

RESULTS PRESENTATION TIM PARTICIPAÇÕES

2nd QTR 2014



Blue Man Group

 **TIMP3**
NOVO
MERCADO
BM&FBOVESPA

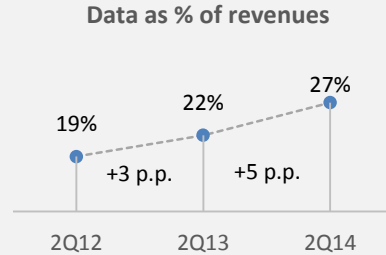


Você, sem fronteiras.

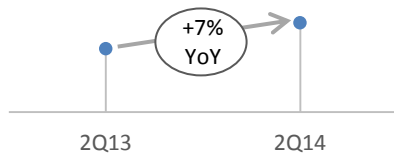
2nd QUARTER HIGHLIGHTS

Financial

Gross Data Revenue growth at solid pace: R\$1.6 bln in 2Q14

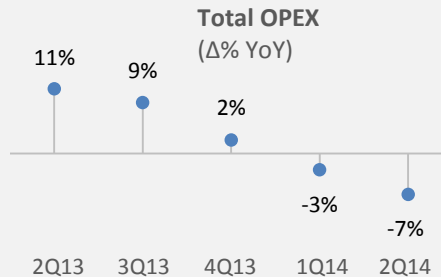


Net Revenues: Usage (local + long distance) + VAS

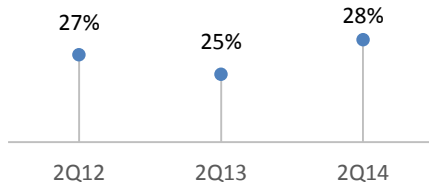


Net Revenues “Business Generated” (ex – incoming) grew by 7% YoY

Strong cost control: total opex dropped 7% YoY



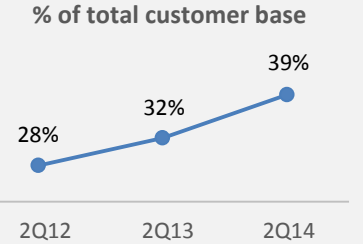
EBITDA Margin



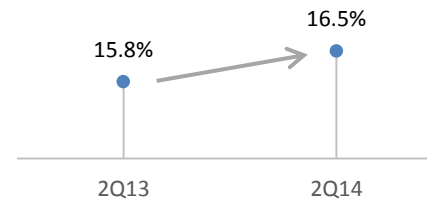
EBITDA grew 8% YoY with margin gain

Operational

Data users reached 29 mln lines



Mix of postpaid over total base



Postpaid segment grew by 7% and postpaid mix over customer base reached 16.5%, while SAC/ARPU remained below 2 months

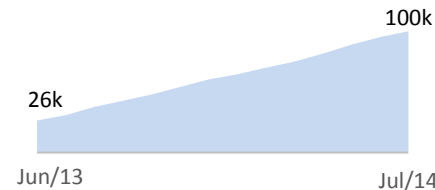


Maracanã Stadium

World Cup Figures (in the Stadiums)

- Photos sent: 50 mln
- Outgoing calls: 5 mln
- Data traffic: 26.7 TB

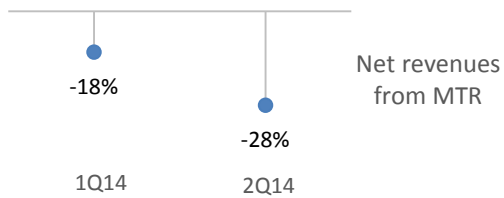
Live TIM customer base



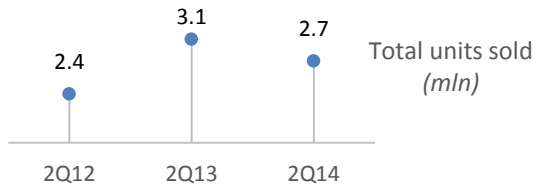
Live TIM crossed 100 thousand customers milestone

CORE BUSINESS ANALYSIS & PERFORMANCE

1 MTR cut full impact in 2Q



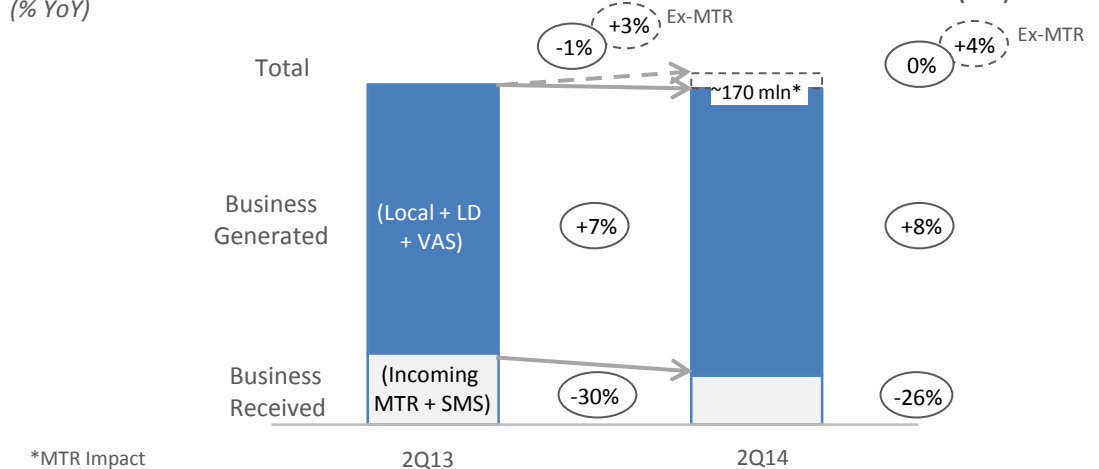
2 Handset sales at a healthy level although reduced growth



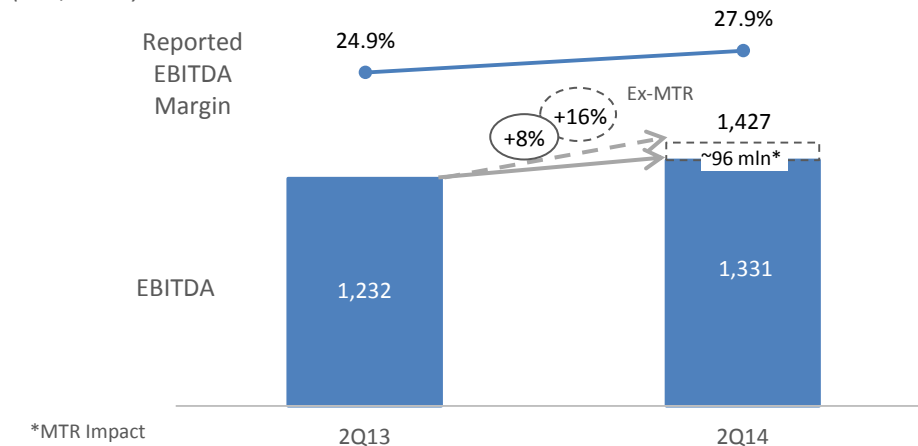
3 World Cup impact on commercial activities



Mobile Service Net Revenues Analysis (% YoY)



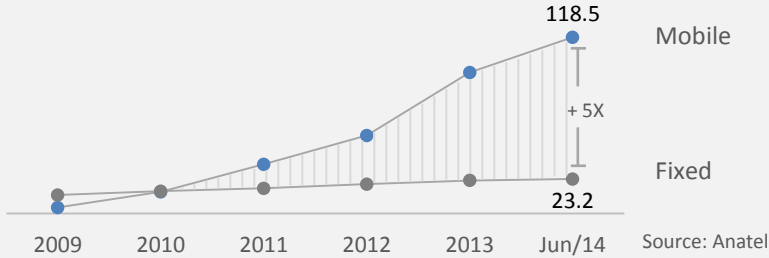
EBITDA Performance (mln; %YoY)



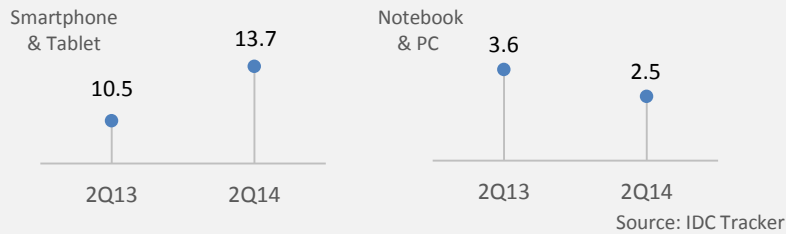
READY FOR DATA OPPORTUNITY

Data Experience is Mobile

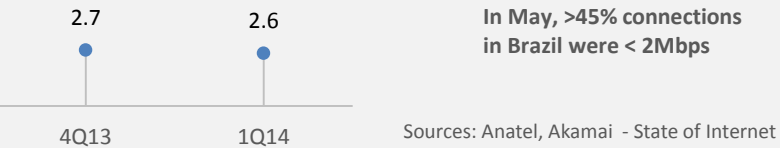
Access Growth (users in mln)



Total Market Equipment Sold (units in mln)



Brazilian Broadband: Low Average Speed (Mbps)



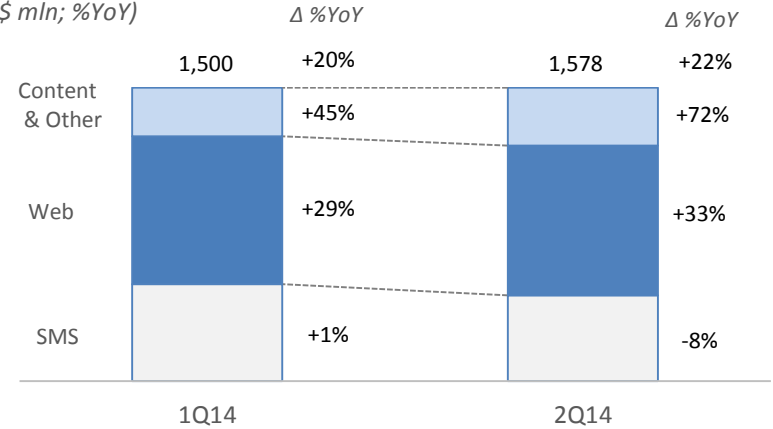
WSJ: "Brazil - The Social Media Capital of the Universe"



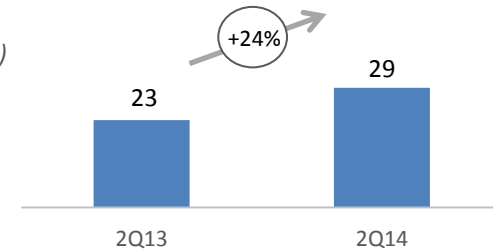
Sources: SocialBakers, e-Marketer, Semiocast, G1.com, Newspaper 'Folha de São Paulo'

Capturing Data Opportunity

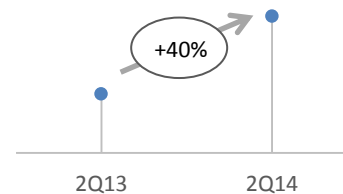
Data Gross Revenues Mix (R\$ mln; %YoY)



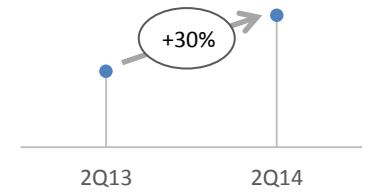
Data Users (# mln users)



BOU: Bytes of Use (Megabytes)



Days of Use



INFRASTRUCTURE FOCUSED IN DATA

TIM's Infrastructure Strategy



**DATA
CENTRIC
APPROACH**

1

CAPACITY



- ✓ Higher speed
- ✓ 4G roll out
- ✓ Mobile broadband project acceleration
- ✓ Backhauling infrastructure

2

COVERAGE



- ✓ Homogeneous
- ✓ Access Upgrade
- ✓ In all relevant areas
- ✓ Site densification
- ✓ Small cell / Wi-Fi

3

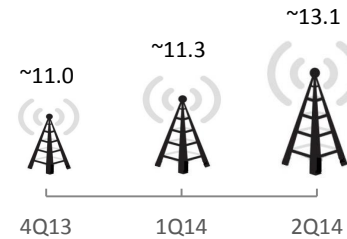
AVAILABILITY



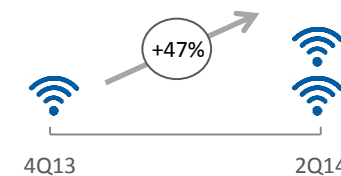
- ✓ Always available
- ✓ Fine tuning
- ✓ Fiber rings / redundance
- ✓ Resilience

Network in Numbers

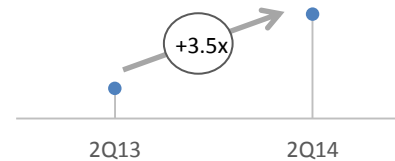
Number of 3G & 4G Sites



Number of Wi-Fi & Small Cell



Number of sites with fiber (FTTS)



Completed actions

- New frequency at 900 MHz in SP
- Better indoor coverage
- Addressing capacity requirement

BioSite: New approach to coverage

Before

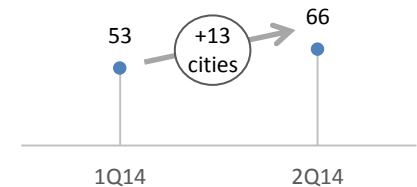


After



- ✓ Patent pending
- ✓ Initiating in:
 - Brasília
 - Curitiba
 - Rio de Janeiro

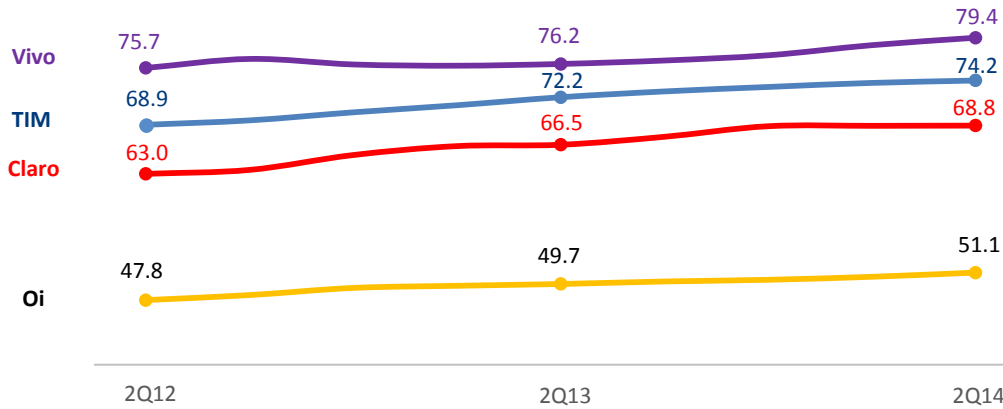
Cities in mobile BB project



CUSTOMER BASE EVOLUTION

Customer Base

(mln)

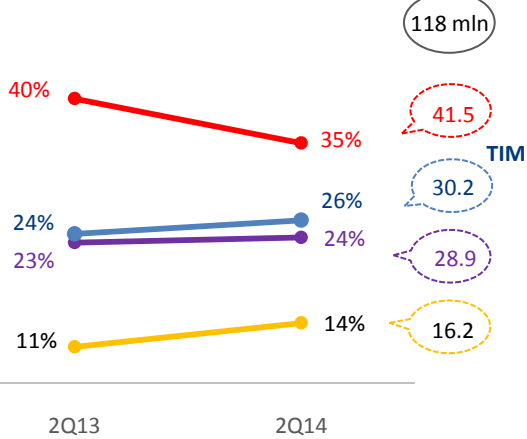


- ✓ # 1 player in prepaid
- ✓ Strong growth in 'Controle' postpaid base
- ✓ Austere disconnection policy

Source: ANATEL

3G Market Share

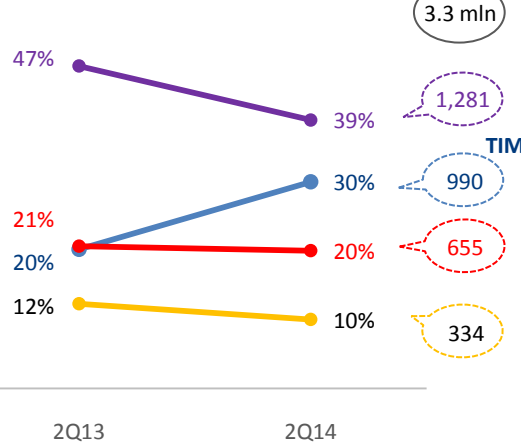
(%; mln users)



Source: ANATEL

4G Market Share

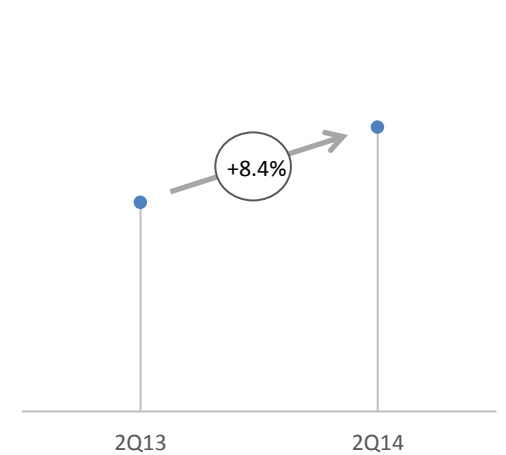
(%; thd users)



Source: ANATEL

Prepaid Recharge

(R\$; % YoY)



Source: Company

GO TO MARKET PROGRESS

Postpaid

Managing customer base...



- Reduce churn on postpaid
- Attract dual SIM card users traffic
- Renewed focus on corporate customers

Prepaid

To Infinity and beyond...



R\$ 7 weekly service package

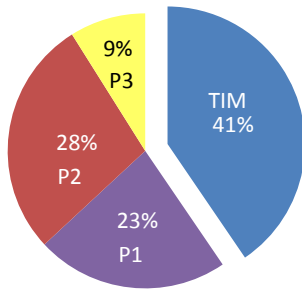


R\$ 0.75 daily offer

- Leveraging on “pure mobile” distinctiveness
- Expanding daily tariff scheme to new regions
- Simplicity / Transparency

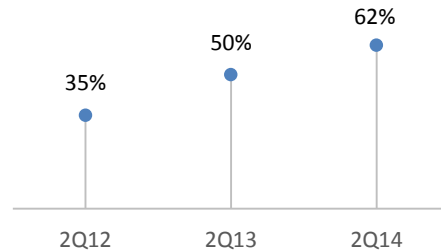
Equipping Customer Base

% of smartphone sales among players in 2Q14



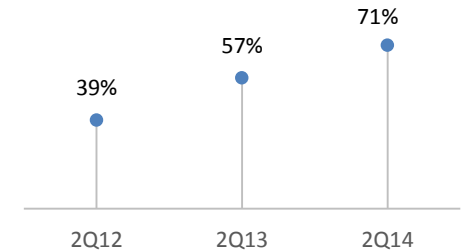
Source: GFK Group

% of smart + webphone on TIM's base in 2Q14



Source: Company

% of smartphone over new sales in 2Q14



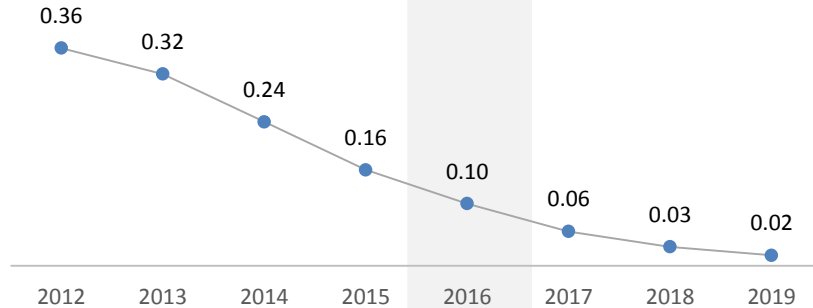
Source: Company

Penetration of smart + webphones drives data usage growth

REGULATORY UPDATE

New MTR and EILD Analysis

MTR
New Glide Path (R\$)



Source: Anatel

Leased Lines - EILD

New parameters established

- ✓ Leased line (EILD) reference price reduction, in 2016, from ~20% until ~80%
- ✓ Establish regulated reference prices to leased lines speed up to 34 Mbps
- ✓ On preliminary 'static' simulation show relevant OPEX reduction

4G Auction RFP

- ✓ Auction expected for September
- ✓ License period: 15 + 15 years
- ✓ No additional obligation. Network and Spectrum sharing opportunities
- ✓ Switch off plan starting at the beginning of 2016
- ✓ Minimum prices and clean-up costs not yet defined

Source: ANATEL, Commissioners Meeting on July 17th

ANATEL's new customer care policy - RGC

Main measures until July, 2014

- ✓ Cancellation within 48 hours, without human assistance
- ✓ In case of dropped call, companies must call customer back
- ✓ Minimum of 30 days for prepaid credits to expire

TIM has been working to improve transparency and caring

Source: ANATEL Resolution 632/2014, GEX Meeting on July 17th

TIM SOLUÇÕES CORPORATIVAS: PLAN MOVING FORWARD IN Q2

Turnaround Plan on Fixed Business

Plan	4Q13	1Q14	2Q14	2H14
Phases	Financial sanitization	Infrastructure reinforcement	Market repositioning	Showing results
Highlights	<ul style="list-style-type: none"> Positive EBITDA Cost efficiency Customer base management 	<ul style="list-style-type: none"> New business unit organization IT renewal plan Multiservice network launch 	<ul style="list-style-type: none"> New branding New offers and product launch Restructured sales force 	<ul style="list-style-type: none"> Sales growth Revenue rebound

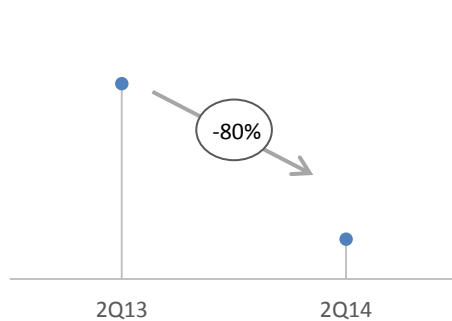


Business Priorities

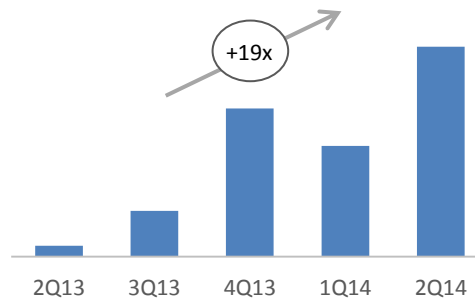
- ✓ Governance / Efficiency
- ✓ Business development
- ✓ Quality and Process

Operational Improvements Paying Off

Activation time (days)



New sales revenues (R\$; YoY)

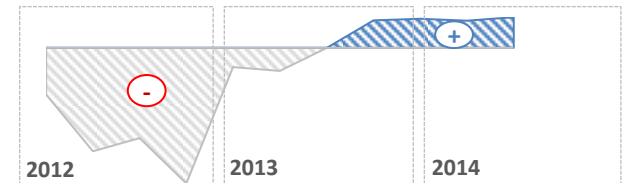


Financial performance

Net Revenues (with intercompany)



Segment EBITDA-CAPEX

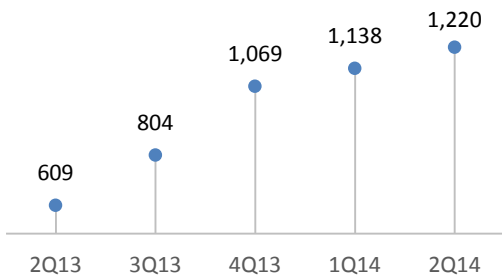


Source: Company

FIXED BROADBAND: LIVE TIM

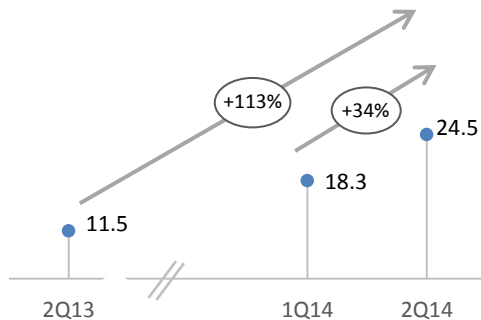
Gaining more traction

Addressable HH
(000 HH)



Source: Company

Gross Adds
(000 users)



Customer Base
(000 users)



126 neighborhoods:

- ✓ 43 neighborhoods in SP
- ✓ 83 neighborhoods in RJ

New Offers

✓ May/2014



- Live TIM Extreme 1Gbps for R\$1,999.90



- Live TIM Blue Box release: optional TV approach

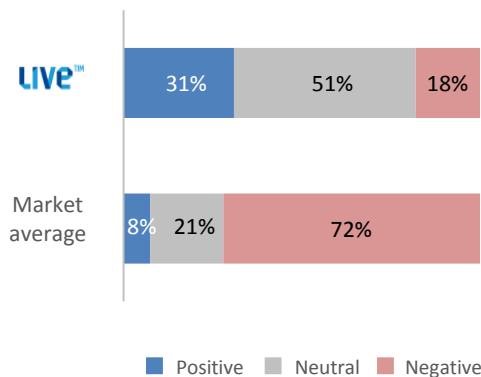
✓ Jul/2014



- New speed: 70Mbps for R\$119.90

Quality Experience

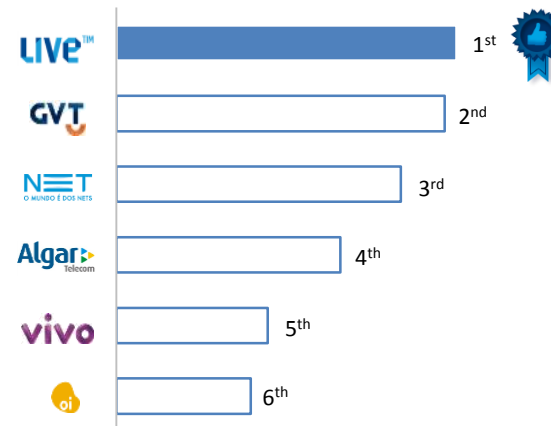
Internet buzz



Source: Gauge 1Q14

Netflix Broadband Ranking

(Average streaming speed representation)

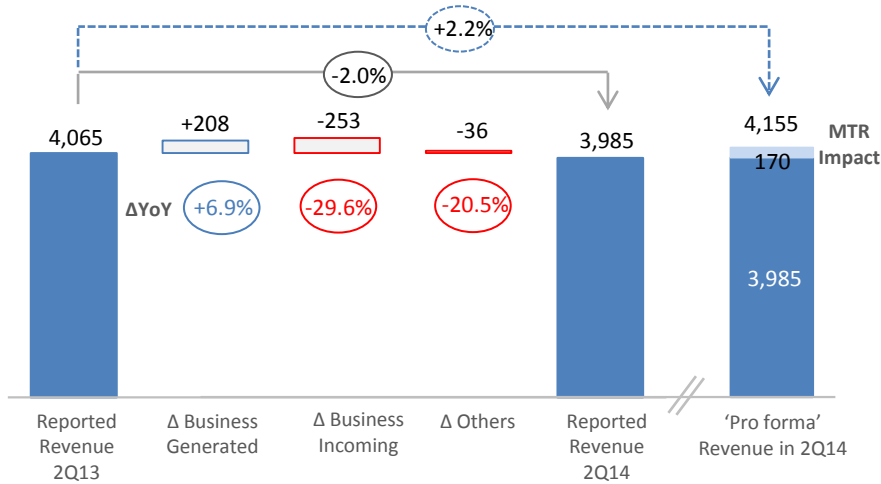


Source: Netflix July 2014

FINANCIAL RESULTS ANALYSIS (1/2)

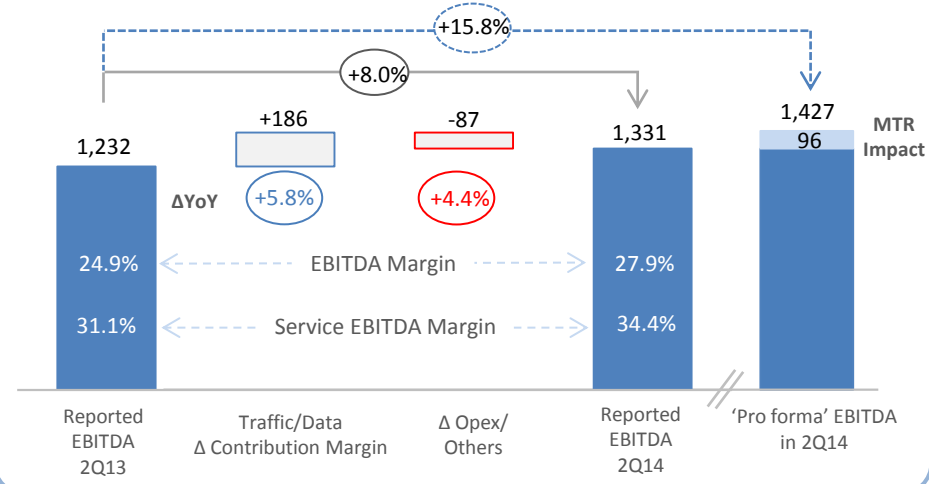
Service Net Revenues

(R\$ mln; % YoY)



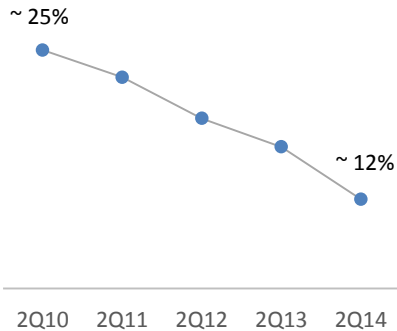
EBITDA

(R\$ mln; % YoY)

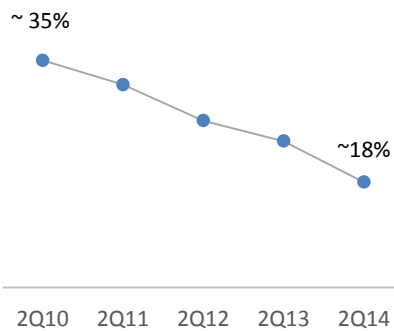


MTR Exposure

Net Services Revenues Exposure

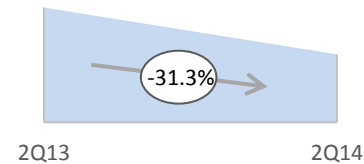


EBITDA Exposure

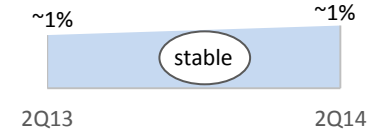


Efficient Cost Control

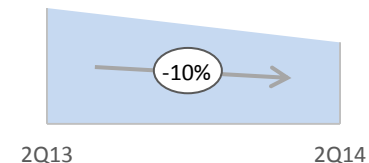
Interconnection (Δ% YoY)



% Bad Debt/Sales (% over gross revenues)



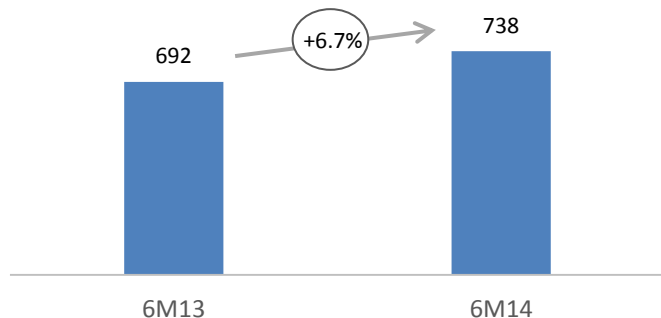
Leased Lines Cost (Δ% YoY)



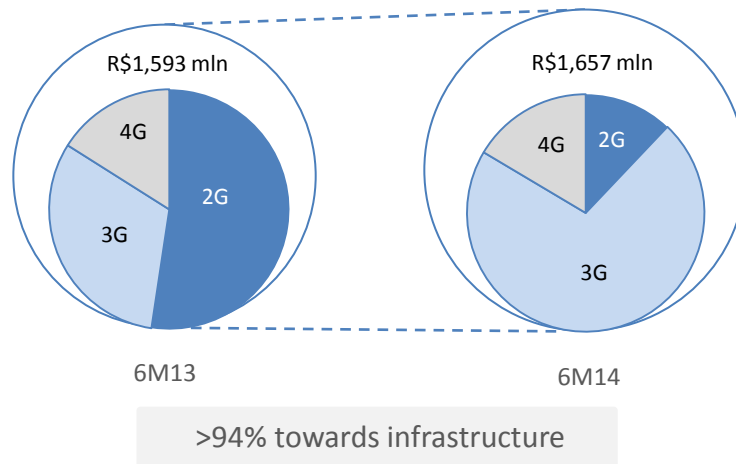
FINANCIAL RESULTS ANALYSIS (2/2)

Net Income - 6 months

(R\$ mln; % YoY)

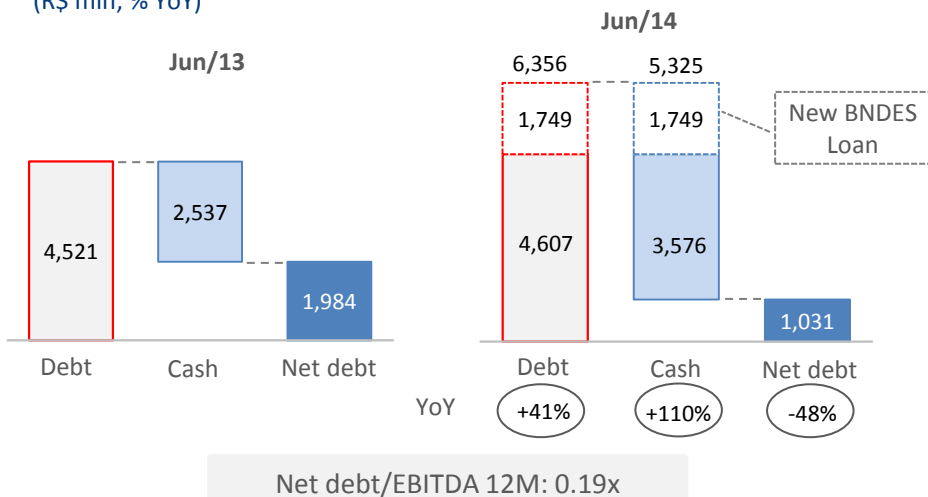


Investments



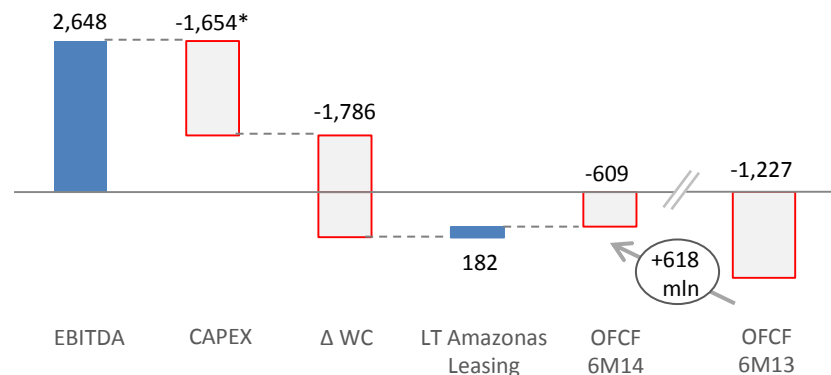
Net Debt

(R\$ mln; % YoY)



Cash Flow - 6 months

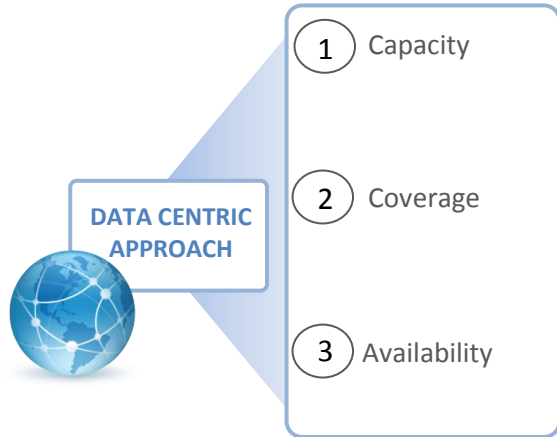
(R\$ mln; R\$ YoY)



*Considering R\$3 mln of LT Amazonas leasing adjustment

KEEPING THE STRATEGIC FOCUS ON THE 2nd HALF

Accelerated Network Evolution for Data



Consolidating Recent Offers & Innovative Services

Mobile

LIGAÇÃO ILIMITADA TIM- TIM LOCAIS E DDD COM 41

Fixed

VAS

CONTENT



Strong Institutional Position

- 4G auction participation
- Leadership position
- Presence in dialogue with relevant institutions

Evolving the Structure for the New Challenges

- Streamlining organization
- Adding new talent
- Stronger segment focus
 - Consumer
 - Corporate
 - Residential