

**Você, sem fronteiras.**

# **1Q11 Results Presentation**

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**Investor Relations  
São Paulo, May 3<sup>rd</sup> 2011**

- ▶ **1Q2011: Main Achievements**
- ▶ 1Q2011: Financial Results
- ▶ Full Year 2011: Business Outlook

# What's TIM Brasil?



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## Innovation is in our DNA...

### "Voice is Good"

- ✓ **Infinity breakthrough**
  - Local as Long Distance
  - Price per call concept
- ✓ **Infinity Mais (Off-net M2F): 3x traffic growth in 5 months**
- ✓ **Liberty (postpaid): 2x MOU; churn below 2% per month**

### "New Data Approach"

- ✓ **4x smartphones sold in a "zero-subsidy" approach**
- ✓ **Unlimited even for data concepts**
  - Prepaid: pay per day
    - . Infinity Web/SMS take-up
  - Postpaid: on/off payment concept per month
    - . Liberty Web (smartphone, tablet, modem)

## ...consistent value creation

### Q1 Results

- **Customer Base** +25% YoY
- **Top Line** +14% YoY
- **Service Revenues** +9% YoY

### Profitability

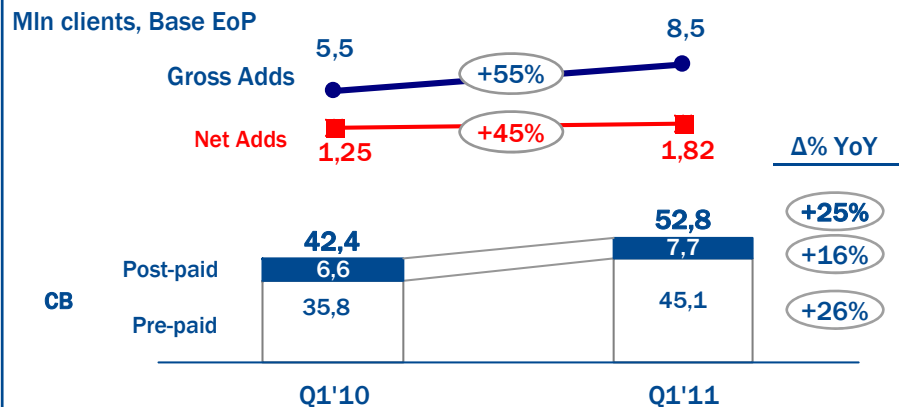
- **EBITDA** +9% YoY
- **EBITDA (excluding subsidy capitalization)** +23% YoY
- **EBIT** +109% YoY
- **EBITDA-CAPEX** +186% YoY
- **Net Income** +291% YoY
- **Net Debt** -35% YoY

# Acceleration of Growth: Customer Base and Revenues

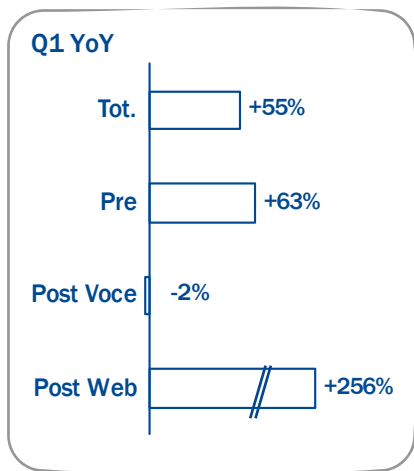


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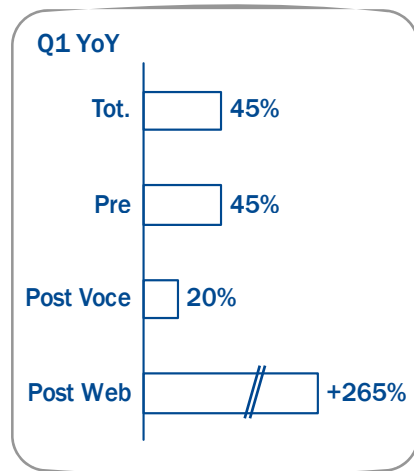
## Customer Base



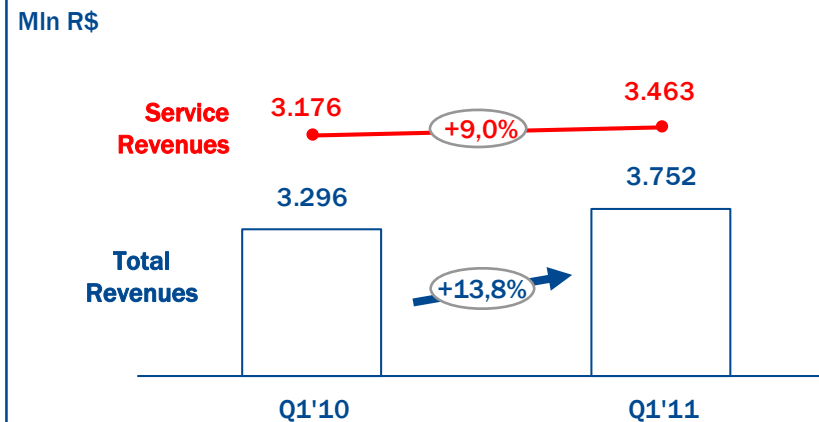
### Gross Adds



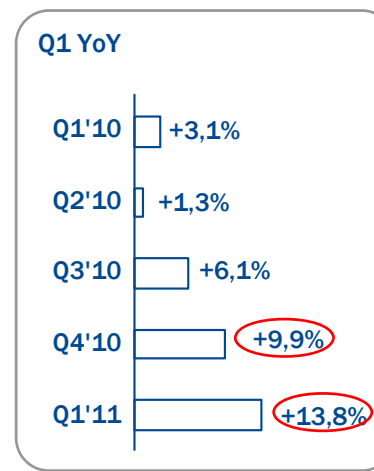
### Net Adds



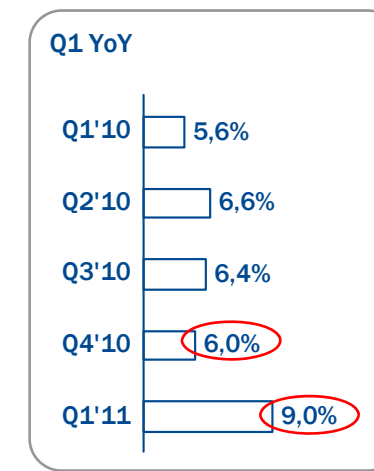
## Revenues



### Total Revenues



### Service Revenues



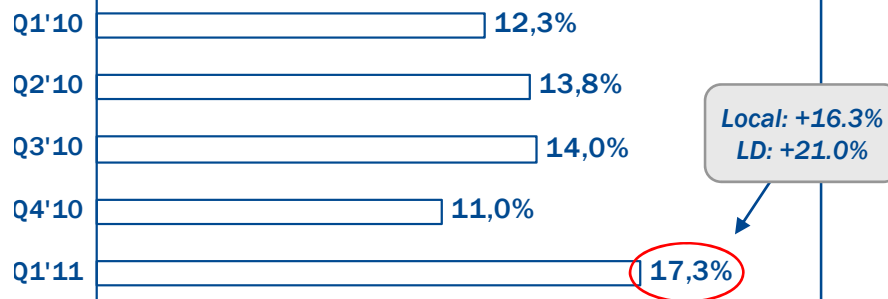
# Drivers of Revenues Acceleration



Você, sem fronteiras.

## Mobile - Voice Out

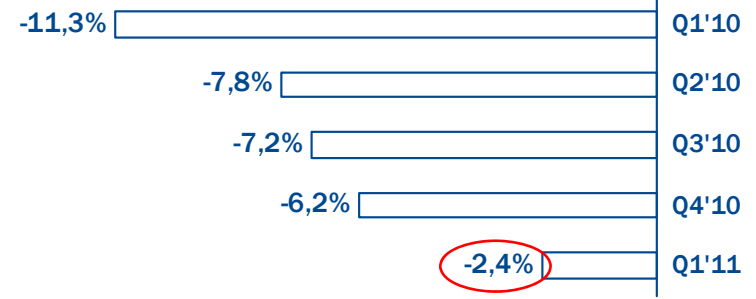
YoY growth



**"Talking more"**

## Mobile - Voice In

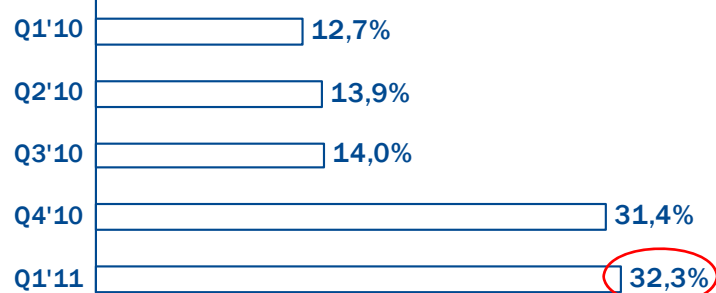
YoY growth



**"Lower erosion"**

## Mobile - Data Revenues

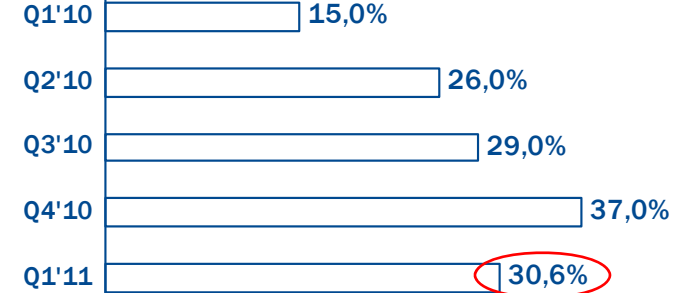
YoY growth



**"Data take-up"**

## Intelig Revenues\*

YoY growth



**"Intelig on track"**

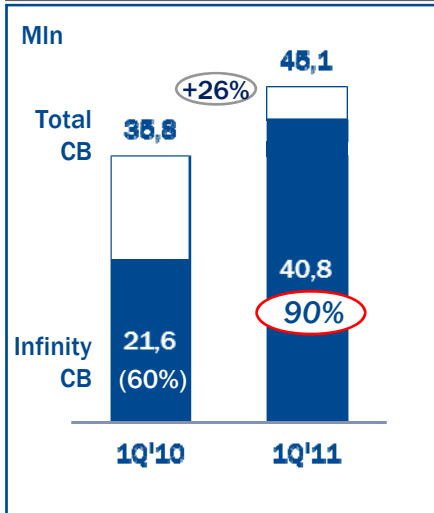
\* Net revenues

# Prepaid (Infinity): Enlarging TIM Community

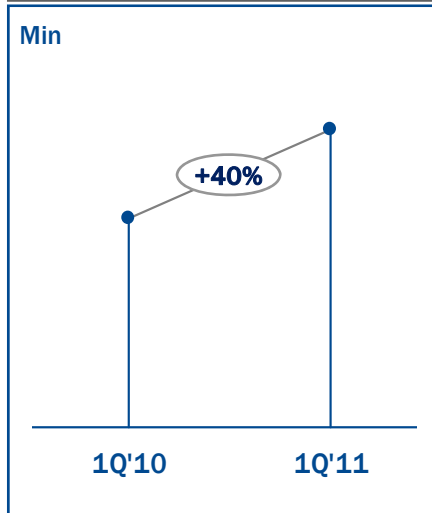


Você, sem fronteiras.

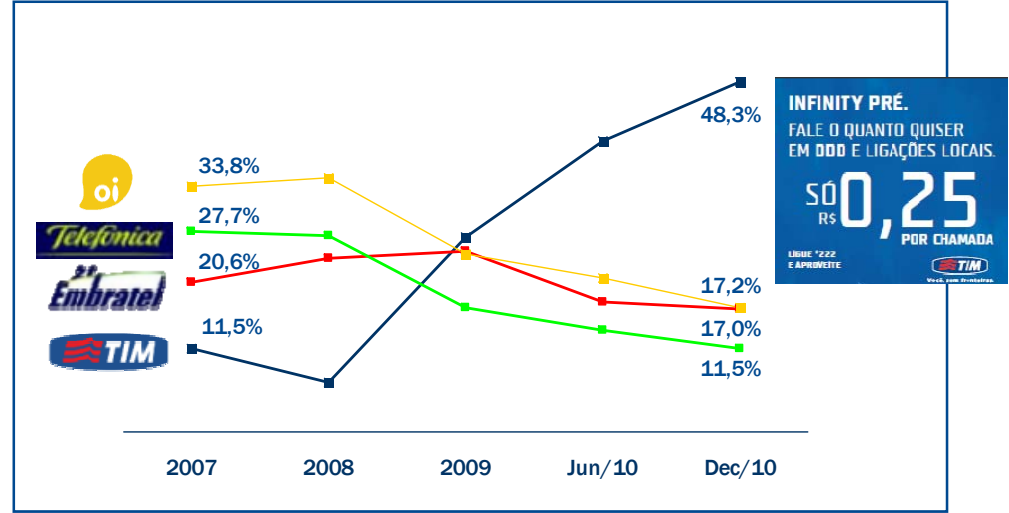
## Customer Base Pre



## MoU Out

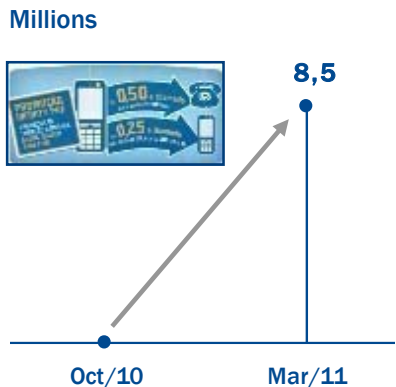


## Market Share LD

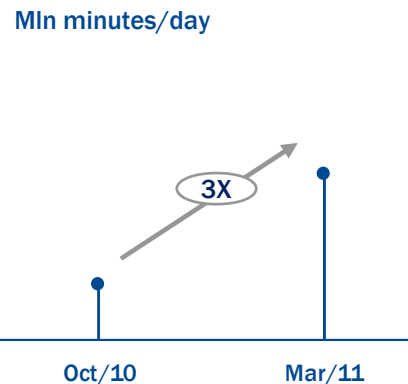


## Infinity 'Mais'

### Customer Base

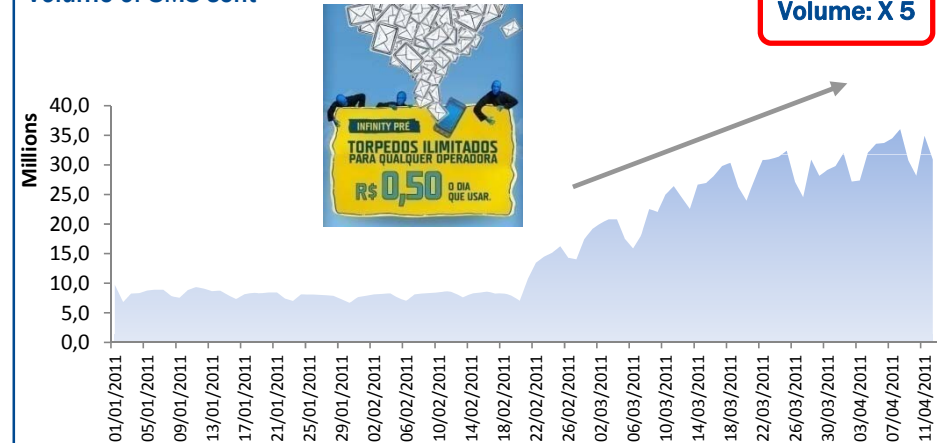


### Off-net TIM-Fixed Traffic



## Infinity Torpedo

### Volume of SMS sent



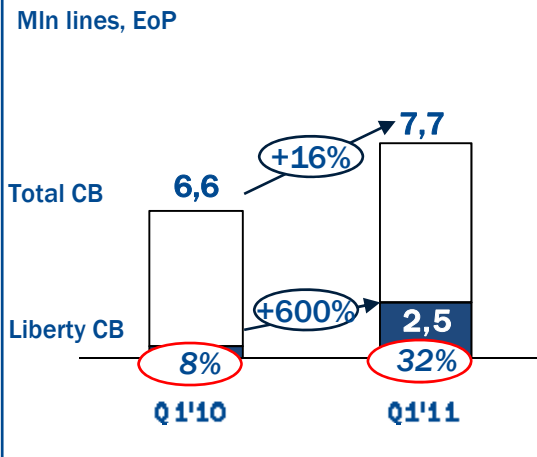


# Liberty: Driving Postpaid Growth



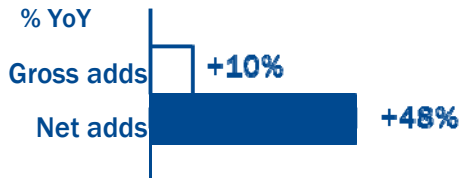
Você, sem fronteiras.

## Customer Base Post



## Churn Reduction

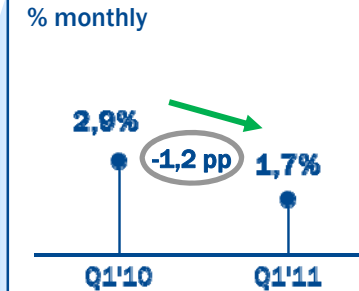
### Growth



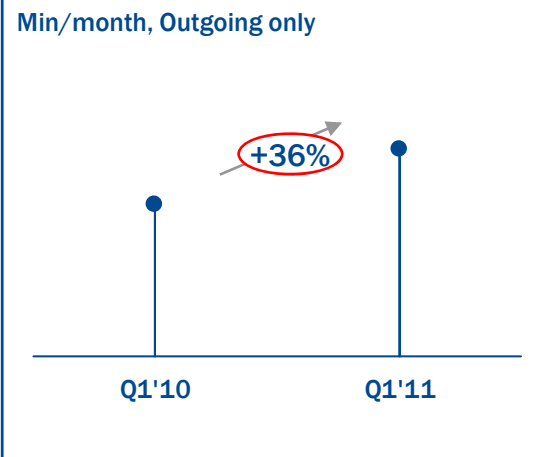
### Total churn rate



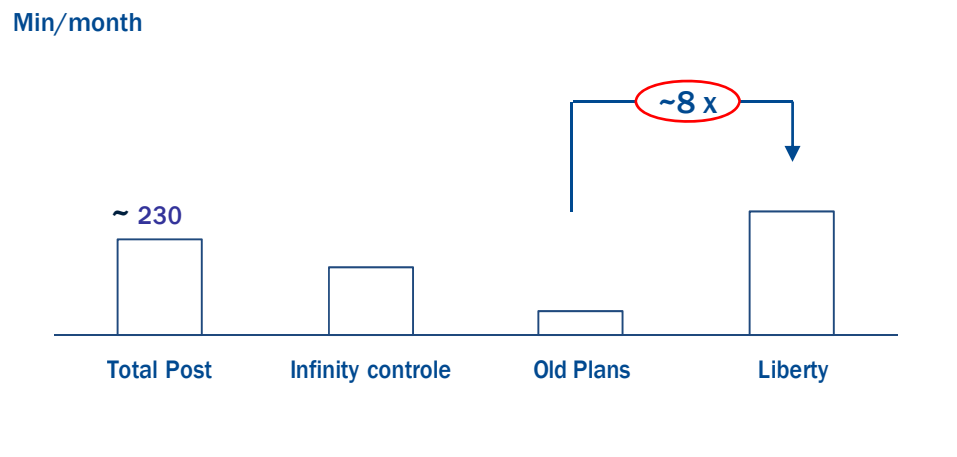
### Churn Voice Consumer



## MoU Post



## Liberty: driving MoU increase



Liberty Success



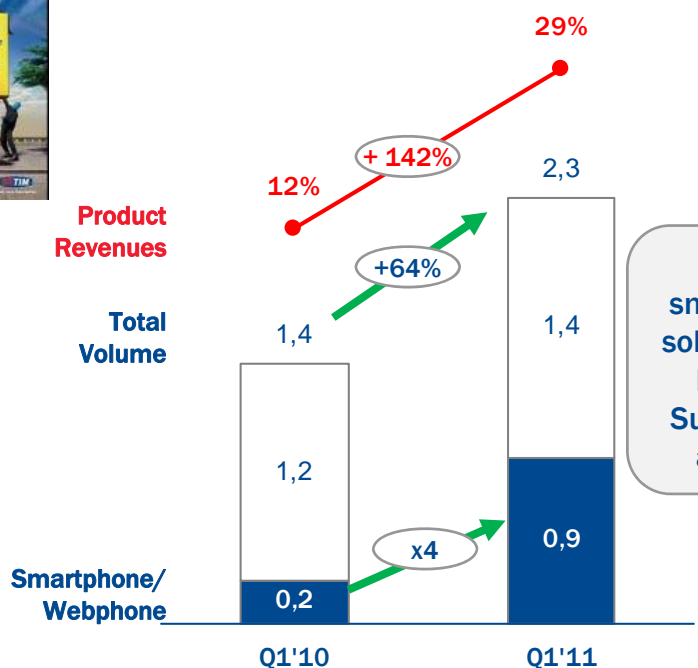
# Smartphone Sales: boost Data take-up



Você, sem fronteiras.

## Handsets/Smartphones Sales

MIn R\$, '000 handsets, R\$



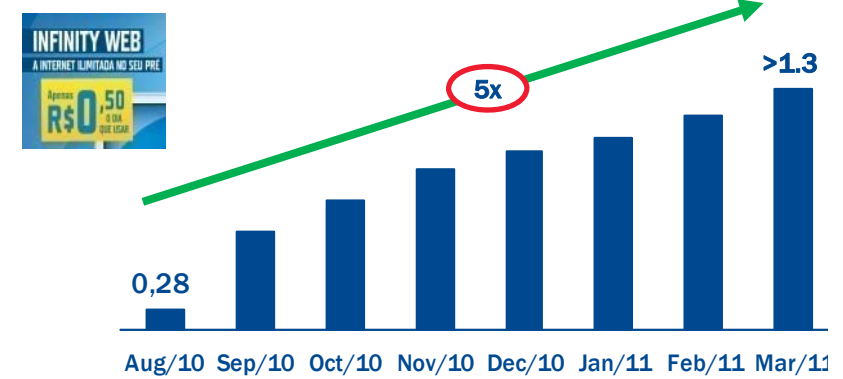
4x more smartphones sold in a "Zero Handsets Subsidy" rule approach

% Smart-Webphone on Total: 16% (Q1'10) to 40% (Q1'11)

Unit price (mix effect): 87 (Q1'10) to 128 (Q1'11), +48%

## Pre-Paid: Infinity Web success

Unique users, Average, mln clients



## Post-Paid: New Offering





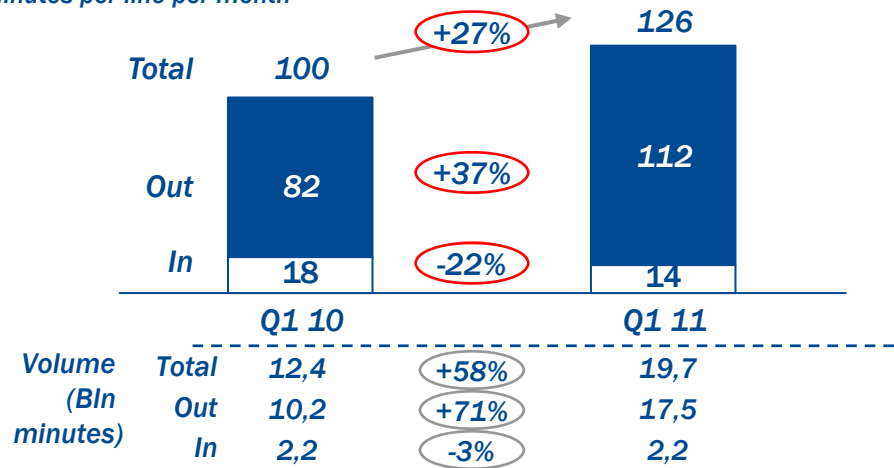
# KPI's evolution



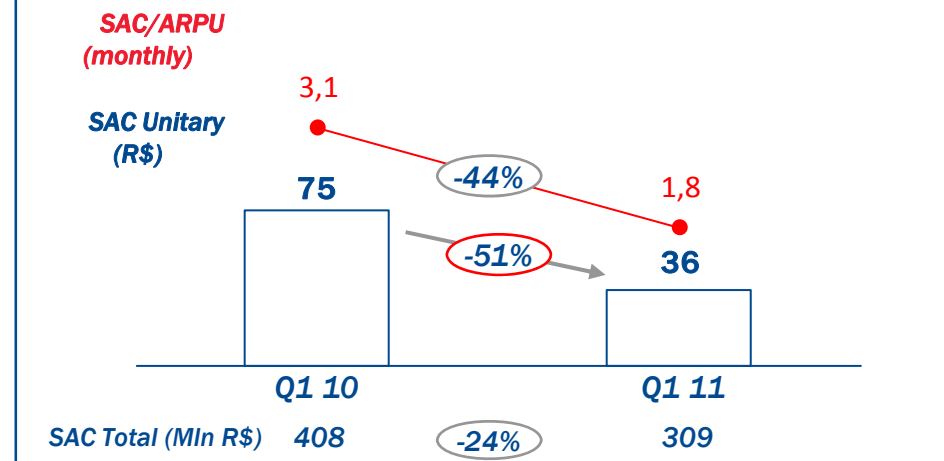
Você. sem fronteiras.

## MoU

Minutes per line per month

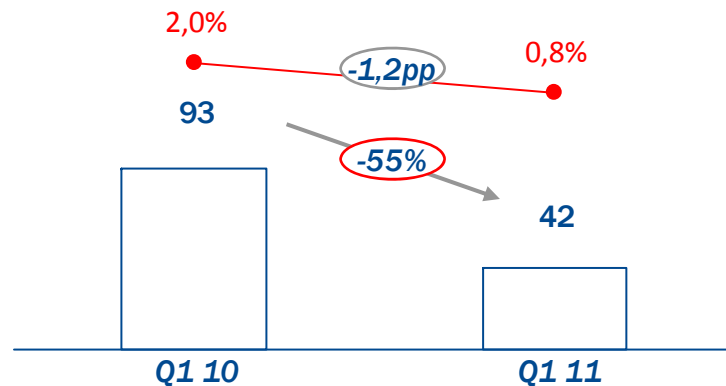


## SAC & SAC/ARPU

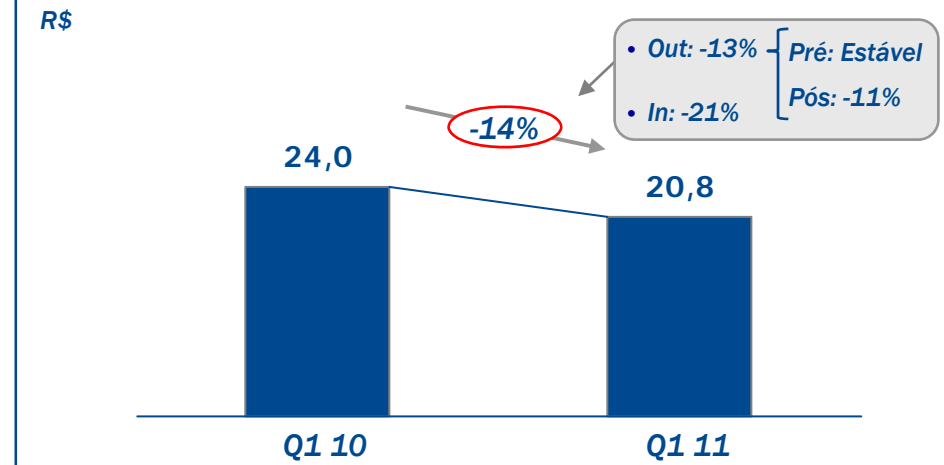


## Bad Debt

R\$ Mln, % Gross Revenues



## ARPU



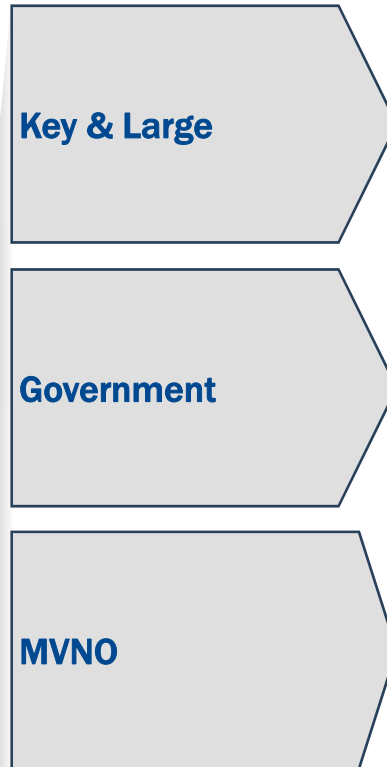
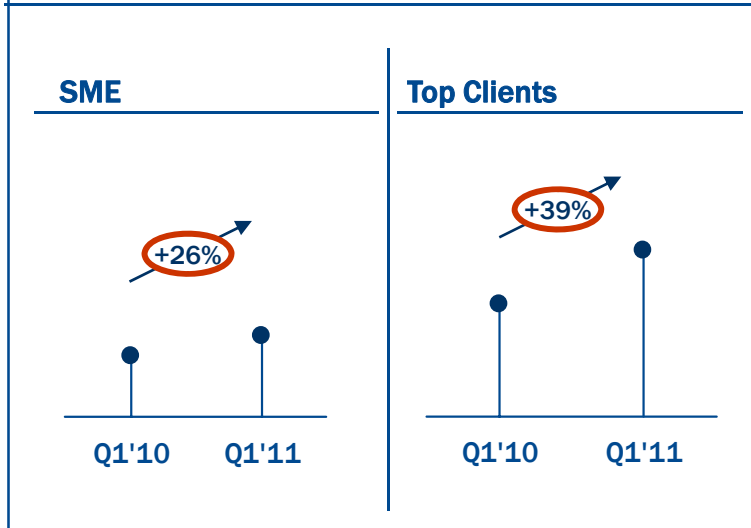
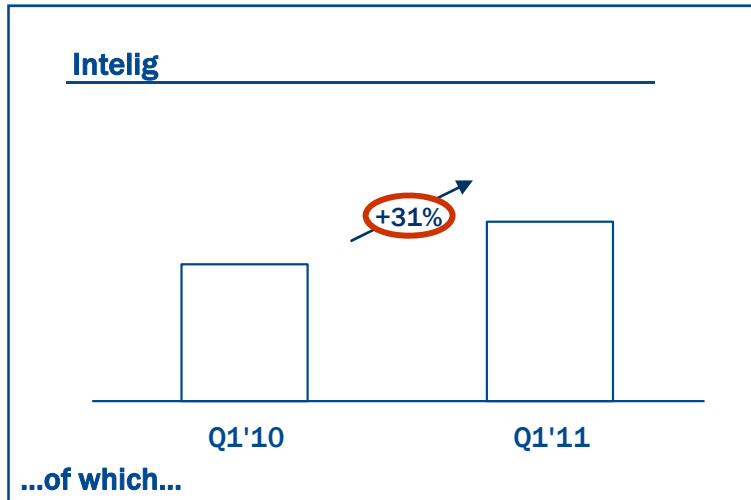
# Intelig "on track"



Você, sem fronteiras.

R\$ Mln

## Net Revenues



## Major Commercial Achievements

**Key & Large**

- AES Eletropaulo
- SKY TV É ISSO
- O Boticário
- virtual computer
- edp

**Focused Approach**

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**Government**

- RJ Government
- COBRA TECNOLOGIA
- RJ City Hall
- BANCO DO BRASIL
- SP Government
- CELG
- Military games

**Success in the main Government bids**

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**MVNO**

- PORTO SEGURO

**First Mover in Brazil**

... and more new Partnerships in progress...

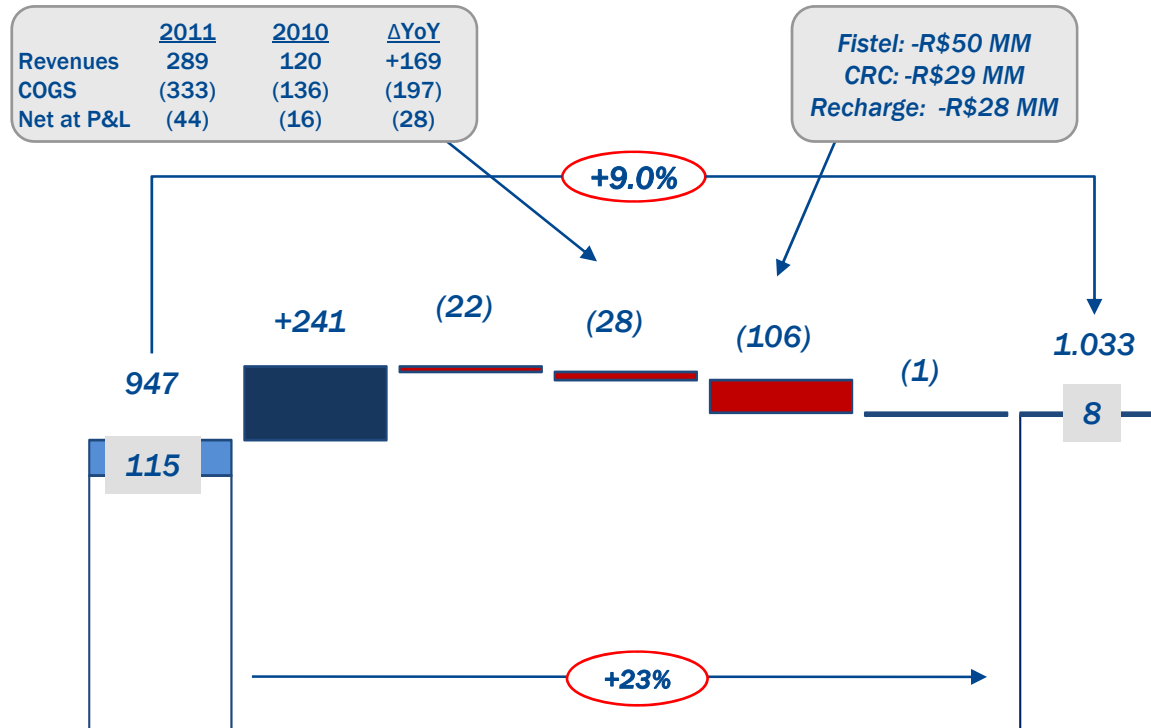
- ▶ 1Q2011: Main Achievements
- ▶ **1Q2011: Financial Results**
- ▶ Full Year 2011: Business Outlook

# EBITDA analysis: Q1 2011 YoY



Você, sem fronteiras.

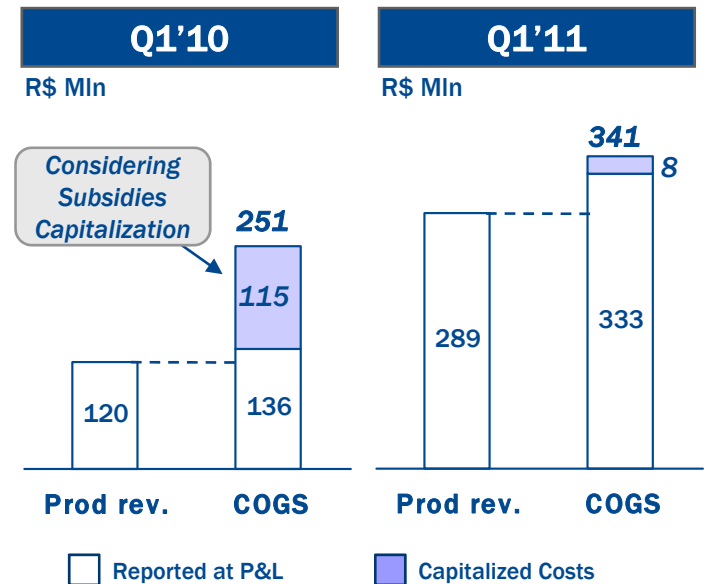
R\$ Mln



	EBITDA 1Q10	Business Generated (Outgoing - ITX costs)	Business Received (incoming)	Product Contribution (Rev. - COGS)	Commercial expenses	Others expenses*	EBITDA 1Q11
% YoY		+14.8%	-2.5%	+171.8%	+13.4%	+0.0%	+9.0%

\* Personnel, Network, G&A, Bad Debt and Other Expenses

## Subsidies analysis



### Handsets sold (Mln)



### Subsidy per handset (R\$)

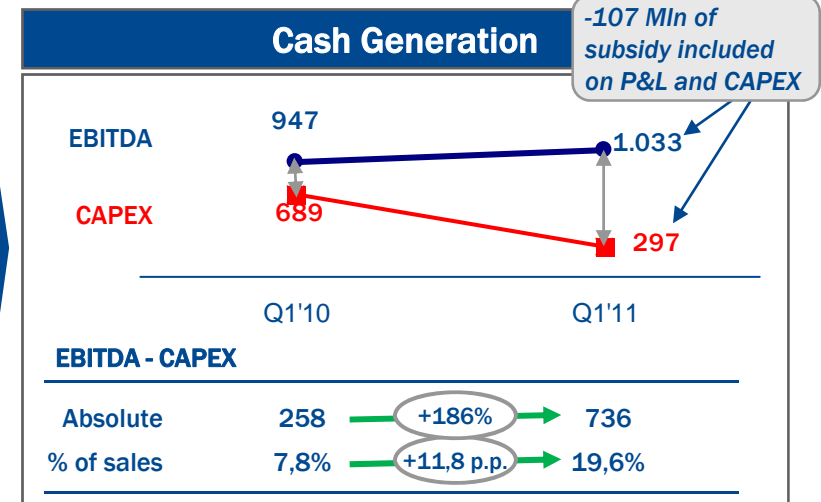
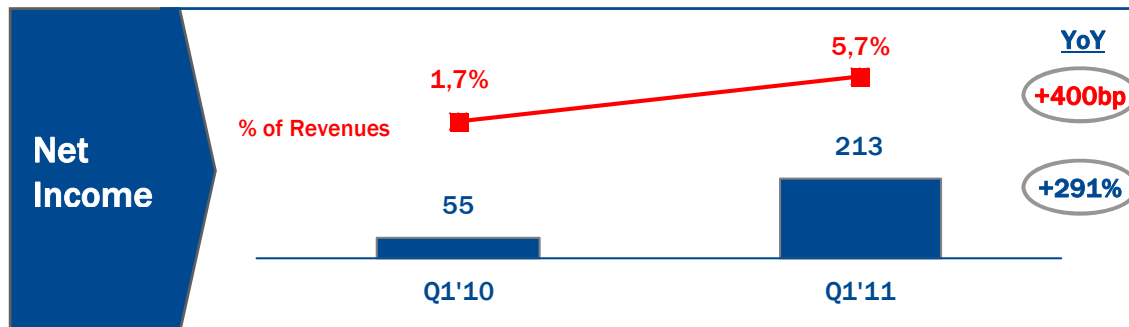
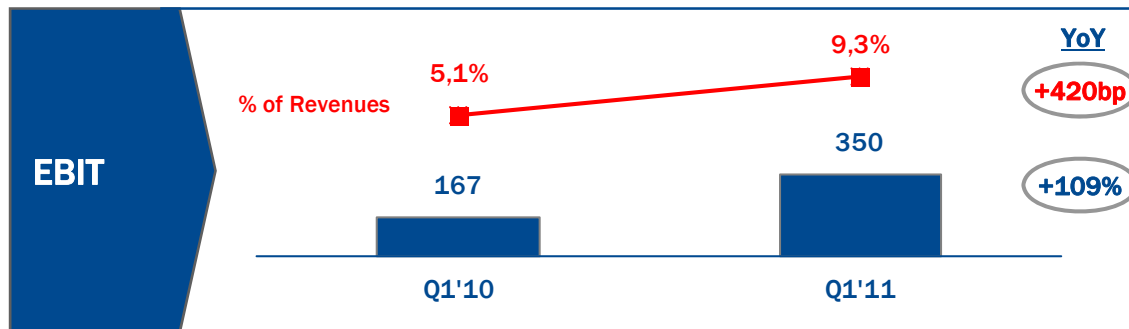
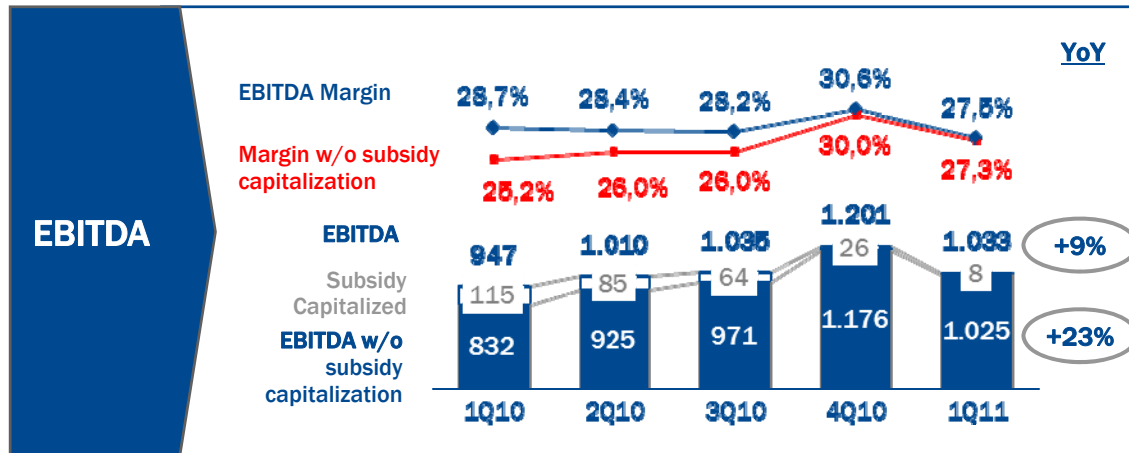


# Impact of "Zero Handset Subsidy" on Financial Results



Você, sem fronteiras.

R\$ Min, %



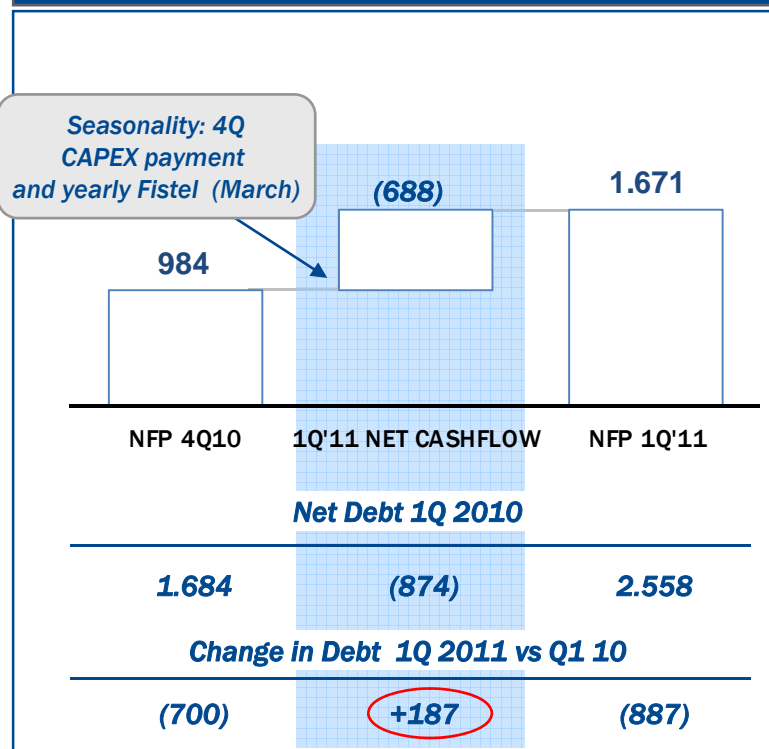
# Net Debt Evolution



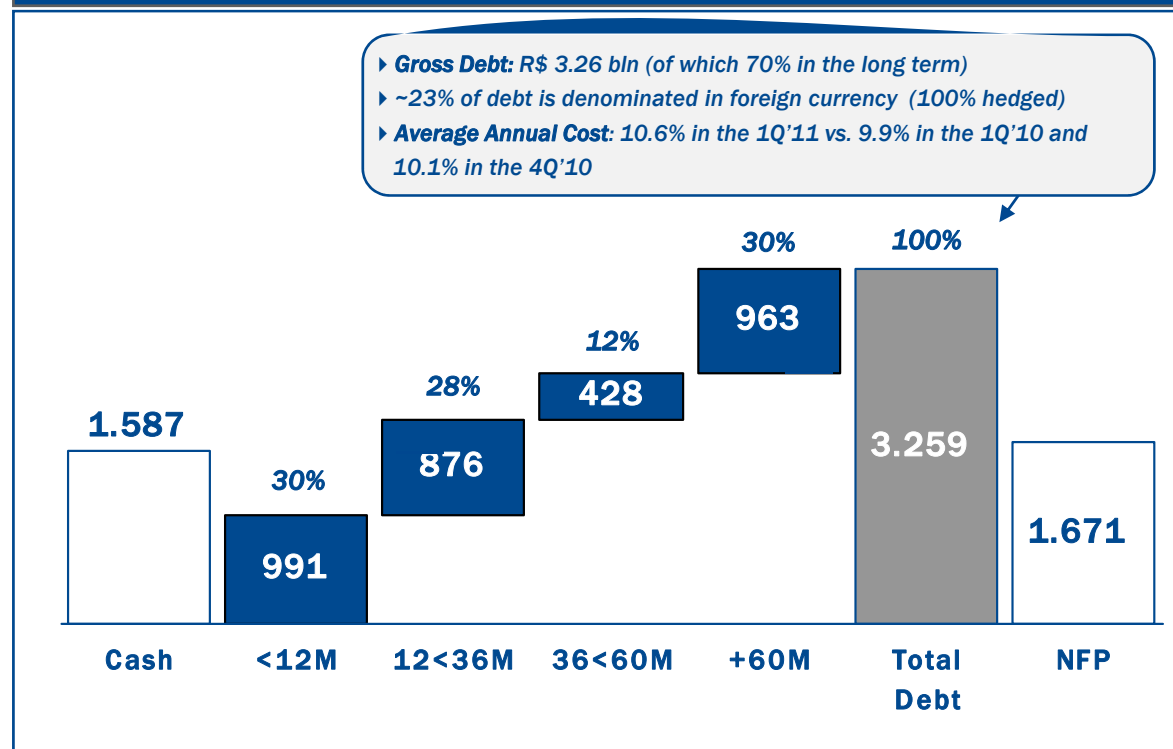
Você, sem fronteiras.

R\$ Mln

## Net Debt 1Q 2011



## Net Debt Profile



## From Operating to Net Cash Flow 1Q

	OperFCF	Interest & taxes	Others	Net Cash Flow
Q1 11	(549)	(136)	(2)	(687)
Q1 10	(718)	(113)	(43)	(874)
Vs YA	<b>+169</b>	(23)	+41	<b>+187</b>



- ▶ 1Q2011: Main Achievements
- ▶ 1Q2011: Financial Results
- ▶ **Full Year 2011: Business Outlook**

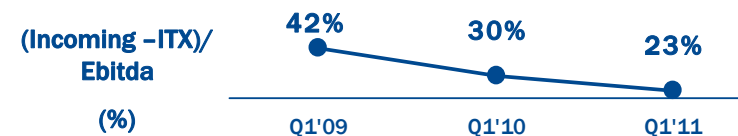
## Market Scenario

- ✓ **Mobile over Fixed:** acceleration of FMS trend
- ✓ **MTR cut glide path** as of H2
- ✓ **Intensification of Mobile competition (still rational):**
  - More chip-only, less handset subsidy
  - New services (long distance via mobile, SMS)
- ✓ **Fast Data take-up** (#3 worldwide in growth rate), while voice market still expanding

**Brazilian mobile market attractiveness**  
(large and fast growing)

## TIM Strategy

- ✓ **No legacy in FMS:** “The largest pure mobile in Brasil”
- ✓ **Low MTR cut exposure:**



- ✓ **Focus on value (#2 in Revenue Share)**
  - The largest community (Infinity >41MM)
  - **MOU Accretion:** outgoing Revenues at double digit growth
  - **Zero-subsidy** strategy on handsets
  - **Data take-up** via smartphone penetration (4x)

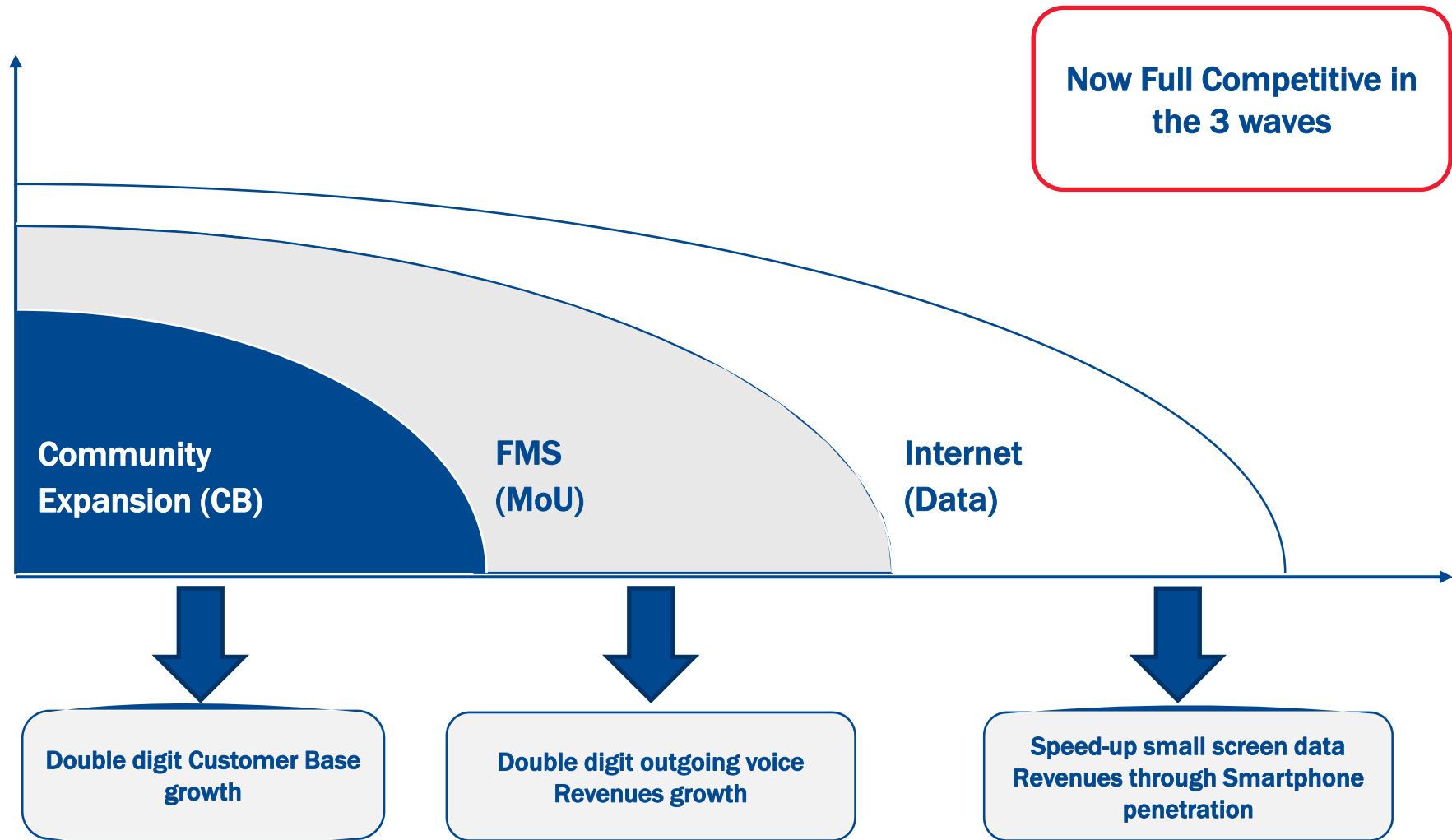
• **Innovation in go-to-market...**

...**Enhancing shareholder value**

# Drivers of Growth



Você, sem fronteiras.

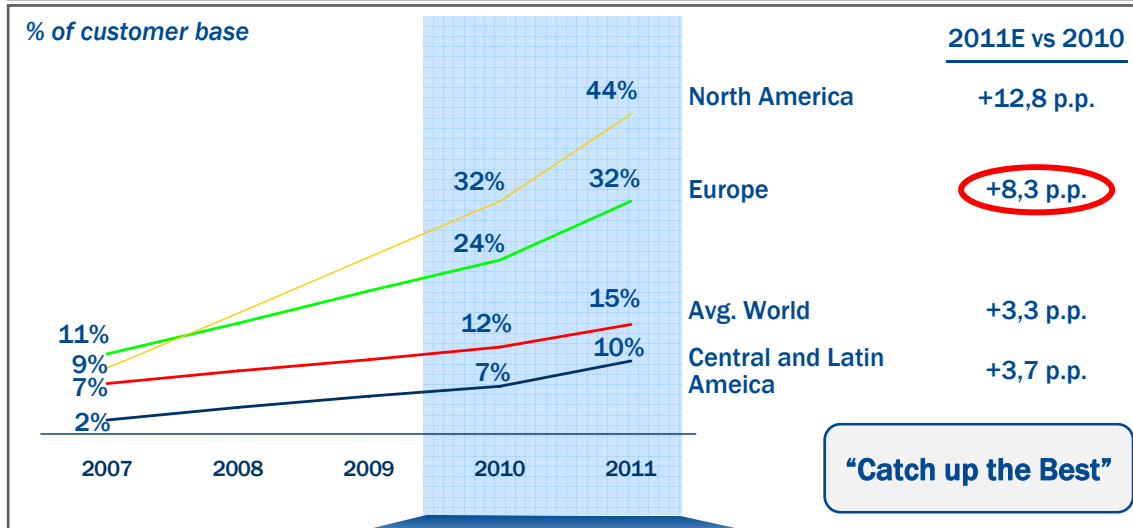


# Smartphone penetration take-up in a zero subsidy approach



Você, sem fronteiras.

## Smartphone penetration\* in the World

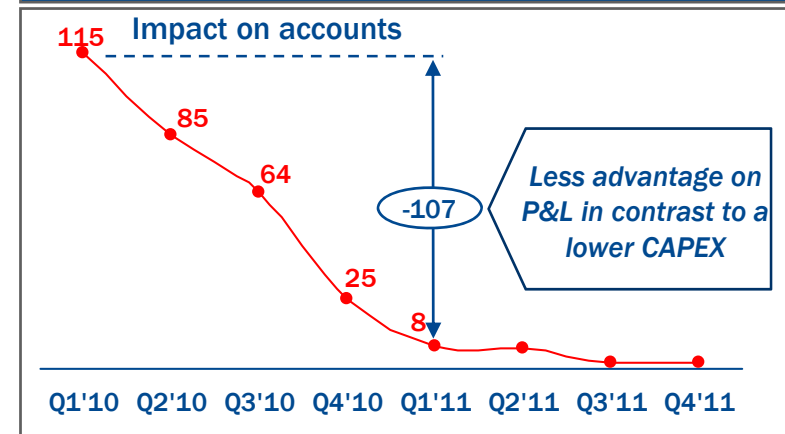


## Smartphone penetration\* in TIM Brasil



\*Smartphone penetration as % of total mobile subscriber reported (dongle x M2M excluded)  
Source: Global Wireless Matrix (28° april 2011); BofA Merrill Lynch

## With a zero subsidy approach

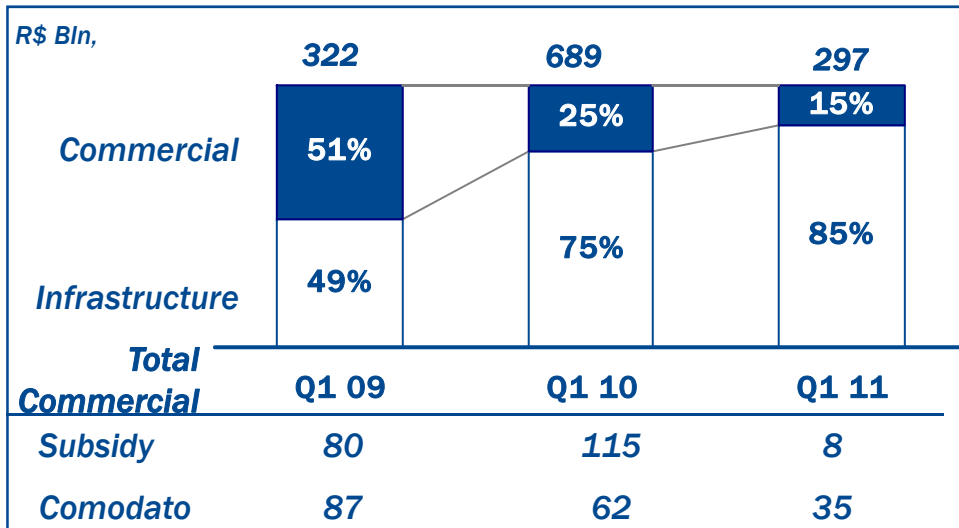


# A better Capital Allocation (benefits of zero-subsidy approach)

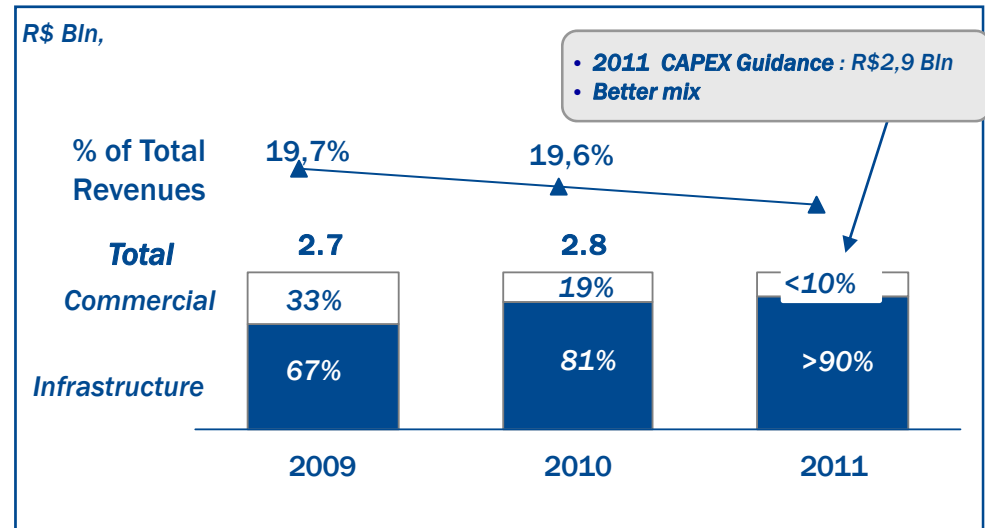


Você, sem fronteiras.

## 1Q 2011 CAPEX evolution



## Full Year 2011 CAPEX expected

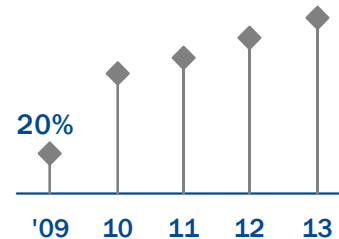


### Drivers

- ✓ Increase **network capacity** to support voice (2G)
- ✓ **Full coverage** prospective (3G)
- ✓ **Fiber to the antenna's** in main cities
- ✓ Develop **Wi-fi hot spots** complementary to 3G

### Backhauling

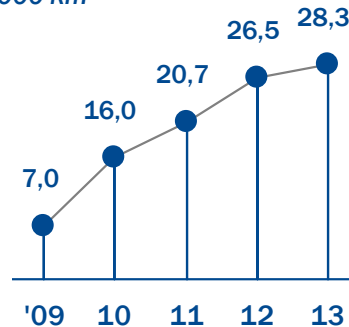
% of sites connected with own backhauling



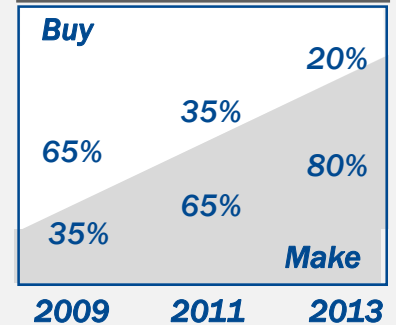
> 80% of Brazilian major cities connected via fiber by 2013

### Backbone

000 km



### More Make, Less Buy



# Conclusions – Take-aways from 1Q



Você. sem fronteiras.

- ✓ **Operations:** acceleration of growth in terms of customer base, services, smartphone penetration and usage of voice
- ✓ **Economics:** "double-digit top line", "triple-digit bottom line"
- ✓ **Profitability:** High single digit EBITDA growth, double digit normalized (+23%) for the "zero-subsidy approach"
- ✓ **Cash generation, better CAPEX allocation**
- ✓ **The 3 drivers of growth strategy is now in place:**
  - Community expansion
  - FMS on voice
  - Small screen mobile data, via fast smartphone penetration