

Earnings Release

TIM Participações S.A.



Blue Man Group



Você, sem fronteiras.

TIM PARTICIPAÇÕES S.A. Announces its Consolidated Results for the First Quarter 2012

BOVESPA¹

(lot = 1 share)
TIMP3: R\$11.08

NYSE¹

(1 ADR = 5 ON shares)
TSU: US\$29.70

(1) closing prices of Apr 26th, 2012

Rio de Janeiro, Apr 26th, 2012 – TIM Participações S.A. (BOVESPA: TIMP3; and NYSE: TSU), the company which controls directly TIM Celular S.A. and Intelig Telecomunicações Ltda., and indirectly TIM Fiber SP Ltda and TIM Fiber RJ S.A., announces its results for the first quarter of 2012. 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 first quarter of 2011 (1Q11) and fourth quarter of 2011 (4Q11), except when otherwise indicated.

1Q12 Conference Call

Conference Call in Portuguese:

Apr 27th, 2012, at:
10:30 AM Brasília time
09:30 AM US EST

Conference Call in English:

Apr 27th, 2012, at:
12:30 PM Brasília time
11:30 AM US EST

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1Q12 Highlights: Continuing to Deliver Solid Results

- **Subscriber base reached 67.2 mln users, +27.2% YoY**, supported by prepaid and postpaid growth (+27.5% and +25.3% YoY)
- **Gross adds reached 9.9 mln lines**, resulting in a strong net addition of 3.1 mln new lines;
- **Top line at R\$4.5 bln grew 19.1% YoY** and net service revenues grew 15.9% YoY;
- **Gross data revenues expanded 56.1% in 1Q12 (YoY) to R\$1 bln**, reaching 18.1% of total mobile revenues (vs. 13.8% in 1Q11);
- **Smartphone penetration reached 31.1% over total base** (vs. 12.6% in 1Q11);
- **Outgoing Voice Revenues** still growing at a strong pace, **+14.6% YoY**;
- **EBITDA reached R\$1,168 mln**, +13.2% YoY and EBITDA margin registered 26.2% (Services EBITDA margin stood at 31.1%);
- **EBIT came at R\$512 mln (+46.4% YoY)** as a consequence of no handset subsidy policy;
- **Net income totaled R\$276 mln in 1Q12**, an increase of **29.5%** vs. same period of last year (after a +86% tax income);
- **CAPEX totaled R\$543 mln this quarter**, +83% vs. 1Q11;
- **SAC and Bad Debt continuing improving: SAC dropped 12%** vs 1Q11, reaching R\$32.1. **Bad debt came at 0.86%**, a decrease vs. last quarter (0.92%);
- **3G Network expansion: +68 new cities**, 1030 antennas connected in fiber (FTTS);
- **TIM Fiber roll out is strict in line** with official calendar. Soft launch to start in May.

Message from Management

Solid growth despite the competitive arena. We arrived at first quarter of 2012 with solid evidence that **businesses are in a continuous acceleration**, bearing fruits from community expansion and a very innovative go-to-market concept. This was another set of strong quarter results, where we managed to keep customer base growth while improving profitability.

Growth Driven by Mobile Business Expansion

TIM pure mobile approach continues to be the main element for business expansion. Having no trade-off with fixed business, we persist in the unlimited usage concept (voice and data) and the results can be described as follow:

- **Customer base expansion:** More gross adds and lower churn, both in pre and postpaid, resulted in a robust 3.1 million new lines. Total customer base reached 67.2 million users, 27% higher than 1Q11. Market share up to 26.80% or 1,7pp higher than the 25.11% in the 1Q11.
- **Reshaping Revenues:** Competitive scenario remained tough, but TIM has been responding with continuous innovation (non-price competition) and acceleration of the re-shaping voice/data mix revenues. Data revenues grew by 56% a YoY driven by larger smartphone/webphones penetration (now at 31%) among existing customer and attractive internet plans. Considering MTR cut started on March and increasing pressure on voice (e.g. LD), the revenue reshape is the most important strategic step-in. Total gross revenues reached R\$6.6 billion in the quarter, an increase of 21.5% YoY.
- **Increasing Profitability:** TIM has shown the ability to speed-up profitability amid a very intense commercial and marketing activity. Although the effort to speed-up customer base and internet take-up, EBITDA in the first quarter reached R\$1.2 billion, a sound yearly growth of 13.2%. As for the EBIT, the increase was even stronger, R\$512 mln or 46% yearly growth.
- **Operational metrics continue to show a resilient improvement**, with SAC (subscriber acquisition costs) decreasing 21.3% YoY, and reflecting the efficiency in the acquisition of prepaid and postpaid customers. Bad debt also had a great performance, being 0.86% of gross revenues (vs. 0.92% in the 4Q11).

Network: High Investments and Integrating TIM Fiber network

In this quarter, we invested R\$543 mln, or an increase of 83% versus the same period of 2011, trying to limit the usual delay of first months to support data acceleration. Additionally, we accelerated AES-TIM-Intelig network integration in order to be ready to catch synergies as of Q2.

The Fiber-to-the-site project (FTTS) has already connected more than 1,000 sites in SP and Rio (upgrading from existing 8Mbps to 100Mbps); we plan to reach 1,800 by Dec-12. The Wi-Fi 3G offloading is running as planned and we expected to reach more than 10,000 hot spots by the end of 2012. Those projects are crucial to support our data approach based on quality and bringing efficiency on cost side.

Business Outlook

- **MTR Cut:** Started on March, will have full impact in the 2Q12 results worth ~R\$43 mln/month in revenues and ~R\$22 mln/month impact at EBITDA level. MTR cut and MOU erosion in Fixed-to-Mobile will reduce structurally the incoming contribution. Focus is to compensate it by pushing Voice Outgoing and Data services performances.
- **Community Expansion.** The importance of customer base expansion (community building) will continue to be one of our priorities. We expect our innovative and distinctiveness offers to drive such base growth.
- **Liberty Passport, Liberty Controle, Infinity Web Modem:** internet for all will be the most relevant driver of growth, powered by FTTS solution in place, handset portfolio, competitiveness and customer base up-selling.
- **Fixed Ultra Broadband Soft Launch.** Launching calendar is on track, with a soft launch by beginning of May and commercial launch in 3Q12. More than 1,000 buildings were connected and more than 3,000 authorized for connections.

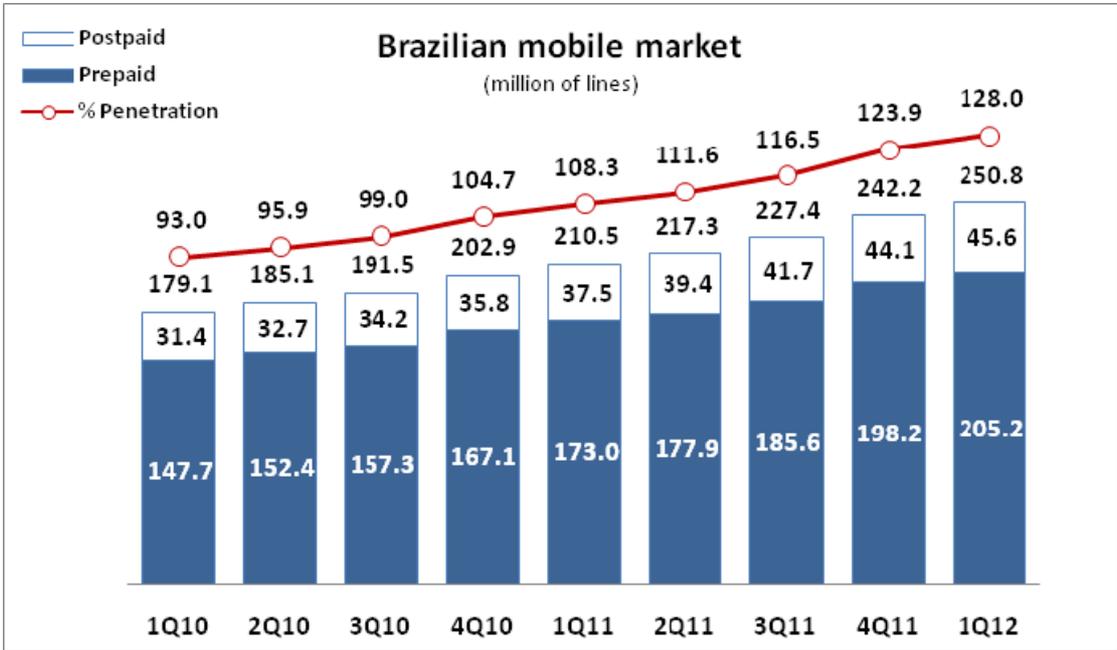
In sum, first quarter showed another set of **solid and continuous** business improvements, where TIM has managed to balance strong customer base growth and increasing profitability. Still, fixed-to-mobile substitution and internet for all are confirmed as our largest opportunities. From now on, our mobile operation will have an outstanding network support from Intelig and TIM Fiber network integration, allowing us to further strength the data platform.

Luca Luciani

Market Performance

Brazilian Market Overview

Brazilian mobile market reached 250.8 million lines by the end of 1Q12, representing a yearly growth of 19.2% (vs. 17.5% in 1Q11) and a penetration rate of 128.0%, from 108.3% in 1Q11. The mobile market growth has been supported by: i) stimulus of on-net calls (which creates multiple SIM-Card sales effect in the prepaid segment), and ii) growing demand for data services, especially in smart/webphones and M2M.



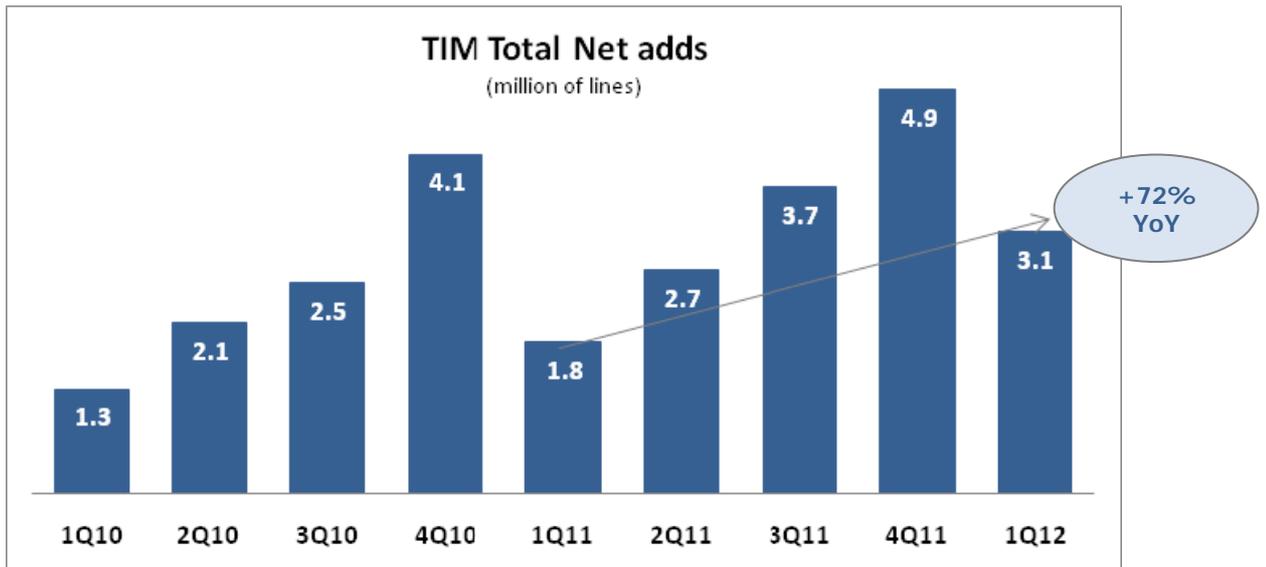
Market net additions in 1Q12 rose 13.6% YoY

Another record in net adds in 1Q12. Market net additions in 1Q12 totaled 8.6 million, an increase of 13.6% versus 7.6 million registered in the same period last year, being the highest volume ever for a first quarter. Breaking down the market into prepaid and postpaid segments, the first reached 205.2 million users (+18.6% YoY), and accounts for 81.8% of total Brazilian market. As for the postpaid segment, total users reached 45.6 million, a 21.5% increase versus March 2011.

TIM's Performance

TIM net adds soared 72% YoY

Total subscriber base ended first quarter with **67.2 million lines, 27.2% up from 1Q11** and representing a market share of 26.8%. Total net additions in the 1Q12 came in at 3.1 million lines with 36.5% of the incremental market share and an outstanding increase of 72.1% from 1Q11. This consistent performance in the market share of net addition confirms that Infinity and Liberty plans are the best option in the Brazilian market and now together with our innovative data offers.

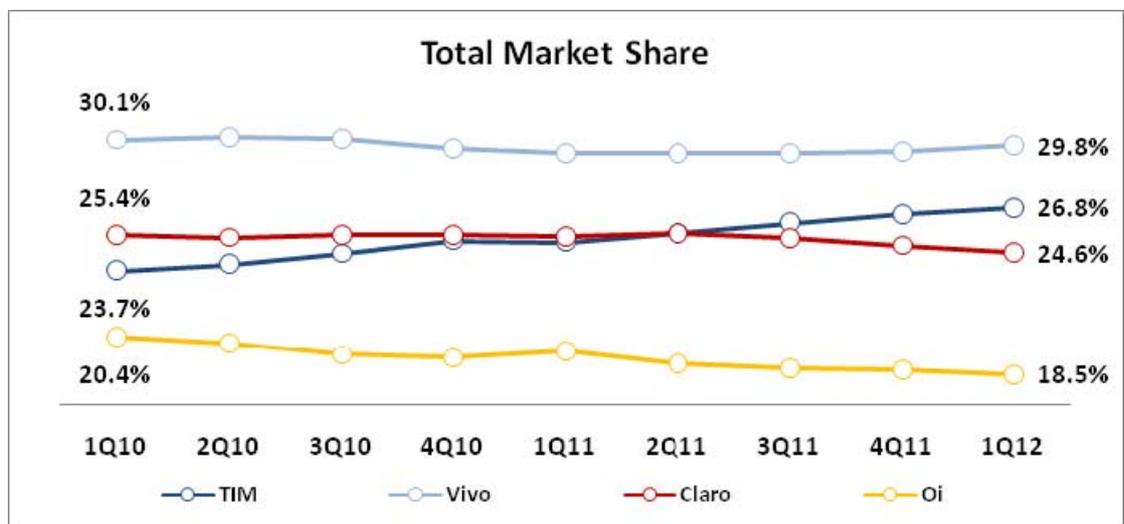


Record high in gross adds again

In the 1Q12, TIM achieved the highest volume of gross additions for a first quarter, reaching 9.9 million new lines, up 16.6% versus 1Q11.

Improvements also on churn

Disconnections reached **6.8 million lines** in the quarter, with a churn rate of 10.5% (vs. 11.7% in 4Q11), in line with peers benchmark. Disconnection policy for prepaid segment applies for users without recharge within 180 days and without any traffic within 90 days.



Postpaid base grew 25% vs. 16% in 1Q11

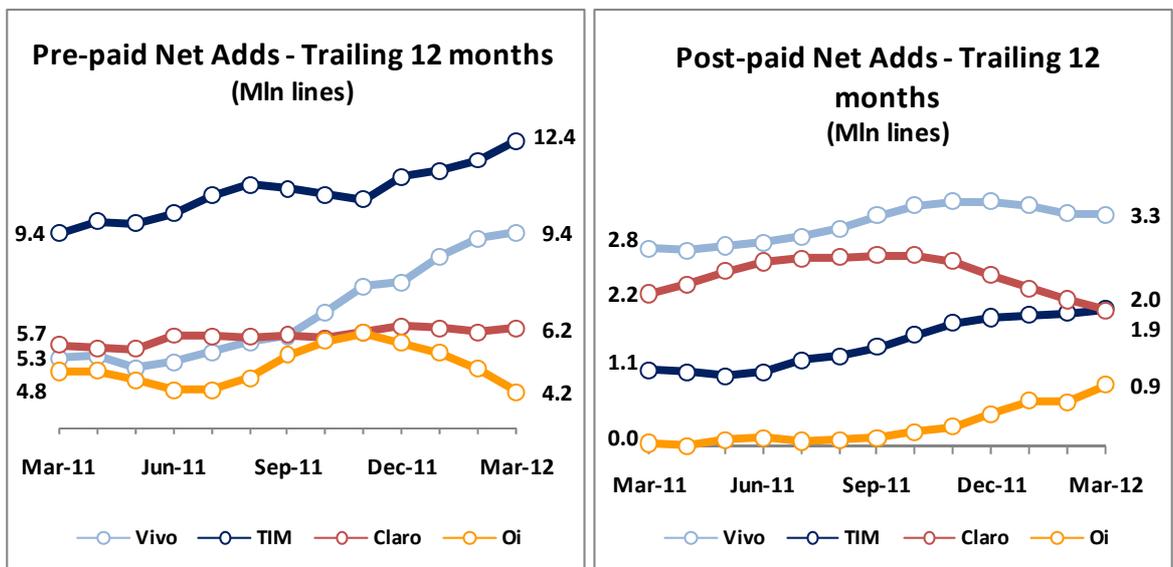
Liberty Passport

56 million users in Infinity plan

Postpaid customer base reached 9.7 million users, a 25.3% YoY growth vs. +16.4% in 1Q11. In this quarter, **TIM added 348 thousands postpaid clients (vs. 223k in 1Q11)**, thanks to Liberty and Infinity voice plans, which ended the quarter with more than 70% of postpaid base, and leveraged by data plans for dongles as well. Furthermore it is important to highlight **the trailing 12 months net adds on the post paid side which shows that TIM has surpassed the second player** confirming our progress on contract users.

Another reason of postpaid higher gross adds and lower churn is shown in Anatel's SMP quality indicators. In SMP 11, which refers to billing problems per 1,000 bills emitted, TIM again stood out in March's figures as the player with the lowest rate among the sector, 50% below of the second player. This is a solid sign of company's effort in proving a transparent and simple charge scheme, easing clients' life and providing a great incentive to unlimited communication. One evidence of afore mentioned was the launch of Liberty Passport, where clients travelling abroad will have the same benefit offered in Brazil, the all you can eat package.

In the prepaid front, total users reached 57.6 million, up 27.5% YoY in the segment, largely leveraged by the Infinity Pre plan, which reached 56 million users (97% of the base in this segment). TIM continues to drive market growth in the prepaid segment due to the unique and transparent offer. Also company has sequentially added innovative offers and services to its Infinity family (i.e. Infinity Torpedo, Infinity Web Modem and Infinity Mais), thus remaining market's best choice for clients.



Network & Quality: Our GSM coverage reached 94.4% of the urban population, serving 3,305 cities. Despite a continuous steep traffic increase in this quarter (+26.4% YoY) and a strong swap in process from leased lines to our own backhaul (from TIM Fiber in RJ and SP), TIM kept the strong position in Anatel's network quality indicator, getting high scores

TIM Fiber swap leased lines at full speedy

from the Brazilian Regulatory Agency. It is important to note that after the swap lines conclusion, we will be able to provide even better services, especially on the data side.

As for data coverage, TIM provides GPRS technology to 100% of its footprint, being ~81% covered by EDGE technology. The Third Generation Technology (**3G**) **had its roll-out speeded up with 68 new cities in this quarter. 3G technology is present in 512 cities – reaching around 67% of urban population in Brazil.** We expect to continue accelerating the 3G coverage in the coming quarters. As mentioned above, TIM Fiber backhaul swap from leased lines will generate a much better mobile internet experience with our antennas in Rio de Janeiro and São Paulo cities being connect with our own optical fiber.

Marketing Performance

In the first quarter of 2012, TIM kept innovating in its marketing approach, avoiding shortcut strategy and keeping simplicity as the main driver.

Marketing activities in this quarter can be described as follows:

A solid platform

On the prepaid, TIM continued to reinforce Infinity plan and the differentials of simplicity and convenience versus the other players. The key tools used this quarter were specific actions created for vacation season and carnival celebrations.

TIM participated in the three major carnival celebrations in Brazil (Rio, Salvador and Recife), sponsoring events and parties, having strategically located points of sales to sell SIM cards and recharges during the festivities.

International roaming: another innovative offer

As for the postpaid, keeping a very innovative approach, TIM launched **Liberty Passport**, an offering focusing international roaming users that wanted unlimited data and voice usage when outside Brazil, along with the well known benefits of the Liberty plan.

The offer consists of two automatic activated schemes when roaming outside Brazil: (i) data – where users can access data services unlimited for a flat fee daily charge (ii) voice – where users are able to receive unlimited calls and have 50 minutes to call local numbers or to TIM numbers in Brazil. The automatic activation prevents the billing shock experience which is very common for Brazilians when travelling abroad.

On data service, TIM started marketing more intensively the **Infinity Web Modem**, a prepaid offer that was launched in December of last year and targeting data heavy users over smartphones, tablets or mini-modems. Still on the data front, the “combo” offering Liberty Web + iPad 2 is being very well exploited.

Building a complete portfolio of data offers

Complementing the prepaid data offers, TIM launched “Blackberry Ilimitado”, an unlimited data service for Blackberry users paying a flat fee per day. The service gives access to BBM, e-mail, web browsing, social networks and mobile YouTube for only R\$1.00 per day.

TIM also launched a variety of other actions in the context of value added services, i.e.: (i) reinforcing the strategy of increasing data usage through smartphones/webphones, the only operator to offer massively e-Buddy social network aggregator application; (ii) focusing on Carnival period, TIM launched a specific application called “Carnaval TIM”, where users could get all source of information (tips, schedules, maps etc) over the festivities; and (iii) always investing in innovative services, TIM created a mobile tool for education where clients can learn English through an interactive SMS course.

*Exclusive
agreement
for iPad2*

In the corporate segment, TIM launched new combo offers focusing on Apple products, combining Liberty Empresa plans with iPhones, iPads and mini-modems. Liberty Passport was also launched for corporate clients with the same concept as described above.

For large corporations, TIM launched a new field force automation app to manage and monitor teams in the field over a web based platform.

On the handset side, TIM continues to reinforce its innovative path and after launching the iPad2 last quarter, TIM launched the new Nokia Lumia devices in big events all over the country. The Lumia devices came in two different models, 710 and 800, running Windows OS and at very competitive prices (Lumia 710 – 12 x R\$75 and Lumia 800 – 12 x R\$128 on credit card). Another big launch this quarter was the Motorola Razr, running Android OS. The device comes with new features to enhance the user experience, and also at competitive price (12 x R\$157 on credit card).

Financial Performance

Selected financial data – Revenues

DESCRIPTION	1Q12	1Q11	% YoY	4Q11	% QoQ
R\$ thousands					
Gross Revenues	6,610,442	5,440,095	21.5%	6,784,887	-2.6%
Telecommunications Services	5,937,199	5,007,167	18.6%	6,120,644	-3.0%
Mobile	5,521,145	4,644,475	18.9%	5,722,337	-3.5%
Usage and Monthly fee	2,704,643	2,371,264	14.1%	2,813,444	-3.9%
Value added services - VAS	999,543	640,353	56.1%	958,043	4.3%
Long distance	802,578	690,159	16.3%	841,413	-4.6%
Interconnection	968,127	896,620	8.0%	1,034,265	-6.4%
Others	46,255	46,079	0.4%	75,172	-38.5%
Fixed	416,054	362,692	14.7%	398,307	4.5%
Products	673,243	432,928	55.5%	664,243	1.4%
Discounts and deductions	(2,142,123)	(1,687,831)	26.9%	(2,074,321)	3.3%
Taxes and discounts on services	(1,921,781)	(1,543,979)	24.5%	(1,861,219)	3.3%
Taxes and discounts on handset sales	(220,343)	(143,852)	53.2%	(213,102)	3.4%
Net Revenues	4,468,318	3,752,264	19.1%	4,710,566	-5.1%
Services	4,015,418	3,463,187	15.9%	4,259,425	-5.7%
Products	452,900	289,076	56.7%	451,141	0.4%

Operating Revenues

Gross revenues at +21.5% YoY

Total gross revenues reached R\$6,610 million in the quarter, an increase of 21.5% YoY, backed by service gross revenues growth of 18.6% YoY and product gross revenues growth of 55.5% YoY.

The main gross revenues breakdown and highlights in 1Q12 are presented as follows:

Voice outgoing revenues growing 15% YoY

Voice outgoing gross revenues (usage and monthly fee + LD) continue to grow at a sound pace, increasing 14.6% YoY this quarter. The performance is a result of **solid incentives from Infinity and Liberty plans to leverage usage to different terminations** (M-F, local and LD on-net). However, it is important to highlight that voice outgoing gross revenues are slowing the growth pace mainly due to the commoditization of LD on-net calls. **Outgoing traffic volume jumped 29.2% in 1Q12** when compared to the previous year. Voice breakdown is as follows:

- **Usage and monthly fee gross revenues** reached R\$2,705 million this quarter, a yearly growth of 14.1% supported by subscriber growth of 27.2%, which results in a significant higher outgoing traffic.
- **Long distance gross revenues** reached R\$803 million in the quarter, a growth of 16.3 % when compared to 1Q11, also helped by postpaid traffic and by the huge community.

Keeping the LD leadership

ITX revenues were not fully impacted by MTR reduction

Interconnection gross revenues grew 8.0% YoY to R\$968 million, considering one month of MTR tariff cuts impact initiated in March. This result was mainly driven by the contribution of Infinity Torpedo offer, which provides customers unlimited SMS to any mobile operator, resulting in an increase of SMS send but also received. Despite the increase in interconnection revenues line, **dependency on MTR keeps falling consistently, reaching 16.3%** of gross service revenues versus 16.9% in 4Q11 or 17.9% in 1Q11, giving path for the full impact of MTR cuts next quarter.

VAS represents already 17% of total Services Revenues

VAS gross revenues reached R\$1 billion, a consistent and strong growth of 56.1% YoY and accelerating from the growth seen in 4Q11 (+49.2% YoY) and 1Q11 (+32.3% YoY). This growth is a result of strong adherence of Infinity and Liberty Web data plans, including the Infinity Web Modem which was launch last December, and also the positive contribution of Infinity Torpedo. In this quarter **VAS gross revenues reached 18.1% of gross mobile services revenues** against 16.7% in 4Q11 and 13.8% in 1Q11. **Daily unique users** have reached **2.8 mln** on the Infinity Web and **5.8 mln** on the Infinity Torpedo.

Smartphone already accounts for more than 31.1% of CB

Handset gross revenues totaled R\$673 million, a 55.5% increase versus 1Q11. This increase was mainly driven by handsets mix enhancement, with **over 77.4% of total sales being smartphones or webphones (vs. ~39% a year ago)** and the average price growth of 52%. It is worth highlighting that smartphone penetration has passed 31.1% in our customer base (vs. 12.6% in the same period last year).

Fixed gross revenues, which includes Intelig, TIM Fixo and TIM Fiber, totaled R\$416 million in 1Q12, 14.7% higher when compared to the same period of last year. The annual increase is mainly due to Intelig's efforts after a slower pace because of TIM Fiber's integration and to TIM Fiber's leased line revenues, which were just included on November, 2011 after its acquisition.

Net revenues keeps the strong pace

Total net revenues reached R\$4,468 million in the quarter, an increase of 19.1%, and net service revenues came with a growth of 15.9% YoY to R\$4,015 million.

ARPU (average revenue per user) reached R\$19.1, a reduction of 8.0%, mainly due to lower incoming calls and subscriber base mix, where prepaid segment continues to grow much faster than postpaid (8x).

MOU (minutes of use) reached 126 minutes in 1Q12, stable when compare to 1Q11, mainly due to strong subscriber base growth.

- **Outgoing MOU** stood at 115 minutes in 1Q12, maintaining the growth pace and increasing 2.4% versus 1Q11. Total outgoing traffic increased by 29.2% versus 1Q11.
- **Incoming MOU** reached 11 minutes in 1Q12, sharp drop of 17.5% when compared to the same period last year. On absolute basis, total incoming traffic increased by 4.0% YoY.

Operating Costs and Expenses

DESCRIPTION	1Q12	1Q11	% YoY	4Q11	% QoQ
R\$ thousands					
Operating Expenses	(3,299,666)	(2,719,710)	21.3%	(3,396,538)	-2.9%
Personnel expenses	(175,997)	(153,444)	14.7%	(164,652)	6.9%
Selling & marketing expenses	(1,015,274)	(896,208)	13.3%	(1,079,699)	-6.0%
Network & interconnection	(1,301,199)	(1,109,388)	17.3%	(1,283,947)	1.3%
General & administrative	(132,180)	(124,307)	6.3%	(133,745)	-1.2%
Cost Of Goods Sold	(533,460)	(332,583)	60.4%	(544,674)	-2.1%
Bad Debt	(56,640)	(41,979)	34.9%	(62,451)	-9.3%
Other operational revenues (expenses)	(84,917)	(61,803)	37.4%	(127,370)	-33.3%

Total Operating costs and expenses increased by 21.3% on a year over year comparison to R\$3,300 million in the 1Q12. The expansion is explained **mainly due to a solid growth on handsets sales and subscribers' base**.

Costs and expenses breakdowns in 1Q12 are presented as follows:

Personnel expenses reached R\$176 million in 1Q12, a growth of 14.7% when compared to the same period of last year, mostly explained by increase in number of employees in 7.4% YoY to 10.8 thousand (TIM Fiber and Intelig).

Supporting customer base growth

Selling & Marketing expenses amount to R\$1,015 million, 13.3% higher when compared to the same period of last year and largely impacted by Fistel taxes which grew 34% YoY and advertisement and commissioning following subscriber's base growth of 27.2% YoY.

Network and Interconnection cost reached R\$1,301 million in the 1Q12, an increase of 17.3% when compared to the same period of last year. This result was largely impacted by both fixed and mobile interconnection growth from (i) Infinity Torpedo, that pushes SMS usage in a pay-per-day concept for prepaid; (ii) Increasing of outgoing minutes as subscribers' base climbed 27.2% YoY and move off-net calls (Infinity Mais – Mobile-Fixed and Liberty – Mobile-Mobile). Swap from leased line to own infrastructure (TIM Fiber) as of Q2.

General and Administrative expenses (G&A) amount to R\$132.2 million in the 1Q12, an increase of 6.3% when compared to same period of last year.

Cost of Goods Sold reached R\$533.5 million in the quarter, an increase of R\$127.4 million versus the same period of last year (or 60.4% YoY). This is a result of the strategy to empower data usage and increase penetration of the smartphones and webphones. From the 2.3 million handsets sold this quarter 77.4% were smarth/webphones. Also, mini modems and sim card drove the handset cost increase.

Bad debt at 0.86% of gross revenues

Bad Debt expenses as % of gross revenues came at 0.86% (vs. 0.92% in 4Q11) to R\$56.4 million. Yearly increase of 34.9% is mainly due to postpaid base increase of 25.3% YoY.

SAC/ARPU sharp drop even after sales record

Other operational expenses reached R\$84.9 million in 1Q12, R\$23.1 million more than the same period of last year, mainly due to the increase of FUST/FUNTTTEL.

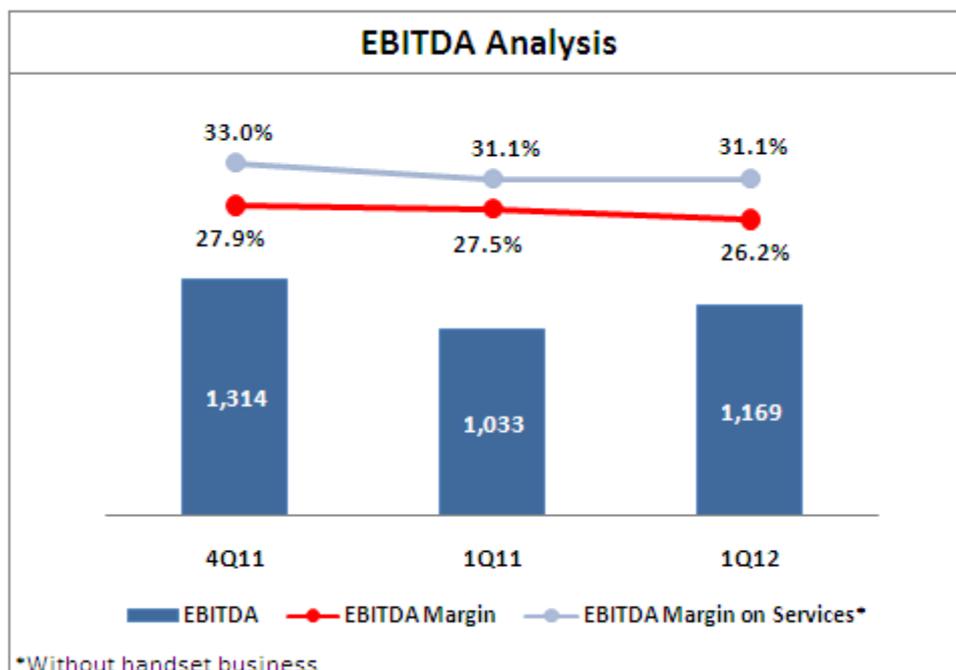
Subscriber Acquisition Costs per gross adds (where SAC = subsidy + commissioning + total advertising expenses) reduced to R\$32.1 in the 1Q12, a significant drop of 12% YoY. The performance reflects the efficiency in the acquisition of prepaid and postpaid customers, **although still delivering a record in gross additions** of +16.6% YoY, a record for a first quarter. SAC/ARPU ratio stood at 1.7x (vs. 1.8x in the 1Q11).

EBITDA

EBITDA growth at double digit

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) reached R\$1,169 million in 1Q12, representing an expansion of 13.2% (or R\$136 million) over 1Q11. Such growth is a result of strong outgoing voice and data revenues and slightly offset by an outstanding subscribers growth, which required higher commercial and network expenses.

EBITDA margin in 1Q12 stood at 26.2%, down from 27.5% in 1Q11. Yearly reduction is largely explained by the incremental handset revenues of +55.5% YoY which diluted EBITDA margin. However, such growth on product sale is justifiable by strong data usage growth. If we take out product business (revenue and cost), **EBITDA margin on services** is in line with 1Q11 at 31.1%.



Depreciation and amortization accounted for R\$656.6 million in the 1Q12, a drop of 3.8% YoY, a continuous trend started in 2010 following TIM's no handset subsidy policy.

EBIT

*EBIT at a
sound
growth of
46%%*

EBIT (earnings before interest and taxes) totaled R\$512 million in 1Q11, an increase of 46.4% increase on an yearly comparison, and representing a strong expansion of R\$162.3 million following a EBITDA growth and lower D&A.

Net Financial Result

Net financial result totaled R\$42.2 million, an increase of 29.3% if compared to the R\$32.6 million in the same period of last year.

In 1Q12, financial expenses expanded 18.7% reaching R\$106.3 million, impacted by debt growth of 12.7% (to R\$3.7 billion) and also by an increase in interest and monetary adjustments over taxes and contingencies. As for the financial revenues, it grew 15.5% reaching R\$79.3 million explained by: (i) an increase in cash position of 11.8% YoY (to R\$1,774 million) and consequently higher income from interest over cash and equivalents, and (ii) an increase in monetary adjustments. Net FX variation came at R\$15.2 million (vs. R\$11.7 million in 1Q11).

Income and Social Contribution Taxes

Income and Social Contribution taxes came at R\$193.4 million in 1Q12 (vs. R\$103,7 million in 1Q11), including R\$ 34 million deferred tax liabilities generated by the depreciation of Intelig's deemed cost. (one time effect)

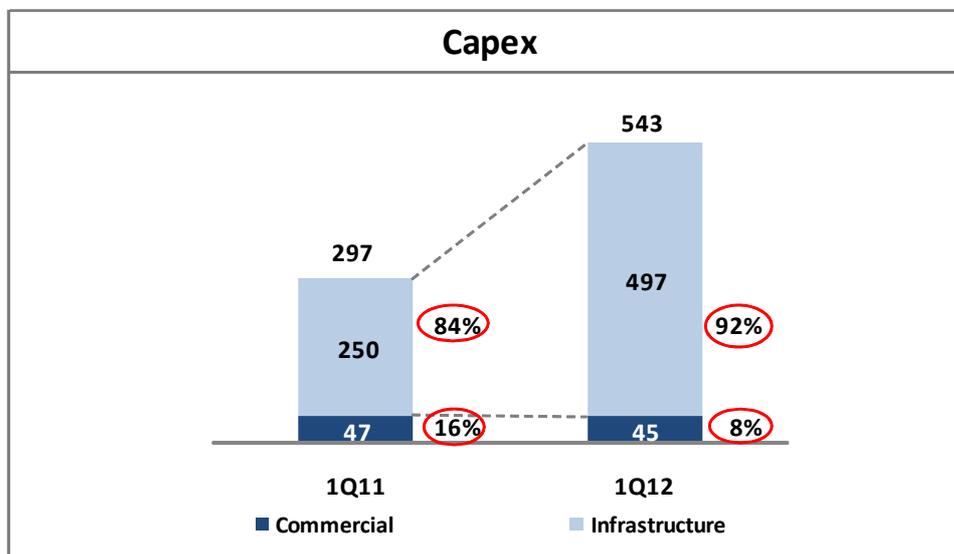
Net Profit

*Bottom line
reflecting
strong
operational
performance*

Consolidated Net Profit reached R\$276.4 million in 1Q12, +29.5% versus R\$ 213.5 million in 1Q11. The expansion is chiefly by operational improvements, as described above and slightly offset by higher taxes.

CAPEX

Investments totaled R\$542.7 million in 1Q12, an increase of 83% vs. same period of last year. Out of this amount, more than 90% was towards infrastructure.



Net financial position and free cash flow

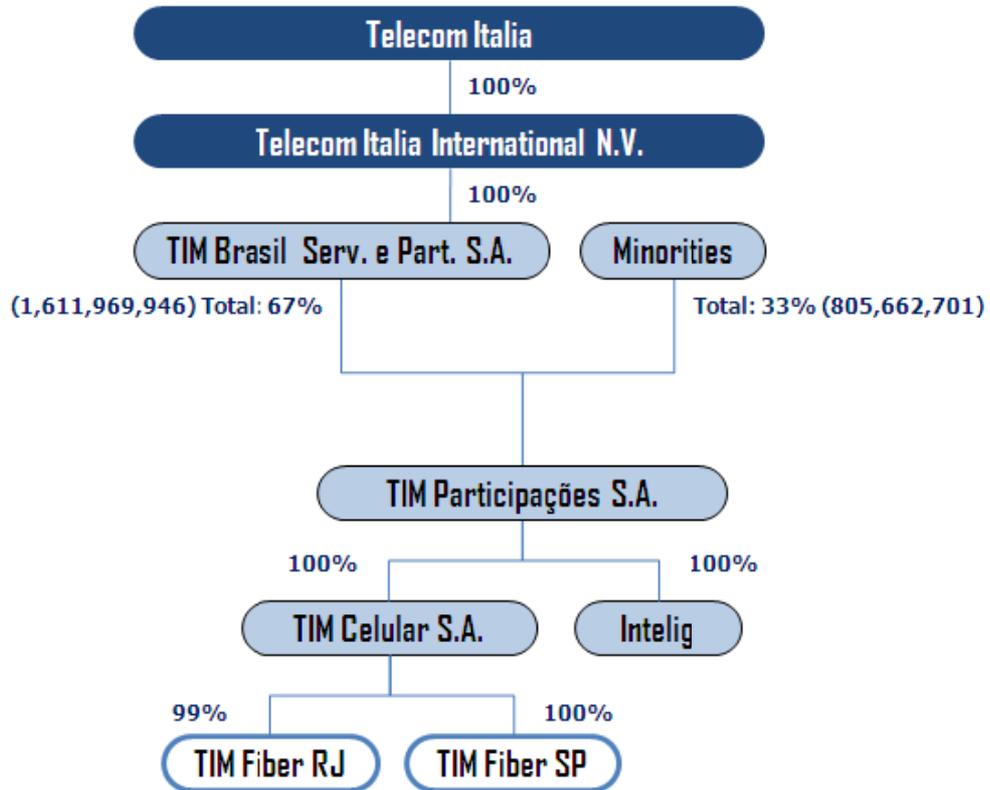
Gross Debt amounted to R\$ 3,673 million, an increase of 12.7% if compared to the R\$3,259 million in 1Q11. The reasons for this movement were loans raised: (i) in 3Q11, totaling US\$220 million, (ii) from TIM Fiber, which accounted R\$ 92 million, and (iii) in the 1Q12, totaling R\$123 million. Company's debt is concentrated in long-term contracts (70% of the total) composed mainly by financing from BNDES (Brazilian Economic and Social Development Bank), EIB (European Investment Bank), Santander and BNP Paribas, as well as borrowings from other local and international financial institutions.

Approximately 33% of total debt is denominated in foreign currency (USD), and it is 100% hedged in local currency. Average cost of debt totaled 9.58% in the 1Q12 compared to 10.60% in the 1Q11.

Cash and Cash equivalents reached R\$ 1,774 million, leading net debt position to R\$ 1,899 million or 13.6% higher than the 1Q11. Net debt/EBITDA trailing 12 months results in a ratio of 0.40x.

Operating Free Cash Flow, in 1Q12, was negative in R\$1,277 million (vs. -R\$549 million in 1Q11). The result is explained by a higher capex in 1Q12 (+83%), higher Fistel payment, and seasonal working capital variation.

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., Intelig Telecomunicações LTDA, TIM Fiber RJ S.A. and TIM Fiber SP 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 94.4% of the urban population – the widest GSM coverage in Brazil, with presence in 3,305 cities. TIM also provides extensive data coverage services in the country, 100% of it using GPRS, ~81% using EDGE, besides having a sophisticated Third Generation (3G) network serving 67% of the country's urban population. The Company has international roaming agreements for TIM clients with more than 471 networks available in more than 208 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 67.2 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 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 is 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 select group of companies of the Corporate Sustainability Index(ISE) of BM&FBOVESPA.



- » **Integrated 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 and quality attributes**
- » **Sustainability: Maintained in ISE index for 2011/2012**

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: 1Q12 Income Statements (2011 as reported – TIM + Nov/Dec TIM Fiber)
- Attachment 3: 1Q12 Income Statements (2011 pro-forma - TIM+ 12 months TIM Fiber)
- Attachment 4: 1Q12 Cash Flow Statements
- Attachment 5: 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	1Q12	4Q11	% QoQ	1Q11	% YoY
ASSETS	22,578,483	23,438,221	-3.7%	18,852,890	19.8%
CURRENT ASSETS	7,430,968	8,287,126	-10.3%	6,110,877	21.6%
Cash and cash equivalents	1,773,727	3,262,855	-45.6%	1,580,009	12.3%
Short-term investments	426	1,872	-77.3%	7,083	-94.0%
Accounts receivable	3,412,684	3,285,782	3.9%	2,732,850	24.9%
Inventories	377,363	273,171	38.1%	302,467	24.8%
Indirect recoverable Taxes	654,668	608,025	7.7%	558,910	17.1%
Direct recoverable Taxes	313,308	616,235	-49.2%	232,906	34.5%
Prepaid expenses	746,860	114,502	552.3%	606,165	23.2%
Derivative contracts	66,846	55,889	19.6%	5,920	1029.2%
Other assets	85,086	68,794	23.7%	84,567	0.6%
NONCURRENT	15,147,516	15,151,096	0.0%	12,742,013	18.9%
Noncurrent assets	2,867,600	2,752,738	4.2%	2,731,749	5.0%
Long-term investments	20,780	25,873	-19.7%	14,338	44.9%
Accounts receivable	83,096	59,712	39.2%	39,066	112.7%
Indirect recoverable Taxes	402,922	376,479	7.0%	207,991	93.7%
Direct recoverable Taxes	24,271	22,739	6.7%	158,951	-84.7%
Deferred income and social contribution taxes	1,456,345	1,488,235	-2.1%	1,694,971	-14.1%
Judicial deposits	731,118	607,627	20.3%	493,252	48.2%
Prepaid expenses	90,997	92,874	-2.0%	87,100	4.5%
Derivative contracts	42,903	65,315	-34.3%	18,303	134.4%
Other assets	15,168	13,884	9.2%	17,776	-14.7%
Permanent Assets	12,279,916	12,398,357	-1.0%	10,010,264	22.7%
Property, plant and equipment	6,554,978	6,624,081	-1.0%	5,576,244	17.6%
Intangibles	5,724,938	5,774,276	-0.9%	4,434,020	29.1%
LIABILITIES	22,578,483	23,438,221	-3.7%	18,852,890	19.8%
CURRENT LIABILITIES	5,535,243	6,795,629	-18.5%	5,048,115	9.6%
Suppliers	2,692,296	3,709,301	-27.4%	2,552,396	5.5%
Loans and financing	1,073,451	1,090,174	-1.5%	996,400	7.7%
Derivative contracts	88,791	77,055	15.2%	1,769	4920.2%
Salaries and related charges	163,860	145,803	12.4%	142,213	15.2%
Indirect taxes, charges and contributions	695,994	705,669	-1.4%	520,493	33.7%
Direct taxes, charges and contributions	199,172	454,124	-56.1%	141,005	41.3%
Dividends payable	326,311	326,348	0.0%	511,676	-36.2%
Authorizations payable	-	(0)	-100.0%	-	0.0%
Other liabilities	295,369	287,155	2.9%	182,162	62.1%
NONCURRENT LIABILITIES	3,808,594	3,685,855	3.3%	3,290,510	15.7%
Loans and financing	2,536,533	2,570,409	-1.3%	2,121,239	19.6%
Derivative contracts	83,841	89,078	-5.9%	163,359	-48.7%
Indirect taxes, charges and contributions	233,961	142,953	63.7%	125,964	85.7%
Direct taxes, charges and contributions	169,972	167,447	1.5%	138,981	22.3%
Deferred income and social contribution taxes	110,535	77,055	43.4%	81,799	35.1%
Provision for contingencies	242,050	229,521	5.5%	262,848	-7.9%
Pension plan	318	318	0.0%	9,103	-96.5%
Asset retirement obligations	267,081	261,918	2.0%	247,371	8.0%
Other liabilities	164,303	147,155	11.7%	139,845	17.5%
SHAREHOLDERS' EQUITY	13,234,646	12,956,737	2.1%	10,514,265	25.9%
Capital	9,839,770	9,839,770	0.0%	8,149,096	20.7%
Capital reserves	385,958	384,488	0.4%	380,560	1.4%
Special reserves	-	-	0.0%	15,569	-100.0%
Income reserves	2,735,848	2,735,848	0.0%	1,755,585	55.8%
Accumulated losses	-	-	0.0%	-	0.0%
Treasury Stocks	(3,369)	(3,369)	0.0%	-	0.0%
Net Income for the period	276,439	-	0.0%	213,456	29.5%

Attachment 2
TIM PARTICIPAÇÕES S.A.
1Q12 Income Statements
2011 as Reported (TIM + Nov/Dec TIM Fiber)
(R\$ Thousands)

DESCRIPTION	1Q12	1Q11	% YoY	4Q11	% QoQ
R\$ thousands					
Gross Revenues	6,610,442	5,440,095	21.5%	6,784,887	-2.6%
Telecommunications Services	5,937,199	5,007,167	18.6%	6,120,644	-3.0%
Mobile	5,521,145	4,644,475	18.9%	5,722,337	-3.5%
Usage and Monthly fee	2,704,643	2,371,264	14.1%	2,813,444	-3.9%
Value added services - VAS	999,543	640,353	56.1%	958,043	4.3%
Long distance	802,578	690,159	16.3%	841,413	-4.6%
Interconnection	968,127	896,620	8.0%	1,034,265	-6.4%
Others	46,255	46,079	0.4%	75,172	-38.5%
Fixed	416,054	362,692	14.7%	398,307	4.5%
Products	673,243	432,928	55.5%	664,243	1.4%
Discounts and deductions	(2,142,123)	(1,687,831)	26.9%	(2,074,321)	3.3%
Taxes and discounts on services	(1,921,781)	(1,543,979)	24.5%	(1,861,219)	3.3%
Taxes and discounts on handset sales	(220,343)	(143,852)	53.2%	(213,102)	3.4%
Net Revenues	4,468,318	3,752,264	19.1%	4,710,566	-5.1%
Services	4,015,418	3,463,187	15.9%	4,259,425	-5.7%
Products	452,900	289,076	56.7%	451,141	0.4%
Operating Expenses	(3,299,666)	(2,719,710)	21.3%	(3,396,538)	-2.9%
Personnel expenses	(175,997)	(153,444)	14.7%	(164,652)	6.9%
Selling & marketing expenses	(1,015,274)	(896,208)	13.3%	(1,079,699)	-6.0%
Network & interconnection	(1,301,199)	(1,109,388)	17.3%	(1,283,947)	1.3%
General & administrative	(132,180)	(124,307)	6.3%	(133,745)	-1.2%
Cost Of Goods Sold	(533,460)	(332,583)	60.4%	(544,674)	-2.1%
Bad Debt	(56,640)	(41,979)	34.9%	(62,451)	-9.3%
Other operational revenues (expenses)	(84,917)	(61,803)	37.4%	(127,370)	-33.3%
EBITDA	1,168,652	1,032,553	13.2%	1,314,028	-11.1%
EBITDA Margin	26.2%	27.5%	-136 bps	27.9%	-174 bps
Depreciation & amortization	(656,629)	(682,800)	-3.8%	(638,590)	2.8%
Depreciation	(360,766)	(343,723)	5.0%	(354,740)	1.7%
Amortization	(295,863)	(339,078)	-12.7%	(283,849)	4.2%
EBIT	512,024	349,753	46.4%	675,438	-24.2%
EBIT Margin	11.5%	9.3%	214 bps	14.3%	-288 bps
Net Financial Results	(42,178)	(32,616)	29.3%	(100,817)	-58.2%
Financial expenses	(106,291)	(89,560)	18.7%	(163,926)	-35.2%
Financial income	79,310	68,641	15.5%	107,597	-26.3%
Net exchange variation	(15,198)	(11,697)	29.9%	(44,489)	-65.8%
Income before taxes	469,845	317,137	48.2%	574,621	-18.2%
Income tax and social contribution	(193,407)	(103,681)	86.5%	(173,463)	11.5%
Net Income	276,439	213,456	29.5%	401,158	-31.1%

Attachment 3
TIM PARTICIPAÇÕES S.A.
1Q12 Income Statements
2011 Pro-Forma (TIM + 12 months TIM Fiber)
(R\$ Thousands)

DESCRIPTION	1Q12	1Q11	% YoY	4Q11	% QoQ
R\$ thousands					
Gross Revenues	6,610,442	5,489,126	20.4%	6,801,143	-2.8%
Telecommunications Services	5,937,199	5,056,198	17.4%	6,136,900	-3.3%
Mobile	5,521,145	4,644,419	18.9%	5,722,319	-3.5%
Usage and Monthly fee	2,704,643	2,371,208	14.1%	2,813,426	-3.9%
Value added services - VAS	999,543	640,353	56.1%	958,043	4.3%
Long distance	802,578	690,159	16.3%	841,413	-4.6%
Interconnection	968,127	896,620	8.0%	1,034,265	-6.4%
Others	46,255	46,079	0.4%	75,172	-38.5%
Fixed	416,054	411,779	1.0%	414,581	0.4%
Products	673,243	432,928	55.5%	664,243	1.4%
Discounts and deductions	(2,142,123)	(1,696,751)	26.2%	(2,077,811)	3.1%
Taxes and discounts on services	(1,921,781)	(1,552,899)	23.8%	(1,864,708)	3.1%
Taxes and discounts on handset sales	(220,343)	(143,852)	53.2%	(213,102)	3.4%
Net Revenues	4,468,318	3,792,375	17.8%	4,723,332	-5.4%
Services	4,015,418	3,503,299	14.6%	4,272,192	-6.0%
Products	452,900	289,076	56.7%	451,141	0.4%
Operating Expenses	(3,299,666)	(2,724,897)	21.1%	(3,396,115)	-2.8%
Personnel expenses	(175,997)	(163,544)	7.6%	(167,736)	4.9%
Selling & marketing expenses	(1,015,274)	(896,344)	13.3%	(1,079,958)	-6.0%
Network & interconnection	(1,301,199)	(1,100,439)	18.2%	(1,279,035)	1.7%
General & administrative	(132,180)	(128,223)	3.1%	(135,049)	-2.1%
Cost Of Goods Sold	(533,460)	(332,583)	60.4%	(544,674)	-2.1%
Bad Debt	(56,640)	(41,835)	35.4%	(62,454)	-9.3%
Other operational revenues (expenses)	(84,917)	(61,928)	37.1%	(127,209)	-33.2%
EBITDA	1,168,652	1,067,478	9.5%	1,327,217	-11.9%
EBITDA Margin	26.2%	28.1%	-199 bps	28.1%	-194 bps
Depreciation & amortization	(656,629)	(690,854)	-5.0%	(641,480)	2.4%
Depreciation	(360,766)	(351,619)	2.6%	(357,579)	0.9%
Amortization	(295,863)	(339,234)	-12.8%	(283,902)	4.2%
EBIT	512,024	376,625	36.0%	685,736	-25.3%
EBIT Margin	11.5%	9.9%	153 bps	14.5%	-306 bps
Net Financial Results	(42,178)	(31,717)	33.0%	(101,500)	-58.4%
Financial expenses	(106,291)	(89,711)	18.5%	(164,804)	-35.5%
Financial income	79,310	69,685	13.8%	107,789	-26.4%
Net exchange variation	(15,198)	(11,691)	30.0%	(44,485)	-65.8%
Income before taxes	469,845	344,907	36.2%	584,237	-19.6%
Income tax and social contribution	(193,407)	(113,153)	70.9%	(176,734)	9.4%
Net Income	276,439	231,754	19.3%	407,502	-32.2%

Attachment 4
TIM PARTICIPAÇÕES S.A.
Cash Flow Statements
(R\$ Thousands)

DESCRIPTION	1Q12	1Q11	% YoY	4Q11	% QoQ
EBIT	512,024	349,753	46.4%	675,438	-24.2%
Depreciation and amortization	656,629	682,800	-3.8%	638,590	2.8%
Capital expenditures	(542,669)	(296,530)	83.0%	(1,150,184)	-52.8%
Changes in net operating working capital	(1,902,739)	(1,285,426)	48.0%	1,011,640	-288.1%
Free Operating Cash Flow	(1,276,755)	(549,403)	132.4%	1,175,484	-208.6%
Income and social contribution taxes	(128,037)	(67,829)	88.8%	(94,252)	35.8%
Dividends and payables	(37)	(61)	-39.3%	(38)	-3%
Fiber RJ and Fiber SP acquisitions	-	-	0.0%	(1,529,588)	-100%
Net cash from Fiber RJ and Fiber SP acquisitions	-	-	0.0%	(70,671)	-100%
Increase in capital	-	-	0.0%	1,722,222	-100%
Cost of issuance of shares	-	-	0.0%	(47,116)	-100%
Net financial revenue	(42,178)	(32,616)	29.3%	(100,817)	-58.2%
Judicial deposits	(123,491)	(107,733)	14.6%	(38,049)	224.6%
LT taxes, interest and contributions	93,533	68,244	37.1%	21,135	342.6%
Other changes	19,034	1,891	906.4%	(21,207)	-189.8%
Net Cash Flow	(1,457,931)	(687,507)	112.1%	1,017,662	-243.3%

Attachment 5
TIM PARTICIPAÇÕES S.A.
Operational Indicators

DESCRIPTION	1Q12	1Q11	% YoY	4Q11	% QoQ
Brazilian Wireless Subscriber Base (million)	250.826	210.509	19,2%	242.232	3,5%
Estimated Total Penetration	128,0%	108,3%	19,7pp	123,9%	4,1bps
Municipalities Served - TIM GSM	3.305	3.208	3,0%	3.294	0,3%
Market Share	26,8%	25,1%	1,7pp	26,5%	0,3bps
Total Lines ('000)	67.217	52.849	27,2%	64.083	4,9%
Prepaid	57.564	45.147	27,5%	54.778	5,1%
Postpaid	9.653	7.701	25,3%	9.305	3,7%
Gross Additions ('000)	9.880	8.476	16,6%	11.836	-16,5%
Net Additions ('000)	3.134	1.821	72,1%	4.873	-35,7%
Churn	6.746	6.655	1,4%	6.963	-3,1%
ARPU (R\$)	19,1	20,8	-8,0%	21,9	-12,8%
MOU	126	126	0,2%	131	-3,6%
SAC (R\$)	32	36	-12,0%	28	13,4%
Handsets sold ('000)	2.284	2.262	1,0%	2.847	-19,8%
Investment (R\$ million)	543	297	83,0%	1.150	-52,8%
Employees*	10.761	10.016	7,4%	10.562	1,9%

* Includes TIM Fiber's employees in 1Q12 and 4Q11.