

TIM PARTICIPAÇÕES

EARNINGS RELEASE 3rd QTR 2013



Você, sem fronteiras.



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

BM&FBOVESPA*

(lot = 1 share)
TIMP3: R\$ 11.48

NYSE*

(1 ADR = 5 ON shares)
TSU: US\$ 26.29

(* closing prices of October 29th, 2013

Rio de Janeiro, October 29th, 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 third 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 third quarter of 2012 (3Q12) and second quarter of 2013 (2Q13), except when otherwise indicated.

Business Good Performance in Q3

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TIM IR App:



- **Postpaid customer base grew 16.4% YoY**, while postpaid "ex-data" grew +22.5% YoY;
- Voice usage also at a solid pace, **MOU came at 150' (+8.4% YoY)**;
- **Reconfirming ARPU trend**: ARPU reached R\$18.6 in 3Q13, a 2.6% increase QoQ, whilst a decrease of 1.6% on a yearly basis;
- **Total Net Revenues grew 7.6% YoY**, reaching R\$5,083 mln, while **Net Service Revenues were up by 2.6% YoY**;
- **Handset Net Revenues reached R\$876.4 mln (+40.9% YoY)**, driven by a better mix of smartphone sales (~67% of total sales);
- **Solid Data Revenues growth at +21.5% YoY to R\$1.36 bln**, supported by smart/webphone penetration, accounting for ~52% of total base;
- **Strong Commercial Efficiency led SAC to R\$30.5**, down 9.1% vs. R\$33.6 in 3Q12, while **Bad Debt stood at 0.7%** of gross revenues, amid a post-paid growth of 16.4% YoY;
- **Leased Lines Cost (EILD) flat in the quarter**, despite the fact of Anatel's resolution 590 is not fully implemented;
- **EBITDA reached R\$1,252 mln, +4.2% YoY growth**, with EBITDA margin at 24.6% and Service margin (ex-handset business) of 30.5%;
- **Live TIM customer base reached 42.6k users**, adding 16.2k clients in the quarter. **Addressable Households reached 881k**, an increase of 10% QoQ;
- **Fiber-To-The-Site advances: 90% of phase 1 completed**. Now project reaches 38 cities;
- **Investments grew 52.3% YoY, reaching approximately R\$ 1.2 bln**. On a YTD basis capex grew 16.8% YoY, totaling R\$2.8 bln.

Message from Management

In the past 9 months, despite the difficulties on the macroeconomic environment and the MTR cut, business continues to show very good resilience. Supported by an innovative approach, with transparent and best value offers, TIM is managing to improve its solid position, leading market growth and reaching its all-time high market share quote.

In the third quarter, the strategic priorities put in place a few quarters ago are paying-off, both operationally and financially.

On the Operational side, we already see sound improvements on key performance indicators for the business, such as:

- **Post-paid reacceleration** with percentage of net addition surpassing pre-paid segment. As a consequence, the mix of post-paid in the customer base has grown to 16.4% up from 14.8% a year ago;
- **Network plan** remained under a very strict roll-out, providing sound expansion of backhauling and backbone, crucial for data growth and quality improvement. It is also promoting cost reduction by substituting third party lines by proprietary ones;
- **Increase in usage of voice and data** services, thanks to the Infinity and Liberty uniqueness platform. Minutes of use rose to 150 and data unique users have reached 24.5 mln (up 23% from 3Q12);
- **Equipping customer base with Smartphones** has proven to be a very powerful tool to boost data usage. In 2013, TIM is the top-seller of Smartphone and Tablets in the Brazilian market, even without handset subsidy policy.

As for the Financials, mobile segment continues to post good growth, despite the pressure coming from MTR cut. Fixed business (Intelig) performance is gradually improving as we are coming to the end of the resizing process. Worth noting that efficiency continues to be crucial in the operating expenses performance.

- **Data keeps growing at solid pace** and has reached 22.5% of Mobile Services Gross Revenues, thanks to the innovative data offer and handset sales performance;
- **ARPU confirms its new trend** in this quarter, growing by 2.6% on a quarterly basis;
- **Leased Line cost continues to benefit** with the migration to proprietary infrastructure, versus third parties rentals;
- **Bad debt reached its lowest levels** of 0.7 over gross revenues, and **Subscriber Acquisition Cost continue to be under strict control** - despite the strong growth on post-paid segment and handset sales performance.

Conclusions and Outlook

We are confident that the great effort dedicated to the Network, enhancing backhaul and backbone, will be key to leverage on data services for more than 72 million customers, along with an innovative offer. The first phase of Fiber-to-the-site program is expected to be finished by year-end, where 38 main cities will have transport capacity increased significantly.

TIM is investing more than R\$50 million in a new CRM platform. The new platform will increase the capacity of immediate response to customers calls, gaining efficiency and quality in the customer care service. The main benefits is the reduction of the actual numbers of customer care softwares, from nine different systems used by attendants to just one.

Pre-paid customer base will continue with a modest growth while post-paid might lead the growth arena from now on, especially in the hybrid plan called '*Liberty Controle*'. Data services are also expected to maintain the solid growth, backed by strong smartphone sale and innovative offer scheme.

Rodrigo Abreu

CEO

Marketing and Institutional Developments

In the 3rd quarter, TIM continued its path of bringing relevant innovation to the market and improving quality of service.

Pre-paid: A very solid platform

In Q3, **TIM launched a TV campaign focusing on the benefits of being an Infinity client, with the slogan "Only Infinity is really Infinity"**. Among the benefits, the campaign highlighted the largest prepaid community in Brazil, the services portfolio (including unlimited SMS, unlimited on-net and fixed calls, unlimited daily internet usage) and the partnerships with the most relevant football teams in Brazil.

The largest Brazilian prepaid community

Besides sponsorship, TIM develops exclusive branded SIM cards for each team, including free VAS content with news, real-time game update, among others. During 3Q13, TIM announced two new football teams (Atlético Mineiro and Cruzeiro), totaling now 14 teams, and renewed the sponsorship with Corinthians, one of the largest football fans communities in Brazil.

Another innovation for pre-paid users

Lastly, **TIM launched a prepaid offer called "Recarga Troco R\$2,00"**. This unique offer is targeted to the customer base and allows customers to buy a R\$2,00 top-up and have 2 straight days of unlimited on net calls, both local and long distance. This special offer is valid only for Infinity plan and can be found exclusively at points of recharges.

Post-paid: Strong momentum on human users (ex-data only lines)

TIM focused in Q3 on the new plan called Liberty Express, by R\$69.90/month, it includes unlimited on-net calls, unlimited SMS, unlimited internet (200 MB speed cap) and a credit of R\$30.00 to be used with other services (i.e off-net calls). The customer has also additional credit option ("Crédito Extra"), which enabled automatically recharges of R\$20.00 when customer's credit goes below R\$5.00.

iPhone 4: the new entry level Apple phone

Handsets: Paving the way for data growth

In order to equip customers with smartphones, TIM released in this quarter another special offer. After being the best iPhone seller for many years, especially in the entry-level smartphones such as iPhone 3GS, **TIM reduced price for the iPhone 4 8GB, becoming the new entry-level Apple phone**. The new price is R\$999 and it can be paid in 12 installments using the credit card for new or existing Liberty clients. Prepaid customers can pay the handset in 3 installments via credit card. **All devices sold by TIM are unlocked and without loyalty contract (no subsidy policy)**.

Innovation in VAS: MOOVIT app and TIM Protect services

Value Added Services: Another set of innovative data services

TIM continues to push on VAS and incentivizing internet usage. In the third quarter, **TIM started a partnership with MOOVIT**. MOOVIT is a crowdsourcing platform, where the user can find the best public transport routes to move in the biggest Brazilian cities. The

benefits of this new partnership is a free internet traffic until December, and customers can also find TIM's own stores and points of recharge using the app.

Another innovative launch was the TIM Protect and the "Chamada Imperdivel - a set of services that aim to promote safety to TIM users, protecting their mobile devices and personal information. The Company, already offered insurance for customers' handsets.

"**Chamada Imperdivel**" is the campaign where the Prepaid user receives an awarded call and can win up to R\$3 thousand per month for a life time if they have a valid credit available on their phone.

Marketing on fixed broadband: Live TIM

After being in the spotlight for ultra broadband service since its inception in mid-2012, **Live TIM launched in 3Q a new service for corporate business in the SME segment.**

The new service consists in two packages of dedicated links of 10Mbps (R\$999,90) and 30Mbps (R\$1.199,90), both with static IP and symmetrical connection. This new offer compete against the poor quality of the actual dedicated links offered in the market which has an average speed of only 4 Mbps. In addition, TIM believes it will bring the best value for money to the entire SME market in Rio de Janeiro and São Paulo.

On the Social Front

This quarter, TIM started a partnership with the Ministry of Science and Technology to build a system to monitor weather conditions in areas of high risk of flood or landslides. This system will use TIM's BTS to install monitoring equipments and will use our network to broadcast the information collected to the National Monitoring and Alert Center of Natural Disasters (Cemaden).

Last August, in a meeting with the Minister of Science and Technology, Marco Antonio Raupp, TIM's CEO presented the newly TIM Institute (Instituto TIM). The new initiative of the Company has as the main objective to create and leverage strategic resources to the democratization of science and innovation, promoting human development, using mobile technology as a key enabler.

Among other relevantes projects for the Brazilian community, it is worth highlighting the Institute is participating in Brazil's Math Circle (Círculo de Matemática do Brasil) and Pastoral of Children (Pastoral da Criança).

Operational Performance

Brazilian Market Overview as of Aug-2013 (last reported figures by Anatel)

Brazilian mobile market reached 268.4 million lines by the end of August, representing a yearly growth of 4.1% (vs. 15.1% by the end of August 2012). Such reduction is mainly explained by the already high penetration rate, 135.5%.

Brazilian Mobile Market

(Million of lines)



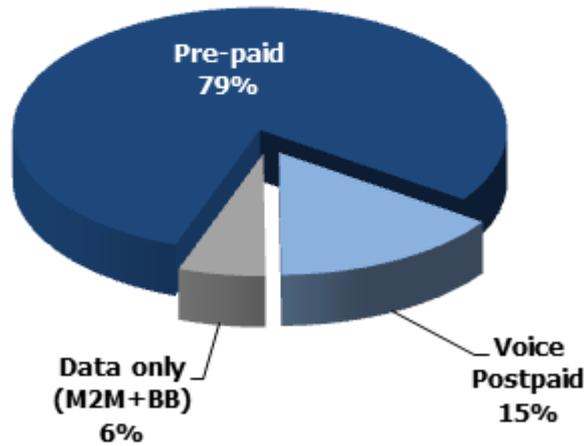
Source: Anatel

Market net additions showed acceleration in July and August, totaling 2.7 million new lines, an increase of 52.5% versus the 1.8 million registered in July and August of 2012, due to the sales ban occurred last year.

- **Prepaid market reached 212.2 million lines** (+1.2% vs. Aug-2012), and accounting for 79.1% of total Brazilian market (vs. 81.3% in the Aug-2012).
- **Postpaid market reached 56.2 million lines** (+16.5% vs. Aug-2012). **Important to highlight that human postpaid segment (excluding M2M business)** came at 48.3 million lines or 85.5% of total postpaid (vs. 86.9% in Aug-2012).

Growth remains on the post paid segment

Total Market Base



Source: Anatel

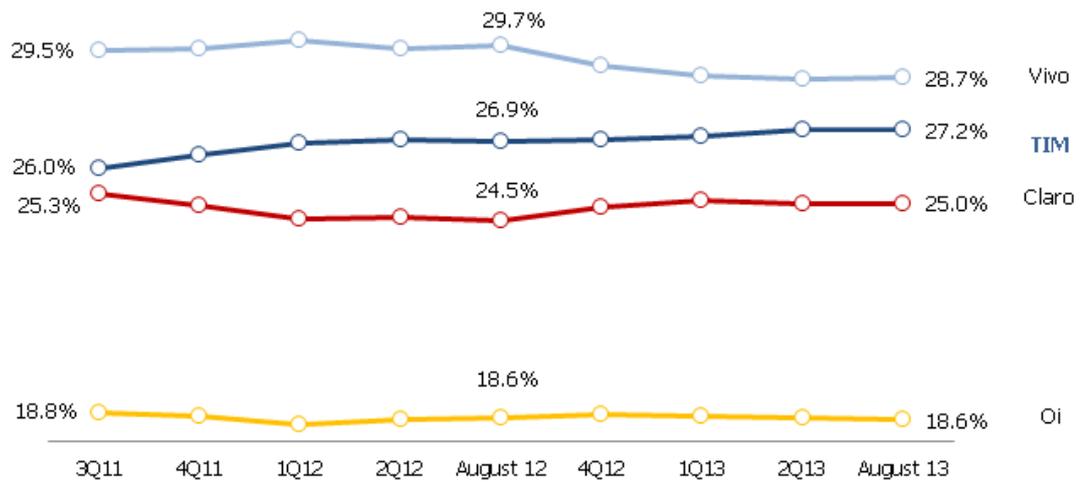
TIM's Performance

TIM's growth remains on top

TIM total subscriber base ended August with 72.9 million of lines, +5.1% against same period of last year, and above total market growth of 4.1%, reaching a market share of 27.2% (vs. 26.9% in Aug-2012).

In July and August, TIM registered gross additions of 6.9 million of lines (vs. 5.7 mln in July and August of 2012) resulting in 729k of net additions, following a strict disconnection policy.

Total Market Share



Source: Anatel

Disconnections reached 6.2 million lines in July and August, with a churn rate of 8.6% for the two months, an increase vs. 7.6% showed in the same period of 2012. Churn rate continues to be impacted by a more austere disconnection policy for prepaid segment.

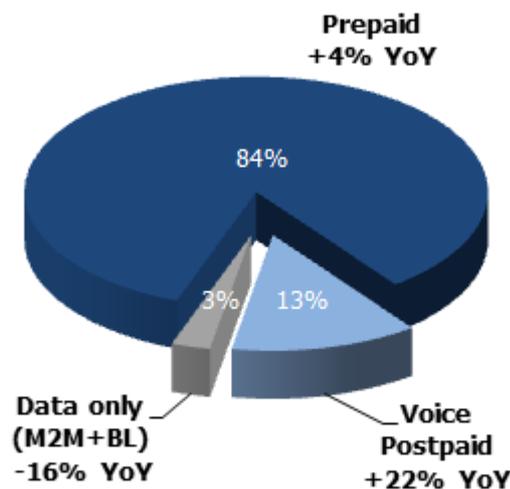
Postpaid customer base reached 11.7 million users, a 13.4% YoY growth (vs. +23.2% in Aug-2012). In July and August, TIM added 357k Postpaid clients (vs. 360k in July and August 12).

*Human
Post-paid
leading
growth*

- Voice postpaid lines reached 9.8 million users (+21.9% YoY)
- Machine-to-machine business reached 1.2 million users (-17.4% YoY)
- Mobile broadband reached 714 thousand users (-13.4% YoY)

As for the prepaid segment, users totaled 61.2 million, up 3.6% YoY chiefly by the Infinity Pre plan, which reached 59.4 million users or 97.5% of the base in this 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

TIM's Performance in 3Q13 (internal figures)

As explained above, the latest data released by Anatel refer to August 2013. In order to enable comparison to 3Q12, below is third quarter of 2013 figures from Company source:

- Total customer base reached 72,9 million users (+5.0% YoY);

- Total gross additions registered 10.2 million lines in the quarter (vs. 8.7 mln in 3Q12), resulting in 697k net additions (vs. 535k in 3Q12);
- Disconnections reached 9.5 million lines in the quarter, with a churn rate of 13.1%, an increase vs. 11.9% in 3Q12;
- Postpaid customer base reached 11.9 million users (+16.4% YoY) with 547k net additions in the quarter (vs. 261k in 3Q12);
 - Voice lines reached 10.0 million users (+22.5% YoY)
 - Machine-to-machine business reached 1.2 million users (-2.3% YoY)
 - Mobile broadband reached 701 thousand users (-16.0% YoY)
- Prepaid customer base totaled 61.0 million users (+3.1% YoY) with 150 thousands net additions in the quarter (vs. 274k in 3Q12).

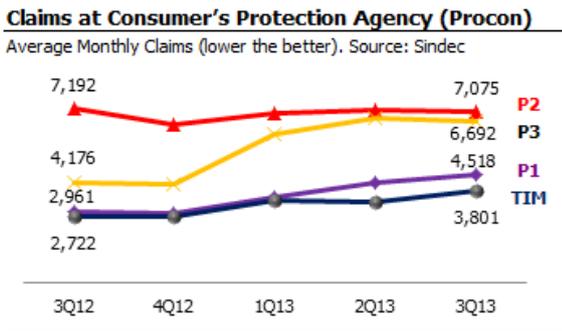
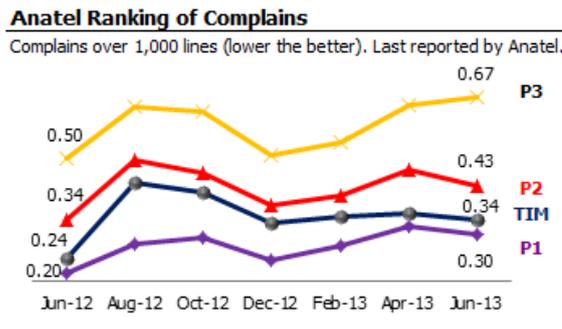
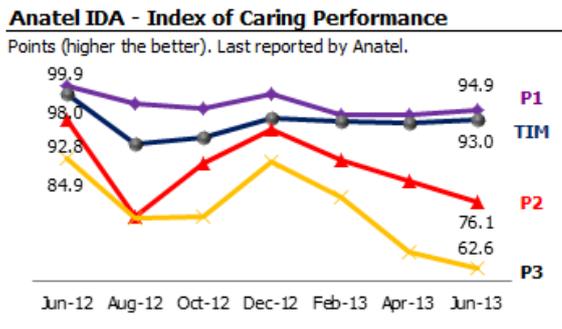
Quality & Network

Quality improvements on track

As Anatel still did not release the 4th quarterly evaluation report about quality (the last report shows figures until April), TIM is following internal network quality measurements in order to monitor quality KPI's. **The results so far are showing a solid and positive performance over almost all network quality indicators.** Voice network access rate, voice network drop rate and data network disconnection rate performances are pointing to be in accordance to all Anatel's targets, with only the data network access rate still under the regulatory target.

The least claimed company at PROCON

Regarding caring quality indicators, TIM kept its good position, being **the least claimed company at the consumer's protection agencies registered in SINDEC¹ (PROCON) and the second best carrier at the index of caring performance measured by Anatel.**



It is noteworthy that in April, TIM initiated a specific program to improve the network quality and customers' satisfaction, initially focusing on a group of cities, which represent almost 50% of voice total traffic. The main activities of this task force are: building technical diagnostics to each of the cities selected, analyzing key improvement opportunities,

¹ SINDEC is the National System of Consumer Protection, which integrates 257 agencies (PROCONs). It is estimated that these PROCONs represent 48% of total Claims.

establishing control of critical faults based on online monitoring of the CRC and improving customer service related to network.

This program is on track and has already showed improvements on the network quality indicators, mainly with regard to voice services. Besides, some reviews on customer care processes have been developed. These initiatives resulted in a significant 19% reduction on network complaints at Anatel (network repair + call completion) in September of 2013, when compared to monthly average of 1Q13 (before the starting point of this program).

In addition, **TIM is investing more than R\$50 million in a new CRM platform.** The new platform will increase the capacity of immediate response to customers calls, gaining efficiency and quality in the customer care service. The main benefits is the reduction of the actual numbers of customer care softwares, from nine different systems used by attendants to just one. This platform will be 100% available for prepaid customers by the end of this year and by 2014 for postpaid customers as well.

As for network evolution, during 3Q13 more than 7k TRXs (elements for voice) were implemented, while 54k data channel elements and 2,5k km of optical fiber were also added, reaching ~45k km of optical fiber. All of these elements additions are allowing the Company to improve network quality.

Our GSM coverage reached 94.8% of the urban population, serving 3,400 cities. **3G coverage reached 27 new cities this quarter, totaling 925 cities or approximately 76% of urban population in Brazil.** We expect to continue accelerating the 3G coverage in the coming quarters. As for the 4G, TIM is covering 19.1% of Brazilian urban population.

The Wi-Fi project is speeding up as well. TIM added 40 new hotspots in Q3. TIM Wi-Fi is available in 22 airports of 13 states. São Paulo has the biggest coverage.

In the Fiber-To-The-Site project, focus is shifting from the first phase to the second one, as we surpassed 90% of the sites connected with own fiber in the main 38 Brazilian cities (new cities were added to the original plan of 14). The second phase consists in preparing the sites to use the available fiber by adapting electronics, lighting up the optical cables and shifting the traffic towards the new backhaul. **More than 60% of the sites finished phase 2 and are moving to phase 3**, which implies the complete adjustments in the cell site to use properly the new high capacity backhaul and finishing the integrity tests of the entire site. The initiatives of the so called Mobile Broadband Plan are described as follow:

- HSPA+ and Dual Carrier enhancements (enabling access network to reach up to 21Mbps per carrier, and the combination of 2 of them, reaching 42Mbps)
- Backhaul Evolution (Fiber-To-The-Site and high capacity Microwave links);
- Transparent Caching (storage of the most popular Internet content to deliver it faster and with low latency from the operator's network, rather than always retrieving it from the remote source);

3G covers more than 76% of urban population

FTTS project reaching 60% of phase 2

Mobile BB initiatives to take TIM's network to a higher level

- Enlarge Peering agreements (process by which two networks connect themselves and exchange traffic directly, increasing redundancy and capacity – distributing traffic across many networks);

Recife was the first city to pass through all phases of MBB project. **The internal field test results are very encouraging and show a significant improvement in throughput and latency.**

Still on the transport side of the network, TIM launched another extension of the LT Amazonas backbone between Tucuruí (PA) and Manaus (AM). Now **TIM has concluded more than 1,700 km of fiber of this amazing backbone, crossing the dense Amazon rain forest.** The Company expects to start using it commercially in the next quarter (4Q13).

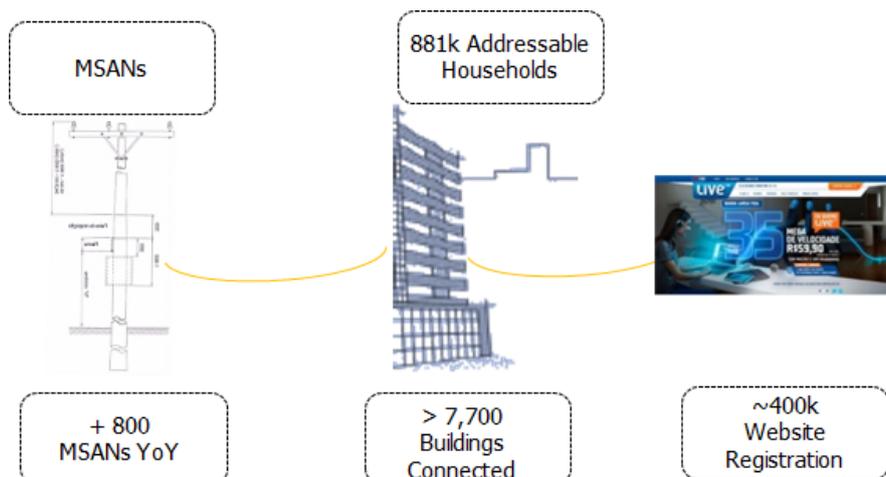
FIXED BROADBAND UPDATE: LIVE TIM

Live TIM: a robust QoQ increase of 61.0%

Live TIM kept the leadership position for Ultra Broadband service in Rio and São Paulo cities. Net additions on the 3Q13 achieved 16.2k leading to a total customer base of 42.6k clients, a robust increase of 61.0% compared to 2Q13. This outstanding performance is mainly explained by client's satisfaction enhancing a word of mouth effect.

At the end of 3Q13, Live TIM had more than 7,700 buildings connected and almost 400k prospect clients are registered in Live TIM website.

Lastly, **network footprint ended 3Q13 with 881 thousand addressable households, 10% higher** than 2Q13. 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	3Q13	3Q12	% YoY	2Q13	% QoQ
R\$ thousands					
Gross Revenues	7,539,627	7,023,138	7.4%	7,413,009	1.7%
Telecommunications Services	6,312,149	6,122,330	3.1%	6,136,654	2.9%
Mobile	6,054,713	5,783,084	4.7%	5,852,094	3.5%
Usage and Monthly fee	2,884,968	2,800,713	3.0%	2,777,176	3.9%
Value added services - VAS	1,362,498	1,121,694	21.5%	1,291,470	5.5%
Long distance	832,558	808,359	3.0%	830,045	0.3%
Interconnection	919,536	996,439	-7.7%	893,936	2.9%
Others	55,153	55,879	-1.3%	59,466	-7.3%
Fixed	257,437	339,246	-24.1%	284,560	-9.5%
Products	1,227,478	900,808	36.3%	1,276,354	-3.8%
Discounts and deductions	(2,456,469)	(2,300,713)	6.8%	(2,468,868)	-0.5%
Taxes and discounts on services	(2,105,377)	(2,022,081)	4.1%	(2,071,343)	1.6%
Taxes and discounts on handset sales	(351,092)	(278,632)	26.0%	(397,525)	-11.7%
Net Revenues	5,083,159	4,722,425	7.6%	4,944,141	2.8%
Services Revenues	4,206,773	4,100,249	2.6%	4,065,311	3.5%
Products Revenues	876,386	622,176	40.9%	878,830	-0.3%

OPERATING REVENUES

Consistent revenues growth

Total gross revenues in the quarter reached R\$7,540 million (+7.4% YoY), backed by products sales (+36.3% YoY) and by mobile service revenues (+4.7% YoY), amid a tougher macroeconomic environment, competitive landscape and MTR cut. Both performances offset the negative impact from fixed business.

Gross revenues breakdown and highlights in 3Q13 are presented as follows:

Mobile usage and monthly fee gross revenues reached R\$2,885 million this quarter, an increase of 3.0% year-over-year due to the improvement on postpaid mix to 16.4% of total base (vs. 14.8% in 3Q12), coupled with a better usage profile supported by the increase of MOU (+8.4% YoY).

50% of LD traffic

Long distance gross revenues reached R\$833 million, a growth of +3.0% YoY, mainly due to the improvement on postpaid base mix and resilient market share of ~50% in long distance².

² Anatel releases long distance market share every six months, but the last official figure was the 2012 FY.

SMS partially offset MTR drop

Interconnection gross revenues decreased by 7.7% YoY to R\$919.5 million. The interconnection revenues were negatively impacted by MTR cut of ~11% in April, and partially offset by incoming revenues from SMS offers.

Data kept the steady growth pace

VAS gross revenues reached R\$1,362 million, still a solid double digit growth of 21.5% YoY. This performance is a result of strong adherence to Infinity and Liberty data plans, and also the positive contribution of Infinity/Liberty Torpedo. **As percentage of mobile gross service revenues, VAS reached 22.5% in 3Q13** vs. 19.4% in 3Q12.

Leading the market innovation and targeting to keep VAS at sound growth pace, **TIM has just launched a new VAS offer**, aggregating the Infinity Web and the SMS offers into one single offer: **INFINITY WEB+TORPEDO with unlimited micro browsing and SMS for R\$0.75 per day** (instead of previously R\$0.50 per each service).

70% of sales are smartphones devices

Such performance on VAS is largely influenced by **handset sales, which totaled R\$1,227 million**, an increase of 36.3% versus 3Q12. This performance is explained mainly by handsets mix enhancement, with **almost 70% of total sales being smartphones devices**. The average price grew by 8.7% due to a higher profile of phones sold. It is worth highlighting that **web/smartphone penetration is near 52%** of total base (vs. 39% in 3Q12).

Fixed business gross revenues, including Intelig, TIM Fixo and Live TIM, **totaled R\$257 million** in 3Q13, a sharp decline of 24.1% when compared to the same period of last year, but showing a recovery trend over recent quarters (6M13 yearly drop was 30.3%). This result is mainly due to Intelig ongoing business restructuring process.

Total net revenues reached R\$5,083 million in the quarter, an increase of 7.6% YoY.

ARPU (average revenue per user) reached R\$18.6 in 3Q13, an improvement of 2.6% versus last quarter (2Q13) and a slight decrease of 1.6% YoY versus 3Q12 (-11%). This continuous rebound performance was mainly driven by higher postpaid additions, better customer base mix, solid data business growth and MOU performance.

MOU reached 150 min.

MOU (minutes of use) reached 150 minutes in 3Q13, up 8.4% when compared to 3Q12, mainly due to the increase of the postpaid mix.

OPERATING COSTS AND EXPENSES

DESCRIPTION	3Q13	3Q12	% YoY	2Q13	% QoQ
R\$ thousands					
Operating Expenses	(3,831,158)	(3,521,044)	8.8%	(3,711,943)	3.2%
Personnel expenses	(211,985)	(170,138)	24.6%	(200,623)	5.7%
Selling & marketing expenses	(1,035,454)	(938,184)	10.4%	(973,227)	6.4%
Network & interconnection	(1,344,279)	(1,354,272)	-0.7%	(1,321,534)	1.7%
General & administrative	(155,809)	(152,854)	1.9%	(152,075)	2.5%
Cost Of Goods Sold	(906,944)	(690,398)	31.4%	(912,158)	-0.6%
Bad Debt	(55,534)	(80,009)	-30.6%	(67,720)	-18.0%
Other operational revenues (expenses)	(121,152)	(135,191)	-10.4%	(84,605)	43.2%
Operating Expenses Ex-COGS	(2,924,214)	(2,830,647)	3.3%	(2,799,785)	4.4%

In 3Q13, total operating costs and expenses increased by 8.8% on a year-over-year comparison to R\$3,831 million, **mainly explained by stronger sales of handsets and commercial expenses.** For Opex related to services only (without handset costs), total operating expenses grew by 3.3% YoY (vs. 8.2% in 3Q12).

Costs and expenses breakdowns in 3Q13 are presented as follows:

Personnel expenses reached R\$212 million in 3Q13, a growth of 25% when compared to the same period of last year, as a consequence of new 27 own-stores versus 3Q12, of which 8 opened only in the 3Q13, and business expansion (call center, network and etc), leading total employees to reach 11,822 people (+489 employees than 3Q12).

Selling & Marketing expenses amounted to R\$1,035 million, 10.4% higher when compared to the same period of last year. This performance is mainly explained by higher postpaid mix over gross additions, as it has greater commission per sale. It is also noticeable the increase of net additions in a yearly comparison (+30%), driving FISTEL costs to a 12.4% growth YoY.

Own network strategy paying-off

Network and Interconnection costs reached R\$1,344 million in the 3Q13, a decrease of 0.7% on a yearly comparison, driven by TIM's strategy to increase proprietary infrastructure, amid traffic growth of 14%, and also by lower MTR tariff.

- Leased lines costs (EILD) had a stable performance in a yearly comparison. Such performance is largely impacted by the development of a proprietary infrastructure. **It is worth mention the fact that one of the incumbent players, Oi group, is challenging Anatel's Resolution 590 in courts, since its provisions may lead Anatel to impose a price reduction for leased links. Such price reduction is crucial for all players to continue expanding coverage and serving users in such continental country.**

- As for Interconnection cost, if in one hand MTR cut helped to bring savings, the increasing of SMS sent (following the Infinity Torpedo offer) is partially offsetting the MTR impact.

General and Administrative expenses (G&A) amounted to R\$156 million in the 3Q13, a small increase of 1.9% YoY and +2.5% QoQ. This performance is mainly due to third parties services expenses reported in 3Q12.

Cost of Goods Sold reached R\$907 million in the quarter, an increase of 31.4% versus the same period of last year, and following the handset revenue growth of 36.3% YoY. TIM kept following the strategy to increase penetration of smartphones, as a way to empower data usage and increase customer's internet experience. **It is worth noting that TIM remains without handset subsidy policy.**

Bad debt at lowest level in the industry

Bad Debt expenses came at R\$55.5 million **and 0.7% as a percentage of gross revenues** (vs. 1.1% in 3Q12). It is indeed a strong and efficient performance, especially amid a worse macroeconomic scenario. TIM put in place recently, actions to prevent bad debt, such as the express family plans, in which customers monthly-fee is attached to a credit card.

Other operational expenses reached R\$121 million in 3Q13, or -10.4% vs. same period of last year, mainly due to the effect of non-recurrent events in 3Q12.

SAC/ARPU ratio at top notch level

Subscriber Acquisition Costs (where SAC = subsidy + commissioning + total advertising expenses) came at R\$30.5 in 3Q13, a decrease of 9.1% YoY. The top notch performance reflects the efficiency approach applied by TIM, especially with a higher postpaid mix over gross additions. The ratio SAC/ARPU, which indicates the payback per customer, is running at 1.64x (the lowest in Brazil industry).

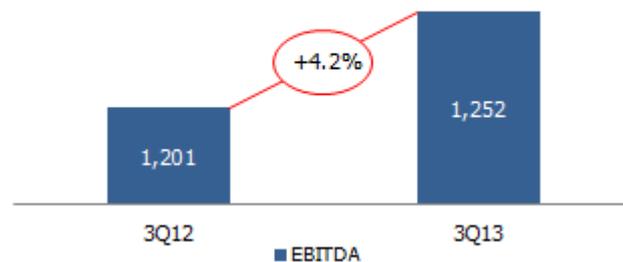
EBITDA

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) **reached R\$1,252 million** in 3Q13, representing an expansion of 4.2% over 3Q12. Excluding one-off events in 3Q12, organic EBITDA increased 0.7% YoY.

EBITDA margin stood at 24.6%, mainly due to a stronger handset business performance, which dilutes consolidated margin. On the other hand, **EBITDA margin on services** (excluding handset revenues and costs) came at 30.5% (vs. 31.0% in 3Q12).

EBITDA

(R\$Million)



Source: Company

Depreciation and Amortization

Depreciation and amortization accounted for R\$694 million in 3Q13, an increase of 4.6% YoY. On a separate basis, depreciation increased 5.8% YoY while amortization increased by 3.2% YoY.

EBIT

EBIT (earnings before interest and taxes) totaled R\$557.9 million in 3Q13, an increase of 3.7% on a yearly comparison.

Net Financial Result

Net financial result on 3Q13 totaled -R\$90.2 million, a sharp increase versus -R\$29.5 million in the same period of last year, explained mainly by:

- Financial expenses that came at R\$156.0 million, up 11.3% YoY and due to higher gross debt (R\$4.8 Bi in 3Q13 vs. R\$3.5 Bi in 3Q12), higher interest rate over loans (7.9% in 3Q13 vs. 7.8% in 3Q12), in addition to monetary adjustments for contingencies.
- Financial revenues partially compensated the financial expenses, totaling R\$91.4 million in 3Q13 (+57.3% YoY) due to higher cash position (R\$3.3 Bi vs. R\$1.9 Bi in 3Q12), as well as higher cash yield (8.4% in 3Q13 vs. 7.8% in 3Q12).
- Net FX variation came at -R\$25.6 million (vs. +R\$52.6 million in 3Q12). It is worth highlighting that 3Q12 had a **non-cash positive effect** due to "cupom cambial" used to set the mark-to-market position of our hedge operations.

Income and Social Contribution Taxes

Income and Social Contribution taxes came at R\$152.7 million in 3Q13, an increase versus R\$135.3 million in 3Q12 (last year numbers were positively impacted by TIM Fiber's goodwill in ~R\$40 mln). The effective tax rate for 9M13 stood at 31%.

Net Income

Net Income totaled R\$315.0 million in 3Q13, -15.6% versus R\$373.2 million in 3Q12 and EPS (Earnings per Share) reached R\$0.13 (vs. R\$0.15 in 3Q12), largely impacted by the net financial results mentioned above.

CAPEX

Investments totaled R\$1,175 million in 3Q13, an increase of 52.3% vs. the same period of last year. **94.4% of the total Capex was dedicated to infrastructure**, confirming our commitment to improve quality.

Total Debt, Cash and Free Cash Flow

Gross Debt amounted to R\$4,781 million, an increase of 36.8% if compared to the R\$3,496 million in 3Q12, due to disbursements totaling R\$1,330 from BNDES since December 2012 and to the fiber backbone LT Amazonas Agreement with accounting effect of leasing (According to IFRS: IFRIC 4 Rule) totaling additional effect of R\$252 in our debt position.

Company's debt is concentrated in long-term contracts (81.0% 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.

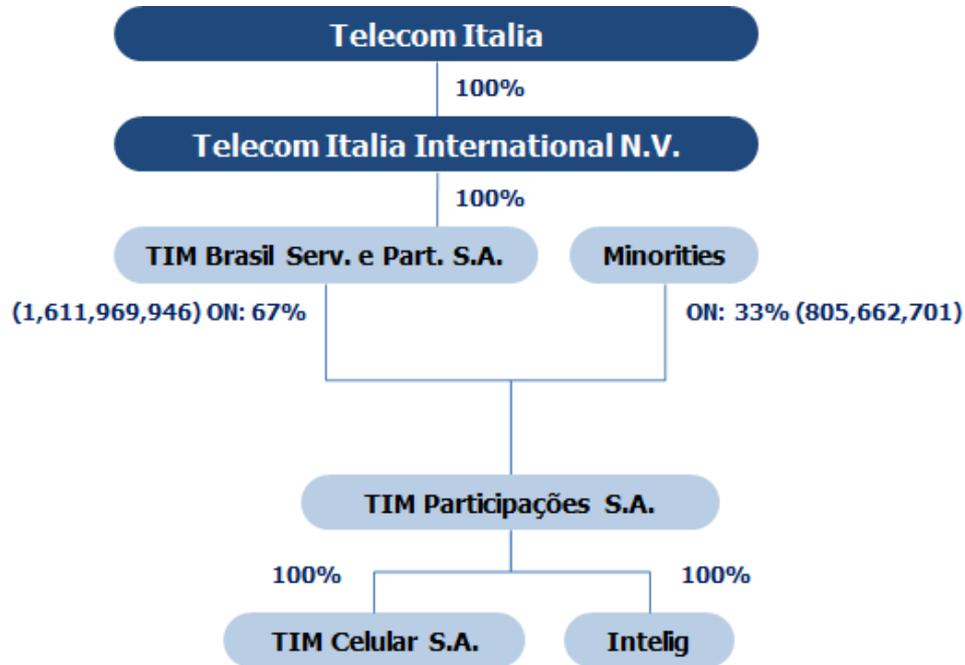
Approximately 35% of total debt is denominated in foreign currency (USD), and it is 100% hedged in local currency. **Average cost of debt totaled 7.91% in 3Q13 compared to 7.81% in 3Q12.**

Cash and Cash equivalents reached R\$3,335 million (vs. R\$1,947 million in 3Q12) with an average cash yield of 8.41% in 3Q13.

Net debt position stood at R\$1,446 million or 6.7% lower than in 3Q12. Net debt/EBITDA 12m yields a ratio of 0.28x (vs 0.29x in 3Q12).

As for the Operating Free Cash Flow, it came positively at R\$1,314 million, up 55.8% from 3Q12, due to a better performance in account receivables collection and an increase in the term to pay suppliers. The outstanding amounts related to LT Amazonas Agreement, R\$252 million, despite being considered Capex, did not have an effective impact on the Company's cash position in 3Q13.

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 95% of the urban population – the widest GSM coverage in Brazil, with presence in 3,397 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 76% 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 72.9 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: 3Q13 Income Statements
- Attachment 3: 3Q13 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	3Q13	2Q13	% QoQ	3Q12	% YoY
ASSETS	26,333,241	25,780,052	2.1%	23,559,173	11.8%
CURRENT ASSETS	9,703,866	9,248,415	4.9%	7,810,022	24.2%
Cash and cash equivalents	3,335,337	2,536,591	31.5%	1,945,075	71.5%
Short-term investments	-	297	-100.0%	1,726	-100.0%
Accounts receivable	3,904,559	4,022,529	-2.9%	3,955,782	-1.3%
Inventories	396,149	382,252	3.6%	325,179	21.8%
Indirect recoverable Taxes	1,145,878	1,011,901	13.2%	675,546	69.6%
Direct recoverable Taxes	380,710	420,094	-9.4%	375,851	1.3%
Prepaid expenses	364,495	632,103	-42.3%	310,732	17.3%
Derivative contracts	8,076	118,980	-93.2%	110,919	-92.7%
Other assets	168,662	123,668	36.4%	109,212	54.4%
NONCURRENT	16,629,374	16,531,637	0.6%	15,749,151	5.6%
Noncurrent assets	2,361,868	2,740,134	-13.8%	2,894,949	-18.4%
Long-term investments	27,247	23,830	14.3%	22,350	21.9%
Accounts receivable	41,551	42,011	-1.1%	77,268	-46.2%
Indirect recoverable Taxes	198,574	200,200	-0.8%	452,839	-56.1%
Direct recoverable Taxes	22,281	22,047	1.1%	21,370	4.3%
Deferred income and social contribution taxes	1,086,231	1,148,782	-5.4%	1,327,625	-18.2%
Judicial deposits	697,586	1,006,398	-30.7%	806,845	-13.5%
Prepaid expenses	104,100	105,978	-1.8%	95,399	9.1%
Derivative contracts	171,142	177,597	-3.6%	77,421	121.1%
Other assets	13,156	13,292	-1.0%	13,832	-4.9%
Permanent Assets	14,267,506	13,791,503	3.5%	12,854,202	11.0%
Property, plant and equipment	7,826,706	7,555,494	3.6%	7,131,488	9.7%
Intangibles	6,440,800	6,236,009	3.3%	5,722,714	12.5%
LIABILITIES	26,333,241	25,780,052	2.1%	23,559,173	11.8%
CURRENT LIABILITIES	6,329,636	6,207,053	2.0%	6,131,057	3.2%
Suppliers	4,179,783	3,441,552	21.5%	3,461,999	20.7%
Loans and financing	682,710	978,757	-30.2%	1,243,591	-45.1%
Derivative contracts	3,439	17,520	-80.4%	48,401	-92.9%
Leasing	16,869	-	0.0%	-	0.0%
Salaries and related charges	212,131	171,614	23.6%	173,517	22.3%
Indirect taxes, charges and contributions	545,098	547,636	-0.5%	586,964	-7.1%
Direct taxes, charges and contributions	139,040	158,622	-12.3%	205,485	-32.3%
Dividends payable	42,401	409,091	-89.6%	35,908	18.1%
Authorizations payable	70,438	71,449	-1.4%	28,298	148.9%
Other liabilities	437,728	410,812	6.6%	346,895	26.2%
NON CURRENT LIABILITIES	5,559,262	5,444,743	2.1%	3,716,411	49.6%
Loans and financing	3,981,880	3,793,379	5.0%	2,337,309	70.4%
Derivative contracts	40,370	27,799	45.2%	55,369	-27.1%
Leasing	235,243	-	0.0%	-	0.0%
Indirect taxes, charges and contributions	85	351,812	-100.0%	242,544	-100.0%
Direct taxes, charges and contributions	181,278	179,259	1.1%	174,209	4.1%
Deferred income and social contribution taxes	251,327	233,609	7.6%	123,728	103.1%
Provision for contingencies	395,079	377,467	4.7%	315,836	25.1%
Pension plan	4,486	4,486	0.0%	2,836	58.2%
Asset retirement obligations	300,700	300,657	0.0%	289,101	4.0%
Other liabilities	168,815	176,275	-4.2%	175,478	-3.8%
SHAREHOLDERS' EQUITY	14,444,342	14,128,256	2.2%	13,711,705	5.3%
Capital	9,839,770	9,839,770	0.0%	9,839,770	0.0%
Capital reserves	840,789	839,718	0.1%	387,154	117.2%
Income reserves	2,760,512	2,760,512	0.0%	2,501,827	10.3%
Treasury Stocks	(3,369)	(3,369)	0.0%	(3,369)	0.0%
Net Income for the period	1,006,640	691,625	45.5%	986,322	2.1%

Attachment 2
TIM PARTICIPAÇÕES S.A.
3Q13 Income Statements
(R\$ Thousands)

DESCRIPTION	3Q13	3Q12	% YoY	2Q13	% QoQ	YTD 2013	% YoY
R\$ thousands							
Gross Revenues	7,539,627	7,023,138	7.4%	7,413,009	1.7%	21,976,853	7.7%
Telecommunications Services	6,312,149	6,122,330	3.1%	6,136,654	2.9%	18,574,321	3.3%
Mobile	6,054,713	5,783,084	4.7%	5,852,094	3.5%	17,738,540	5.5%
Usage and Monthly fee	2,884,968	2,800,713	3.0%	2,777,176	3.9%	8,356,460	1.8%
Value added services - VAS	1,362,498	1,121,694	21.5%	1,291,470	5.5%	3,899,451	23.7%
Long distance	832,558	808,359	3.0%	830,045	0.3%	2,492,935	4.9%
Interconnection	919,536	996,439	-7.7%	893,936	2.9%	2,819,426	-3.2%
Others	55,153	55,879	-1.3%	59,466	-7.3%	170,269	4.4%
Fixed	257,437	339,246	-24.1%	284,560	-9.5%	835,780	-28.5%
Products	1,227,478	900,808	36.3%	1,276,354	-3.8%	3,402,532	40.0%
Discounts and deductions	(2,456,469)	(2,300,713)	6.8%	(2,468,868)	-0.5%	(7,238,838)	8.4%
Taxes and discounts on services	(2,105,377)	(2,022,081)	4.1%	(2,071,343)	1.6%	(6,215,575)	5.6%
Taxes and discounts on handset sales	(351,092)	(278,632)	26.0%	(397,525)	-11.7%	(1,023,263)	29.3%
Net Revenues	5,083,159	4,722,425	7.6%	4,944,141	2.8%	14,738,014	7.3%
Services	4,206,773	4,100,249	2.6%	4,065,311	3.5%	12,358,746	2.1%
Products	876,386	622,176	40.9%	878,830	-0.3%	2,379,269	45.2%
Operating Expenses	(3,831,158)	(3,521,044)	8.8%	(3,711,943)	3.2%	(11,030,043)	8.7%
Personnel expenses	(211,985)	(170,138)	24.6%	(200,623)	5.7%	(613,188)	15.1%
Selling & marketing expenses	(1,035,454)	(938,184)	10.4%	(973,227)	6.4%	(2,955,337)	2.7%
Network & interconnection	(1,344,279)	(1,354,272)	-0.7%	(1,321,534)	1.7%	(4,018,289)	1.4%
General & administrative	(155,809)	(152,854)	1.9%	(152,075)	2.5%	(466,959)	13.6%
Cost Of Goods Sold	(906,944)	(690,398)	31.4%	(912,158)	-0.6%	(2,474,736)	33.4%
Bad Debt	(55,534)	(80,009)	-30.6%	(67,720)	-18.0%	(195,884)	-1.4%
Other operational revenues (expenses)	(121,152)	(135,191)	-10.4%	(84,605)	43.2%	(305,649)	-2.5%
EBITDA	1,252,001	1,201,381	4.2%	1,232,198	1.6%	3,707,972	3.4%
EBITDA Margin	24.6%	25.4%	-81bps	24.9%	-29bps	25.2%	-95bps
Depreciation & amortization	(694,075)	(663,479)	4.6%	(671,297)	3.4%	(2,044,811)	2.2%
Depreciation	(376,195)	(355,547)	5.8%	(373,258)	0.8%	(1,113,788)	2.1%
Amortization	(317,880)	(307,932)	3.2%	(298,039)	6.7%	(931,022)	2.3%
EBIT	557,926	537,902	3.7%	560,901	-0.5%	1,663,161	4.9%
EBIT Margin	11.0%	11.4%	-41bps	11.3%	-37bps	11.3%	-26bps
Net Financial Results	(90,237)	(29,452)	206.4%	(40,881)	120.7%	(202,202)	48.0%
Financial expenses	(156,011)	(140,209)	11.3%	(122,692)	27.2%	(402,409)	23.3%
Financial income	91,389	58,107	57.3%	83,643	9.3%	254,254	9.3%
Net exchange variation	(25,615)	52,649	-148.7%	(1,831)	1298.7%	(54,048)	26.1%
Income before taxes	467,689	508,450	-8.0%	520,020	-10.1%	1,460,959	0.8%
Income tax and social contribution	(152,674)	(135,263)	12.9%	(134,462)	13.5%	(454,318)	-1.9%
Net Income	315,015	373,186	-15.6%	385,558	-18.3%	1,006,640	2.1%

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

DESCRIPTION	3Q13	3Q12	% YoY	2Q13	% QoQ	YTD 2013	% YoY
EBIT	557,926	537,902	3.7%	560,901	-0.5%	1,663,161	4.9%
Depreciation and amortization	694,075	663,479	4.6%	671,297	3.4%	2,044,811	2.2%
Capital expenditures	(925,523)	(771,655)	19.9%	(1,122,851)	-17.6%	(2,518,692)	6.2%
Changes in net operating working capital	987,410	413,321	138.9%	37,227	2552.4%	(1,102,757)	-10.9%
Free Operating Cash Flow	1,313,888	843,047	55.8%	146,574	796.4%	86,523	-496.2%
Net Financial Income	(87,942)	(29,452)	198.6%	(40,881)	115.1%	(199,907)	46.3%
Income & Social Contribution Taxes	(72,404)	(145,567)	-50.3%	(27,859)	159.9%	(234,010)	-27.5%
Other changes in Non Current Assets/Liabilities	7,945	60,339	-86.8%	(142,381)	-105.6%	(261,739)	153.5%
Increase in capital	-	-	0.0%	-	0.0%	-	-100.0%
Paid Dividends & IoC	(371,342)	(88)	421879.5%	(364,431)	1.9%	(735,809)	41.6%
Net Cash Flow	790,145	728,279	8.5%	(428,978)	-284.2%	(1,344,942)	21.3%

Attachment 4
TIM PARTICIPAÇÕES S.A.
Operational Indicators

DESCRIPTION	3Q13	3Q12	% YoY	2Q13	% QoQ
Brazilian Wireless Subscriber Base (million)*	268,440	258,861	3.7%	265,741	1.0%
Estimated Total Penetration*	135.5%	131.6%	389bps	134.3%	119bps
Municipalities Served - TIM GSM	3,397	3,320	2.3%	3,393	0.1%
Market Share*	27.2%	26.8%	35bps	27.2%	0bps
Total Lines ('000)	72,878	69,408	5.0%	72,195	0.9%
Prepaid	60,955	59,146	3.1%	60,803	0.3%
Postpaid	11,923	10,262	16.2%	11,393	4.7%
Gross Additions ('000)	10,204	8,727	16.9%	9,744	4.7%
Net Additions ('000)	697	535	30.4%	963	-27.6%
Churn ('000)	9,507	8,193	16.0%	8,781	8.3%
ARPU (R\$)	18.6	18.9	-1.6%	18.1	2.6%
MDU	150	139	8.4%	148	1.7%
SAC (R\$)	31	34	-9.1%	27	12.1%
Handsets sold ('000)	3,151	2,512	25.4%	3,525	-10.6%
Employees	11,822	11,333	4.3%	11,522	2.6%

*3Q13 refers to August Data (last reported by Anatel)