



Você, sem fronteiras.

Earnings Release

2nd quarter 2011 | TIM Participações S.A.



▶ Q2'11: Main Achievements

- ▶ Q2'11: Financial Results
- ▶ Conclusions & Outlook

Q2 main achievements (continuous improvement)



Você, sem fronteiras.

1 Growth Acceleration (2Q'11 vs. 2Q'10)

- ✓ Customer Base +25%
- ✓ Net Revenues +19.5%
- ✓ Services Revenues +11.8%
- ✓ EBITDA +12.7% (Normalized +23%)
- ✓ EBIT +122%
- ✓ Net Income +178%

2 Brand attractiveness

- ✓ # 1 in Brand Preference
- ✓ # 1 in incremental market share: at 39% in 2Q11 (+2.7 Mln lines)
- ✓ MOU at 127' (+15%)
- ✓ 12.4 Mln internet unique users
- ✓ Smartphone penetration at 15%

3 Strengthening the foundations

- ✓ R\$ 14 bn CAPEX in 5 years (2009-13)
- ✓ R\$ 8.5 bn CAPEX in 3 years (2011-13)
- ✓ AES Atimus acquisition signed in July
- ✓ 100% Anatel network quality score
- ✓ +2,000 km of fiber in *Amazonia*
- ✓ +5,500 km of fiber in RJ/SP (AES Atimus)

4 Ultra-broadband in Sao Paulo and Rio de Janeiro

- ✓ Benefits of AES Atimus:
 - R\$ 1 bn saving in 3 years
 - Attack untapped market (R\$ 30 billion)
- ✓ Integration as of 4Q11
- ✓ Unique fiber based infrastructure
- ✓ Largest capillarity in SP and RJ

5 The best corporate governance

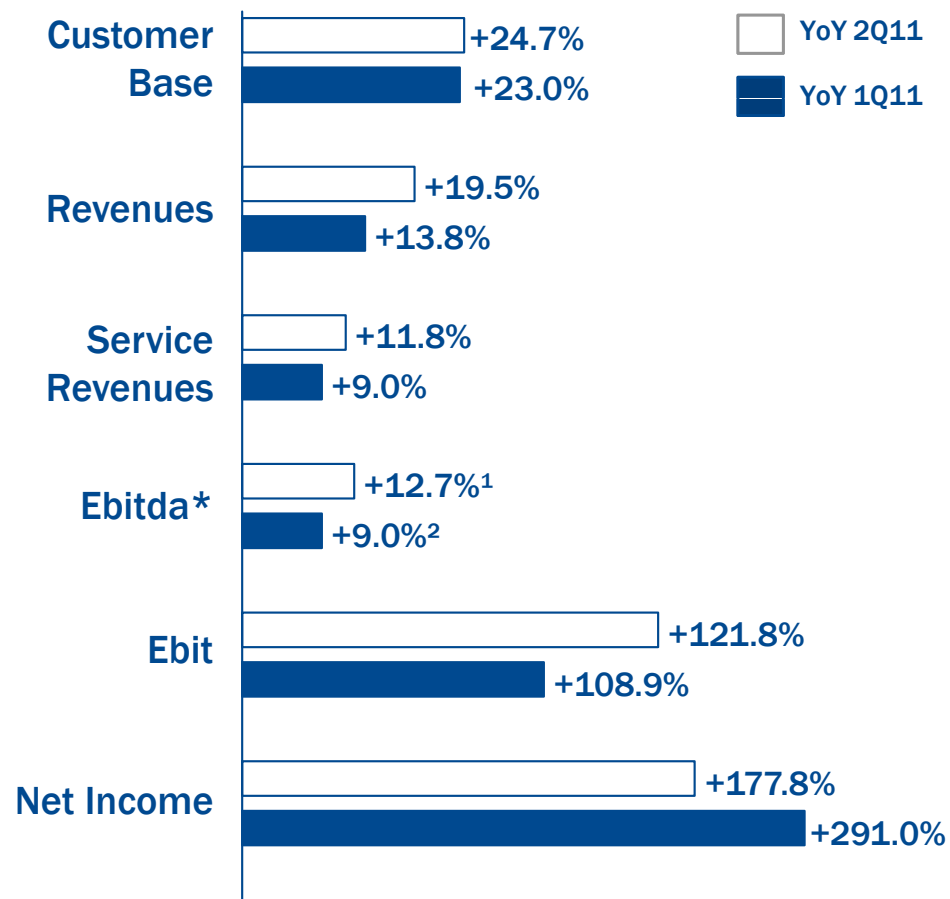
- ✓ Migration to *NOVO MERCADO* accomplished

Acceleration of Growth (1/3)



Você, sem fronteiras.

R\$ Mln, IFRS



	Q1	Q2	QoQ	H1	YoY
Customer Base (Mln)	52.8	55.5	+5.1%	55.5	+25%
Revenues	3,752	4,252	+13.3%	8,004	+16.8%
Service Revenues	3,463	3,744	+8.1%	7,207	+10.4%
Ebitda	1,033	1,138	+10.2%	2,171	+10.9%
Ebit	350	529	+51.4%	879	+117%
Net Income	213	350	+64.0%	563	+212%
Ebitda - Capex	736	420	-42.9%	1,156	+55%
Net Debt	1,671	1,998	+19.5%	1,998	-20,7%

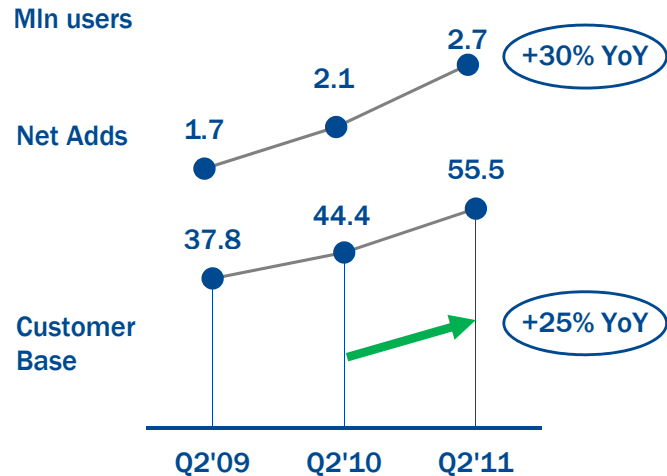
* ¹ +23.2% normalized ² +22.9% normalized

Acceleration of growth (2/3)

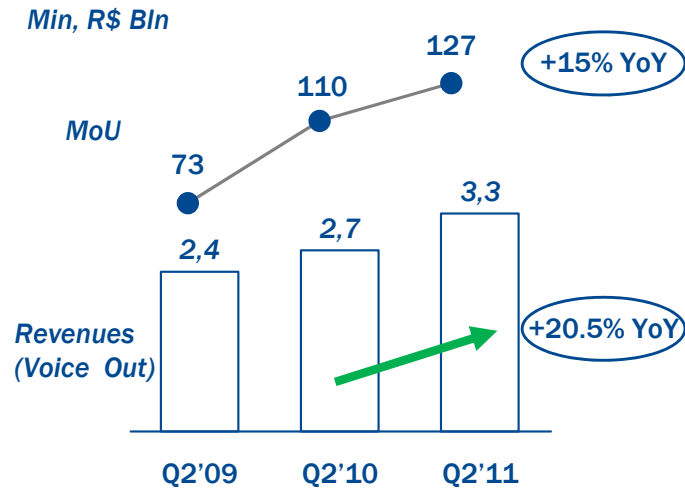


Você, sem fronteiras.

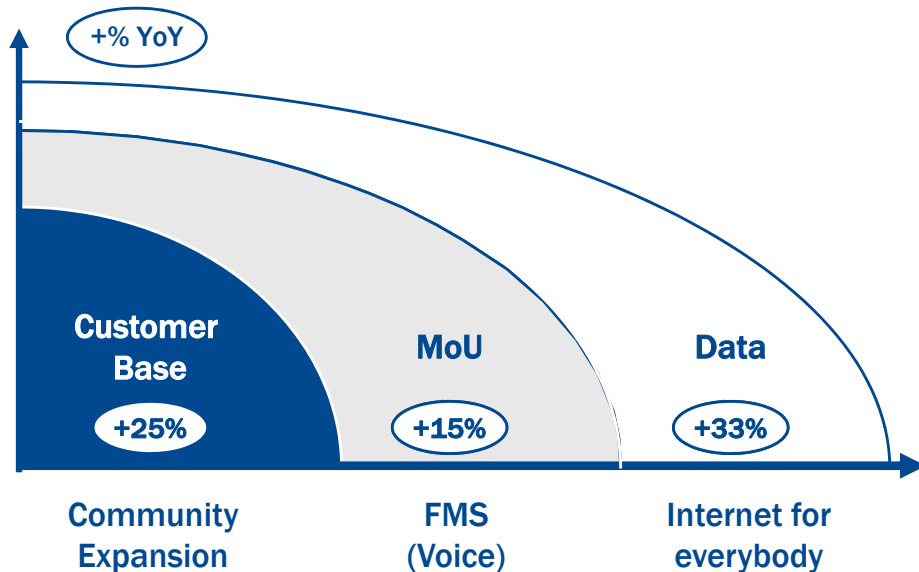
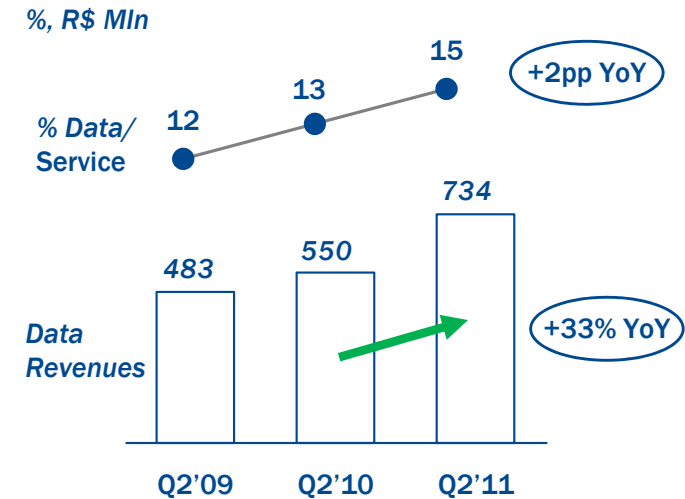
Customer Base & Net Adds



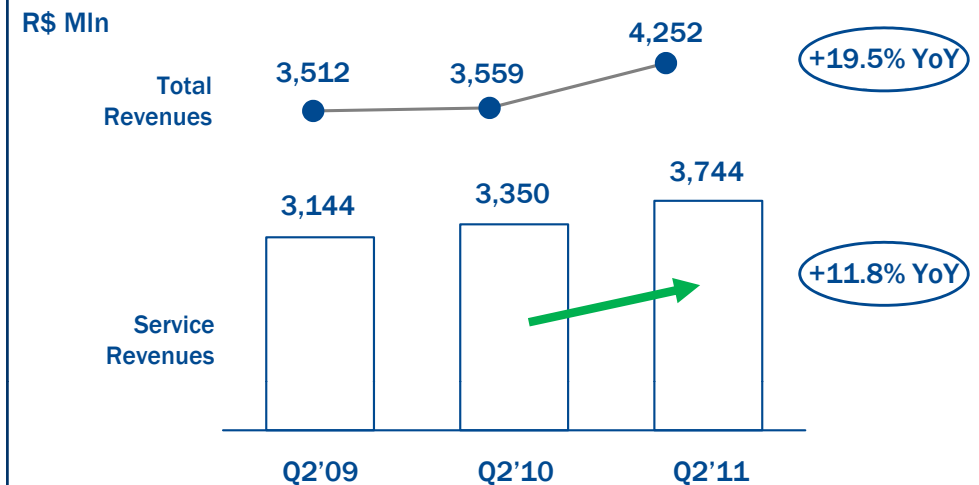
MoU & Outgoing Service Revenues



Data Revenues



Generating More Revenues



Acceleration of Growth (3/3): Internet users expansion driven by smartphone penetration



Você, sem fronteiras.

Infinity Web / Smartphones

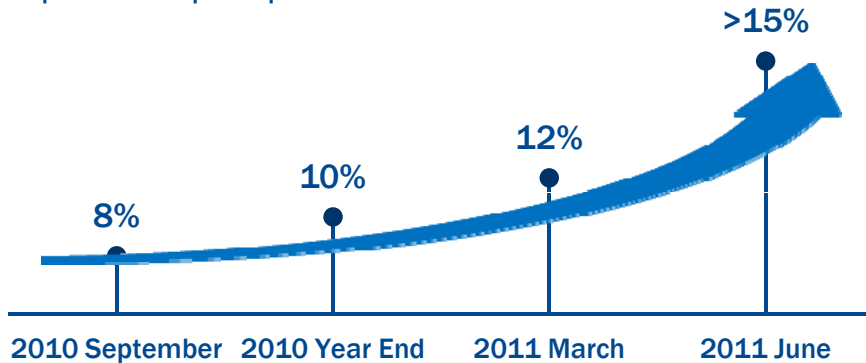
Infinity Web users (Pre-Paid)

Daily Unique users, Mln clients



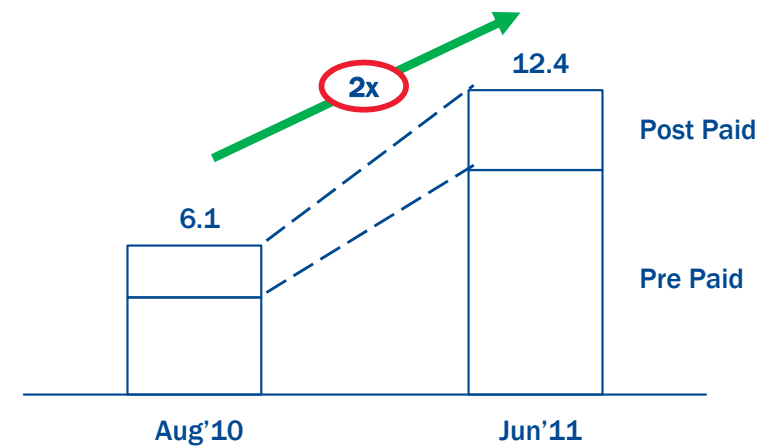
Smartphone penetration

% Webphone+smartphone penetration on Customer Base



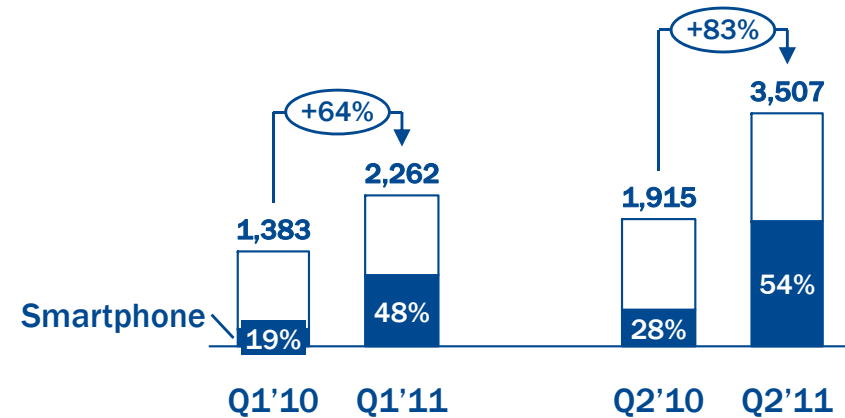
Unique users monthly

Mln clients



Handsets sold - volume

000 units, handset sales



2

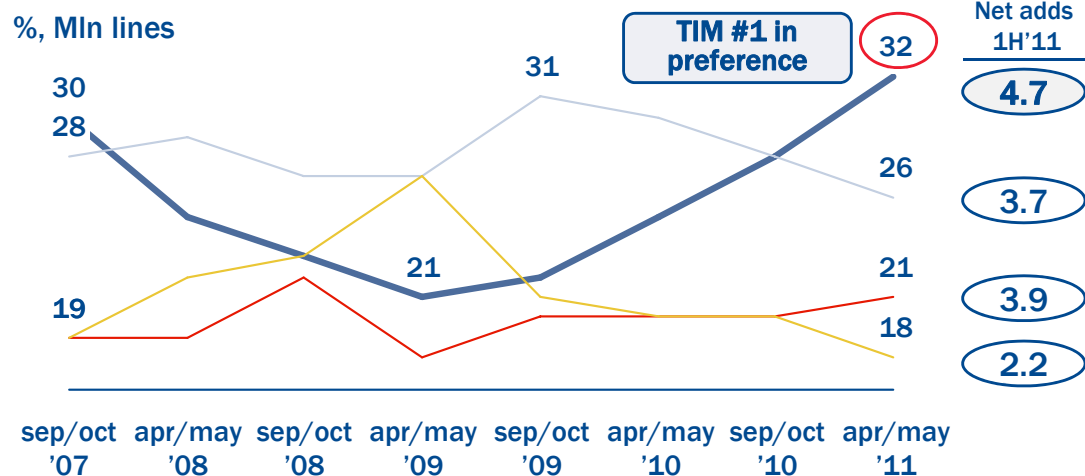
Brand attractiveness: #1 in preference and incremental market share



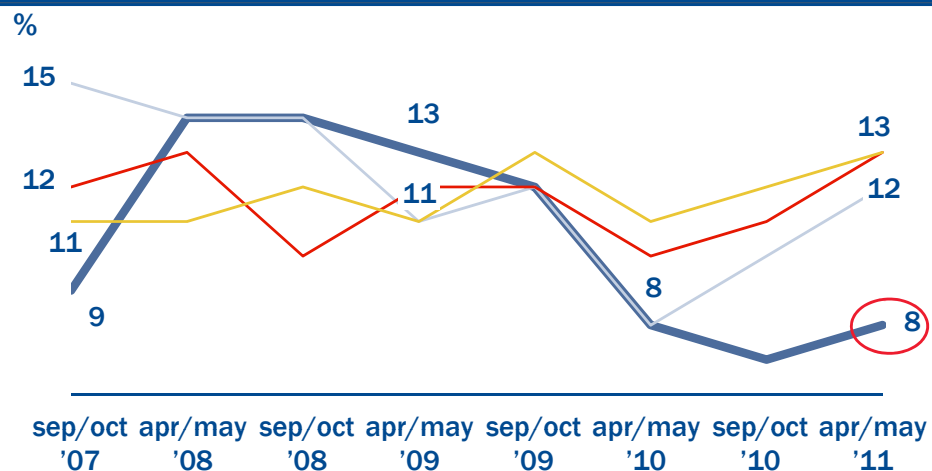
Você, sem fronteiras.

Preference

%, Mln lines

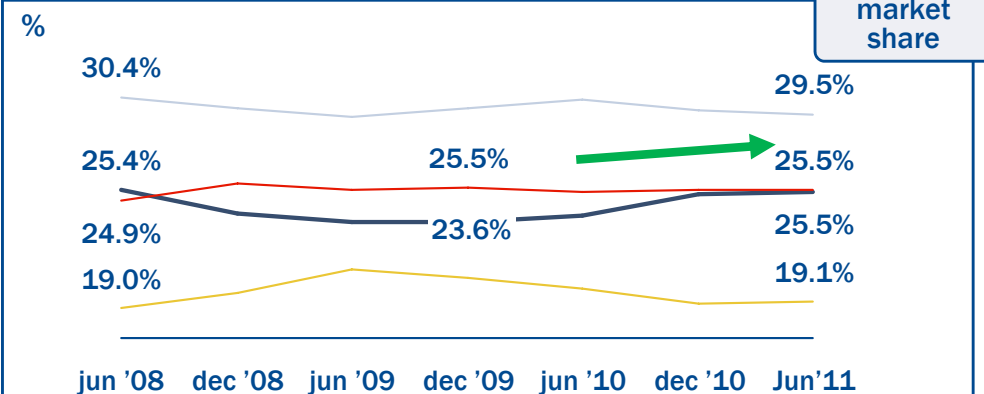


Rejection

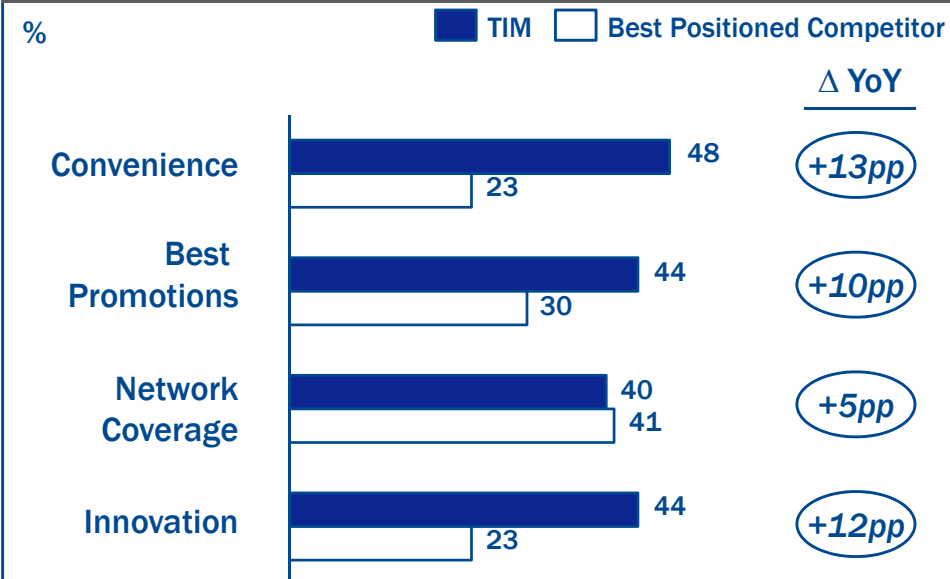


TIM Player 2
Player 1 Player 3

Market Share Recovery



With strong association to key attributes



3 Strengthening the foundations (1/3)

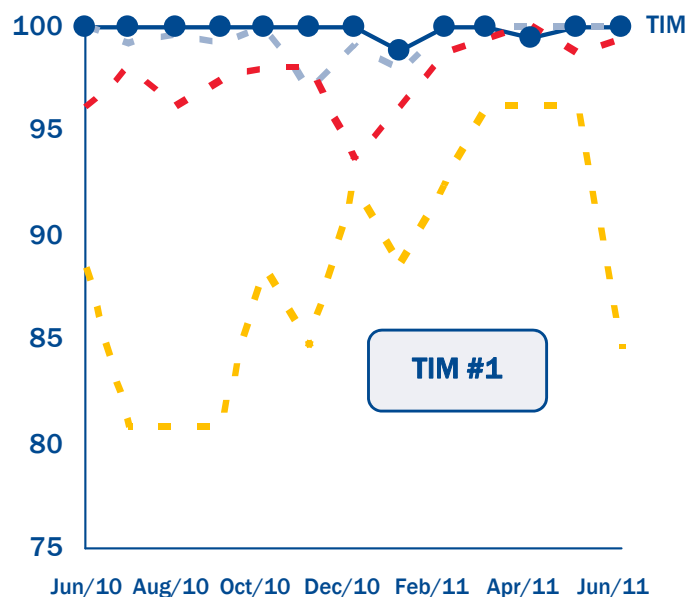


Você, sem fronteiras.

- Player 1
- Player 2
- Player 3

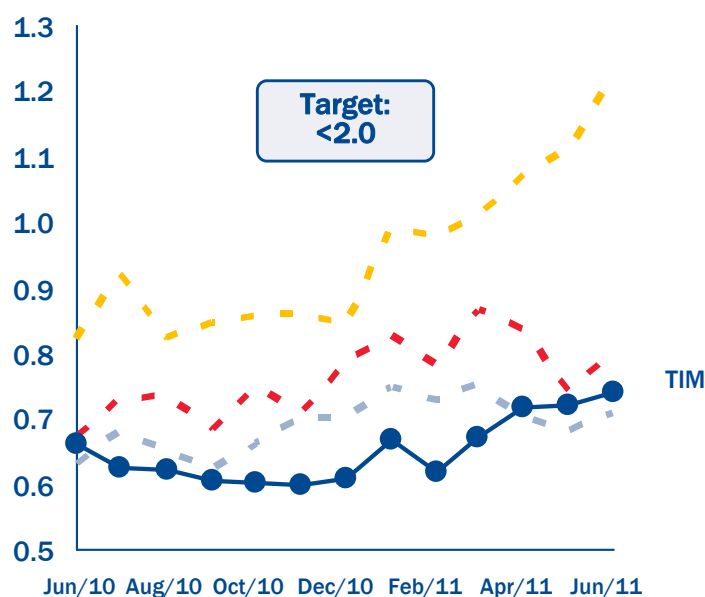
Overall Quality

% achieved Anatel network target



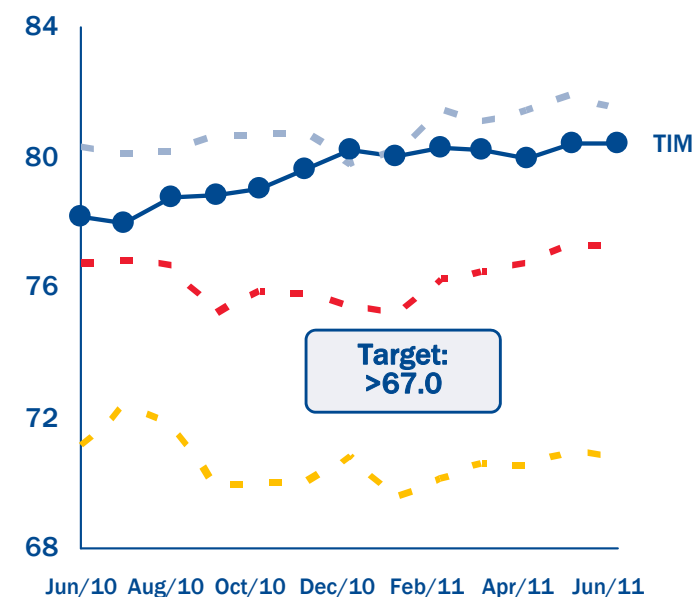
Drop calls

Drop calls rate, SMP 7



Set-up calls

Originated calls completed, SMP 5

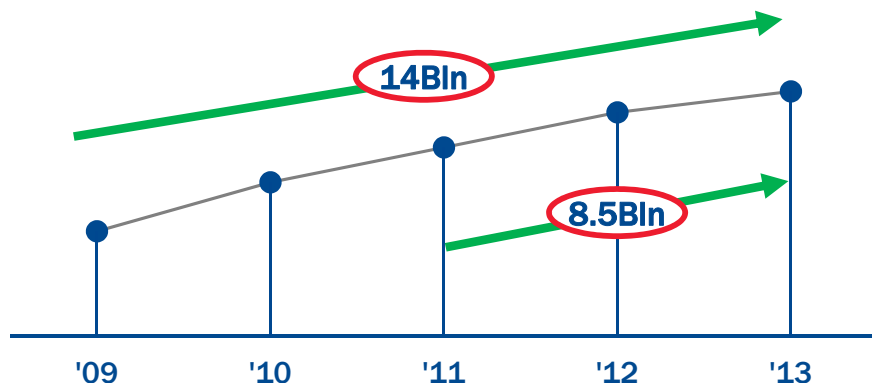


TIM solid Network Reliability, achieving 100% of all Anatel target indicators (10 out of last 12 months)

Strengthening the foundations (2/3): Committed to a fast Network Expansion

TIM Brasil Capex – Organic growth*

R\$ Bln

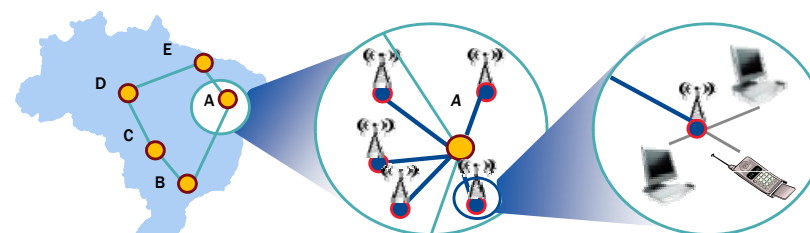


Annual
Capex

2.7 2.8 2.9

*Excludes spectrum licenses and acquisitions

Development area



Backbone

Backhauling

Access

- ✓ Swaps
- ✓ Consórcia
- ✓ Fiber in Amazonia

- ✓ Microwaves
- ✓ FTTS
- ✓ AES Atimus

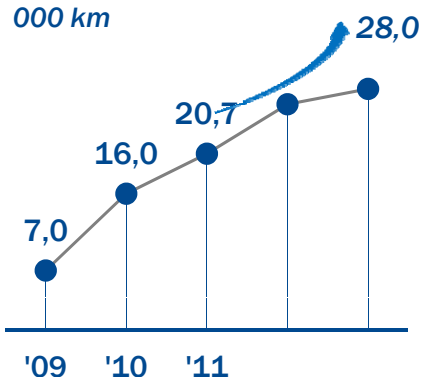
- ✓ 2G capacity
- ✓ 3G coverage

New

New

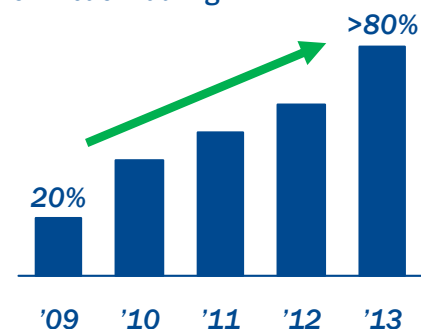
Backbone

000 km



Backhauling (MW/FTTS)

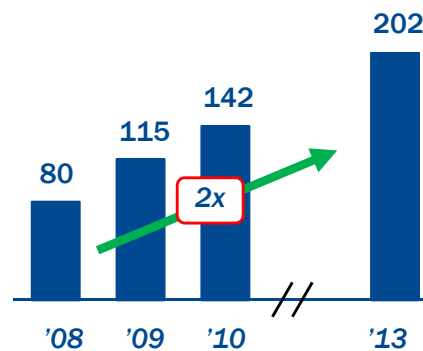
% of sites connected with
own backhauling



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

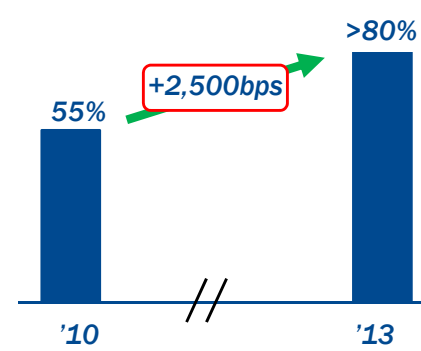
2G Network Capacity (voice)

'000 TRX installed



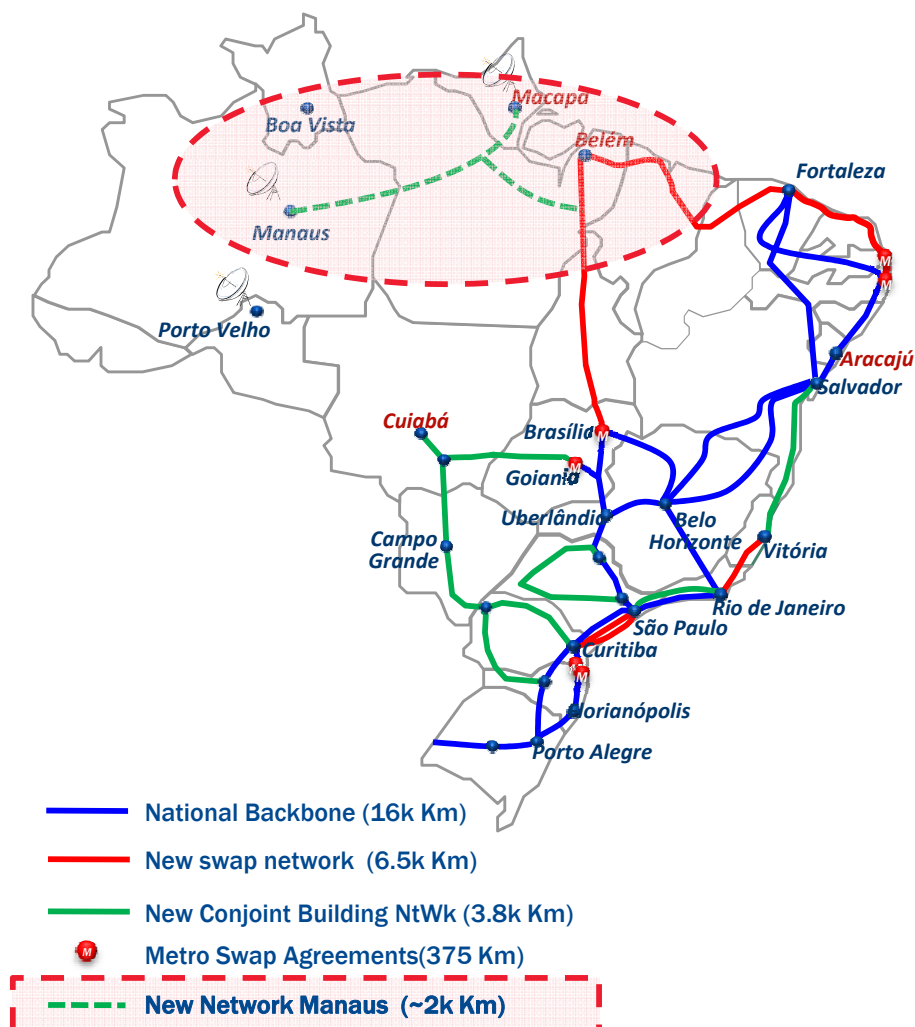
Access 3G

% of urban population covered



Strengthening the foundations (3/3): Continuous Backbone expansion

One of the best backbone in the country



Intelig/TIM
Backbone:

16,000 Km

+

Fiber SWAP in
2010:

~6,500 Km

+

Conjoint Building
Network 2012:

~3,800 Km

+

NEW
Backbone LD Belém
Macapá - Manaus:

~2,000 km

TIM + Intelig:
~28,000 Km

NEW

**Partnership TIM
and Telebras
'unlimited to all'**

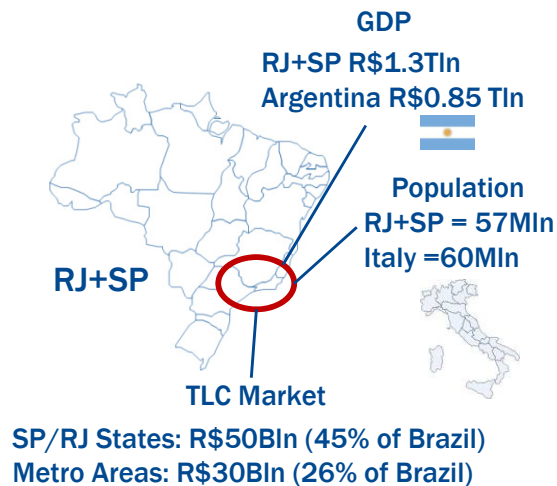
- ✓ Active in capacity SWAP
- ✓ Partnership with Telebrás for PNBL expansion

Ultra-broadband in Sao Paulo and Rio de Janeiro: Acquisition of AES Atimus on track (Fiber Network)



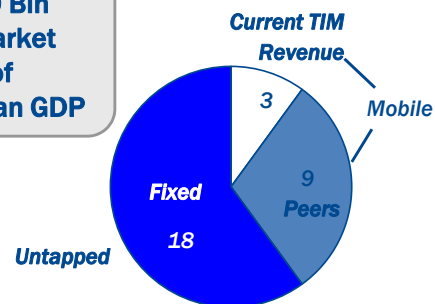
Você, sem fronteiras.

SP and RJ: Macroeconomics



SP/RJ metro – telecom market size R\$Bln

•R\$ 30 Bln
TLC Market
•27% of
Brazilian GDP



Widespread fiber network in SP and RJ

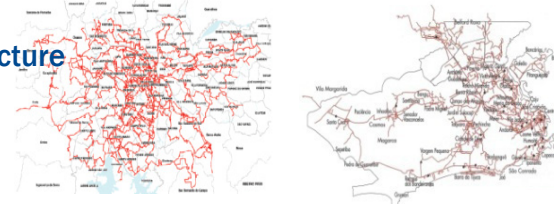
'000 Km

Capillarity

~3.0

~2.5

Infrastructure
MAP



Twice as
much fixed
incumbent
backhauling
in SP and RJ

SP and RJ: Addressable market



~30 Mln people



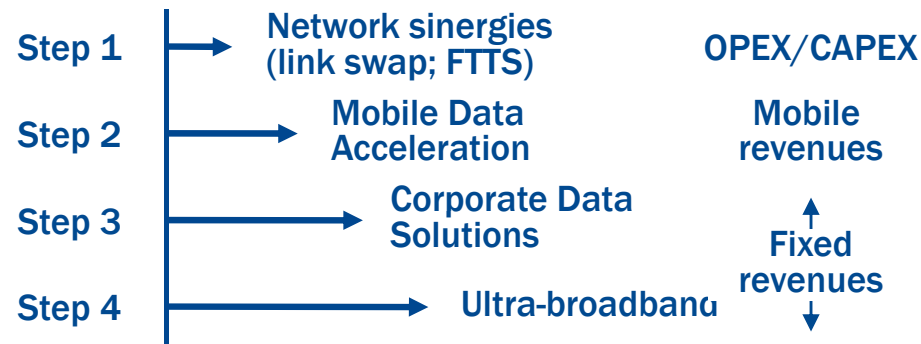
@ Home
@ Hot spot

8 Mln households
4.5 Mln households
class A and B



550,000 companies

4 steps Integration

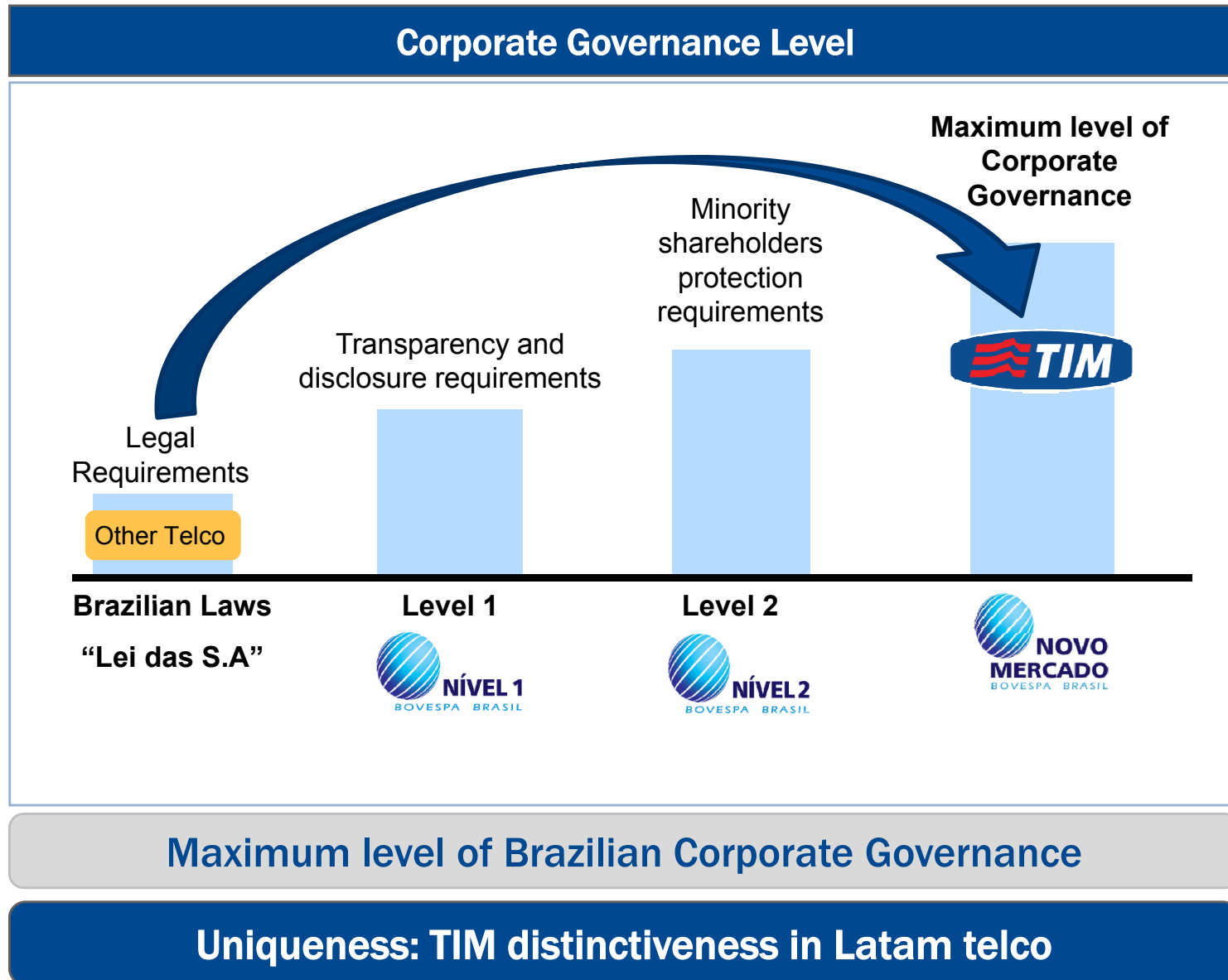


- Closing: Q4'11
- Start-up: Q1'12

5 Novo Mercado: the icing in the cake



Você, sem fronteiras.



1) One single class of share, with equal rights:

- Vote
- Dividend
- Tag along

2) Higher liquidity

3) Larger number of **independent members** on TIM's Board

4) Higher disclosure level

Full Alignment:
Stock option plan to Top Management

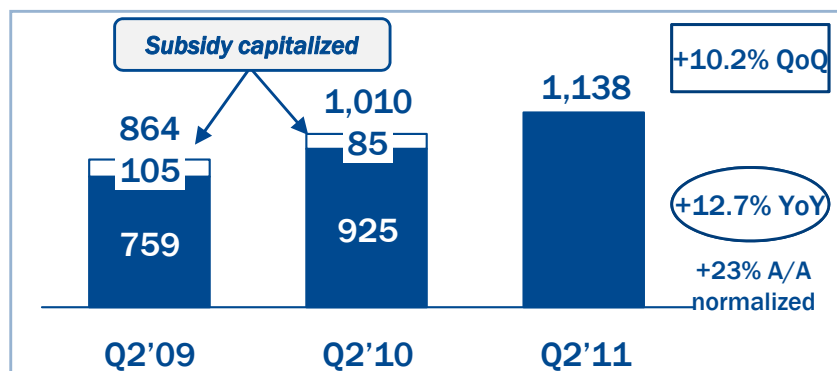
▶ Q2'11: Main Achievements

▶ **Q2'11: Financial Results**

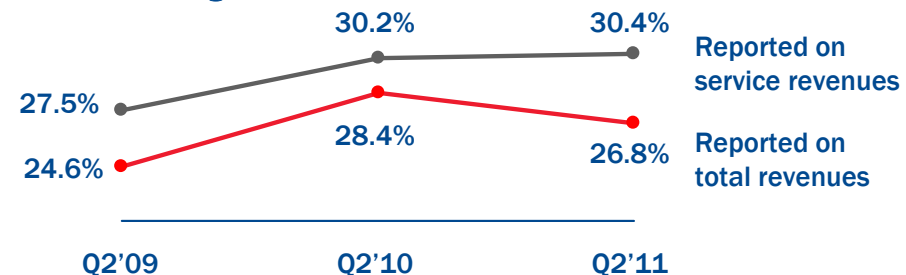
▶ Conclusions & Outlook

R\$ Mln, %

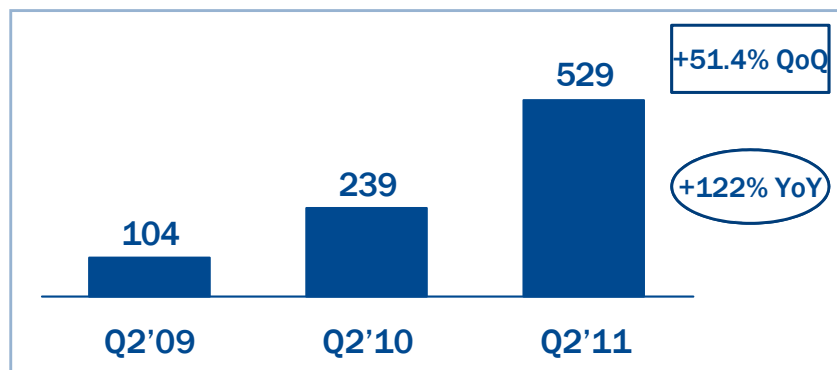
Ebitda



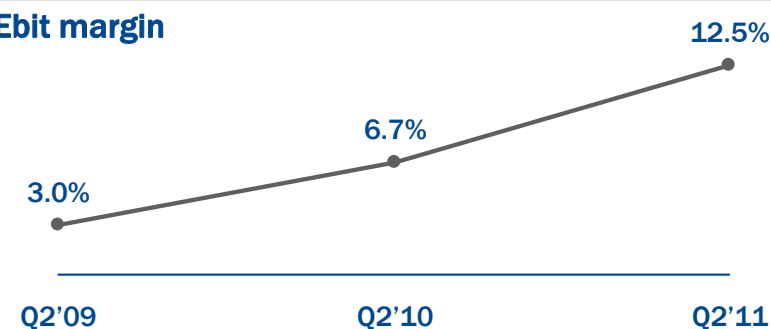
Ebitda margin



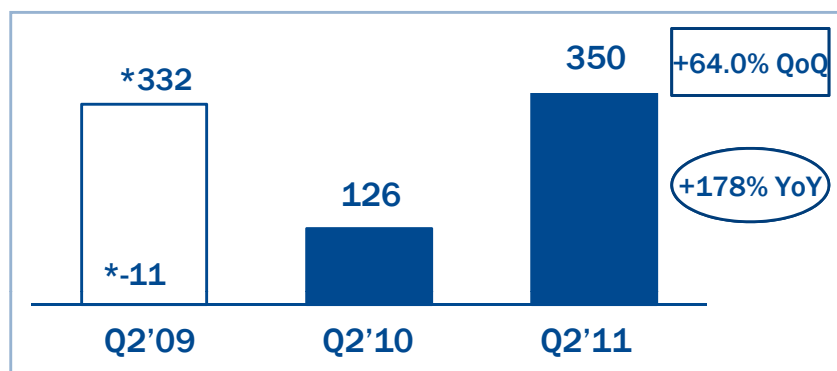
Ebit



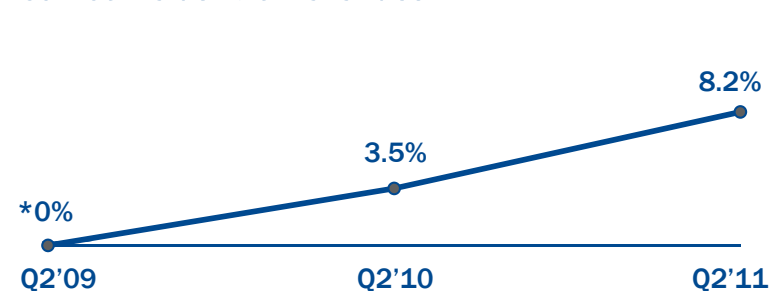
Ebit margin



Net Income



Net income as % of revenues



* Reported Q2'09 R\$332 benefitted by R\$343 Mln from FX variation on Intelig's result; Organig R\$-11

Continuous improvement of efficiency drivers

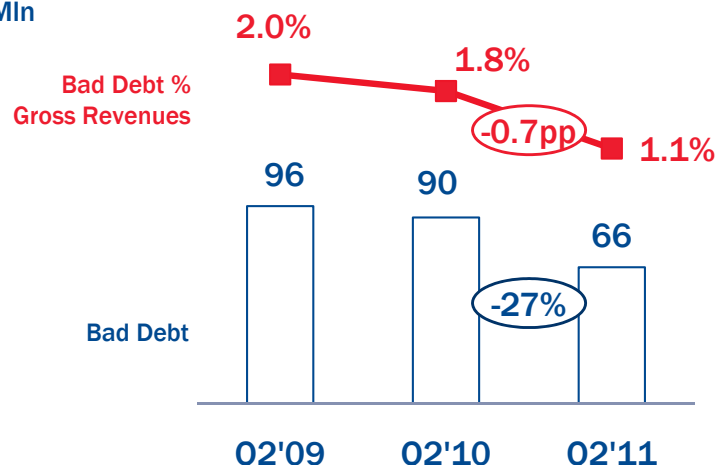


Você, sem fronteiras.

IFRS

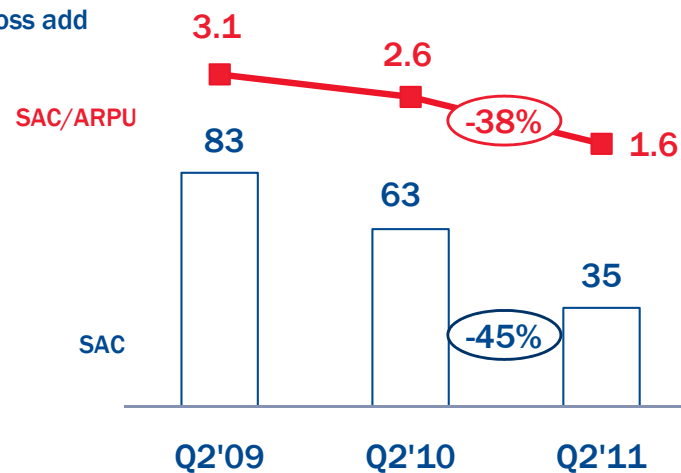
Bad Debt

R\$ Mln



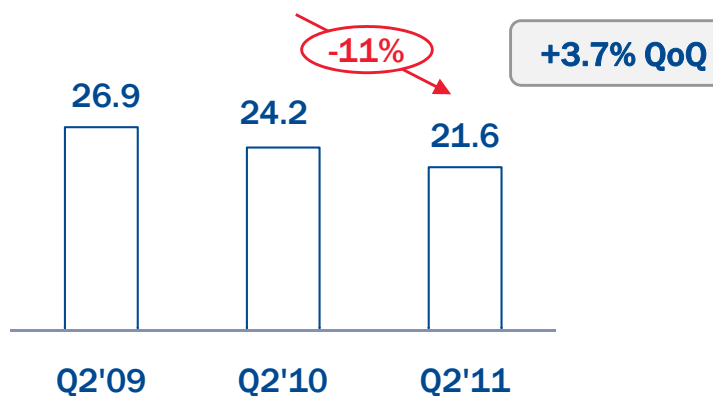
SAC*

R\$/gross add



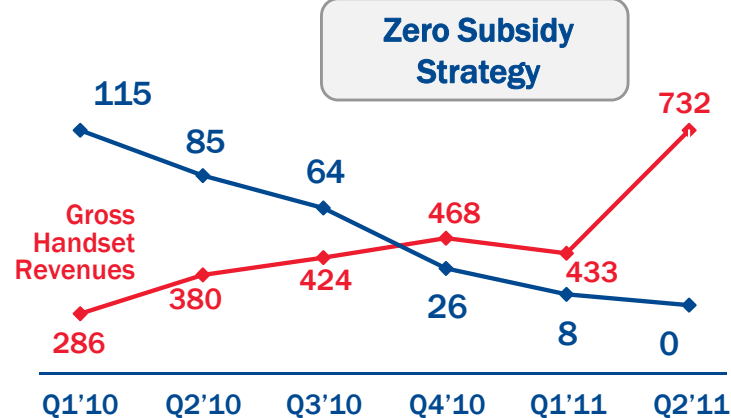
ARPU

R\$/month, mobile



Subsidy

R\$ Mln



*SAC = Advertising, +Subsidy + Commission

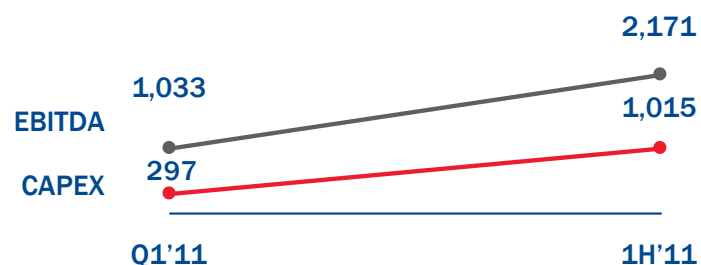
Net Debt Evolution



Você, sem fronteiras.

R\$ Mln

Ebitda - Capex



EBITDA - CAPEX YTD:
R\$ 1.156 +55% YoY
14% over Revenues

Ebitda - Capex

YoY **+478**

+408

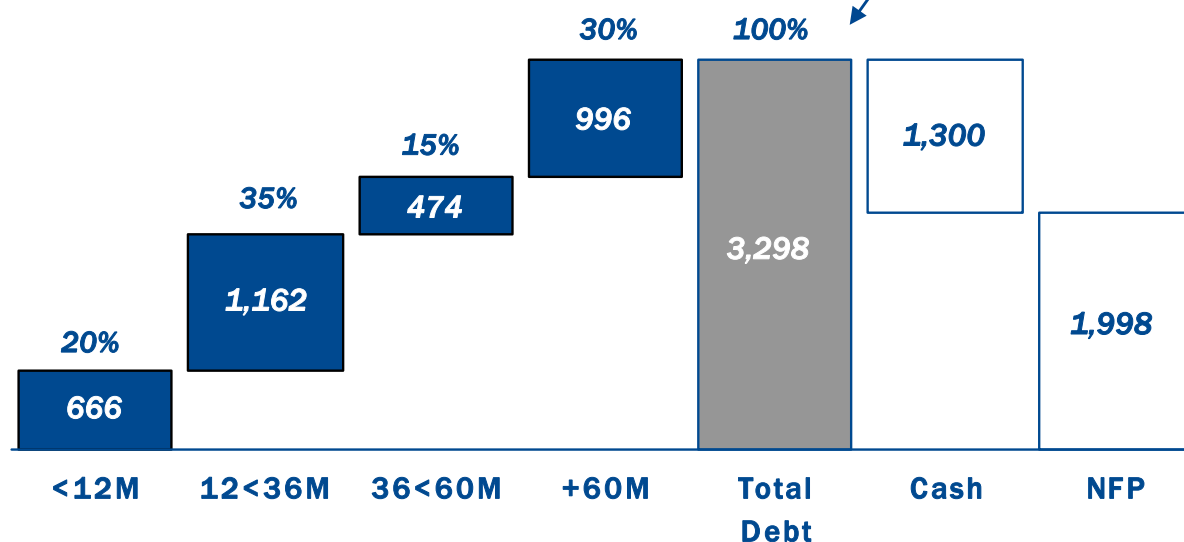
Net Debt 2Q 2011

Of Which: 486 mln in dividends

1,671	(327)	1,998
March 2011 ending	2Q11 NET CASH FLOW	June 2011 ending
NFP 1Q10	2Q10 NET CASH FLOW	NFP 2Q10
2.558	+37	2.520

Debt Profile

- **Gross Debt:** R\$ 3.30 bln (of which 80% in the long term)
- ~22% of debt is denominated in foreign currency (100% hedged)
- **Average Annual Cost:** 11.0% or 90.2% of CDI in the 2Q'11 vs. 10.0% or 107.5% of CDI in the 2Q'10 (~90% of debt in soft loan)



- ▶ Q2'11: Main Achievements
- ▶ Q2'11: Financial Results
- ▶ **Conclusions & Outlook**

Conclusion Outlook

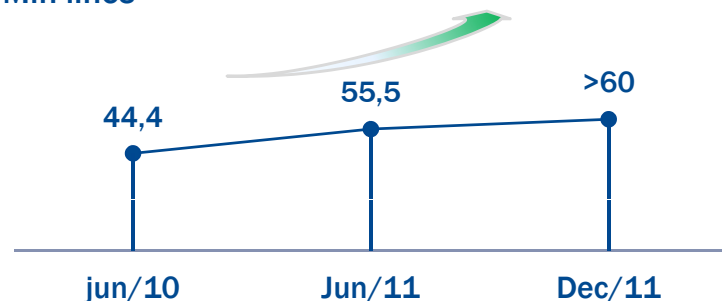


Você, sem fronteiras.

R\$ Mln, IFRS

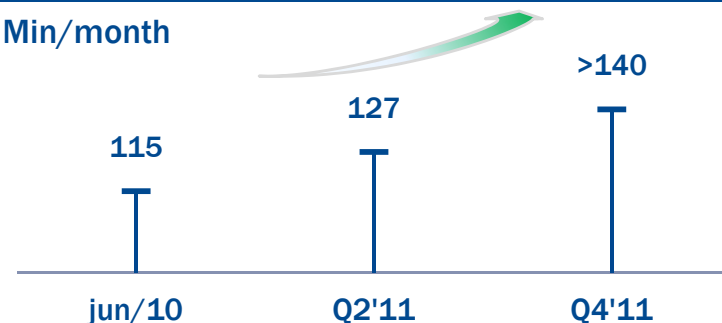
CB Expansion

Mln lines



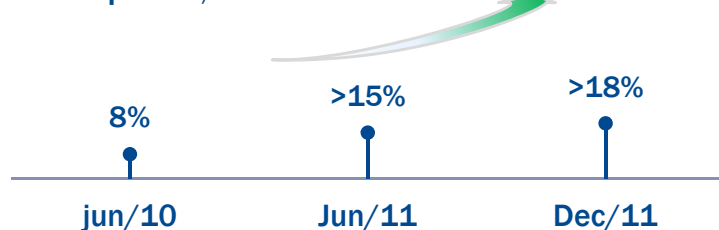
MOU increase

Min/month



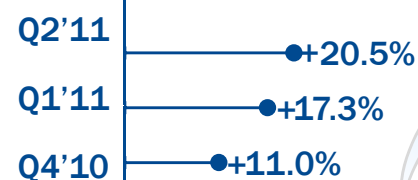
Smartphone penetration

Smartphone, % CB

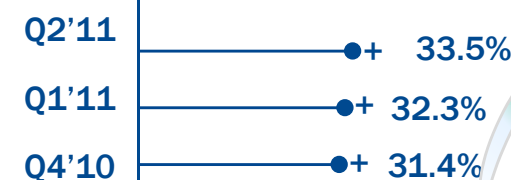


Consistency in Results

Voice out Revenues YoY

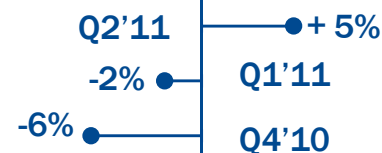


VAS Revenues YoY

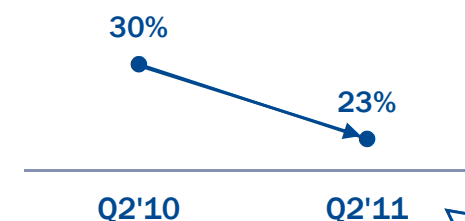


Reducing exposure to MTR

Voice in Revenues YoY



EBITDA exposed to MTR*



AES Atimus

✓ Closing by Year End

✓ 4 steps integration

New PGMC
draft by
Anatel

* Net of incoming revenues less interconnection costs

Challenging 3 main markets



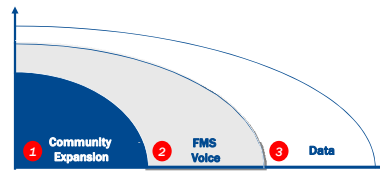
Você, sem fronteiras.

Mobile

Corporate

Residential

**Business
Expansion**



**Convergency:
Partnerships**

**Attack to fixed
broadband market
(SP/RJ)**

**Network
Evolution**

**Supporting heavy
data approach (3G,
WiFi, LTE)**

**Supporting 1Gbps
connectivity and
Clouding solutions**

**100Mbps @home
(digital home)**

Cost saving

OPEX/CAPEX saving R\$1Bln