



Você, sem fronteiras.

Earnings Release

3rd quarter 2011 | TIM Participações S.A.





Você, sem fronteiras.

TIM PARTICIPAÇÕES S.A. Announces its Consolidated Results for the Third Quarter 2011

BOVESPA¹

(lot = 1 share)

TIMP3: R\$8.88

NYSE¹

(1 ADR = 5 ON shares)

TSU: US\$26.04

(1) closing prices of Oct 31st, 2011

Rio de Janeiro, Oct 31st, 2011 – 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 2011. 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 2010 (3Q10) and second quarter of 2011 (2Q11).

3Q11 Conference Call

Conference Call in Portuguese:

Nov 1st, 2011, at:

10:00 AM Brasilia time

08:00 AM US ET

Conference Call in English:

Nov 1st, 2011, at:

12:30 PM Brasilia time

10:30 AM US ET

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3Q11 Highlights: Business Growth Acceleration

- **Subscriber base reached 59.2 million users, +26.1% YoY**, backed by strong pre-paid of +27.3% YoY and accelerating post-paid with +19.6% YoY;
- **Gross adds totaled 10.2 million lines (a record for a quarter)**, resulting in a strong net addition of 3.7 million new lines;
- **Top line, at R\$4.4 billion, grew by 18.9% YoY** and net service revenues increased by 13.7% YoY;
- **Gross Data revenues grew 47.6% YoY to R\$834 million**, reaching 16% of total mobile revenues (vs. 13% in 3Q10); Infinity Web Unique users reached over 2.2 million per day;
- **Smartphone penetration reached 19.5% over total base** (vs. ~8% a year ago);
- **Outgoing Voice Revenues (+21.1% YoY)** continues to grow at a fast pace;
- **Total traffic amounted 22.4 billion minutes** (+32.8% YoY);
- **EBITDA reached R\$1,152 million**, +11.3% yearly, or +18.7% excluding subsidy capitalization impact; EBITDA margin registered 26.4% vs. 28.2% a year ago;
- **EBIT came at R\$513 million** (+83.5% YoY);
- **Net income totaled R\$317 million**, +116% YoY;
- **CAPEX totaled R\$838 million this quarter** and R\$1,85 billion in 9M11, or 15.0% of net revenues;
- **Leadership in Anatel network quality for the last 12 months.**

Message from Management

In this quarter I highlight five main achievements: **(i) business acceleration, (ii) growth and profitability, (iii) data acceleration, (iv) strengthening foundations, and (v) primary offering.** TIM demonstrated that consistent strategy is paying-off as results keep accelerating. Important steps to support business expansion are being taken to assure we will enjoy all the opportunities in Brazilian market.

(i) Business Acceleration: consistently growing

In the third quarter, competitive landscape continued very tough, however **TIM managed to lead again the gross addition** in the market along with double digit growth in gross revenues. TIM registered 10.2 million gross additions in 3Q11, a record for a quarter. As of September, Infinity plans reached 95% of total pre-paid base and Liberty, more than 65% of post-paid base. Below I described some evidences of business in acceleration:

- **Customer Base** grew by 26% YoY, reaching 59.2 million lines, backed by 27.3% YoY increase in pre-paid, and 19.6% YoY post-paid with;
- **Revenue:** Net revenues grew 18.9% and service revenues by 13.7%YoY;
- **Important KPIs to highlight:** Total traffic rose 32.8% in a yearly comparison to 22.4 billion of minutes, while MOU kept the solid growth pace and reached 130 min/user. Important to mention that Outgoing Voice revenues rose 21.1% year-over-year;

(ii) Balancing Growth and Profitability: No Trade-Off

As seen in previous quarter, third quarter was again marked by solid growth and increasing profitability.

- **SAC/ARPU** at 1.7x (vs. 2.3x in 3Q10) **and Bad debt** at 0.95% of gross revenues (vs. 1.3% in 3Q10);
- **EBITDA:** yearly growth of 11.3% to R\$1,152 million, and **EBIT** at R\$513 million (+83.5% YoY). **Net Income:** at R\$317 million or 116% higher than 3Q10;

(iii) Data services accelerating: Internet for Everyone

This quarter we accelerated our data services growth, showing that our strategy of **internet for everyone is having excellent response from users.** The bottleneck of smartphone penetration is left behind, and we managed to reach 19.5% of penetration in this quarter, a sound growth of 2.5x versus a year ago. With this scenario, Infinity Web (our prepaid data plan) passed 2.2 million daily users;

(iv) Network: Strengthening the Foundations

In five years period, from 2009 till 2013, TIM plans to invest (organically) R\$14 billion, largely allocated to the infrastructure. Such investment has been crucial to support Company's fast growth in voice traffic, and the accelerating mode in data offers. Regarding non organic investments, Intelig and AES Atimus were strategic acquisitions for the Company in this 5 year period, both having network enhancement as rationale.

Important to highlight that TIM maintained network quality at the highest level, according to Anatel's scoring. We have installed, until September, almost two times more TRX (2G capacity) versus same period of last year and almost 3x in the North/ Northeast Regions).

(v) Primary Offering: Source to maintain growth acceleration

Envisioning opportunities to keep accelerating business, and push fixed-to-mobile substitution in voice and data services, it is crucial to build a solid infrastructure to support traffic growth. Recent capital increase of R\$1.7 billion had a key role to support infrastructure growth and at the same time, maintaining our solid balance sheet position unchanged.

Business Outlook: Delivering 2011 Results

Arriving at the last quarter of the year, we are well positioned to deliver the promises we have made in the beginning of the 2011.

- Customer Base: we regained the second position in number of subscribers, reaching a market share above 26%;
- Revenue growth: considering 9 months in 2011, we grew 17.5% YoY in service revenues and 11.6% YoY in total revenues;
- EBITDA: Reached R\$ 3.3 billion, and it is on track to meet guidance;
- Capex and OFCF: Capex totaled R\$ 1.9 billion, therefore EBITDA-Capex amounted R\$ 1.5 billion.

We maintain our constructive view on the **opportunities for Brazilian market**, with fixed-to-mobile substitution accelerating, customer base still growing at a strong pace and the untapped market for data services (mobile or fixed).

Lastly, Atimus acquisition was closed on October 31st. This optical fiber network will give us an edge to increase even more our network capabilities.

Our **strategy will remain consistent and original, innovation and distinctive approach is our focus**. Having no legacy to defend in the fixed business, we will be the front runner in the voice market, speeding-up data and smartphone penetration. Although competition has intensified, we will keep our focus on growth and profitability equilibrium.

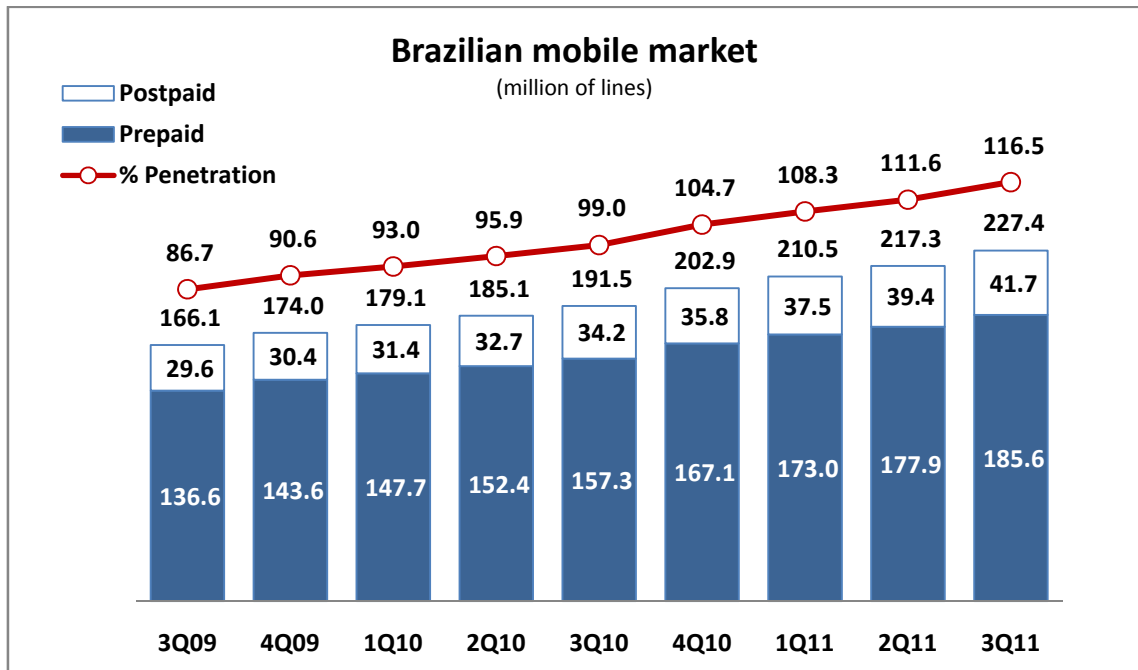
Luca Luciani

Market Performance

Brazilian Market Overview

Even well above 100%, penetration rate growth remains at double digit

Brazilian mobile market reached 227.4 million lines by the end of 3Q11, representing a yearly growth of 18.7% (vs. 15.3% in 3Q10) and a penetration rate of 116.5%, from 99.0% in 3Q10. The mobile market growth has been supported by: i) aggressive stimulus of on-net calls (which creates multiple SIM-Card sales effect in the pre-paid segment), and ii) growing demand for data services, especially in smart/webphones.



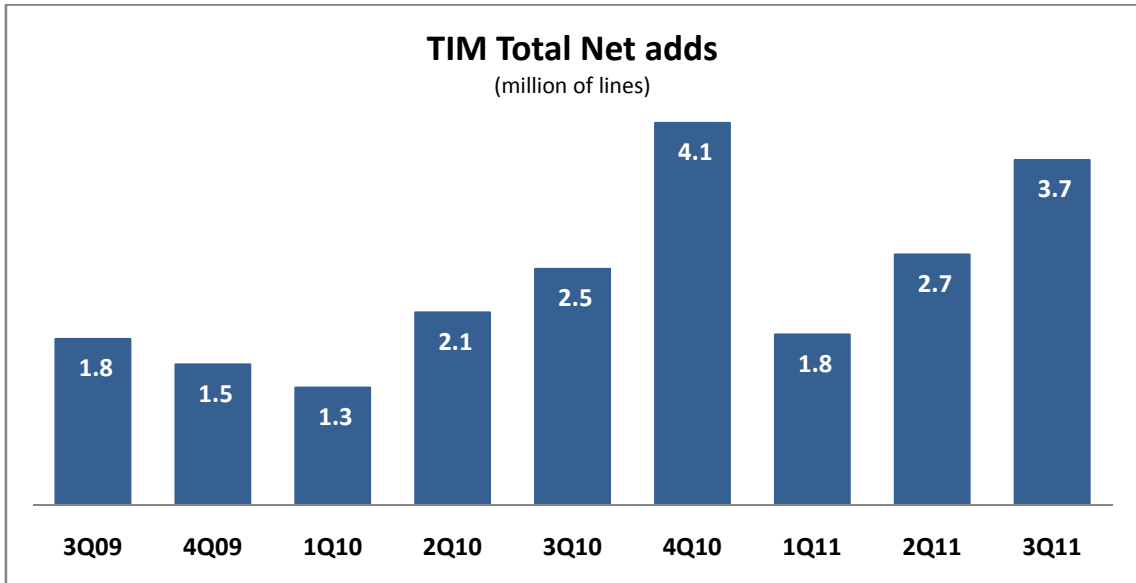
Market net additions in 3Q11 rose 58% YoY

The best third quarter ever. Market net additions in 3Q11 totaled 10.0 million, an outstanding increase versus 6.3 million registered in the same period last year. Breaking down the market into pre and post-paid segments, the first reached 185.6 million users (+18.0% YoY), and accounting for 81.6% of total Brazilian market. As for the post-paid segment, total users reached 41.7 million, a 22.1% increase versus September 2010.

TIM's Performance

TIM led net adds in 3Q with 3.7mln

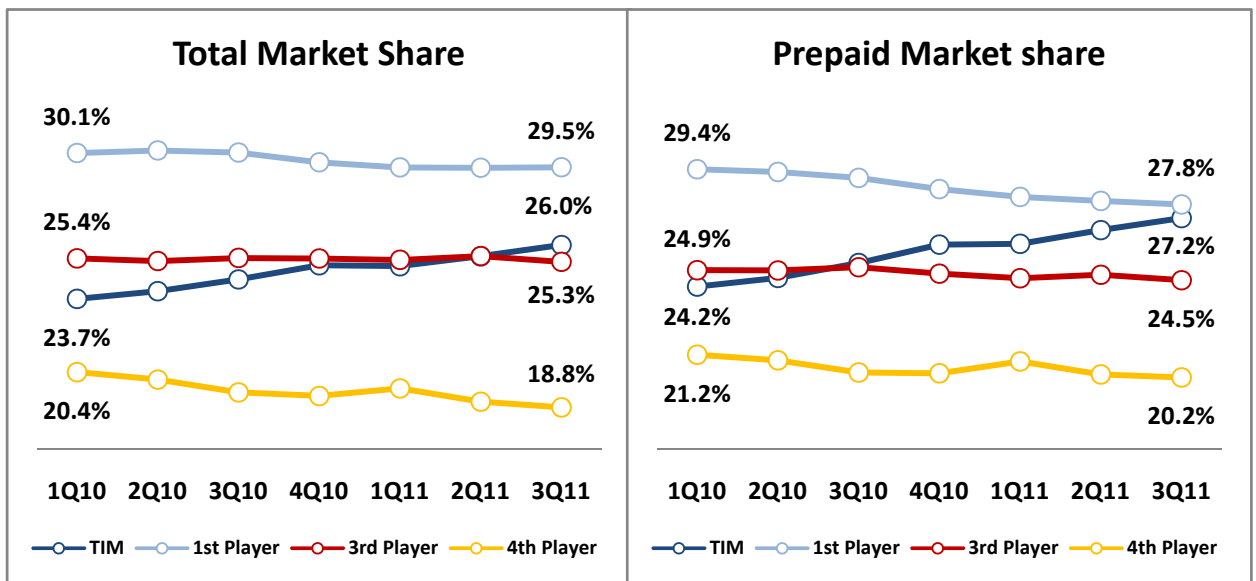
Total subscriber base ended third quarter with 59.2 million lines, 26.1% up from 3Q10 and representing a market share of 26.04%. Total net additions in the 3Q11 came in at 3.7 million lines, taking the lead in the quarter with 36.8% of the incremental market share. This continuous performance in the market share of net addition confirms the Infinity and Liberty as the best cost-benefit choice.



Gross adds on a highest level ever

In this quarter, **TIM achieved the highest volume of gross additions in a quarter**, reaching 10.2 million lines, up 36.5% versus 3Q10.

Disconnections reached 6.5 million in the quarter, with a churn rate of 11.6% (vs. 11.1% in the 3Q10 or 12.3% in 2Q11). The rise on churn is explained by a strict disconnection rule, and avoiding unnecessary Fistel expenses amid strong commercial activity, especially on the pre-paid side.



*post-paid
addition
grew 2.2x
vs. 3Q10*

Post-paid customer base reached 8.7 million users, a 19.6% YoY growth vs. +14.6% in 3Q10. In 3Q11, **TIM added 632 thousands post-paid clients (vs. 280k in 3Q10 and 317k in 2Q11)**, thanks to Liberty plans, which ended the quarter with over than 5.7 million users, and leveraged by data plans for dongles as well.

*48 million
users in
Infinity plan*

On the pre-paid front, total users reached 50.6 million, up 27.3% YoY - largely leveraged by Infinity plan, which reached 48 million users (95% of the base in this segment).

*Leadership
in Network
quality*

Network & Quality: Our GSM coverage reached 94.2% of the urban population, serving 3,259 cities. Despite a continuous steep traffic increase in the past quarters (+32.8% YoY), TIM kept the leadership position in Anatel's network quality indicator, being the only player to score 100% of the goals in 9 out of the last 12 months. Such result reinforces TIM's commitment to provide top notch service quality, while pushing on fixed-to-mobile substitution (MOU intensive strategy) and speeding up data offers.

As for data coverage, TIM provides GPRS technology to 100% of its footprint, being ~80% covered by EDGE technology. The Third Generation Technology (**3G**) **had its roll-out speeded-up and now it is present in 331 cities – reaching around 60% of urban population in Brazil**. We expect to continue accelerating the 3G coverage in the coming quarters.

Marketing Performance

Marketing approach in this quarter can be described as follows:

On the consumer segment, and regarding voice positioning, TIM maintained market pushing on Infinity and Liberty plans focusing on the fixed-to-mobile substitution while stimulating community concept.

Additionally, on Father's Day, besides having unlimited local and long distance calls (using code 41) for any TIM number nationwide, TIM Liberty customers could also talk limitlessly to any radio user (SME) without discounting its minute's package.

In the context of community expansion in the areas with great opportunity, **TIM launched Infinity TRI offer in Rio Grande do Sul**, an innovative approach and completely adapted to the culture of that region. The offer takes the Infinity to a new concept, charging users per day instead of per call. This is another step that reinforces TIM's commitment in operations in the state, along with sponsorship of the two main teams and the creation of TIM RS business unit.

As for data services, TIM continued to push Infinity and Liberty Web concepts with mobile internet service targeting smartphones, tablets and notebooks users, **creating a complete and strong pack of offers**. The new plans were designed to avoid the monthly billing surprise, and **providing unlimited usage for a fixed charge**.

Considering the other value added services, **TIM intensified the use of soccer teams to enhance the community** concept by offering the fan's TIM Chip. It has all the benefits of the Infinity offering plus an additional set of free contents, about each soccer team sponsored by **TIM (8 teams, representing around 100 million supporters in Brazil)**.

In the corporate market, after the release of new voice plans, TIM launched in September a new portfolio of plans for mobile internet access via 3G modems and tablets, **aiming at encouraging the use of data on micro, small and medium enterprises**. All in all, Liberty Web Empresa includes four unlimited data plans, one being exclusively for tablets. Thus, the operator is pioneering in the creation of corporate plan specific to the equipment. On the voice side, **TIM launched a new promotion of international roaming for corporate segment** with up to 58% discount compared to the standard 100 and 250 minutes price of current packages. With that, TIM offers **the most attractive cost-benefit roaming services**: good balance between price per minute and better coverage (more than 200 countries).

On the handset side, following the strategy of encouraging access to mobile internet by increasing the penetration of smartphones and webphones, TIM reduced by 25% the price of half of the portfolio (in agreement with vendors). Among them are the Motorola Milestone 2 and Motorola Mini Motokey. In July, TIM, along with Motorola Mobility, announced the start of sales of Motorola MOTOKEY XT in the Brazilian market exclusively for TIM's customers.

For Fixed services, the combined strength of TIM and Intelig has proven to be a solid competitive advantage in the corporate market. Since the beginning of integration, TIM has won almost every auction in dispute to provide telecom services, among them, **the exclusive telecom service provider for the military games**.

Also in this quarter, TIM started reinforcing the usage of its CSP 41 also for fixed terminals, and already anticipating the migration of CSP 23 (Intelig) to TIM's 41. Along with the launch of a new offer called Infinity 41 Fixo (unlimited time for national and international long distance calls, fixed-to-fixed), TIM started a very interesting campaign to stimulate the usage of 41 code when calling from fixed phones.

Wholesale: Responsible for data transmission infrastructure of military games, held in July in Rio de Janeiro, Intelig innovated by using laser optical communication, overcoming geographical difficulties of the state. In addition to the FSO technology, the company also used fiber optic technology and pre WiMAX (at 5.8 GHz) to bring Internet to sites of international competition. **In all, 63 points provided the network connection, distributed among the competition sites**, Media Centers and operation and accommodation of all participants. The competition brought together about 6,000 athletes from more than 100 countries.

As for the Brand, in August TIM launched a new campaign that reinforces the **brand positioning of innovative concepts**, highlighting full mobility and the use of technology. The campaign main idea was to show how different offerings revolutionized the mobile market and enabled transformation, with significant changes in behavior among consumers.

TIM was confirmed for the second year in the Carbon Efficiency Index (ICO₂). Created in 2010 by the BM&FBovespa and the National Economic and Social Development Bank (BNDES), the index is made up of the companies in IBRX-50 which have adopted transparent practices in relation to greenhouse gas emissions.

Financial Performance

Selected financial data – Revenues

DESCRIPTION	3Q11	3Q10	% YoY	2Q11	% QoQ
R\$ thousands					
Gross Revenues	6.381.506	5.172.709	23,4%	6.151.077	3,7%
Telecommunications Services	5.669.667	4.748.624	19,4%	5.419.571	4,6%
Mobile	5.293.621	4.409.696	20,0%	5.031.172	5,2%
Usage and Monthly fee	2.606.041	2.250.890	15,8%	2.473.967	5,3%
Value added services - VAS	833.623	564.887	47,6%	734.418	13,5%
Long distance	829.403	586.280	41,5%	820.239	1,1%
Interconnection	974.291	922.687	5,6%	944.232	3,2%
Others	50.262	84.952	-40,8%	58.316	-13,8%
Fixed	376.046	338.928	11,0%	388.399	-3,2%
Products	711.839	424.086	67,9%	731.506	-2,7%
Discounts and deductions	(2.010.118)	(1.495.929)	34,4%	(1.899.319)	5,8%
Taxes and discounts on services	(1.783.050)	(1.330.371)	34,0%	(1.675.573)	6,4%
Taxes and discounts on handset sales	(227.068)	(165.558)	37,2%	(223.746)	1,5%
Net Revenues	4.371.388	3.676.781	18,9%	4.251.759	2,8%
Services	3.886.617	3.418.253	13,7%	3.743.999	3,8%
Products	484.771	258.528	87,5%	507.760	-4,5%

Operating Revenues

Gross service revenues: +23.4% YoY

Total gross revenues reached R\$6,382 million in the quarter, an increase of 23.4% YoY. Gross service revenues grew by 19.4% when compared to same period last year, reaching R\$5,670 million in 3Q11. As for gross product revenues, the amount reached R\$712 million, a strong increase of 67.9% YoY.

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

Positive elasticity on traffic...

Voice Outgoing gross revenues (usage and monthly fee + LD) kept the strong growth pace of previous quarters, growing 21.1% this third quarter. The performance was backed by local and LD services, as a result of the **positive traffic elasticity following the Infinity and Liberty plans. Outgoing traffic volume went up 37.2%** when compared to the previous year, chiefly by on-net calls. Voice usage strategy continues to enlarge within TIM community, both local and long distance calls. Voice breakdown is as follow:

... with voice outgoing revenues growing 21% YoY

- **Usage and monthly fee gross revenues** reached R\$2,606 million this quarter, a yearly growth of 15.8% supported by increasing on-net MOU, which provides not only incremental revenues but even a more solid contribution to EBITDA.
- **Long distance gross revenues** reached R\$829 million in the quarter, a growth of 41.5 % when compared to 3Q10, mainly due to TIM's offers which leverage on the long distance service with a distinctive value proposition for users. **Fixed to mobile substitution continues to unlock hidden value from LD pre-**

Remaining as #1 LD traffic carrier

paid traffic. On top of that, long distance revenues were also positive impacted by the traffic migration from Intelig's CSP 23 to TIM's CSP 41.

ITX revenues confirmed the inversion of erosion trend

Interconnection gross revenues confirmed the inflection point of erosion trend seen in 2Q11. In this quarter, incoming revenue grew 5.6% YoY to R\$974 million. This result was mainly driven by: (1) speed-up growth on post-paid segment; (2) the contribution of Infinity Torpedo, which provides our customers unlimited SMS to any mobile operator resulting in an increase of SMS received, and (3) Infinity Mais, an offer that charges the customer R\$0.50 cents per call to a fixed number, resulting an increase in traffic from fixed towards mobile. Despite the increase in interconnection revenues line, **dependency on MTR keeps falling consistently, reaching 17.2%** of gross service revenues versus 19.4% a year ago.

VAS services accelerating

VAS gross revenues reached R\$834 million, a consistent and strong increase of 47.6% YoY and accelerating from the growth seen in 2Q11 (+33.5% YoY), confirming the success of the Infinity and Liberty Web data plans and also the positive contribution of Infinity Torpedo. **Unique data users have surpassed 2.2 million lines.**

Handset gross revenues totaled R\$712 million (+67.9% vs. 3Q10). This sound increase was mainly driven by: (1) handsets volume growth of 49% YoY to 3.2 million units sold, and (2) handsets mix enhancement, with **more than 71% of sales being smartphones / webphones (vs. 30% a year ago)**. The result is explained by the consistent strategy to push smartphones / webphones sales and also the 'zero subsidy' approach.

Intelig on track

Fixed gross revenues, which includes Intelig and TIM Fixo, totaled R\$376 million in 3Q11, 11% higher when compared to the same period of last year. The yearly growth deceleration versus 2Q11 (23.3% YoY growth) is explained by **the strategy to stimulate traffic migration from Intelig's to TIM's CSP**, in light of the anticipation of regulatory requirements.

Total net revenues reached R\$4,371 million in the quarter, an increase of 18.9%. Net service revenues posted a growth of 13.7% YoY to R\$3,887 million. **Yearly growth remained accelerating versus previous quarters.**

ARPU at single digit reduction

ARPU (average revenue per user) reached R\$21.2 posting a **slower yearly reduction of 9.5%** (vs. -10.9% YoY in 2Q11). The reduction continued to be largely impacted by subscriber base mix.

MOU (minutes of use) continued to show yearly growth, reaching 130 minutes in 3Q11, up 5.2% vs. 123 minutes in 3Q10.

High usage growth amid top notch quality network

- **Outgoing MOU** reached 117 minutes, representing a growth of 8.8% versus 3Q10. This increase comes from voice plans, which are stimulating the FMS and community concepts.
- **Incoming MOU** reached 13 minutes in 3Q11, 18.4% lower when compared to the same period last year (on absolute basis the total incoming MOU increased

3% YoY). The result is a consequence of traffic concentration on TIM's network, especially for the prepaid customers.

Selected financial data – Operating Costs and Expenses

DESCRIPTION	3Q11	3Q10	% YoY	2Q11	% QoQ
R\$ thousands					
Operating Expenses	(3.218.984)	(2.641.685)	21,9%	(3.113.535)	3,4%
Personnel expenses	(158.351)	(139.797)	13,3%	(156.381)	1,3%
Selling & marketing expenses	(1.010.953)	(935.324)	8,1%	(946.894)	6,8%
Network & interconnection	(1.202.861)	(1.075.302)	11,9%	(1.147.163)	4,9%
General & administrative	(110.262)	(122.653)	-10,1%	(134.326)	-17,9%
Cost Of Goods Sold	(597.708)	(274.594)	117,7%	(587.588)	1,7%
Bad Debt	(60.825)	(69.397)	-12,4%	(66.274)	-8,2%
Other operational revenues (expenses)	(78.024)	(24.618)	216,9%	(74.909)	4,2%

Operating Costs and Expenses

Total Operating costs and expenses increased by 21.9% YoY to R\$3,219 million in the 3Q11 (a deceleration if compared to the 22.2% YoY growth seen in 2Q11). The expansion is explained **mainly due to effect of massive growth on handsets sales**.

Costs and expenses breakdowns are presented as follows:

Personnel expenses reached R\$158 million in 3Q11, a growth of 13.3% when compared to the same period of last year. This effect was driven by the increase of employees (+8.1% YoY), mainly in the sales force.

Selling & Marketing expenses amount to R\$1,011 million, 8.1% higher when compared to the same period last year, largely impacted by Fistel taxes due to net adds growth of 46.2% YoY. **Excluding Fistel impact, S&M expenses growth would have been 1.8% YoY.**

Network and Interconnection cost reached R\$1,203 million in the 3Q11, an increase of 11.9% when compared to the same period last year. This result was largely impacted by both fixed and mobile interconnection growth from (i) 'Infinity Mais', which provides unlimited local calls to a fixed number, and (ii) Infinity Torpedo, that pushes SMS usage in a pay-per-day concept for pre-paid. **However, net interconnection total exposure over EBITDA dropped to 16.3% in 3Q11 (vs. 24.8% in 3Q10).** In addition, recent auctions won by Intelig requested incremental leased lines costs to provide the service, and contributing to increase network costs.

General and Administrative expenses (G&A) amount to R\$110 million in the 3Q11, a 10.1% drop when compared to same period last year. The decrease is mainly explained by a reduction of expenses with services, rentals and insurance.

Large impact from Fistel taxes

MTR exposure to 16% of EBITDA

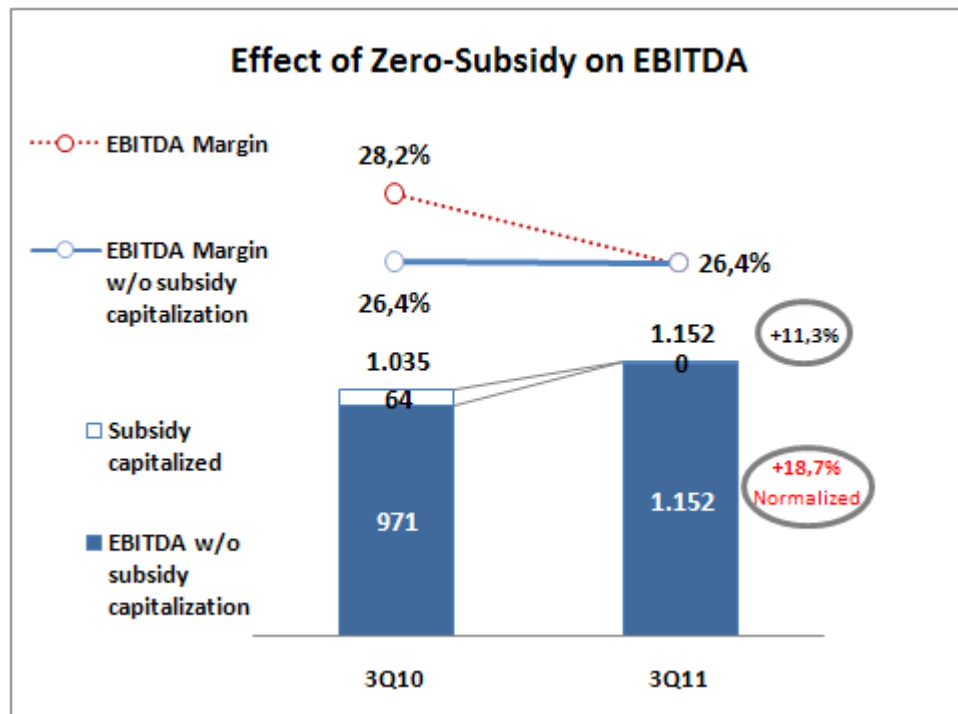
EBITDA

EBITDA growth maintained the pace

EBITDA reached R\$1,152 million, which represents an expansion of 11.3% over 3Q10.

If we analyze figures without subsidy capitalization in 3Q10, EBITDA would have been R\$971 million, resulting in a growth of 18.7% YoY. This performance is explained by outgoing voice contribution (voice revenues – interconnection costs), and also by data and long distance services.

EBITDA margin reached 26.4% in the 3Q11, a decrease versus 28.2% in 3Q10. The reduction is mainly due to the dilution created by handset sales increase and the effect caused by the capitalization of subsidy (as shown in chart below).



Depreciation and amortization accounted for R\$640 million in the third quarter, a significantly drop of 15.4% YoY largely explained by the reduction of handset subsidies capitalization.

EBIT

EBIT growth over 80%

EBIT (earnings before interest and taxes) totaled R\$513 million in the 3Q11. In a yearly comparison EBIT came 83.5% higher, which represents a strong expansion of R\$233 million following a greater EBITDA result and lower D&A.

Net Financial Result

Net financial result totaled R\$61 million, a minor increase of 4.4% if compared to the R\$59 million in the same period last year.

Financial expenses expanded 43% reaching R\$124 million, impacted by the slight debt growth and also by SELIC target rate increase. Financial revenues expanded 32% reaching R\$69 million explained by an increase in cash and interest over cash and equivalents and some monetary adjustments. Net currency exchanges reduced the negative result in 72% due to lower hedge expenses.

Income and Social Contribution Taxes

Income and Social Contribution taxes came at R\$135 million in the 3Q11, versus R\$74 million in the same period last year. This increase is explained by the operational results improvement.

Net Profit

*Bottom line
2.2x vs. a
year ago*

Consolidated Net Profit reached R\$317 million in 3Q11, +116.1% versus R\$147 million in 3Q10, chiefly by a better operational results coming from an EBITDA expansion of R\$117 million, followed by lower depreciation and amortization expenses and tax positive impact.

CAPEX

Investments totaled R\$838 million in 3Q11, or 19.2% of net revenues, an increase of 59.4% when compared to same period last year. As for the cumulative figures, Capex in 9M11 registered R\$1.85 billion, or 15.0% of net revenues;

Net financial position and free cash flow

Gross Debt amounted to R\$ 3,588 million, a slight increase if compared to the R\$3,448 million in 3Q10. The reason for this movement was the new loans, totaling USD 220 million. Company's debt is concentrated in long-term contracts (76% of the total) composed by financing from BNDES (Brazilian Economic and Social Development Bank), BNB (Banco do Nordeste do Brasil), EIB (European Investment Bank) and BNPP-SACE, as well as borrowings from other local and international financial institutions.

Approximately 33% of total debt is denominated in foreign currency (USD), and it is 100% hedged in local currency. Average cost of debt totaled 10.52% in the 3Q11 compared to 10.0% in the 3Q10.

Cash and Cash equivalents reached R\$ 2,130 million. Net debt position stood at R\$ 1,458 million or 29.9% lower than the 3Q10.

Operating Free Cash Flow in 3Q11 was positive in R\$684 million, an increase of 13.2% when compared to R\$604 million in 3Q10. The result is explained by a better EBIT growth of 83.5% YoY and a improvement in the working capital variation of R\$370 million, +289% vs. 3Q10. Total net cash flow totaled R\$540 million, which was 22% above the same quarter last year.

Subsequent Events

Public Offering

On September 14th, TIM launched a public global offering consisting of issuing of 190,796,858 common shares at a price of R\$8.60 per share, and total proceeds reaching R\$1.640 billion.

Additionally, on October 24th, and following the public global offering, the stabilization agent communicated the fully exercise of over-allotment of 9,461,510 common shares (or total proceeds of R\$81.4 million), with the exclusive purpose of meeting excess of demand that was set in the public offering in course. On October 27th, TIM announced to the market the public offering closing, reaching total proceeds of R\$1.722 billion and 200,258,368 common shares issued.

AES Atimus Deal Closing

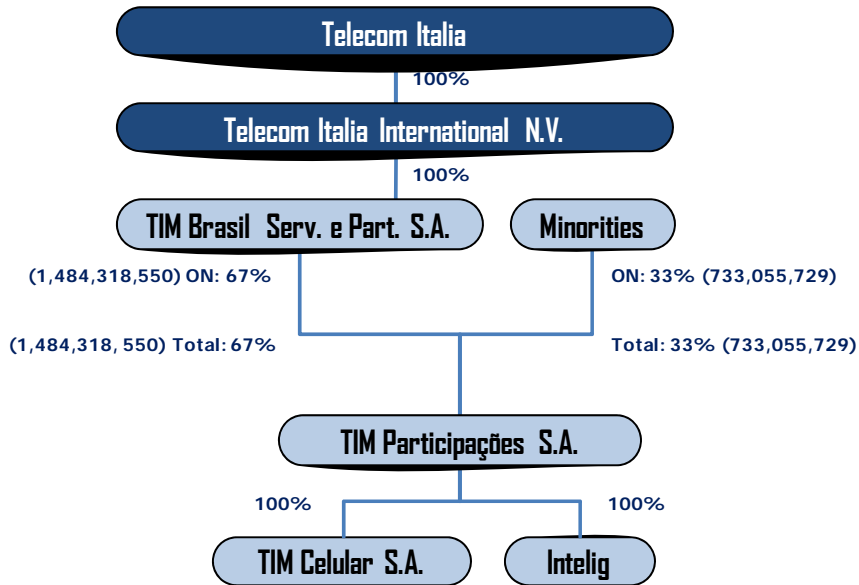
On October 31st, in view of the completion of conditions precedent set forth in the Purchase Agreement held in July 8, 2011 between TIM Celular SA and the Companhia Brasileira de Energia, the acquisition by TIM Celular, of all the quotes of Eletropaulo Telecom Ltda. for the total amount of R\$1.074 million and 98.26% of the shares of AES Communications Rio de Janeiro SA for the total amount of R\$448 million.

Following the acquisition the companies will change its corporate name to TIM Fiber SP Ltda. ("TIM Fiber SP") and TIM Fiber RJ SA ("TIM Fiber RJ"), respectively.

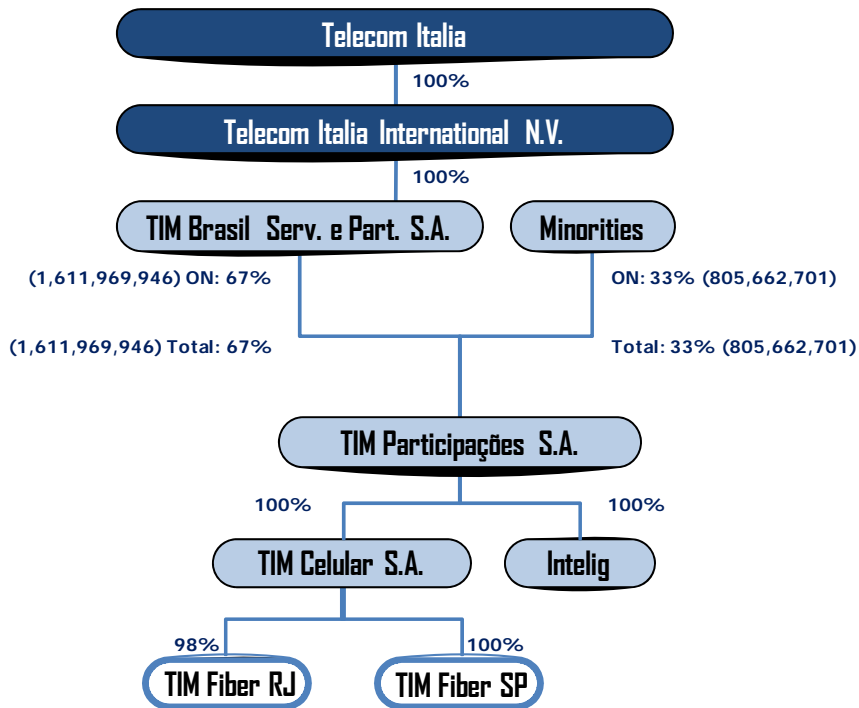
The closing of this transaction consolidates the business strategy of expanding activities and strengthening TIM's infrastructure. TIM Fiber RJ and TIM Fiber SP are providers of infrastructure and communications solutions that meet high performance of the main cities in metropolitan areas of Rio de Janeiro and Sao Paulo, covering a potential market of approximately 8 million households and more of 550 thousand companies in 21 cities through an optical fiber network of 5,500 km.

Ownership Breakdown

Before the Offering and the Closing Deal of AES Atimus



After the Offering (27/10/2011) and the Closing Deal of AES Atimus (31/10/2011)



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 Brazilians states.



TIM provides mobile, fixed and long distance telephony as well as data transmission services, with the focus always on the quality of the services offered to clients. Thanks to the GSM technology, TIM has a nationwide reach of approximately 94% of the urban population – the widest GSM coverage in Brazil, with presence in 3,259 cities. TIM also provides extensive data coverage services in the country, 100% of it using GPRS, ~80% using EDGE, besides having a sophisticated Third Generation (3G) network serving ~60% of the country's urban population. The Company has international roaming agreements for TIM clients with more than 450 networks available in more than 200 countries across six continents.

- » **Integrated company with a nationwide footprint since 2002**
- » **Network: excellent GSM coverage and proven quality**
- » **Innovative offers: new concepts leveraging TIM community**
- » **Brand: associated to innovation and quality attributes**
- » **Sustainability: Maintained in ISE index for 2010/2011**

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’, in addition to the sophisticated ‘Da Vinci’. 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, the largest in the country, with 59.2 million lines in Brazil.

In December 2009, the company concluded the merger of 100% of Intelig, which provides fixed, long distance telephony and data transmission services in Brazil. The merger, announced in April last year, is supporting 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.

TIM Participações is a publicly-held company, whose shares 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 select group of companies of the Corporate Sustainability Index(ISE) of BM&FBOVESPA.

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: Income Statements
- Attachment 3: Cash Flow Statements
- Attachment 4: EBITDA
- Attachment 5: Consolidated Operational Indicators
- Attachment 6: Glossary

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\$ Thousand)

DESCRIPTION	3Q11	2Q11	% QoQ	3Q10	% YoY
ASSETS	20.097.289	18.961.191	6,0%	16.363.065	22,8%
CURRENT ASSETS	7.071.209	6.173.116	14,5%	5.407.291	30,8%
Cash and cash equivalents	2.129.869	1.297.176	64,2%	1.353.828	57,3%
Short-term investments	42	2.492	-98,3%	15.289	-99,7%
Accounts receivable	3.152.122	2.951.482	6,8%	2.653.589	18,8%
Inventories	353.191	348.390	1,4%	222.709	58,6%
Indirect recoverable Taxes	592.047	592.050	0,0%	473.701	25,0%
Direct recoverable Taxes	510.512	452.940	12,7%	419.659	21,6%
Prepaid expenses	236.674	432.409	-45,3%	177.735	33,2%
Derivative contracts	7.656	5.581	37,2%	6.967	9,9%
Other assets	89.096	90.596	-1,7%	83.815	6,3%
NONCURRENT	13.026.080	12.788.075	1,9%	10.955.773	18,9%
Noncurrent assets			0,0%		
Long-term investments	19.397	15.934	21,7%	17.442	11,2%
Accounts receivable	54.700	47.685	14,7%	28.863	89,5%
Indirect recoverable Taxes	311.778	252.937	23,3%	192.996	61,5%
Direct recoverable Taxes	55.835	86.919	-35,8%	102.221	-45,4%
Deferred income and social contribution taxes	1.549.052	1.626.565	-4,8%	221.348	599,8%
Judicial deposits	569.467	530.097	7,4%	347.873	63,7%
Prepaid expenses	92.912	89.162	4,2%	15.268	508,5%
Derivative contracts	49.950	7.752	544,4%	22.815	118,9%
Other assets	13.772	17.793	-22,6%	17.751	-22,4%
Permanent Assets					
Property, plant and equipment	5.866.218	5.643.414	3,9%	5.351.457	9,6%
Intangibles	4.442.999	4.469.817	-0,6%	4.637.740	-4,2%
LIABILITIES	20.097.289	18.961.191	6,0%	16.363.065	22,8%
CURRENT LIABILITIES	5.143.913	4.476.261	14,9%	4.002.763	28,5%
Suppliers	2.901.207	2.557.930	13,4%	2.107.669	37,7%
Loans and financing	871.722	669.630	30,2%	926.216	-5,9%
Derivative contracts	923	1.652	-44,2%	1.872	-50,7%
Salaries and related charges	159.639	134.696	18,5%	133.449	19,6%
Indirect taxes, charges and contributions	553.206	556.025	-0,5%	508.979	8,7%
Direct taxes, charges and contributions	317.429	254.702	24,6%	164.516	92,9%
Dividends payable	25.422	25.502	-0,3%	15.159	67,7%
Authorizations payable	58.526	58.526	0,0%	-	n.a.
Other liabilities	255.839	217.598	17,6%	144.902	76,6%
NONCURRENT LIABILITIES	3.775.866	3.620.683	4,3%	3.447.529	9,5%
Loans and financing	2.657.992	2.430.145	9,4%	2.414.644	10,1%
Derivative contracts	115.328	209.561	-45,0%	135.459	-14,9%
Indirect taxes, charges and contributions	125.530	125.530	0,0%	58.782	113,6%
Direct taxes, charges and contributions	163.734	147.804	10,8%	138.981	17,8%
Deferred income and social contribution taxes	78.277	80.154	-2,3%	87.282	-10,3%
Provision for contingencies	228.717	232.634	-1,7%	285.364	-19,9%
Pension plan	8.977	9.040	-0,7%	7.338	22,3%
Asset retirement obligations	254.771	252.474	0,9%	248.455	2,5%
Other liabilities	142.540	133.340	6,9%	71.222	100,1%
SHAREHOLDERS' EQUITY	11.177.510	10.864.246	2,9%	8.912.773	25,4%
Capital	8.164.665	8.164.665	0,0%	8.164.665	0,0%
Capital reserves	380.560	380.560	0,0%	380.560	0,0%
Income reserves	1.755.585	1.755.585	0,0%	166.395	955,1%
Accumulated losses	-	-	N/A	(125.914)	-100,0%
Treasury Stocks	(3.369)	-	0,0%	-	0,0%
Net Income for the period	880.070	563.437	56,2%	327.068	169,1%

Attachment 2
TIM PARTICIPAÇÕES S.A.
Income Statements
(R\$ Thousand)

DESCRIPTION	3Q11	3Q10	% YoY	2Q11	% QoQ
R\$ thousands					
Gross Revenues	6.381.506	5.172.709	23,4%	6.151.077	3,7%
Telecommunications Services	5.669.667	4.748.624	19,4%	5.419.571	4,6%
Mobile	5.293.621	4.409.696	20,0%	5.031.172	5,2%
Usage and Monthly fee	2.606.041	2.250.890	15,8%	2.473.967	5,3%
Value added services - VAS	833.623	564.887	47,6%	734.418	13,5%
Long distance	829.403	586.280	41,5%	820.239	1,1%
Interconnection	974.291	922.687	5,6%	944.232	3,2%
Others	50.262	84.952	-40,8%	58.316	-13,8%
Fixed	376.046	338.928	11,0%	388.399	-3,2%
Products	711.839	424.086	67,9%	731.506	-2,7%
Discounts and deductions	(2.010.118)	(1.495.929)	34,4%	(1.899.319)	5,8%
Taxes and discounts on services	(1.783.050)	(1.330.371)	34,0%	(1.675.573)	6,4%
Taxes and discounts on handset sales	(227.068)	(165.558)	37,2%	(223.746)	1,5%
Net Revenues	4.371.388	3.676.781	18,9%	4.251.759	2,8%
Services	3.886.617	3.418.253	13,7%	3.743.999	3,8%
Products	484.771	258.528	87,5%	507.760	-4,5%
Operating Expenses	(3.218.984)	(2.641.685)	21,9%	(3.113.535)	3,4%
Personnel expenses	(158.351)	(139.797)	13,3%	(156.381)	1,3%
Selling & marketing expenses	(1.010.953)	(935.324)	8,1%	(946.894)	6,8%
Network & interconnection	(1.202.861)	(1.075.302)	11,9%	(1.147.163)	4,9%
General & administrative	(110.262)	(122.653)	-10,1%	(134.326)	-17,9%
Cost Of Goods Sold	(597.708)	(274.594)	117,7%	(587.588)	1,7%
Bad Debt	(60.825)	(69.397)	-12,4%	(66.274)	-8,2%
Other operational revenues (expenses)	(78.024)	(24.618)	216,9%	(74.909)	4,2%
EBITDA	1.152.404	1.035.096	11,3%	1.138.224	1,2%
EBITDA Margin	26,4%	28,2%	-179 bps	26,8%	-41 bps
Depreciation & amortization	(639.526)	(755.545)	-15,4%	(608.852)	5,0%
Depreciation	(354.599)	(367.651)	-3,6%	(343.142)	3,3%
Amortization	(284.928)	(387.894)	-26,5%	(265.710)	7,2%
EBIT	512.878	279.551	83,5%	529.372	-3,1%
EBIT Margin	11,7%	7,6%	413 bps	12,5%	-72 bps
Net Financial Results	(61.450)	(58.840)	4,4%	(43.974)	39,7%
Financial expenses	(124.046)	(86.579)	43,3%	(71.247)	74,1%
Financial income	69.675	52.656	32,3%	64.608	7,8%
Net exchange variation	(7.079)	(24.917)	-71,6%	(37.335)	-81,0%
Income before taxes	451.429	220.711	104,5%	485.398	-7,0%
Income tax and social contribution	(134.796)	(74.188)	81,7%	(135.417)	-0,5%
Net Income	316.632	146.523	116,1%	349.981	-9,5%

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

DESCRIPTION	3Q11	3Q10	% YoY	2Q11	% QoQ
EBIT	512.878	279.550	83,5%	529.373	-3,1%
Depreciation and amortization	639.527	755.545	-15,4%	608.852	5,0%
Capital expenditures	(838.248)	(525.935)	59,4%	(717.415)	16,8%
Changes in net operating working capital	369.756	94.951	289,4%	(82.226)	-549,7%
Free Operating Cash Flow	683.913	604.111	13,2%	338.584	102,0%
Income and social contribution taxes	(59.177)	(45.070)	31,3%	(112.482)	-47,4%
Dividends and interest on capital	(80)	(207)	-61,4%	(486.174)	-100%
Net financial revenue	(61.450)	(58.839)	4,4%	(43.974)	39,7%
Judicial deposits	(39.370)	(9.906)	297,4%	(36.844)	6,9%
LT taxes, interest and contributions	15.930	(933)	-1807,4%	8.389	89,9%
Other changes	(225)	(48.099)	N/A	5.966	-103,8%
Net Cash Flow	539.541	441.057	22,3%	(326.536)	-265,2%

Attachment 4
TIM PARTICIPAÇÕES S.A.
EBITDA
(R\$ Thousand)

DESCRIPTION	3Q11	3Q10	% YoY	2Q11	% QoQ
Net Income	316.632	146.523	116,1%	349.981	-9,5%
(+) Provision for income tax and social contribution	134.796	74.188	81,7%	135.417	-0,5%
(+) Net financial results	61.450	58.840	4,4%	43.974	39,7%
EBIT	512.878	279.551	83,5%	529.372	-3,1%
(+) Amortization and depreciation	639.526	755.545	-15,4%	608.852	5,0%
EBITDA	1.152.404	1.035.096	11,3%	1.138.224	1,2%

Attachment 5

TIM PARTICIPAÇÕES S.A.

Consolidated Operational Indicators

TIM Stand Alone

DESCRIPTION	3Q11	3Q10	% YoY	2Q11	% QoQ
Brazilian Wireless Subscriber Base (million)	227.352	191.472	18,7%	217.346	4,6%
Estimated Total Penetration	116,5%	99,0%	17,5pp	111,6%	4,9pp
Municipalities Served - TIM GSM	3.259	3.200	1,8%	3.233	0,8%
Market Share	26,0%	24,5%	1,5pp	25,5%	0,5pp
Total Lines ('000)	59.210	46.947	26,1%	55.525	6,6%
Prepaid	50.559	39.711	27,3%	47.520	6,4%
Postpaid	8.651	7.236	19,6%	8.005	8,1%
Gross Additions ('000)	10.186	7.463	36,5%	9.257	10,0%
Net Additions ('000)	3.685	2.522	46,1%	2.676	37,7%
Churn	6.500	4.941	31,6%	6.581	-1,2%
ARPU (R\$)	21,2	23,5	-9,5%	21,6	-1,5%
MOU	130	123	5,2%	127	2,2%
SAC (R\$)	36	55	-34,2%	35	4,2%
Handsets sold ('000)	3.164	2.125	48,9%	3.507	-9,8%
Investment (R\$ million)	837	526	59,1%	719	16,4%
Employees	9.821	9.081	8,1%	9.616	2,1%

Attachment 6

Glossary

Financial Terms

Bad Debt (PDD) – Provision for estimated amount of accounts receivable.(customer balance).that has been determined to be uncollectible.

CAPEX (capital expenditure) – capital investment.

EBIT = Earnings before interest and tax.

EBITDA = Earnings before interest, tax, depreciation and amortization.

EBITDA Margin = EBITDA / Operating Net Revenue.

Net Debt = Gross debt – cash.

Net debt / EBITDA = Index which evaluates the Company's ability to pay its debt with the generation of operating cash of the period.

Operating Cash Flow = EBITDA – CAPEX.

PL – Shareholders' Equity.

Subsidy = (net revenue from goods – cost of sales + vendors discounts) / gross additions.

Working Capital = Operational current assets – operational current liabilities.

Technology and Services

CSP – Carrier Selection Code to long distance calls.

EDGE (Enhanced Data rates for Global Evolution) – technique developed to increase the speed of data transmission via cell phone, creating a real broadband for handsets with the GSM technology. The first EDGE handsets available offer speed that can reach up to 200 Kbps, depending on the handset model.

GSM (Global System for Mobile Communications) – A system storing and coding cell phone data, such as user calls and data. The GSM is now the standard most used in the world.

SMP – Personal Mobile Services.

SMS (Short Message Service) – Ability to send and receive alphanumeric messages.

3G/HSDPA (High-Speed Downlink Packet Access) – 3G technology capable of proceeding data transmission with higher speed, allowing the internet access through high speed connections to mobile users.

Operational Indicators

ARPU (Average Revenue per User) – Average total net service Revenue per customers in the period.

ARPM (Average Revenue per Minute) – ARPU / MOU

Churn rate – Percentage of the disconnections from customer base during the period.

Customers – Number of access in service.

Gross additions – Total of customers acquired in the period.

Market penetration = (Company's total number of customers + estimated number of customers of competitors) / each 100 inhabitants in the Company's operating area.

Market Share – Company's total number of customers / number of customers in its operating area.

MOU (minutes of use) – monthly average in minutes of traffic per customer = (total number of outgoing minutes + incoming minutes) / monthly average of customers in the period.

Net additions = Gross additions – number of customers disconnected.

SAC (Customer acquisition cost) = (subsidy + commissions + advertising & promotions) / gross additions.

MTR – Mobile termination rate.