

RESULTS PRESENTATION  
**TIM PARTICIPAÇÕES**  
4<sup>th</sup> QTR 2013

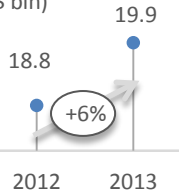


Você, sem fronteiras.

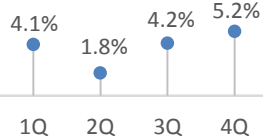
# RESULTS: MAIN HIGHLIGHTS

## Financial Performance

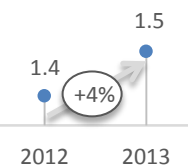
**Net Revenues**  
(R\$ bln)



**EBITDA**  
(Δ% YoY)



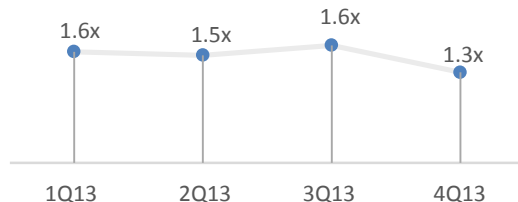
**Net Income**  
(R\$ bln)



- Data Revenues +21.5% in FY13
- EBITDA Margin at 28.9% in 4Q13
- Services EBITDA Margin at 32% in FY13

## Efficiency

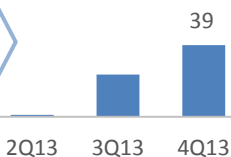
**SAC/ARPU** (in months)



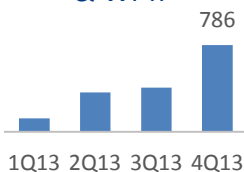
- Subs. acquisition costs: R\$28 in FY13 -6% YoY
- Leased line cost reduction: -6.0% YoY in FY13
- Bad debt at lowest level: -4.4% YoY in FY13

## Network Improvement

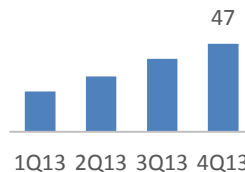
**MBB**  
(# of cities)



**Small Cells & Wi-fi**



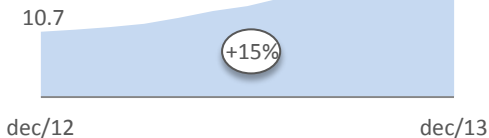
**Active Fiber**  
'000 Km



- 39 cities fully covered with MBB project
- 3G & 4G expansion (4G RAN sharing)
- Network quality plan
- Deployment of LT Amazonas Backbone

## Offer Evolution

**Postpaid Customer Base**



**Total Base**  
73.4 mln users

- Plans 'Controle' and Express
- Promotional top up
- Infinity Web + SMS
- Base mix (Prepaid 83% / Postpaid 17%)

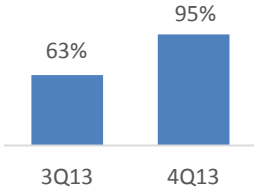
# REVISITING PRIORITIES

1

## Network Quality & Infrastructure

- Stabilized and improved network performance
- Prepared network for data evolution
- Optimized Capex and Opex allocation

% of sites with active fiber (FTTS phase 2) on the targeted 35 cities



2

## Strategy & Offer Evolution

- Improved customer base mix
- Managed customer base with segmented offers
- Evolved offers toward data and internet services
- TIMmusic: >250k users in 4Q and 32 mln songs downloaded



3

## Institutional Relationships

- Participating actively in industry discussions
- Recovered institutional image and dialogue
- “Open Doors” transparency initiative generated excellent results on customer interactions (>400k collaborations/month)
- Took corporate governance to the next level (CAE)

WEBSITE + APP “Portas Abertas”



4

## People & Organization

- Seeking “Best Company to Work For” status
- Reinforcing compliance culture
- Driving sense of belonging and employee pride

TV Campaign featuring employees



# A YEAR OF NETWORK/QUALITY EVOLUTION: PRIORITY #1

Projects that are transforming  
TIM's infrastructure

1<sup>st</sup> Quarter

**Flawless Deployment  
of 4G Strategy**

- ✓ RAN sharing successfully implemented
- ✓ >30% of 4G market share

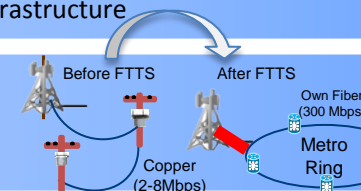
2<sup>nd</sup> Quarter

**TIM Fiber  
Metropolitan Rings**

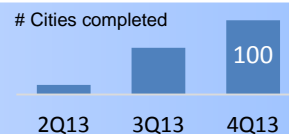
- ✓ >570 MSAN
- ✓ Fiber network stabilization
- ✓ Support backhauling for mobile infrastructure

**Completion of  
FTTS 1<sup>st</sup> Phase  
"MBB"**

- ✓ 39 cities
- ✓ Improving customer experience
- ✓ Improve throughput
- ✓ 4G ready



**'Quality Plan'  
Implemented (war room)**



Quality improvement in  
critical cities

3<sup>rd</sup> Quarter

**Smallcell Pilot Project  
/ Wi-fi rollout**

- ✓ >150 cells implemented
- ✓ >600 hotspots with seamless authentication

**New Extension of  
LT Amazonas Backbone**

- ✓ 1,800 km of fiber
- ✓ 27 cities



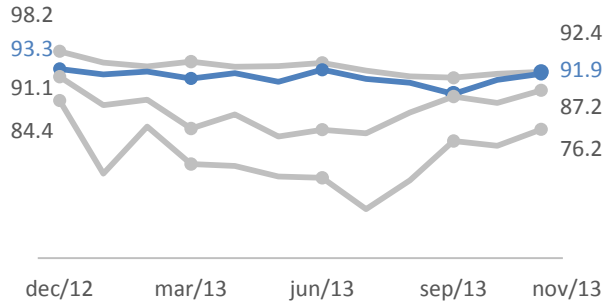
4<sup>th</sup> Quarter

**NOC Insourcing  
Project**

- ✓ Launching project of insourced network operating center

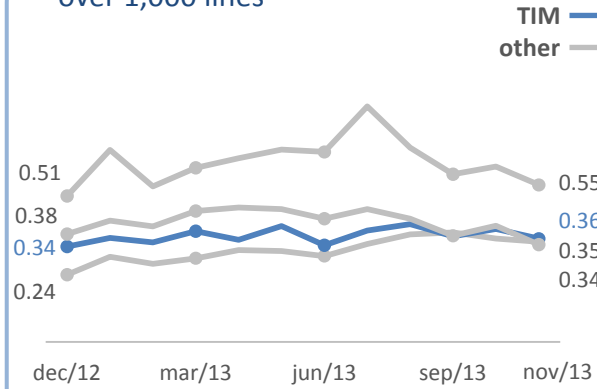
# QUALITY IMPROVEMENT EVIDENCES

Anatel's Index of Caring Performance (in points)



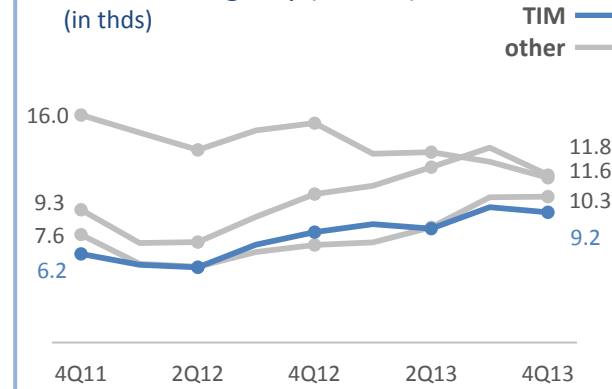
Source: ANATEL

Anatel Complaints over 1,000 lines



Source: ANATEL

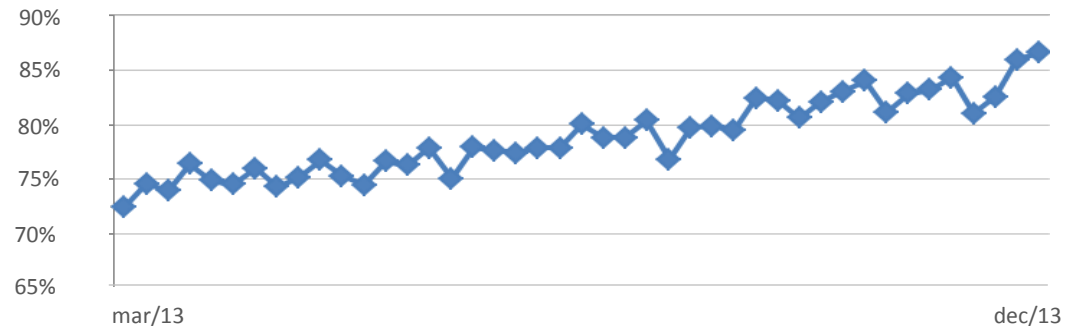
Claims at Consumer's Protection Agency (Procon) (in thds)



Source: SINDEC-Procon

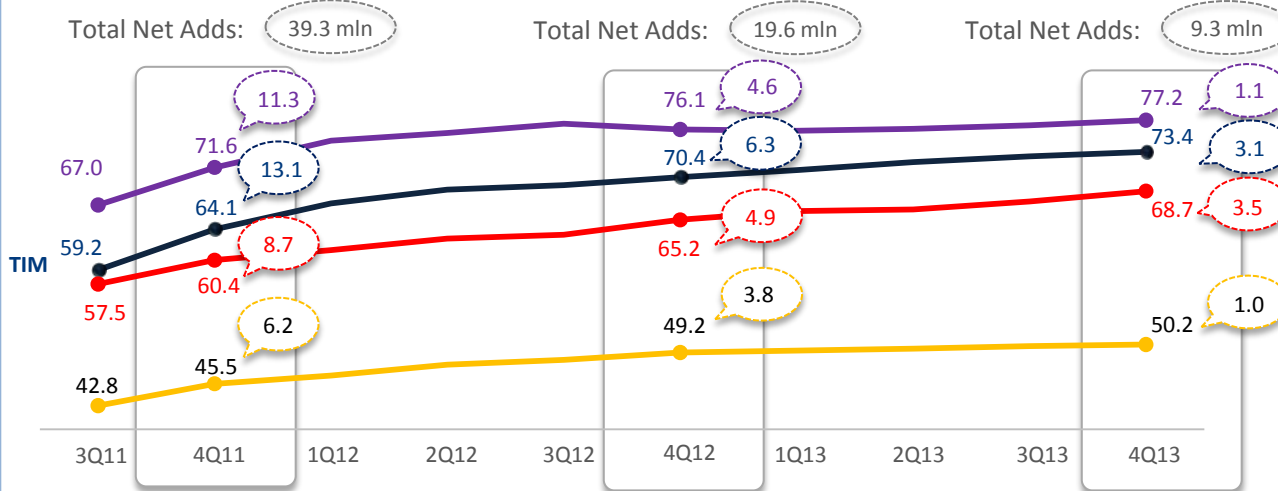
- ✓ Improvement in all key Anatel indicators compared to 2012
- ✓ Narrowing gap between IDA's 1<sup>st</sup> place and TIM (2<sup>nd</sup>)
- ✓ Stable Anatel's complaints metric
- ✓ Least claimed company at Procon
- ✓ War Room helping to improve network KPIs

Network KPI's on target (%) (For the main 195 cities)



# CUSTOMER BASE EVOLUTION

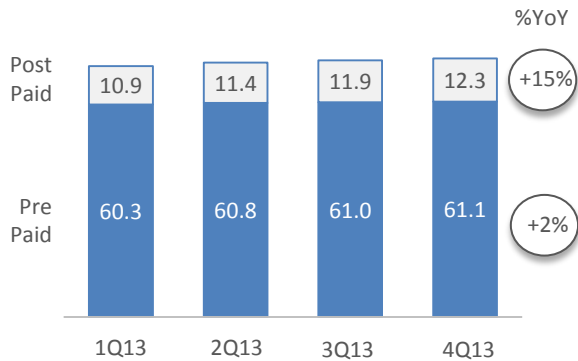
## Customer Base & Net Additions (mln)



- ✓ Growing above market
- ✓ #1 player in prepaid
- ✓ #2 player in voice postpaid
- ✓ >3 mln net adds in 2013
- ✓ Accelerating postpaid performance
- ✓ Austere disconnection policy

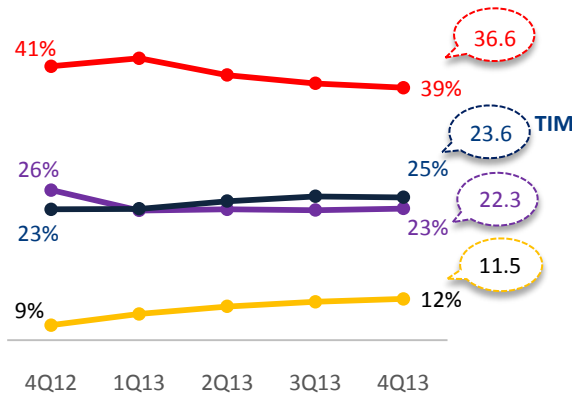
Source: ANATEL

## Base per Segment (% YoY)



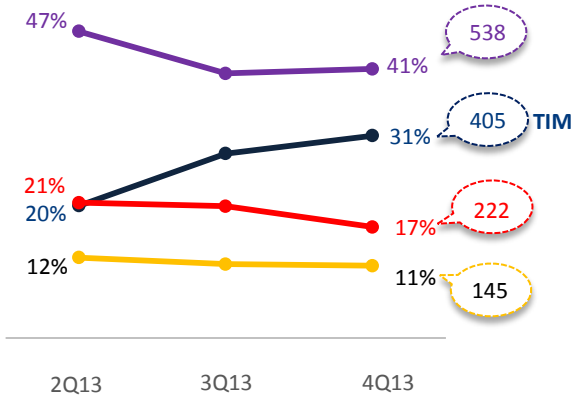
Source: ANATEL

## 3G Market Share (%; mln users)



Source: ANATEL

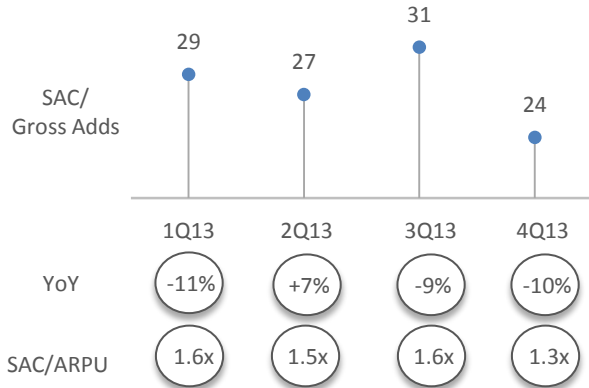
## 4G Market Share (%; thd users)



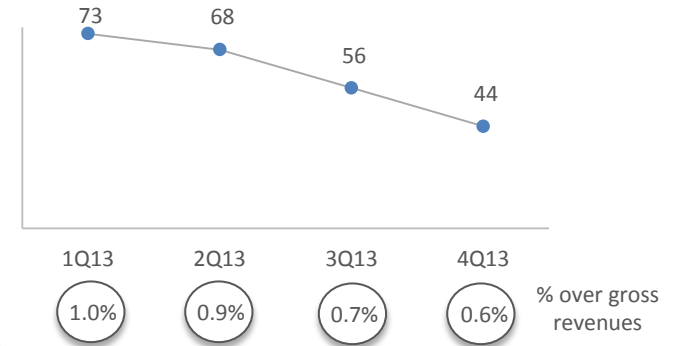
Source: ANATEL

# MAINTAINING EFFICIENCY

## SAC - Subscriber Acquisition Cost (R\$)



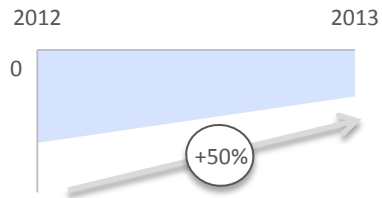
## Bad Debt (R\$ mln)



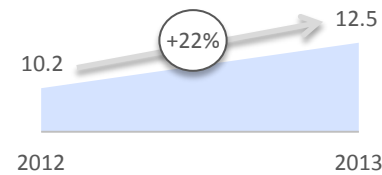
✓ **2013 Gross adds:**  
 40 millions  
 ✓ **Postpaid Base:**  
 12.3 mln +15% YoY  
 ✓ **Total Base:**  
 73.4 mln +4.3% YoY

## Handset Business (% YoY)

### Product Margin (Revenue - Cost)

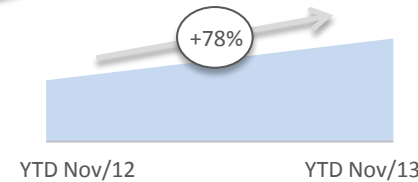


### Handset Sold (mln units)

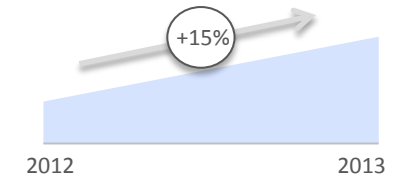


## Network Cost (% YoY)

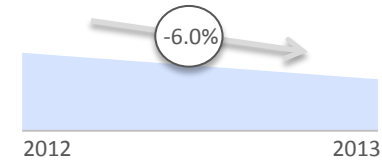
### Total Data Traffic (megabytes)



### Total Voice Traffic (bln minutes)



### Leased Lines (R\$ mln)

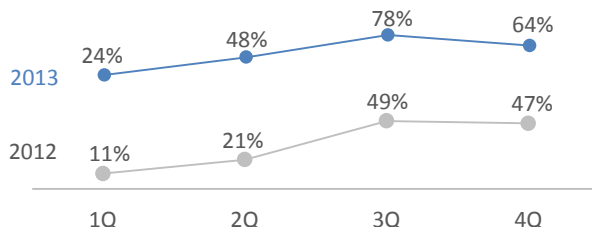


# EVOLVING MARKETING PATH IN 2013: TRANSPARENCY, SIMPLICITY, QUALITY & INNOVATION

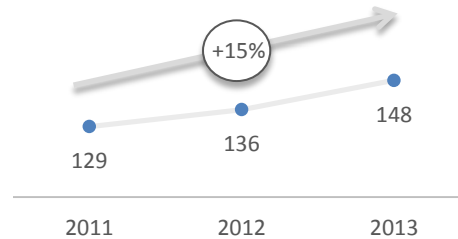


## Customer Base Highlights

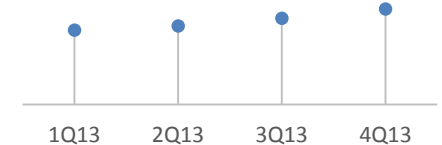
**Net Adds Postpaid Mix**  
(% Net Adds Postpaid/ Total)



**MOU (Minutes of Use)**  
(minutes)

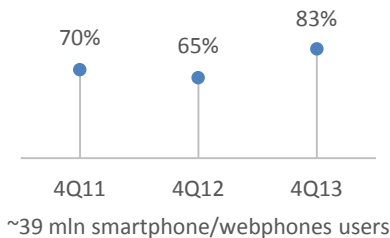


**Outgoing ARPU**  
(R\$)

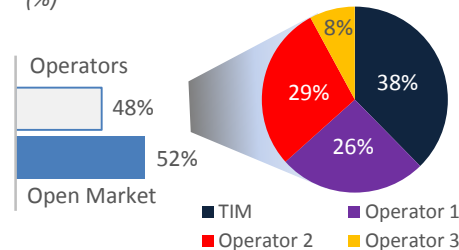


## Handset & Revenues Highlights

**Smart/webphone over new sales**  
(%)

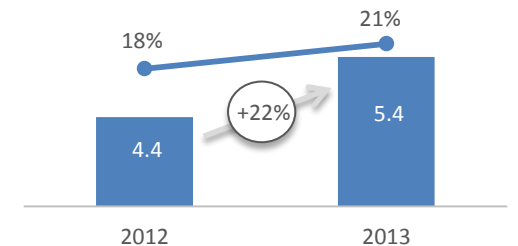


**Share of handset sales (FY13)**  
(%)



**VAS Revenue Growth**

(% of VAS Revenues over Gross Revenues; R\$ million)





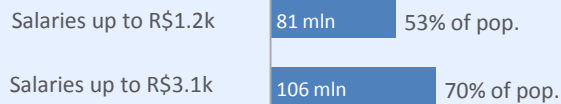
# STRATEGY TOWARDS DATA & INTERNET

## Re-visiting Market Structure

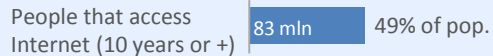
### Households profile



### Purchase power

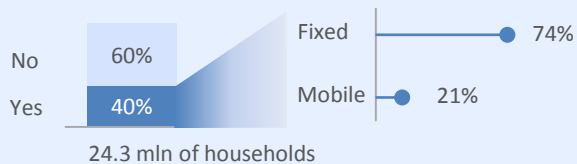


### Consumption



### Households with internet connection

(%; CETIC jun'13)



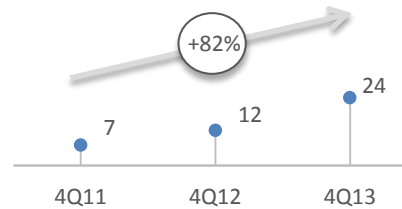
## Big opportunity for FMS on Data

Source: PNAD 2012, CETIC.br TIC Domicílios 2012

## TIM's Position

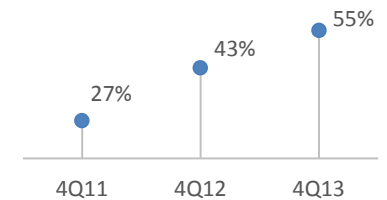
### 3G Subscribers

(mln users; CAGR 11-13)



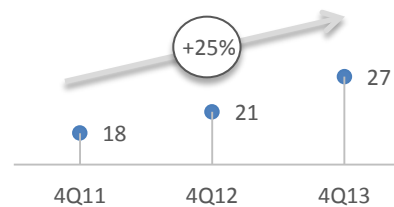
### Smart/webphone penetration

(% over total base)



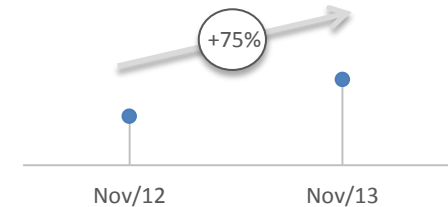
### Data Users

(Monthly unique users; CAGR 11-13)



### BOU (Bytes of Use)

(average megabytes per user)

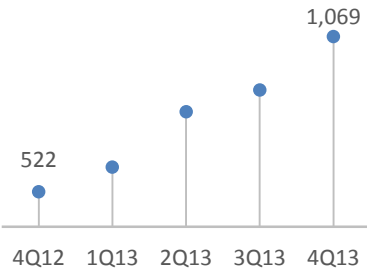


Source: Anatel; Company

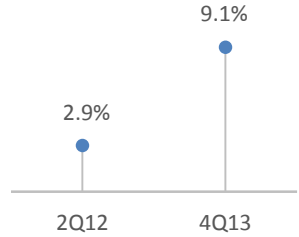
# TIM FIBER: RESHAPING THE FIXED BROADBAND MARKET

## Building Up Size

Addressable HH  
(000 HH)

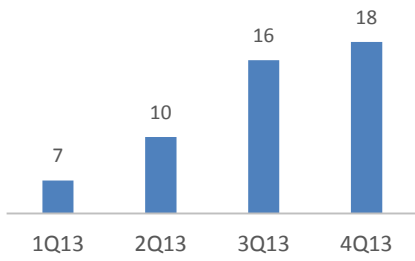


Penetration of new neighborhoods  
(sales/addressable HH)

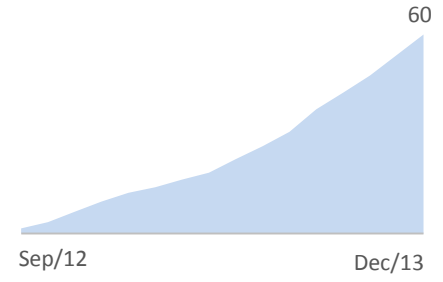


## Accelerating Growth

Net Adds in 2013  
(000 users)

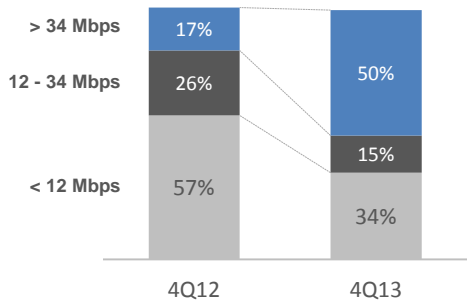


Customer Base  
(000 users)

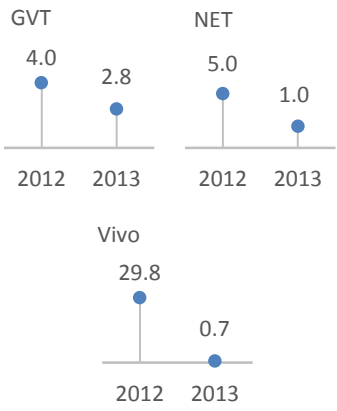


## Changing market dynamics

Net Adds speed mix (SP + RJ)  
(Mbps)

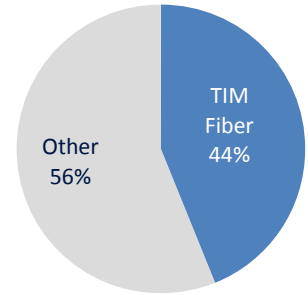


Price per Mbps\*  
(R\$/Mbps)

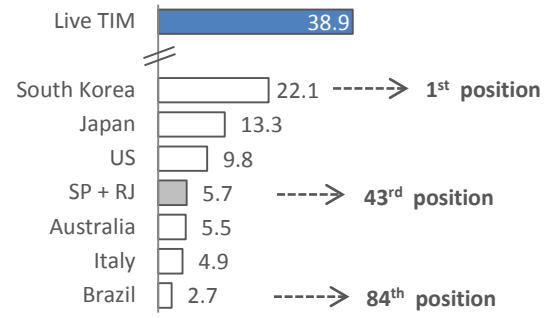


## Evolving overall market performance

UBB Market Share (SP + RJ)  
(connections >34Mbps)



Average Speed  
(Mbps)



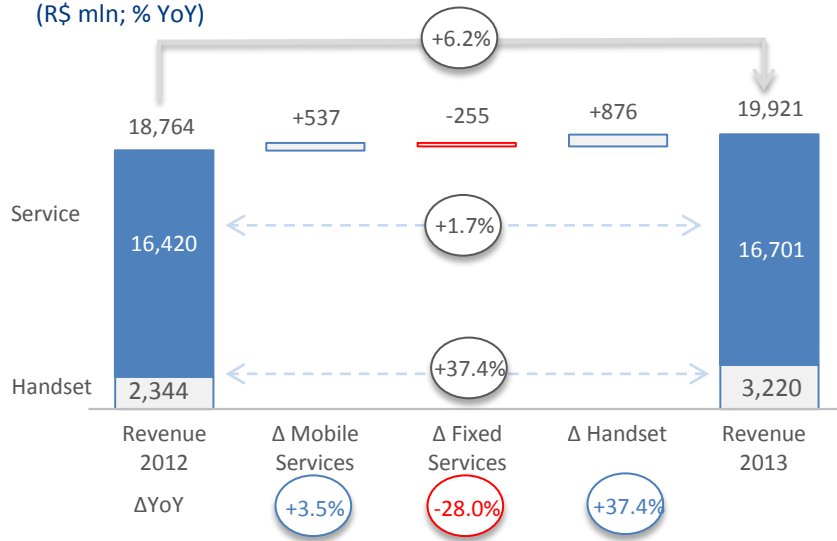
\* 12 months average of price / Mbps  
Source: Anatel; Akamai 3Q13

Source: Anatel; Akamai 3Q13

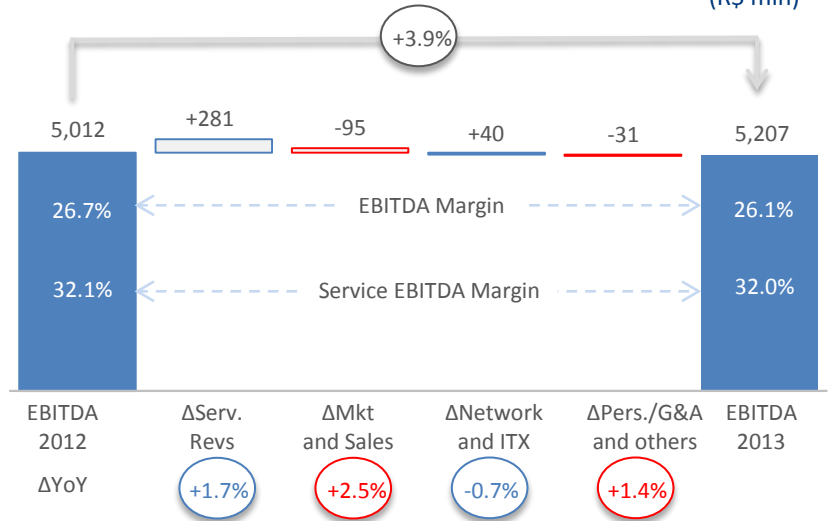


# FINANCIAL RESULTS

## Net Revenues (R\$ mln; % YoY)

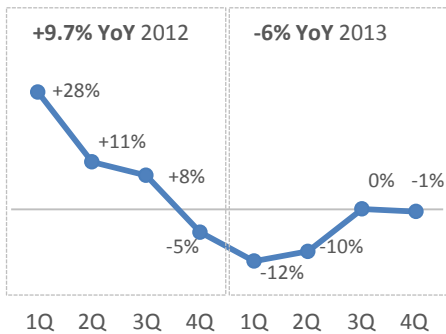


## EBITDA (R\$ mln)

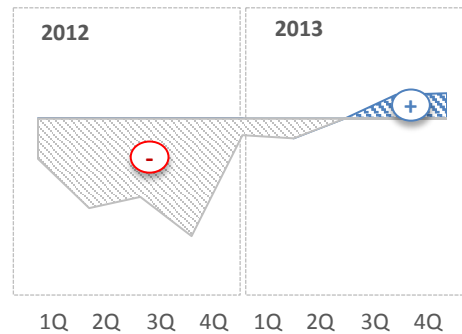


## Fixing EBITDA Drags

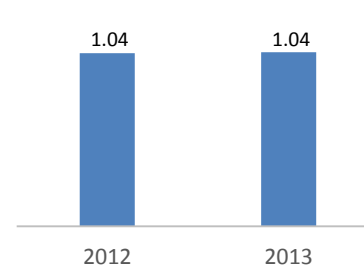
### Leased Lines Cost (% YoY)



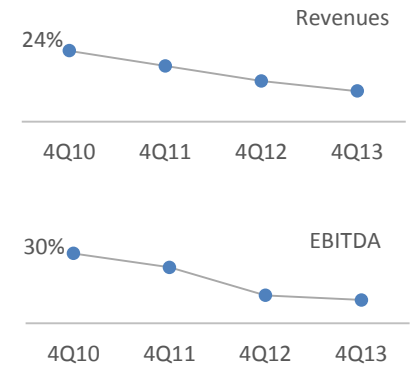
### Intelig: EBITDA-CAPEX (R\$ mln)



### FISTEL Payments (R\$ bln)



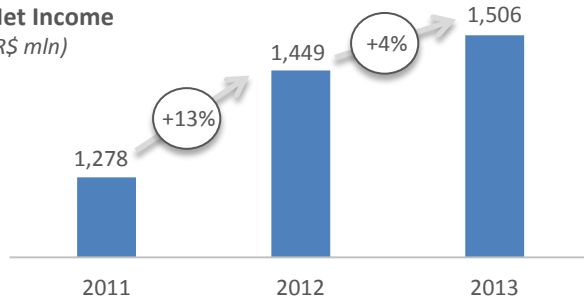
### MTR Exposure (%)



# FINANCIAL EVOLUTION

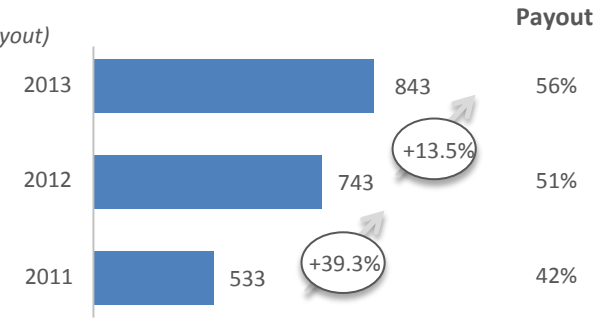
## Profit & Yield

### Net Income (R\$ mln)



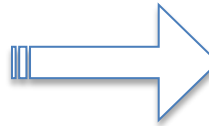
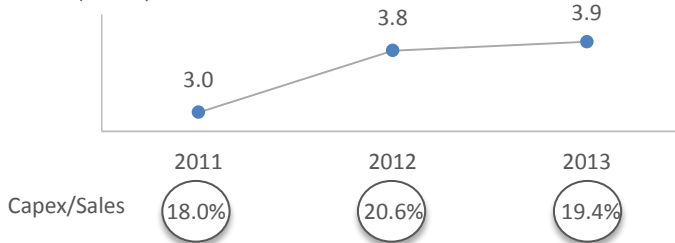
### Dividends

(R\$ mln, payout)

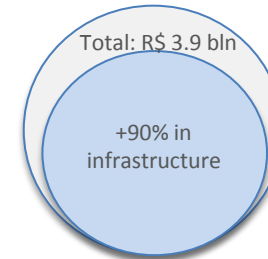


## Investments

### CAPEX (R\$ bln)



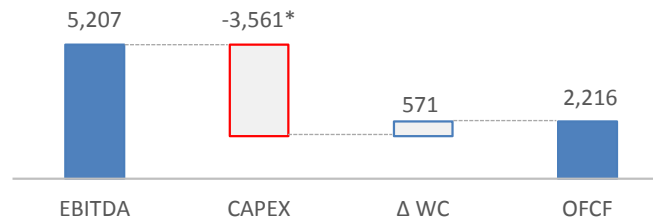
### CAPEX Mix (%)



- ✓ Focus in transport infrastructure
- ✓ Zero subsidy policy on handsets

## Operating Free Cash Flow

(R\$ mln)



- ✓ OFCF/Net Revenues: 11%
- ✓ Expansion of +21.4% YoY

\*OCF does not consider R\$310 mln of LT Amazonas leasing as CAPEX

# PERSPECTIVES FOR 2014

## Macro Environment

- ✓ Continuation of Quality Plan monitoring and execution
- ✓ Expectation of 4G Auction for 700MHz Spectrum
- ✓ Discussions on Sector Cost Modeling and MTR evolution
- ✓ Keen attention to competitive environment trends

## Network Evolution

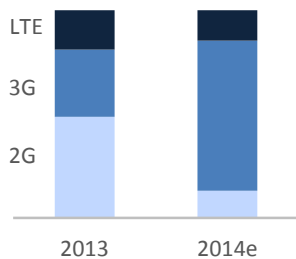
- ✓ Network coverage expansion with increased rollout of Macro, Small Cells and Wi-Fi HotSpots
- ✓ Acceleration of Mobile Broadband project from current 40 cities to over 100 cities
- ✓ Focus on operational excellence and network availability by investing on people, systems and processes

## Offer & Commercial Strategy

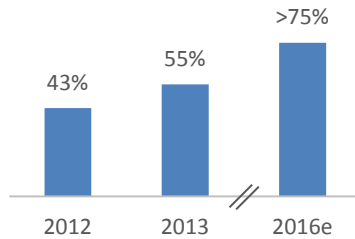
- ✓ Voice growth with migration to postpaid and bundling for Voice FMS
- ✓ Speed up data growth with smartphones and tablets, innovative VAS, 4G offers and Data FMS
- ✓ Fixed business growth coming back with positive contribution to results
- ✓ Restructuring commercial channels
- ✓ Rational approach to pricing

## Recap of 2014-16 Business Plan

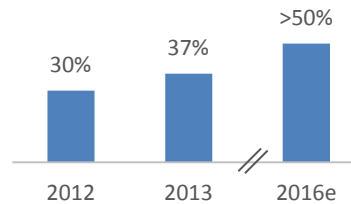
**Capex Evolution**  
(% of Capex for Access Network)



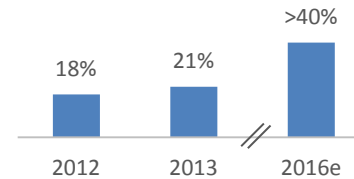
**Smartphone penetration**  
(Over total base of lines)



**Data Users**  
(% Customer Base)



**VAS Revenue Growth**  
(% of Mobile Gross Rev.)



### 3yrs - Plan Guidance:

- ✓ Revenues: **MID single digit**
- ✓ EBITDA: **MID single digit**
- ✓ Capex: **>R\$11 bln**