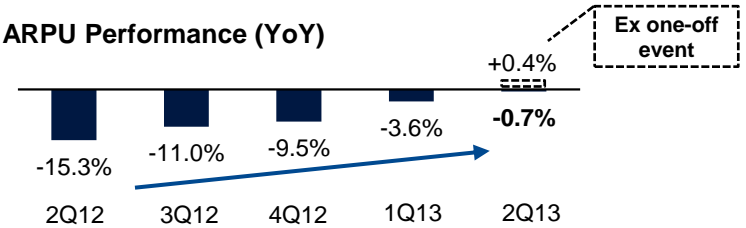


Organic¹ Net Income Growth(YoY)

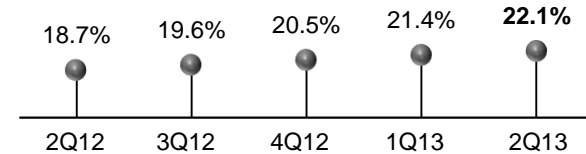


Operational

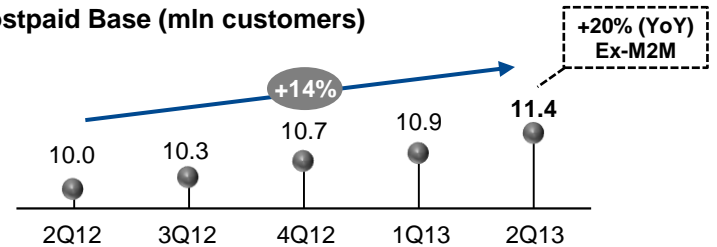
ARPU Performance (YoY)



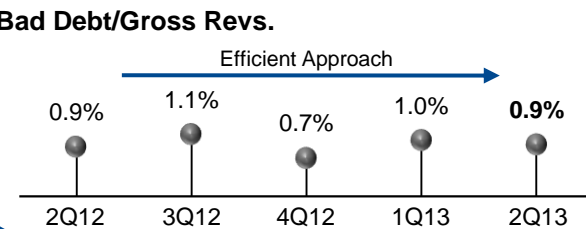
%VAS / Mobile Service Gross Revenues



Postpaid Base (mln customers)



%Bad Debt/Gross Revs.



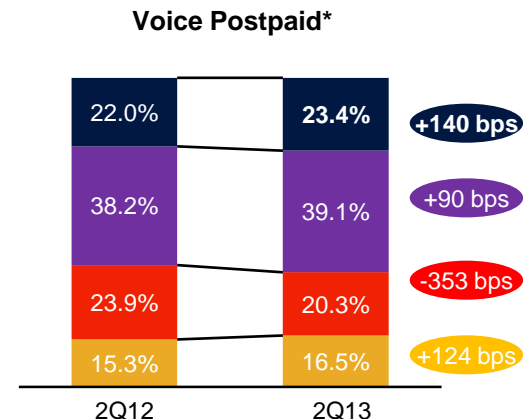
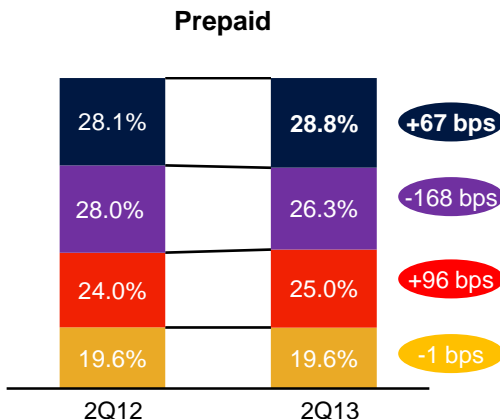
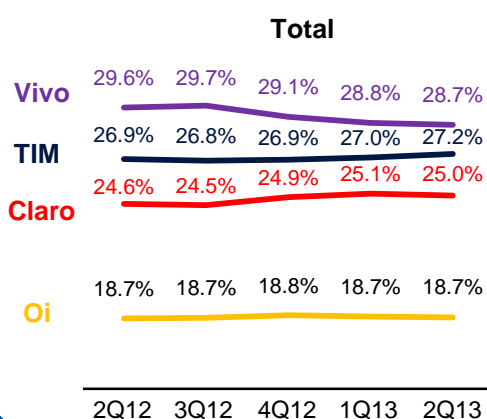
1: Organic revenues growth adjusted by R\$44mln, EBITDA growth adjusted by R\$31mln and Net Income growth adjusted by R\$20 mln due to one-off impact related to interconnection disputes.



Operations

Customer Base Evolution - Market Share

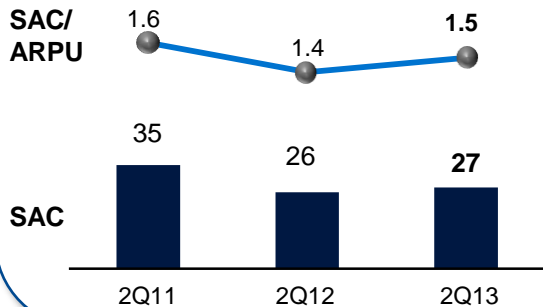
(Source: Anatel)



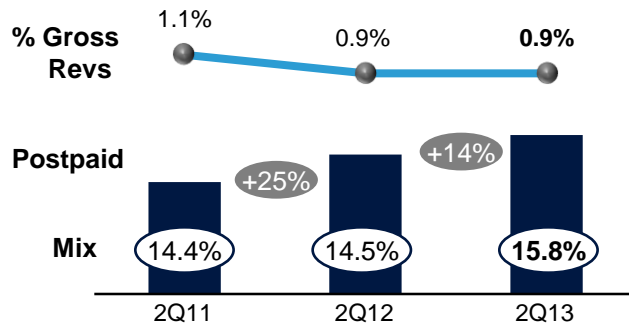
Efficient Market Approach

(Source: TIM, Anatel)

SAC & SAC/ARPU (R\$; months)



Bad Debt & Postpaid CB (000 customers; %postpaid mix)



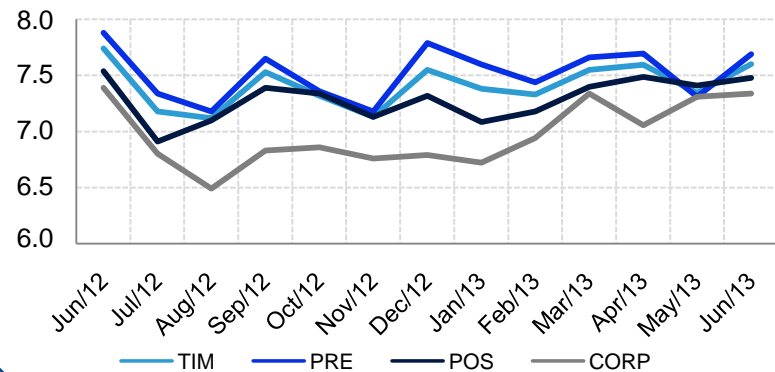
- ✓ Leading net additions.
- ✓ Consolidating Prepaid #1.
- ✓ Accelerating on Postpaid.
- ✓ Maintaining an efficient go-to-market.

*Excluding modems and M2M.

Improving caring

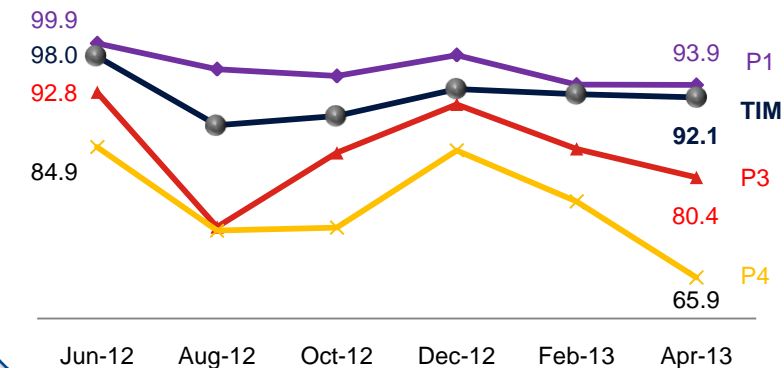
Customer Care Satisfaction Survey

(Points; Source: TIM)



IDA – Index of Caring Performance (last reported)

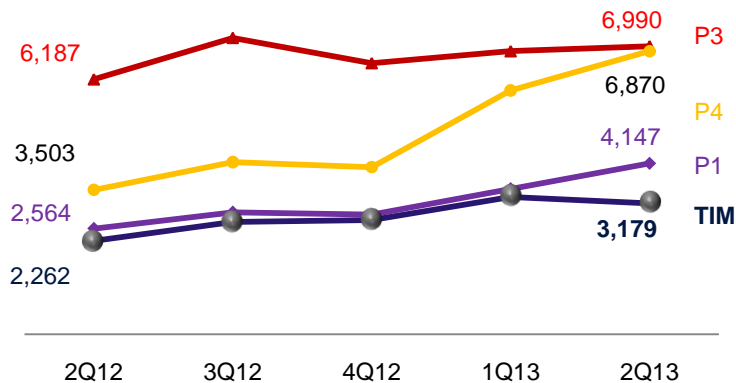
(Points - the higher the better; Source: Anatel)



Reducing complaints

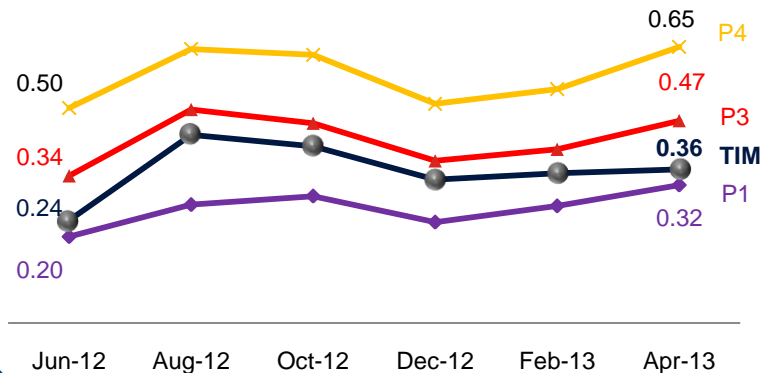
Claims at Consumer's Protection Agency (Procon)

(Avg # Claims - the lower the better; Source: SINDEC database)



Anatel Ranking of Complains (last reported)

(Index of Complains under 1,000 access - the lower the better; Source: Anatel)



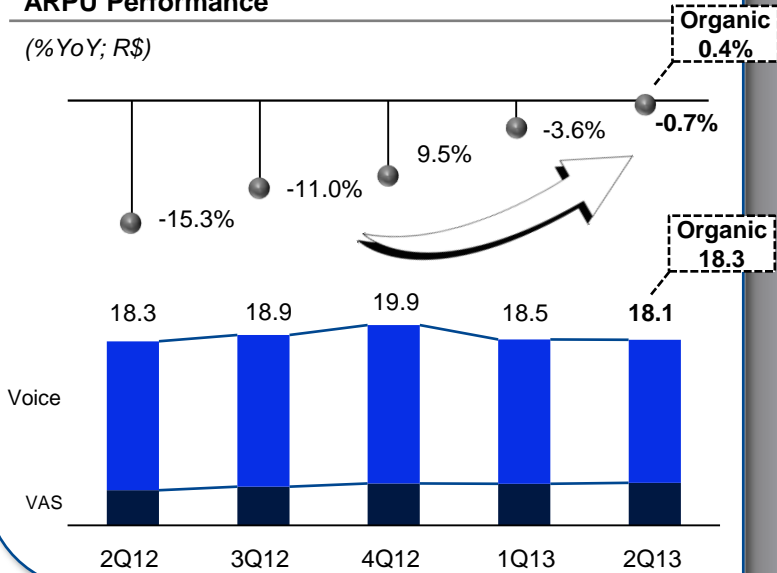


Marketing

Reverting ARPU Trend

ARPU Performance

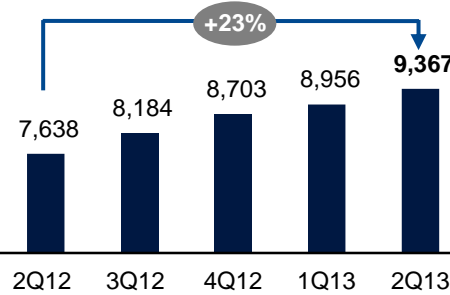
(%YoY; R\$)



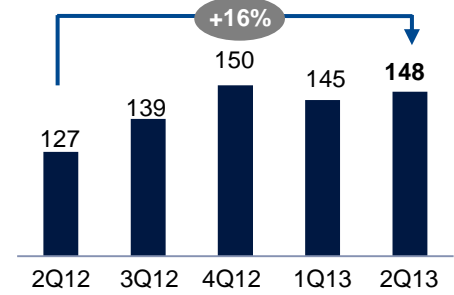
Voice Usage

(000 lines; minutes)

Voice Postpaid*



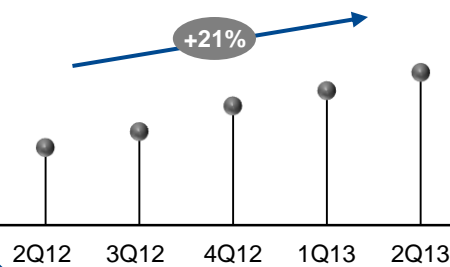
Total MOU



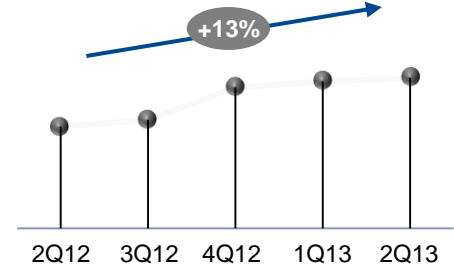
Data Performance

(monthly unique users; average days of use)

Data Users



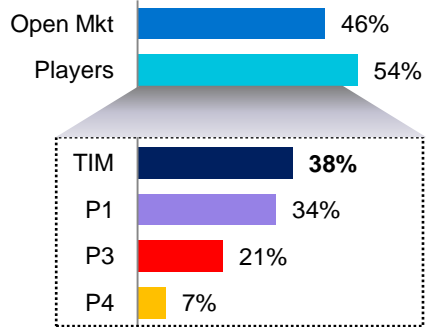
SMS Usage



After several quarters, ARPU has reversed its trend thanks to a continuous management of the customer base.

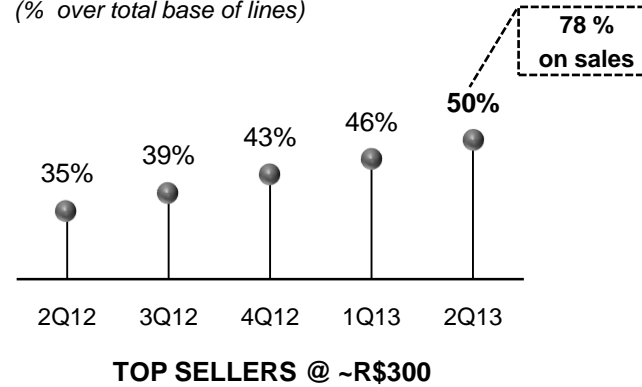
Handset Sales Market Share Apr-Jun/13

(% of handset revenues; Source: TIM)



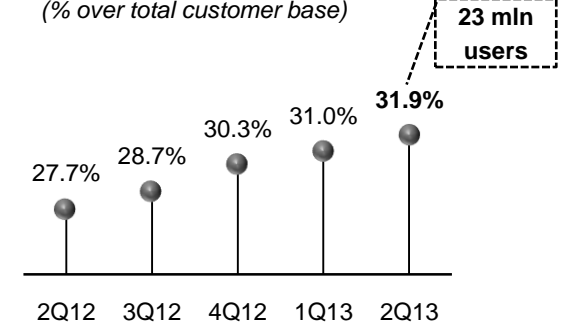
Smart/Web phone Penetration

(% over total base of lines)



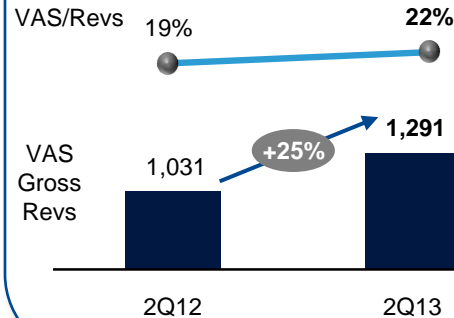
Data users

(% over total customer base)



VAS

(% of Mobile Services Gross Revenues; R\$ Million)

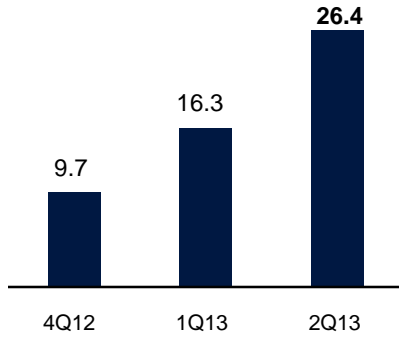




Live TIM Update

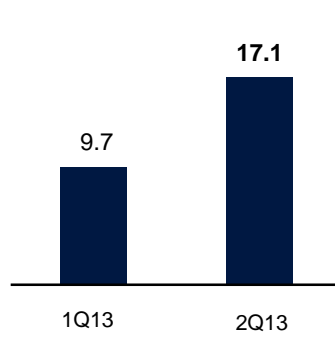
Customer Base

(000 Clients; Source: Anatel)



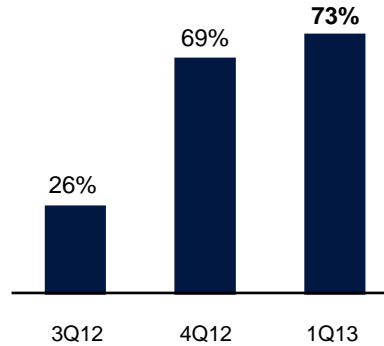
Sales per Quarter

(000 Clients; Source: TIM)



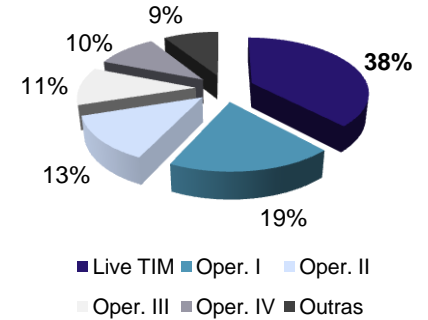
Net Share Live TIM SP+RJ

(UBB >34MB ; Source: Anatel)



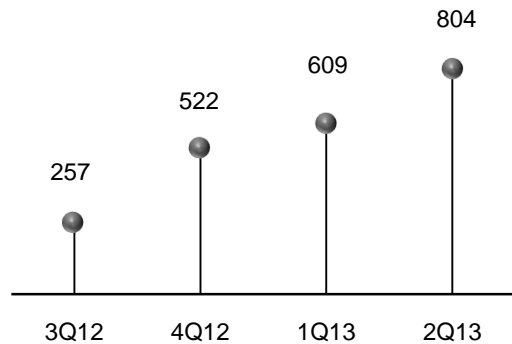
Market Share SP+RJ

(UBB >34MB ; Source: Anatel)

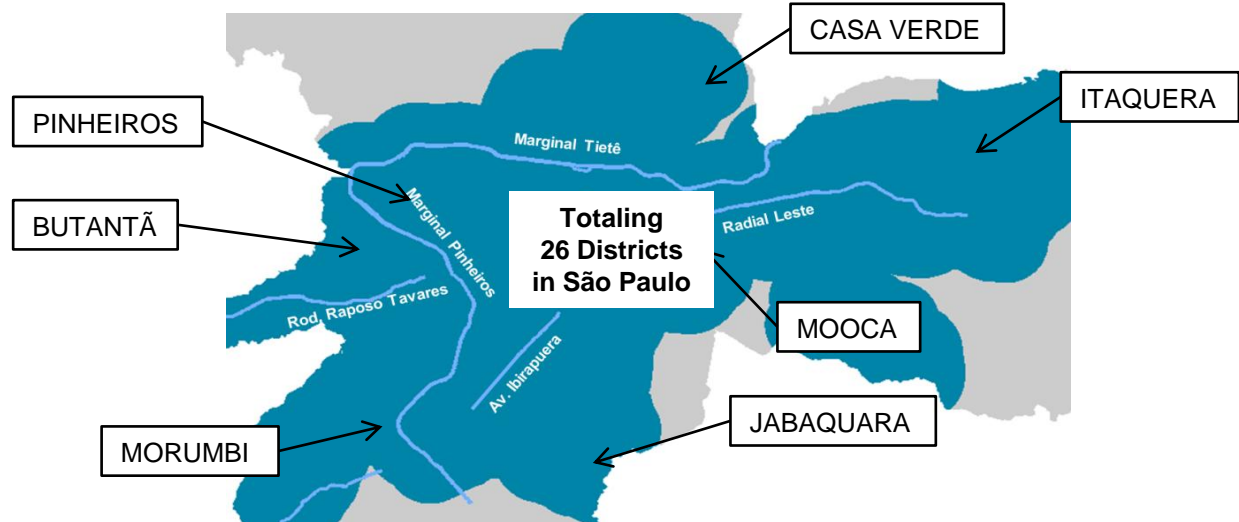


Network Evolution

(000 Addressable Households ; Source: TIM)



São Paulo



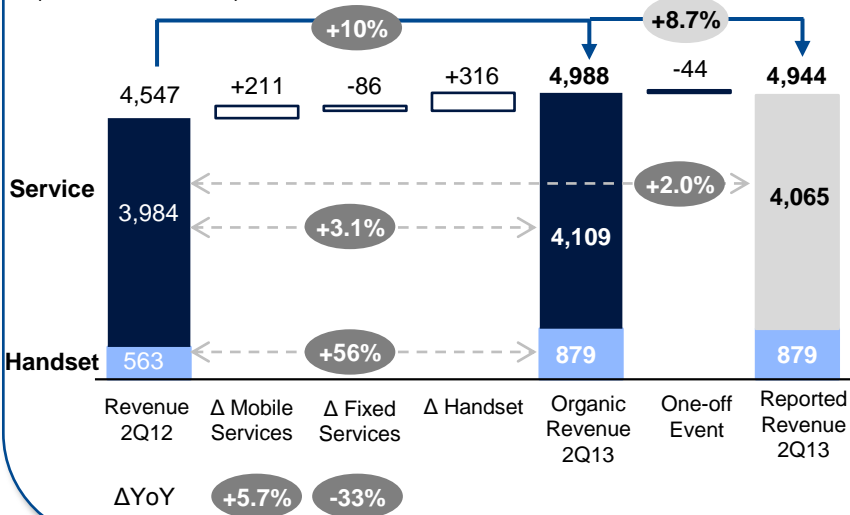


Financials

Financial Evolution Analysis

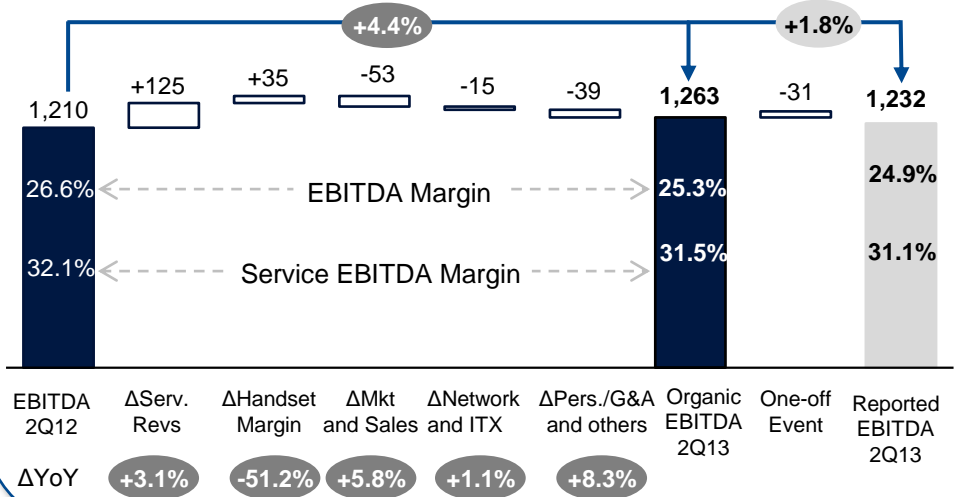
Net Revenue Evolution

(R\$ Million, % YoY)



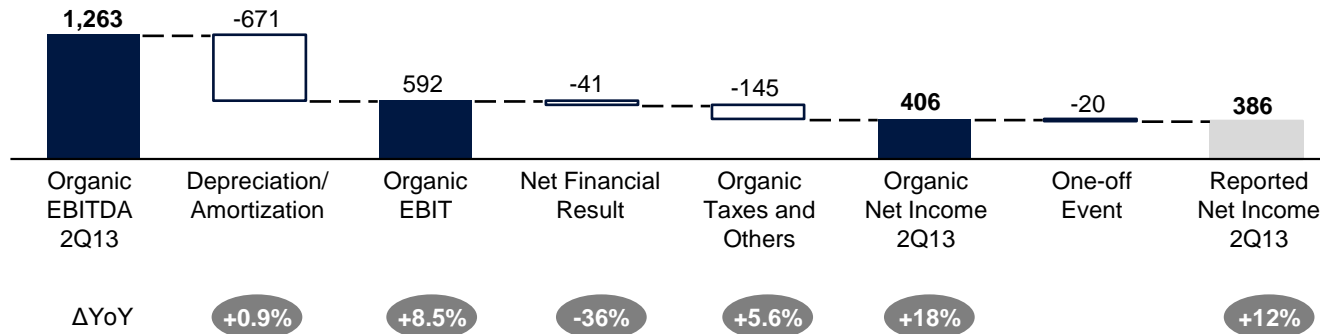
From EBITDA to EBITDA

(R\$ Million)



From EBITDA to Net Income

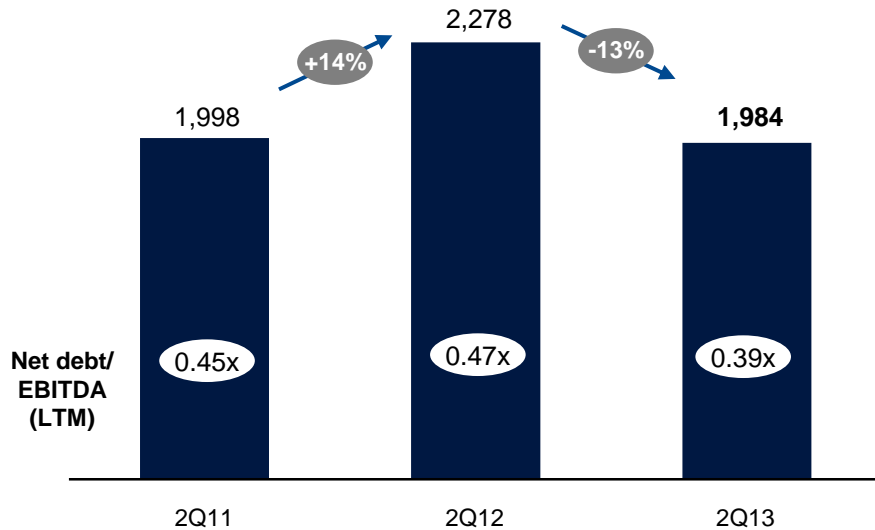
(R\$ Million)



Strong Cash Position

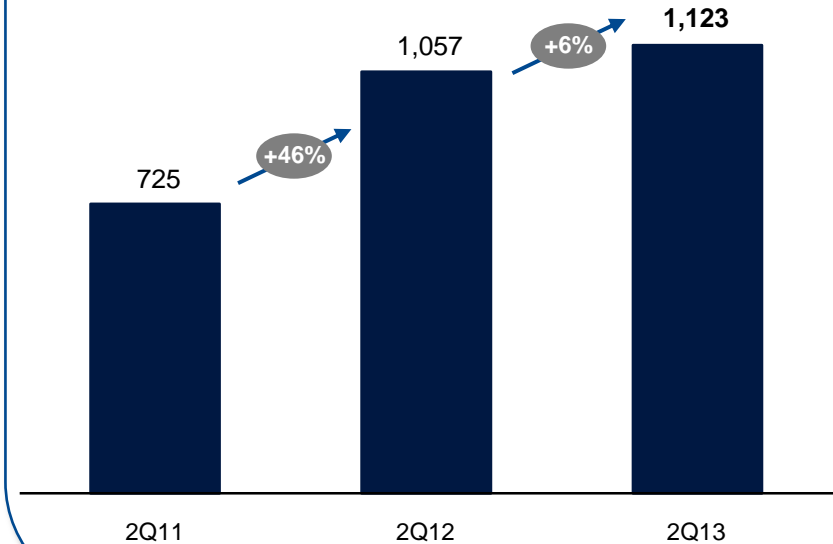
Net Debt

(R\$ Mln)



Capex

(R\$ Mln, % YoY)



→ 37% of debt in foreign currency (100% hedged to R\$).

→ Average debt maturity: ~ 3 years.

→ 0.39x net debt to Reported EBITDA (LTM).

→ Capex catch up during Q2.

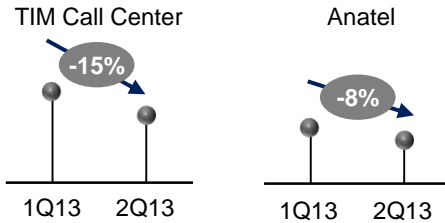
→ 94% of Capex related to infrastructure (ex-licenses).

→ No subsidy capitalization.

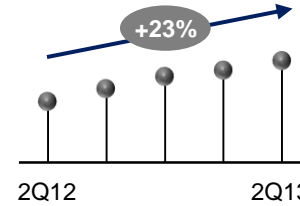


Conclusions

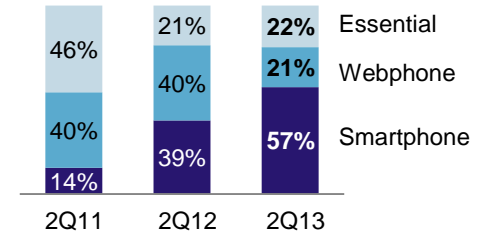
Network Complaints



Postpaid Voice Base

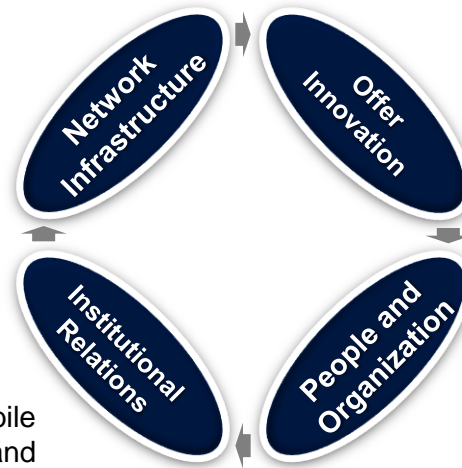


% Only Smartphone over Total Sales



- Improvements on all customer care indicators;
- FTTS Plan on track (569 new sites in Q2);
- 4G launch anticipated in SP and Curitiba, good traction on 4G market share.;
- Final steps of LT Amazonas Fiber Line;
- Started rollout of small cells for JMJ in Rio.

- Strength of “Controle” strategy – hybrid pre/post;
- VAS over Mobile service: 22%;
- 3G adoption: WCDMA base grew by 21%;
- TIM Music launch: OTT music platform, more than 6mln songs downloaded already;
- Several actions for monetizing customer base with new micro-packages.



- “Portas Abertas” campaign, web-site and mobile app reinforcing commitment with quality and transparency;
- Closure of the Dropped Calls accusation with final report from Anatel releasing the company from any misconduct;
- Proactive position in the sector in conversations with Congress, Anatel, Ministry and State Governments – position of collaboration and transparency.

- Launched company wide initiative on “Best Company to Work For”;
- Total employee population grew to over 11,500, an additional 574 new employees compared to 2Q12;
- Reached the number of 134 own stores, adding several new TIM employees;
- Initiated a movement to reinforce and add new talent on all teams, in particular on Network and Regional structures.

Achievements

- ✓ Business has shown good resilience, even with slower economic growth;
- ✓ TIM led industry growth both in value and volume;
- ✓ Recent polls showed good recovery in net customer preference;
- ✓ Quality and Infrastructure KPIs already showing improvements in many fronts.

Perspectives

- ✓ Continuous offer innovation to help TIM leadership in a lower growth / more rational competitive environment;
- ✓ Data/VAS to continue leading growth; TIM well positioned in handsets and micro browsing;
- ✓ Fixed-to-mobile substitution still a trend;
- ✓ Focus on leveraging huge customer base;
- ✓ Postpaid mix and ARPU are important improvements to business case.

**15th
Anniversary**

- ▶ Solid fundamentals.
- ▶ Track record built over 15 years.
- ▶ Clear momentum for a continuation of growth path.