

Company's Presentation  
**TIM BRASIL**  
October, 2015



# Agenda

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Visit our website and download our IR app:

[www.tim.com.br/ir](http://www.tim.com.br/ir)

TIM IR app  
(English)

TIM RI app  
(Portuguese)



# TIM: a huge Brazilian company

- ✓ Presence in Brazil since 1998
- ✓ 18<sup>th</sup> largest Private Company in Brazil\*
- ✓ Approximately R\$20 billion of Market Capitalization

## 2<sup>nd</sup> in Market & Revenue Share

- ✓ 74.6 million customers (26% Share)
- ✓ More than 455,000 points of sales
- ✓ 179 own stores
- ✓ 15 Customer Care Centers (16k attendants)

## 95% of urban pop. covered

- ✓ ~14,000 Antennas
- ✓ 3,449 cities covered
- ✓ ~61,200 km of optical fiber network

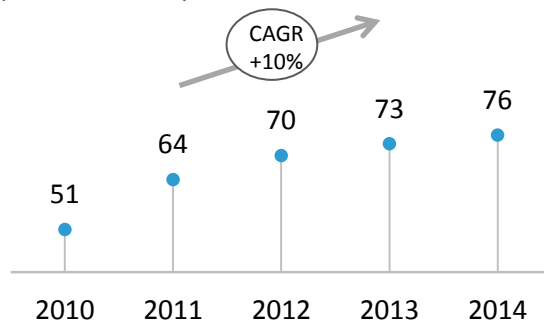
Growth Via Acquisition → **intelig**  AES Atimus  
Uma Empresa AES Brasil

## ~13k employees

- ✓ 23,000 indirect jobs
- ✓ ~R\$3.9 billion invested in FY2014 (ex-licenses)

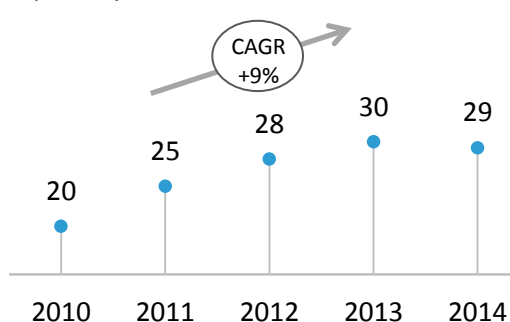
### Customer Base EoP

(mln customers)



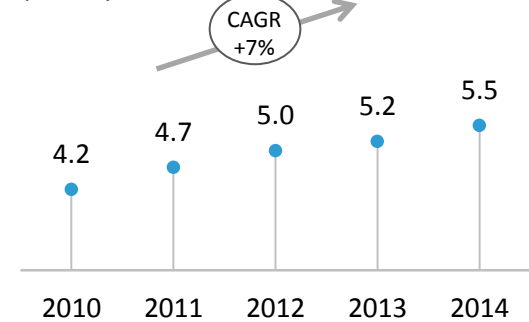
### Gross Revenues

(R\$ bln)



### EBITDA

(R\$ bln)



# CSR & Corporate Governance

## TIM Stands out in Sustainability



Joined UN Global Compact in 2008



Member of ISE (Sustainability Index) for 7 consecutive years



Member of ICO2 (Efficient Carbon Index) for 5 consecutive years

Member of CISO Federation



ISO 14001 certified since 2010, 1st Brazilian telco

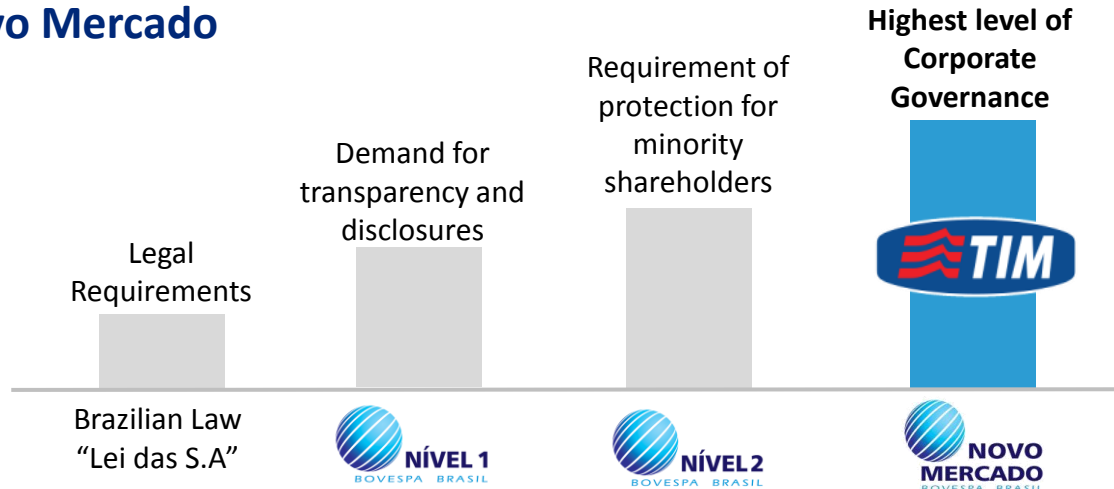
**Sustainability**

**Instituto** 

Founded in July, 2013

**MISSION:** *We are committed to creating and strengthening resources and strategies for the democratization of science and innovation that promote human development in Brazil, with mobile technology as one of the main facilitators.*

## Unique Telco company listed on the Novo Mercado



- ✓ 100% Tag Along
- ✓ Equal dividends rights
- ✓ One single class of shares
- ✓ Strict disclosure policy
- ✓ Statutory Audit Committee:
  - Report to Board of Directors
  - Oversight Financial reporting
  - Analyze anonymous complaints

# **Market Overview and TIM Positioning**

# Brazilian Telcos X-Ray



	Mobile	Fixed	Fixed BB	Pay-TV	Group
Customers 2Q15 (000's)	74,600	557	187	n.a.	75,344
Market share 2Q15	26.4%	1.3%	0.7%	n.a.	---
Net Adds 12M (000's)	397	55	66	n.a.	518
Net Revs 2Q15 (R\$ Mln)	4,194		159		4,353
ARPU 2Q15	16.1	n.a.	n.a.	n.a.	---



	Mobile	Fixed	Fixed BB	Pay-TV	Group
Customers 2Q15 (000's)	71,202	11,446	7,876	10,159	100,683
Market share 2Q15	25.2%	25.8%	31.6%	51.8%	---
Net Adds 12M (000's)	2,426	256	831	53	3,566
Net Revs 2Q15 (R\$ Mln)	3,057		6,038		9,095
ARPU 2Q15	13.0	n.a.	n.a.	n.a.	---

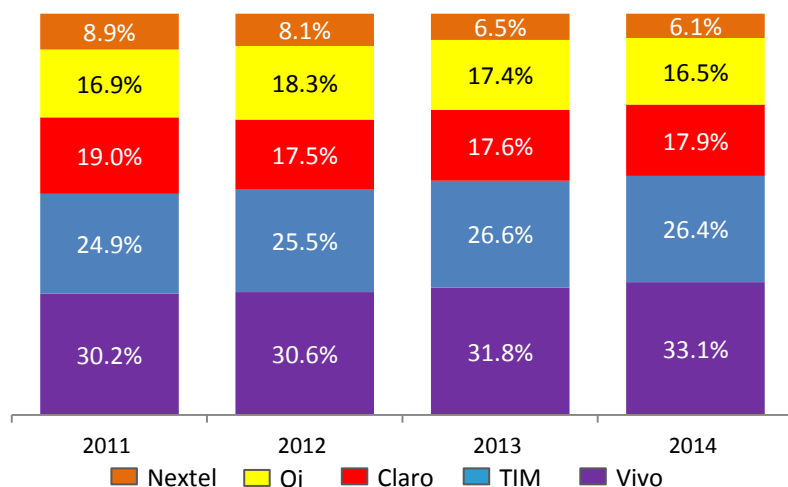


	Mobile	Fixed	Fixed BB	Pay-TV	Group
Customers 2Q15 (000's)	82,655	15,249	7,259	1,806	106,969
Market share 2Q15	29.3%	34.3%	29.1%	9.2%	---
Net Adds 12M (000's)	3,298	89	128	318	3,833
Net Revs 2Q15 (R\$ Mln)	6,212		4,215		10,428
ARPU 2Q15	23.5	n.a.	n.a.	n.a.	---



	Mobile	Fixed	Fixed BB	Pay-TV	Group
Customers 2Q15 (000's)	50,231	15,771	6,446	1,184	73,632
Market share 2Q15	17.8%	35.5%	25.8%	6.0%	---
Net Adds 12M (000's)	-850	-1,253	-121	297	-1,927
Net Revs 2Q15 (R\$ Mln)	2,018		4,766		6,784
ARPU 2Q15	16.3	n.a.	n.a.	n.a.	---

## Mobile Revenues Share



The industry mobile revenue represented 56% of the total industry revenues in 2014

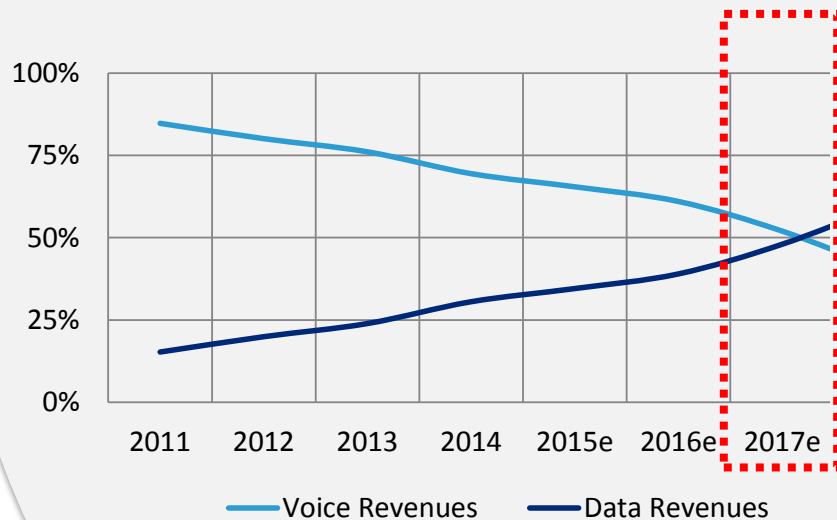
TIM represents 26% of the industry mobile revenue<sup>1</sup>

1 - Mobile revenue considers only the 5 major players. Oi numbers are adjusted to include corporate mobile

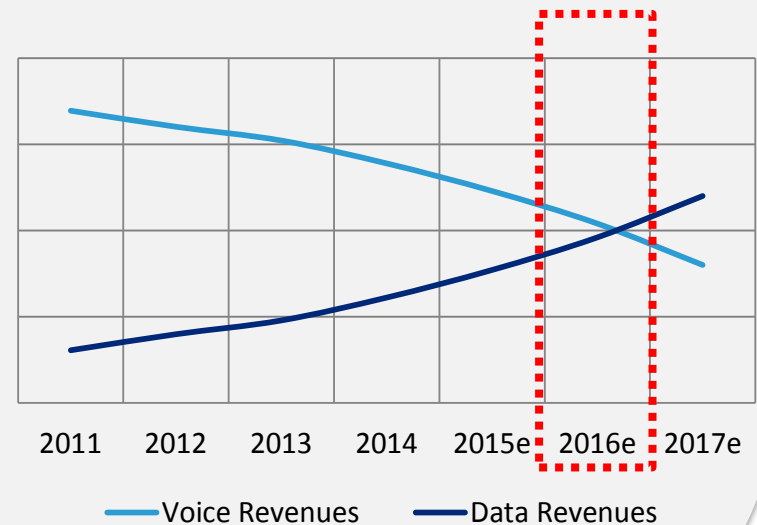
Source: Anatel and players' financial statements

# Transformation is accelerating, adjustments underway to resume growth

**Market data revenues was expected to overcome voice revenues in 2017...**

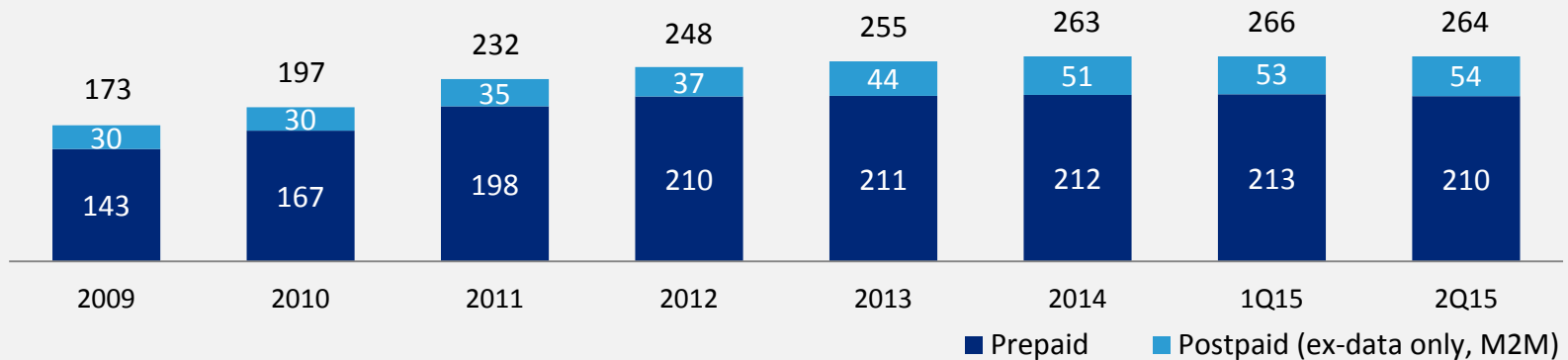


**... market trend anticipated for 2016 instead.**

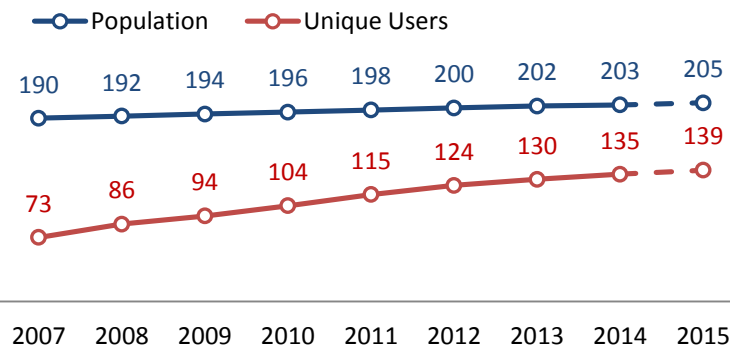


# Industry maturity and Multi SIM consolidation: establishing TIM as the customer's first SIM

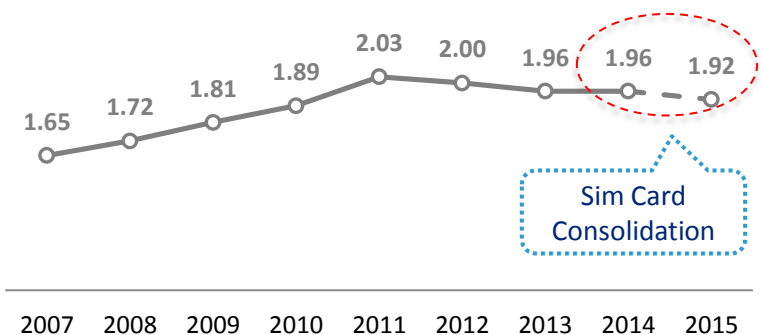
## Customer Base (in mln): from growth to maturity



## Unique Users Penetration



## SIMs per Unique Users

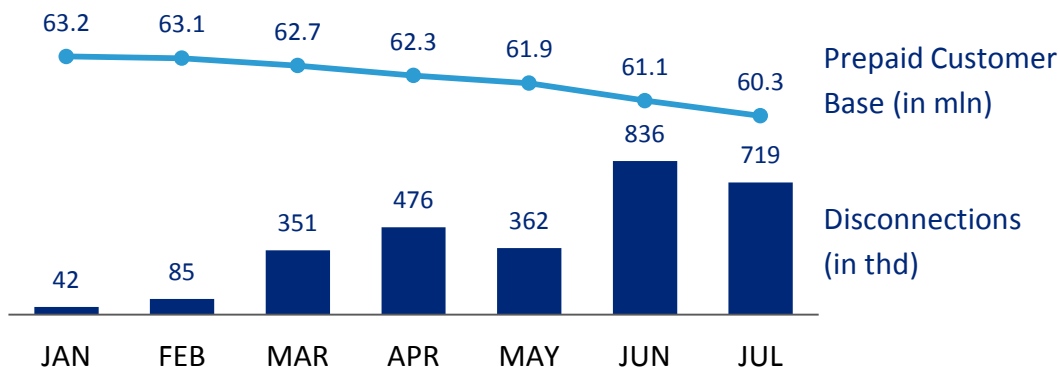


- ✓ Industry growth has been driven by the postpaid segment
- ✓ Strong prepaid disconnection in the industry

- ✓ Sim Card consolidation mostly in prepaid
- ✓ Strong substitution from voice and SMS to OTT and data

# From Volume to Value in Prepaid

## Strict Disconnection Policy



Source: Anatel

- ✓ Greater segmentation with Big-Data
- ✓ Improving ARPU
- ✓ Reducing OPEX
- ✓ Back to offer differentiation
- ✓ Revenue Share x Market Share
- ✓ Focus on preference

## From Mass Offer... ...to Offer by Need

2009 - 2013



Price per call

2014 – 1H15

**Per call**

R\$0.30

On net calls

**Per day**

R\$0.75

300min

R\$0.99

15MB  
+ WhatsApp  
+SMS

**Per week**

R\$7.00

300min/day  
10MB/day  
+SMS  
+WhatsApp

**Per month**

R\$12.00

WhatsApp  
+50MB

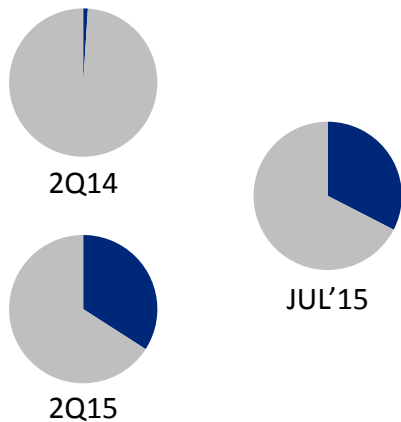
2H15 – 2016

**Continuous Evolution**

# Back to the Value Game: First Results on Postpaid

## Postpaid Acquisition

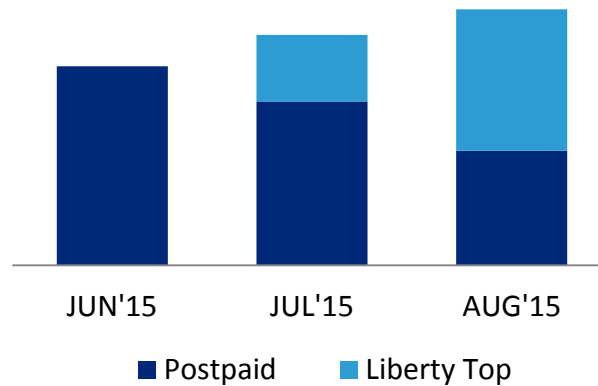
### Postpaid Share on Net Adds:



- ✓ Improving share
- ✓ YoY sales uplift
- ✓ Focus on pre-post migration

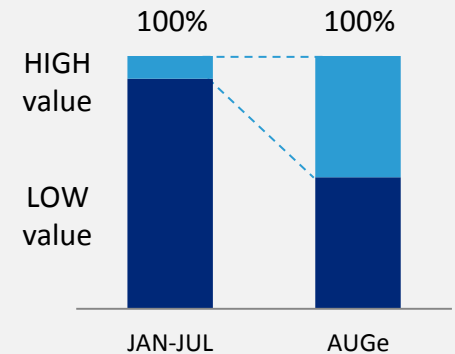
Source: Company

## Gross + Migrations

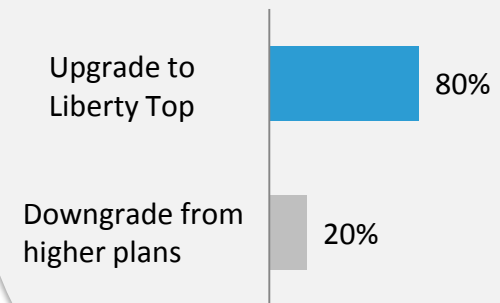


- ✓ All in one: Voice + Data w/o subsidy
- ✓ Different market, different approach
- ✓ ARPU uplift expected

## Acquisition Mix (%)



## Post-Post Migration to Liberty TOP (%)



# Challenges do not Deviate the Vision and Execution of our Long-Term Strategy



## Protecting & Increasing Value of Customer Base

- Back to essence of TIM positioning
- Knowing our customers behaviors
- Segmented go to market while maintaining simplicity
- Smart pricing: differentiate offer in a rationale environment



## Sustaining Investments on Data Infrastructure & Services

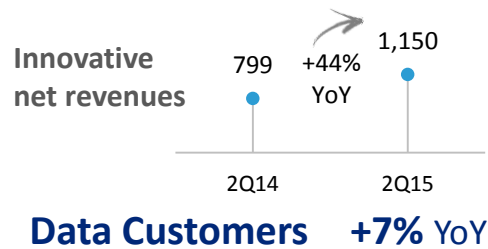
- Developing robust 4G infrastructure, to stimulate adoption and market share
- Customer experience on an end-to-end approach



## 2Q15 Results

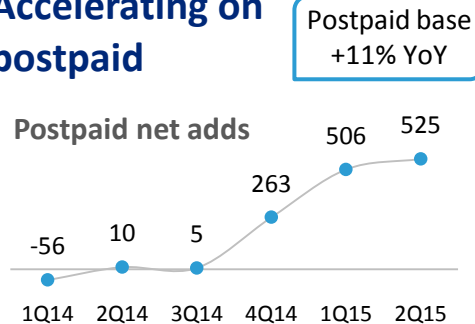
# Second quarter 2015 highlights: solid strategic KPIs in a tough environment

## Solid pace on innovative\* services

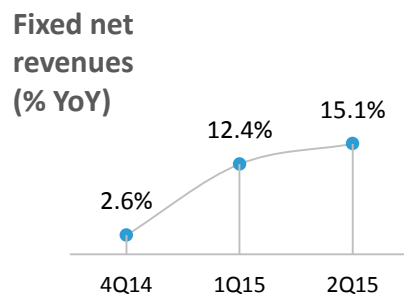


\*data ex-SMS

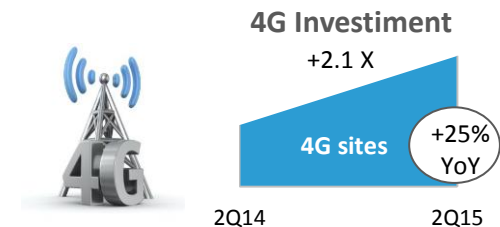
## Accelerating on postpaid



## Strong fixed growth



## Investing in infrastructure remains top priority



## Focus on Margin

Opex\* -11% YoY

EBITDA Margin\* 29.2%

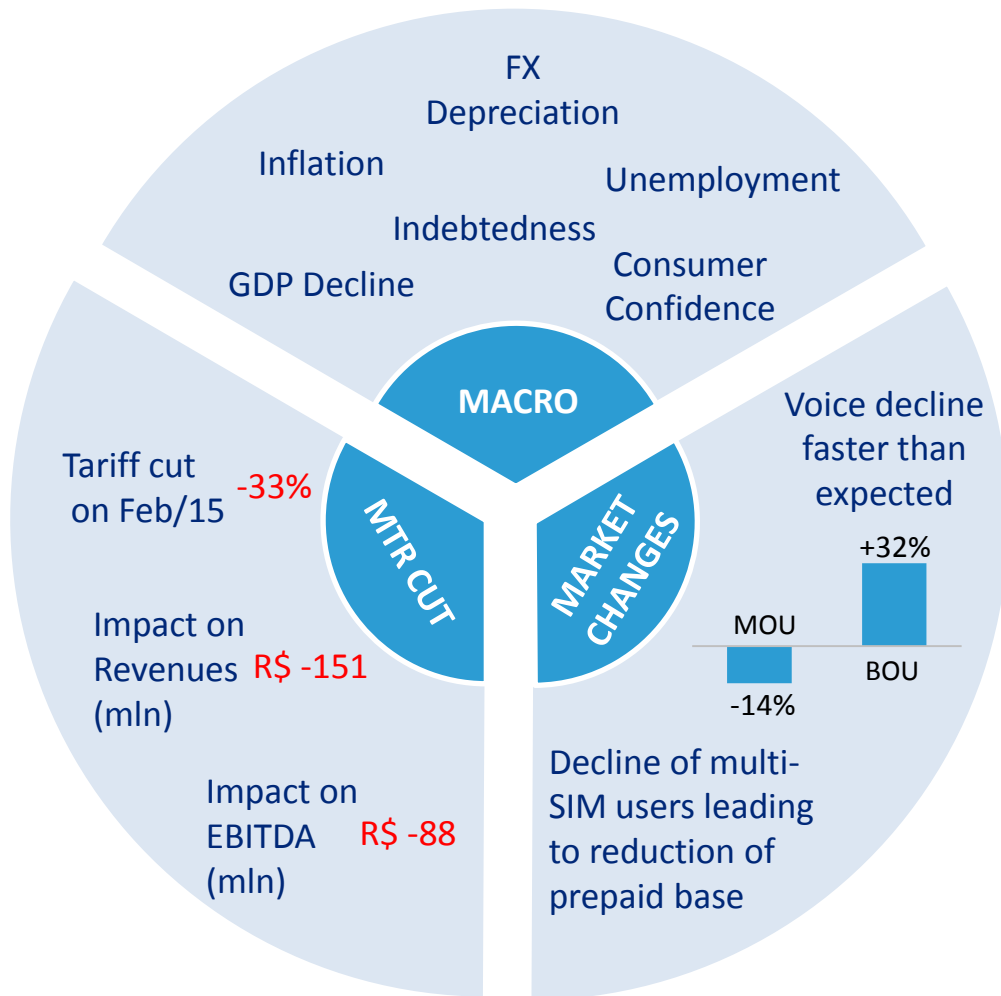
Service EBITDA Margin\* 35.4%

\*Excluding towers sale impact

## A Challenging quarter and short-term view

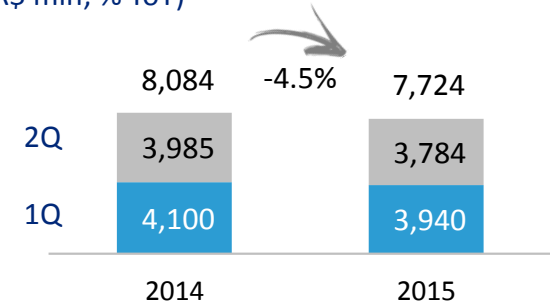
- Macro impact's on Prepaid
- MTR impact on MSR
- Industry-wide voice decline

# Short term challenges impacting MSR, but Data growth and Business Generated point to recovery



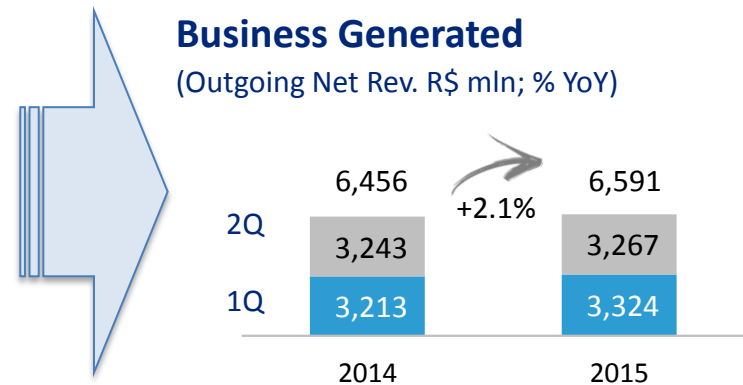
## Net Service Revenues

(R\$ mln; % YoY)



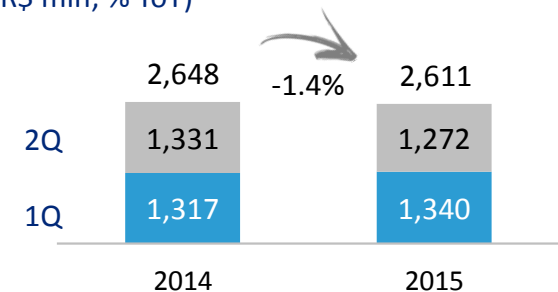
## Business Generated

(Outgoing Net Rev. R\$ mln; % YoY)



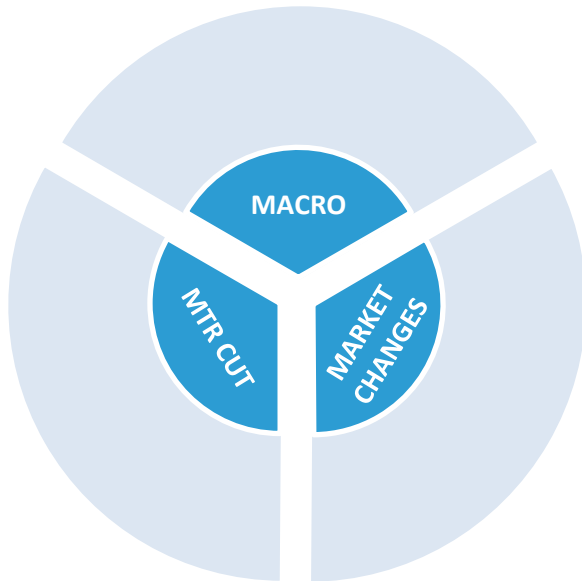
## EBITDA (excluding towers sale)

(R\$ mln; % YoY)



# Strategy and vision remain solid, with adjustments in the short term

Despite challenges...



...we maintain our vision...



...adjusting when necessary

- ✓ Fine tuning the offer for a tougher Macro scenario
- ✓ Increasing high value customer base (offer, caring & infrastructure)
- ✓ Securing prepaid position & value generation
- ✓ Efficient operation and stringent cost control

**Protecting the value of our customer base (prepaid), while increasing our base of value customers (postpaid)**

# Offers repositioning to meet different segments demands

## Maximizing Value of Prepaid Leadership

### 1 Adjusting and evolving prepaid portfolio

#### ➤ Segmented offers towards data world:

- Voice + Data
- Days of use
- Convenience

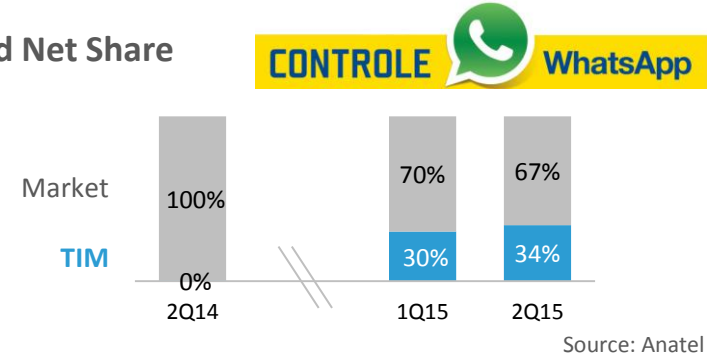


### 2 Addressing multi SIM reduction effect

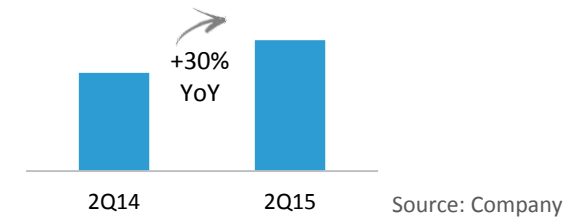
- Reduction of washing machine effect (churn)
- From gross adds to top-ups (revenues)
- Improving relationship with customers

## Advancing in Postpaid Share

### Postpaid Net Share (%)



### Loyalty through Control plans (% YoY)



**LIBERTY TOP**

NEW OFFER

**TIM**  
Você, sem fronteiras.

Soluções Corporativas

- Increasing penetration on postpaid value segment
- High-end offer launched at R\$139/month

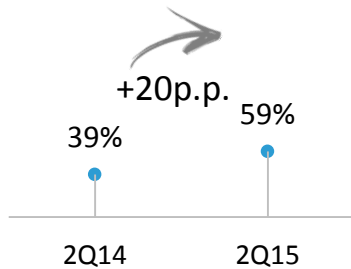
**TARIFA FLAT**



# Mobile data delivering on growth opportunity today

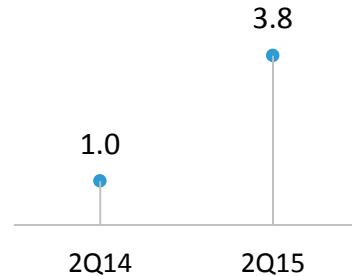
## Smartphone Penetration

(% over customer base)



## 4G Users

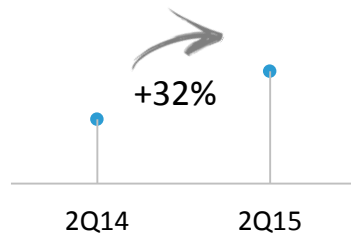
(mln users; %YoY)



4G ARPU:  
>1.5x 3G ARPU

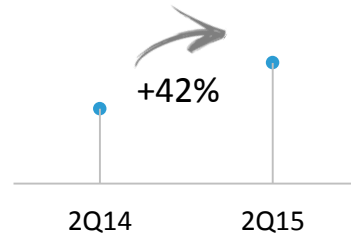
## Data Traffic

(Bytes of Use)



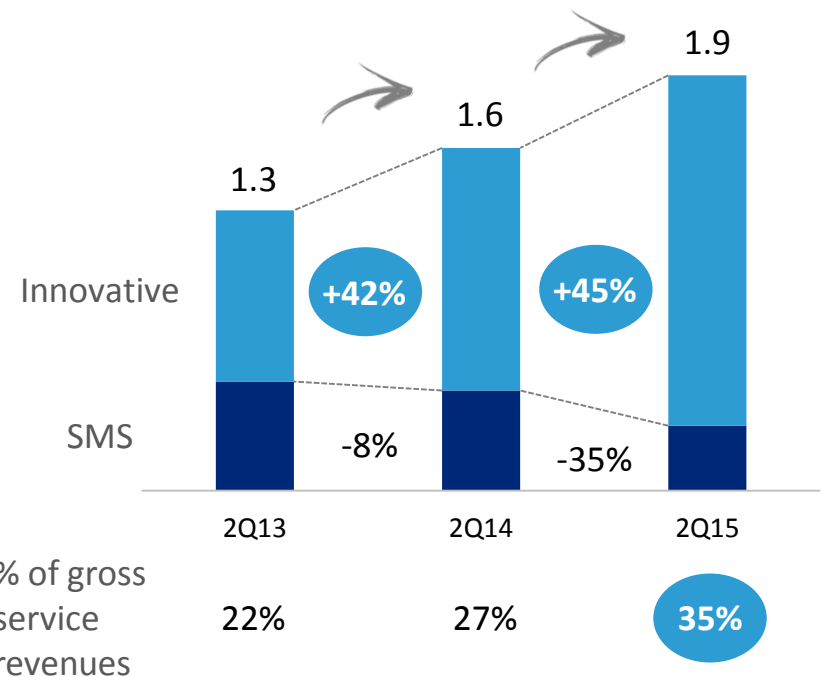
## Data ARPU\*

(R\$; %YoY)



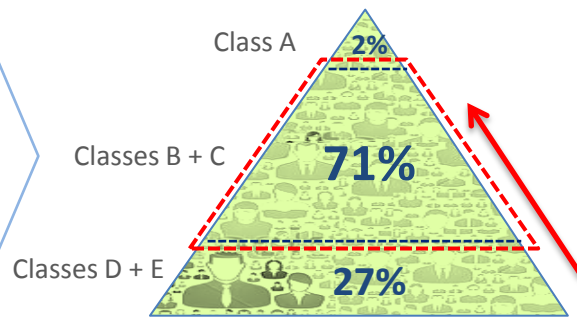
## Mobile VAS Gross Revenues Growth

(R\$ bln; %YoY)



# Innovative services sustaining the opportunity for the future

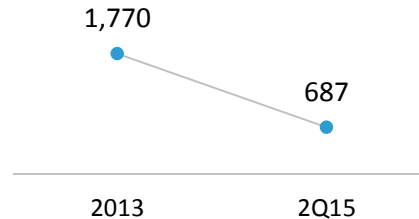
Increasing value in the Big Middle - source of future growth



Source: IPC of 2015

Affordable Smartphones Driving Penetration

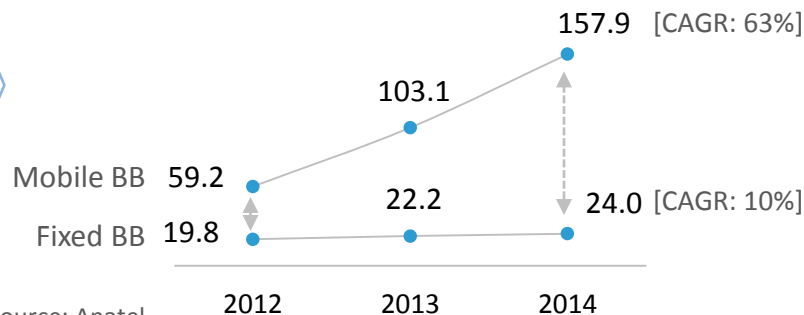
## Average price for 4G devices (R\$)



Source: GfK - considers top 3 most sold 4G devices

Mobile Data Access Crucial to Tap Demand

## Mobile and Fixed broadband CB (Mln users; 2014 vs. 2012)



Source: Anatel

## 1 Data Portfolio

- OTTs (e.g. Controle WhatsApp)
- Connectivity (e.g. data plans from 10MB to 6GB)
- Content (e.g. TIMmusic by Deezer)

## 2 4G Infrastructure

- 4G investments: 112% YoY growth in 2Q15
- More 4G band in the best spectrum: 700 MHz (mid-term) and 1,800 MHz (ongoing refarming)

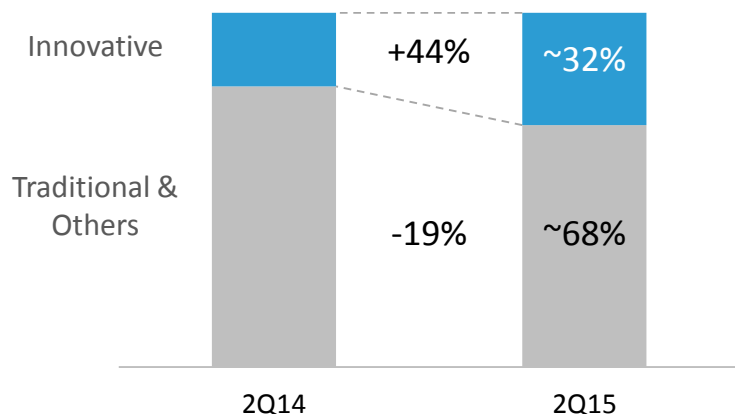
## 3 Customer Experience

- Focus on providing differentiated customer experience throughout its lifecycle
- Transformational efforts to create a customer centric organization

# Shifting revenue dynamics continue: MTR and voice down, data and fixed up

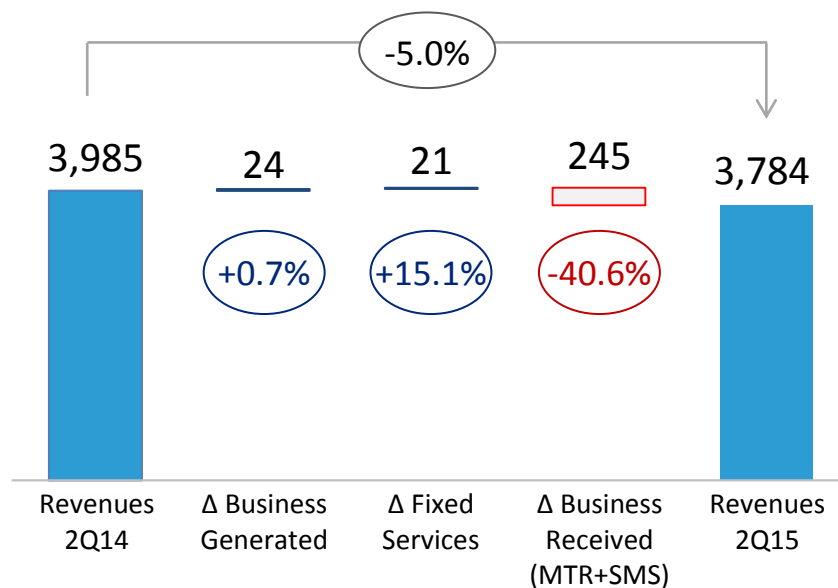
## Mobile Net Service Revenues

(% over total mobile net serv. rev.; % YoY)



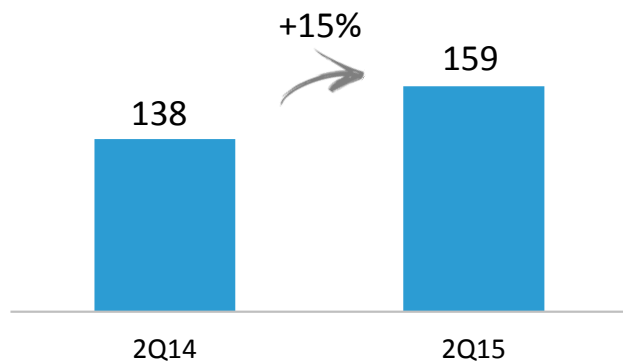
## Net Service Revenue Profile

(R\$ mln, % YoY)



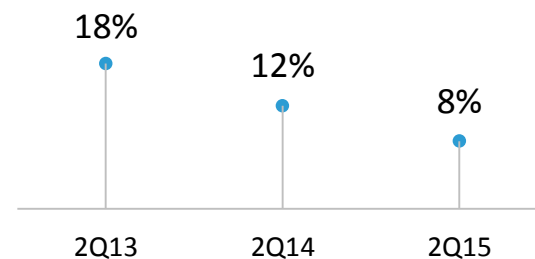
## Fixed Net Service Revenues

(R\$ mln, % YoY)



## MTR incidence

(as % of net service revenues)

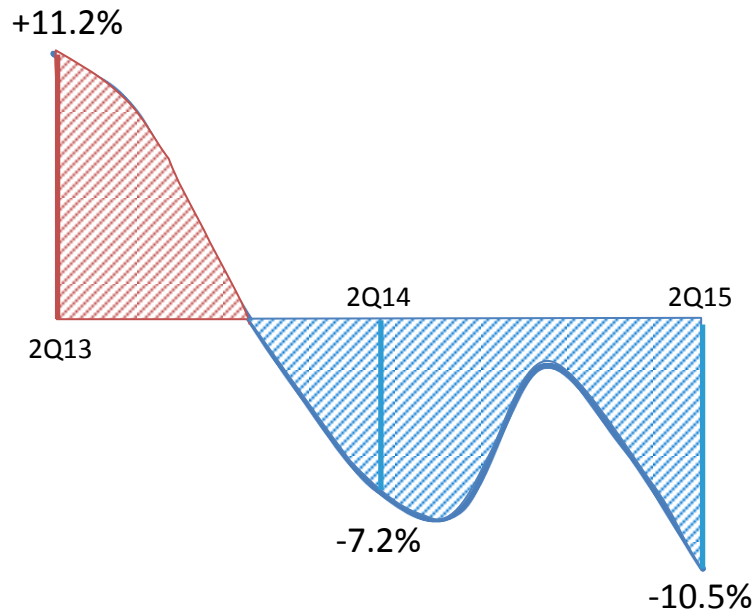


# Accelerating efficiency initiatives to defend EBITDA during revenue transition period

## Cost Cutting Initiatives in All Fronts

### Organic Opex Evolution

(% YoY)



### Opex Breakdown

(% YoY; R\$mIn Δ YoY)

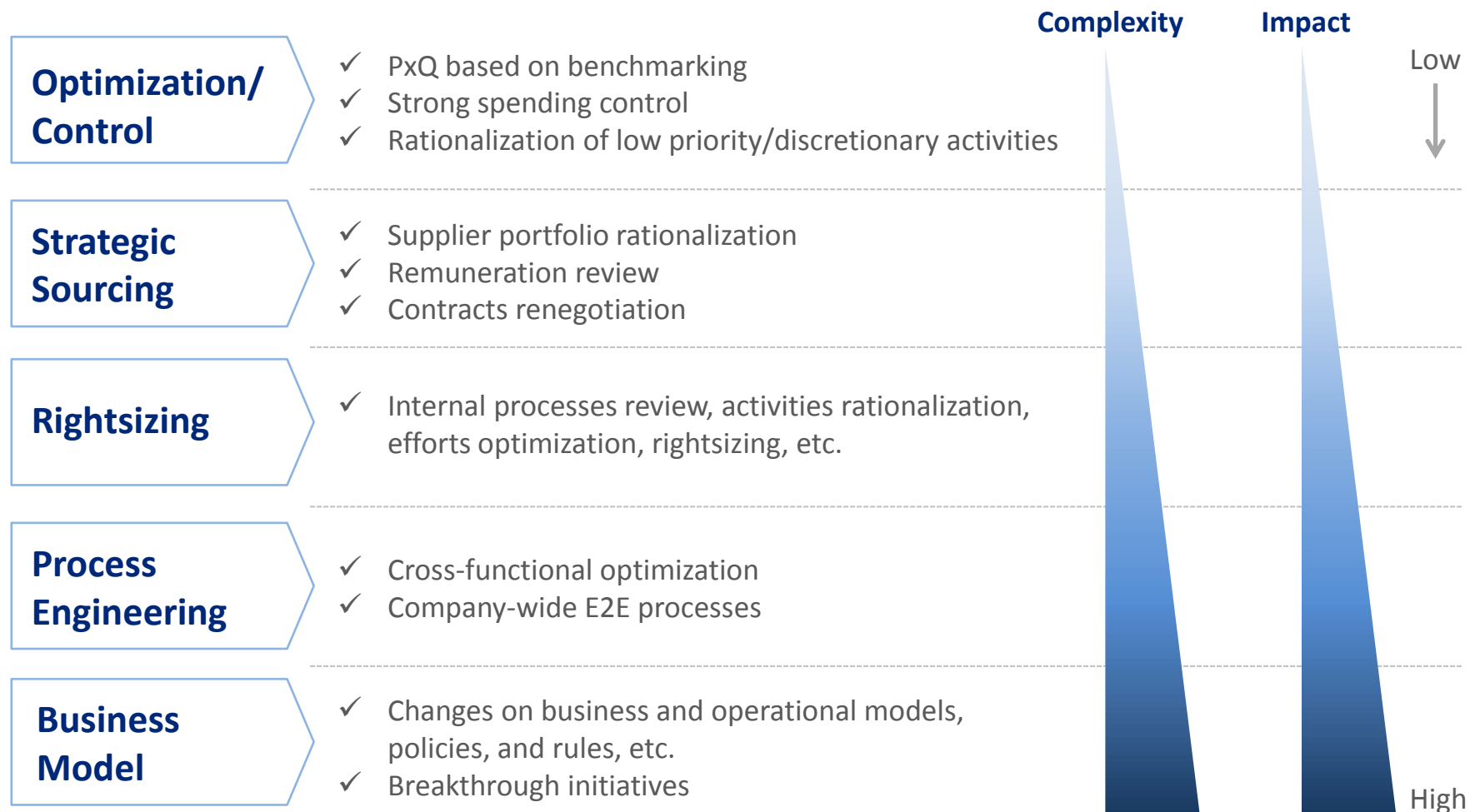
Selling & Marketing	-6%	-R\$60	
ITX & Network	-7%	-R\$73	
COGS	-23%	-R\$190	
G&A	-28%	-R\$50	
Bad Debt	-23%	-R\$18	
Personnel Expenses	+15%	+R\$34	

# Efficiency Plan in course

**More than R\$1 bln in 3 years** (sum of savings in 2015, 2016 and 2017)

- ✓ Further evolution of current cost control initiatives
- ✓ Focus on systems, platform and business model

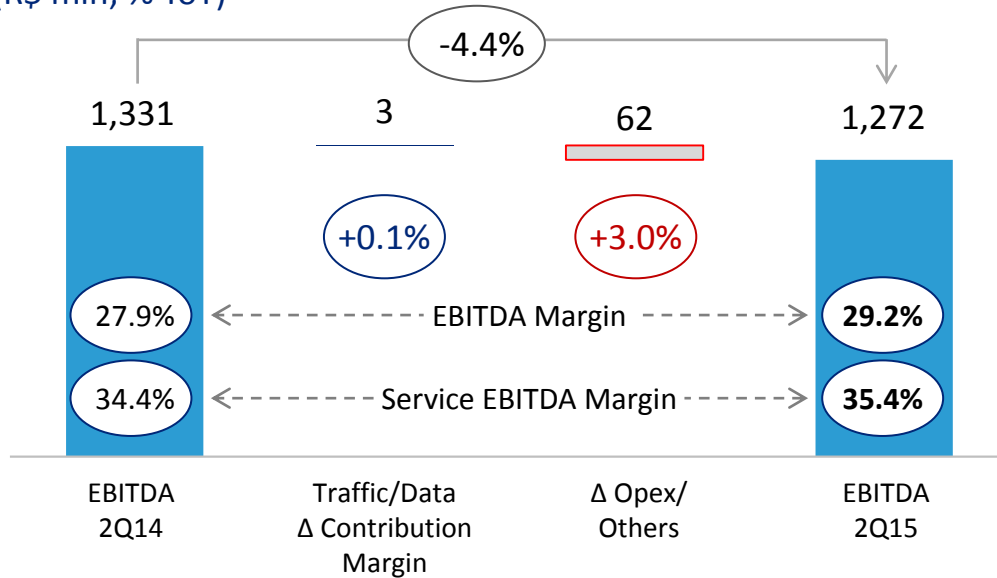
**Focus on  
Margin  
Improvement**



# EBITDA Margin continues to show improvements, while growth was still impacted by MTR

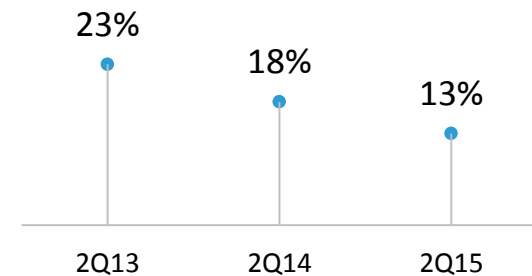
## EBITDA Profile (excluding towers sale)

(R\$ mln; % YoY)



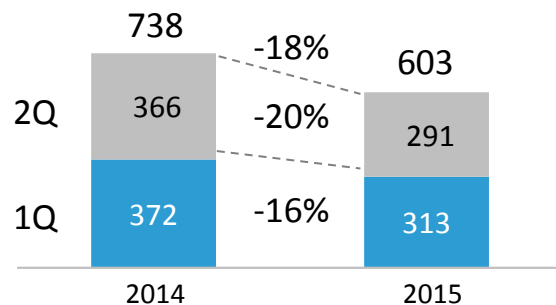
## MTR incidence

(as % of Organic EBITDA)



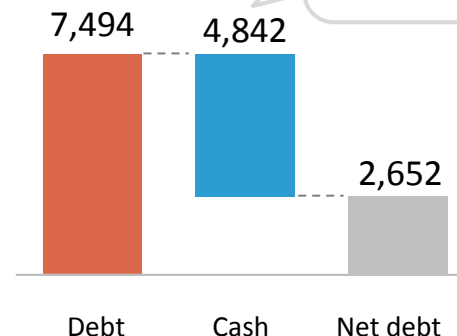
## Organic Net Income

(R\$ mln; % YoY)



## Net Debt

(R\$ mln)



### Recent Cash outs (R\$):

4G in 4Q14: 1.68bln  
4G in 2Q15: 0.37bln  
Fistel in 1Q15: 1bln  
Dividends in 2Q15: 0.36bln

## Towers Sale Effects

(at first closing date)

- Towers sold: 4,176
- EBITDA +R\$ 918 mln
- Net Income +R\$ 636 mln
- Cash +R\$ 1,897 mln
- Debt -R\$ 977 mln
- NFP +R\$921 mln

# Quality and Network Evolution

# Improvement of quality metrics continues with substantial quality perception increase

## Quality Indicators

(% states within Anatel's targets<sup>1)</sup>)

**3G & 4G Data Accessibility: 100%** ✓

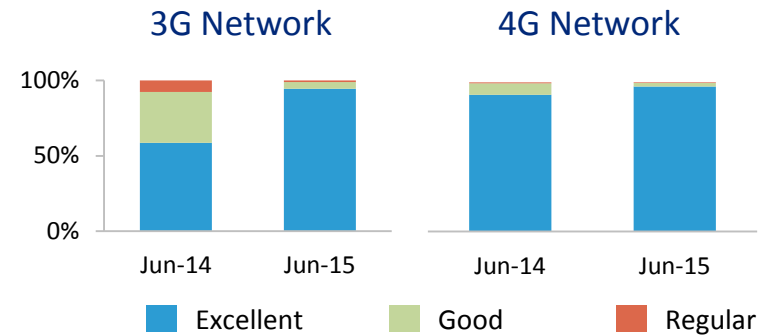
**3G & 4G Data Drop: 100%** ✓

**Voice Accessibility and Drop: 100%** ✓

(1) Consolidated results by state within Anatel's minimum required targets - May/2015, last figures disclosed

## Data Serveability<sup>2</sup> Index

(% customer base by Serveability range)



(2) Serveability = Accessibility \* (1 - Drop) \* Availability

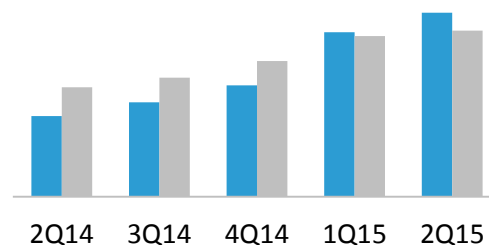
**Least demanded company  
in Procon<sup>3</sup>**  
58% below market's average

**Network investments  
driving better quality to  
support a solid position  
in data**

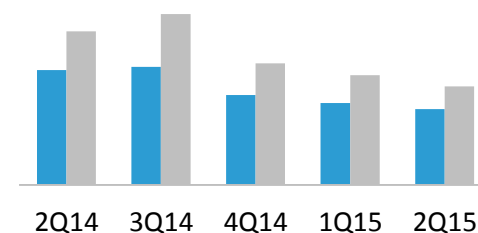
## Speed Test: (by Ookla)<sup>4</sup>

■ Market Average  
■ TIM

### Throughput (Kbps) (downlink in 2G/3G Network)



### Latency (ms) (in 2G/3G Network; the least the better)



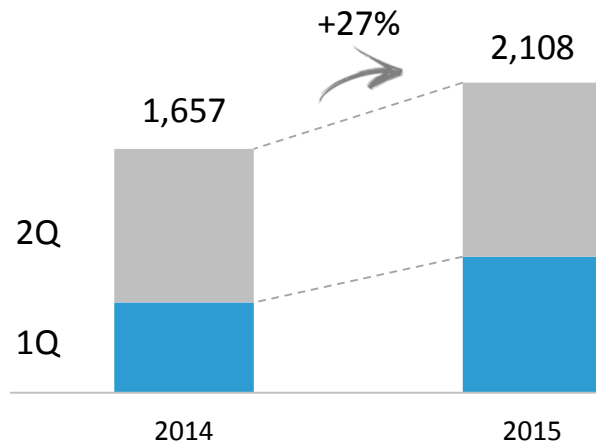
(3) Total per economic group. Consumer's Protection Agency. Source: SENACON/MJ

(4) The report was generated from TIM's analysis over NetMetrics Reports provided by Speedtest.net

# Network expansion on steady progress, Investment sustaining long term strategy

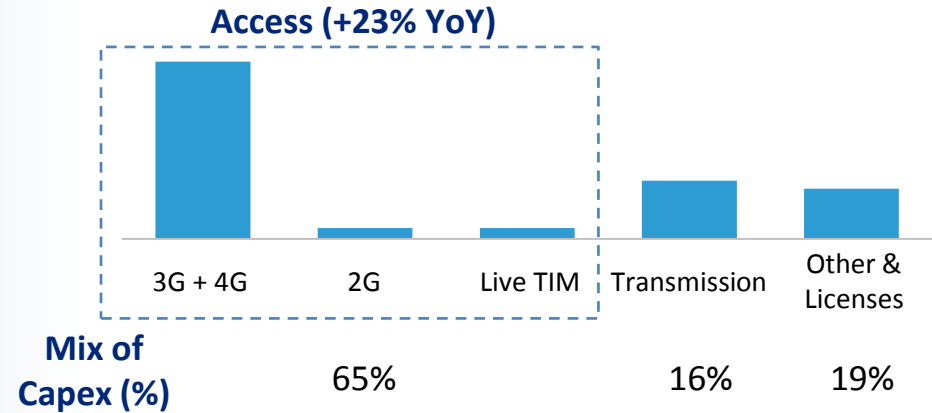
## Quarterly Capex Evolution

(R\$ mln; % YoY)



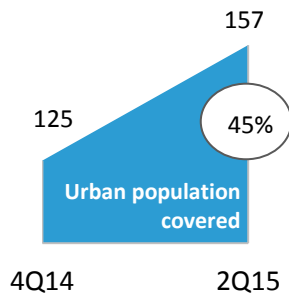
## 1H15 Capex Distribution

(R\$ mln; %YoY)

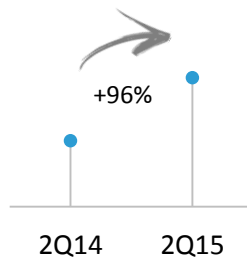


## Network Infrastructure Evolution

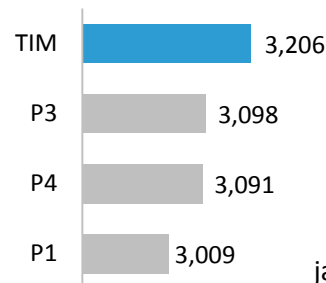
### MBB Cities



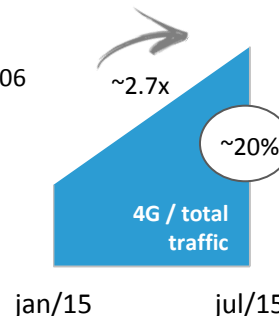
### Small Cells & Wi-fi (% YoY)



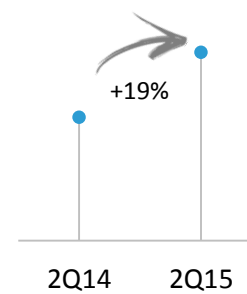
### 4G Sites in state capitals



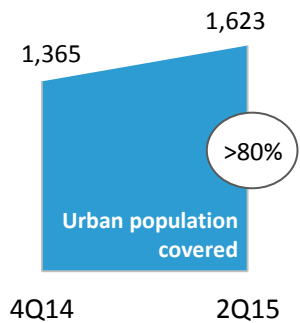
### 4G Traffic\*



### 3G Sites (% YoY)



### 3G Cities



\*4G traffic in São Paulo, Rio de Janeiro, Belo Horizonte, Brasília and Curitiba.

# Efficient Capex allocation plan in execution

## Tower Sale:

Largely supporting capex increase

**R\$3.0 bln**

Estimated value of the deal

**6,481**

Towers to be transferred to  
American Tower

## 1<sup>st</sup> Closing

(April, 29)

**R\$1.9 bln**

Cash in from tower sale

**4,176**

Towers sold

**2,305**

Remaining towers to be sold  
in the coming months

## Asset optimization

From...

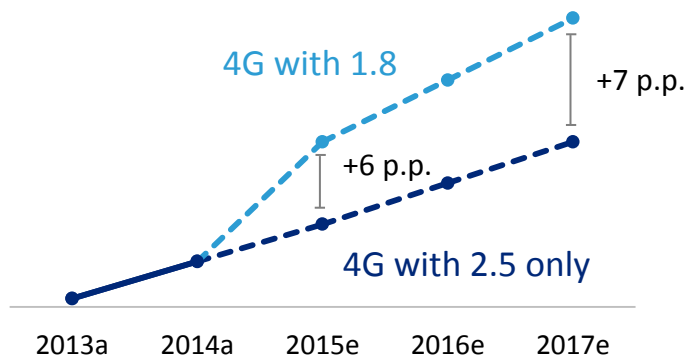


to...



## Refarming 1,800MHz

% of urban population covered with 4G



Efficient use of spectrum portfolio

Band	850 MHz	900 MHz	1800 MHz	2100 MHz	2500 MHz	700 MHz
Possible Technologies	2G 3G	2G 3G	2G 4G	3G	4G	4G

- ✓ Indoor coverage increase in cities already covered with LTE
- ✓ Refarming to be applied in other cities

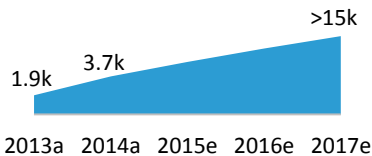
# Capex allocation: quality to increase returns

## Network Rollout

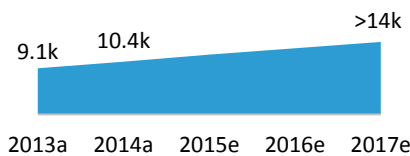
### MBB Project Geographic Area

- ✓ 1,137 cities prioritized due to business relevance, based on IRR and Payback
- ✓ MBB program is addressing >70% of TIM's business, and is the key investment program in 2015-2017
- ✓ High business concentration in few cities allows for a focused infrastructure enhancement program

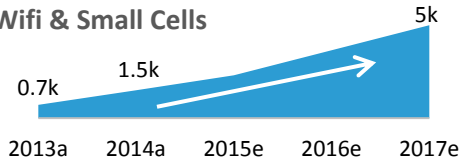
#### Number of 4G Sites



#### Number of 3G Sites

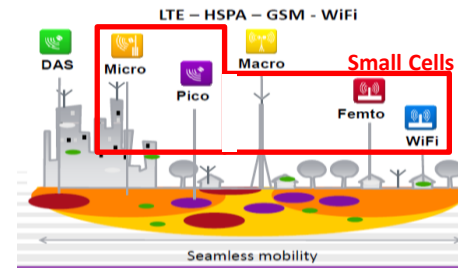


#### Number of Wifi & Small Cells

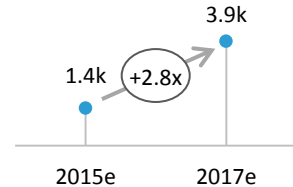


## New Coverage Strategy

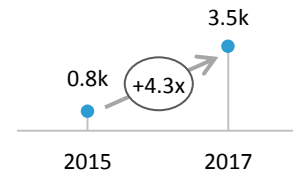
### HetNet



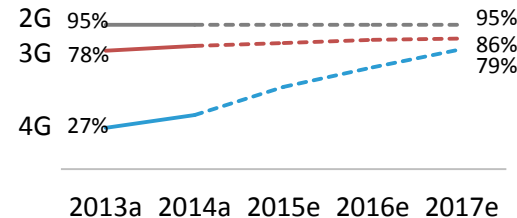
### New Macro Sites



### New Small Cells



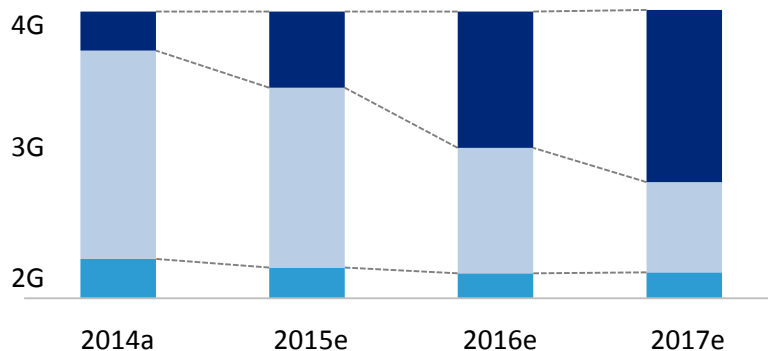
### % of Urban Covered Population



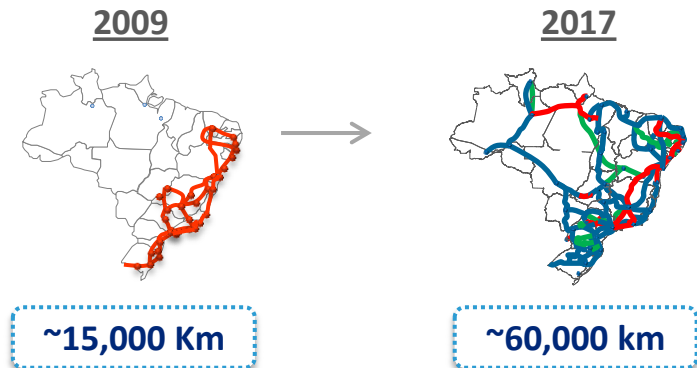
### WiFi / Femto / DAS

3,000 WiFi in 2015  
>150 DAS in 2015

## Technology Capex Allocation



## TIM LD Backbone

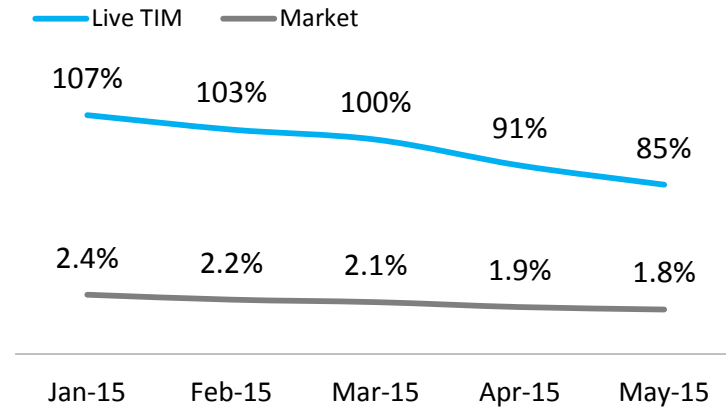


# **Fixed Business**

# Live TIM: maintaining positive track record and expanding sources of revenue growth

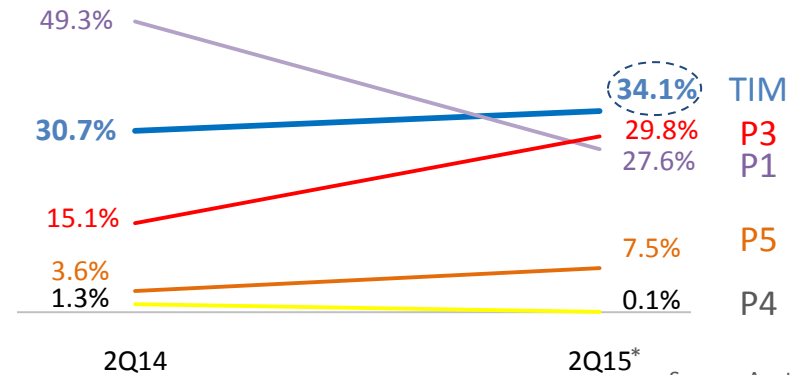
## Customer Base Growth

(SP and RJ; % YoY)



## Share of Net Adds – Ultra BB

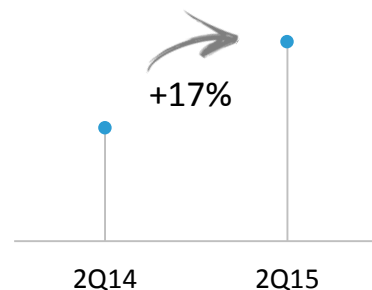
(SP and RJ >34 Mbps)



Source: Anatel  
\*April and May

## ARPU Growth

(R\$; YoY)



## Blue Box

(launched in June/15)



## Mobile Cross Selling

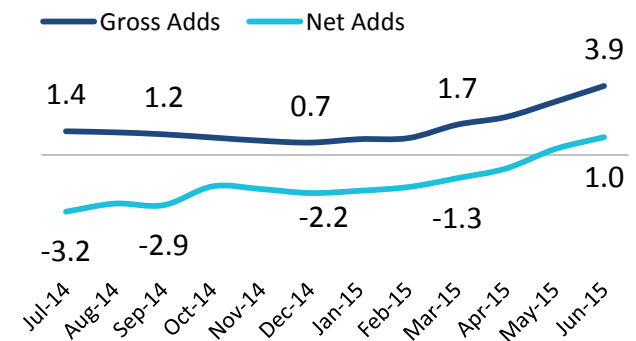


“Option” for mobile

**LIBERTY TOP**

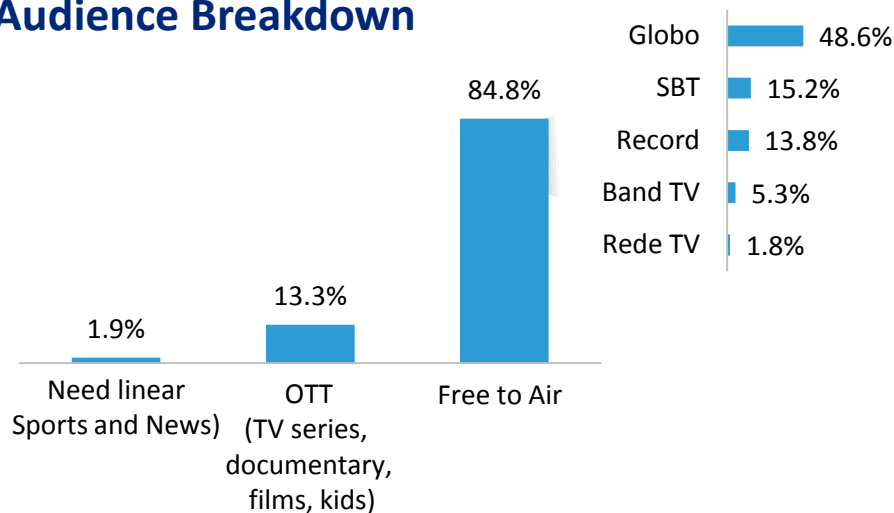
## TIM Fixo Relaunch

(‘000) postpaid gross adds / net adds



# Brazilian Pay TV dynamic and Live TIM Blue Box

## Audience Breakdown



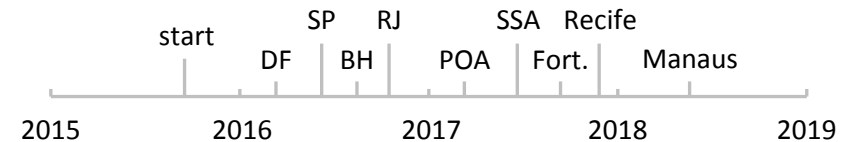
Source: IBOPE as of Apr/15

Launched on  
June, 2015



## Analog TV switch off roll out

- Anatel started the countdown to switch off analog TV in Brazil. The roll out will start in November / 15 and will last until the end of 2018



## Blue Box - Set it up your way



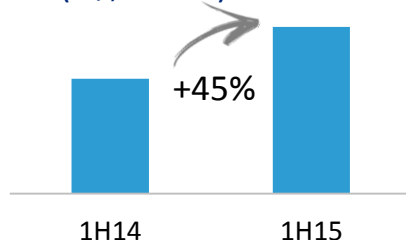
- Only relevant content for the user is exhibited
- Content comes from any source
- Free to air channels on the solution
- Direct access to YouTube and Netflix content on the platform
- Single click to consume content from pay TV, OTTs, recordings, etc. in a seamless experience

# TIM Corporate Solutions delivering growth and incorporating Mobile SMB business

## Fixed Solutions

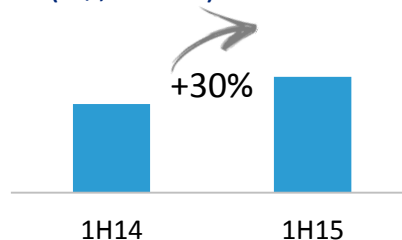
### Sales

(R\$; % YoY)



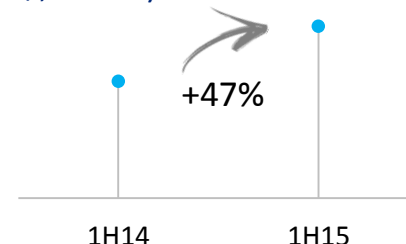
### Activations

(R\$; % YoY)



### Margin of Projects Sold

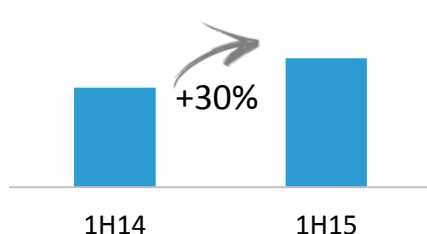
(R\$; % YoY)



## Mobile Solutions

### Gross Adds

(B2B ex-SMB; % YoY)



➤ Data only  
+23% YoY

➤ Smartphones Lines  
+51% YoY

### New offer

#### Flat Rate

--- R\$0.29/min ---  
Inside and outside the package

Local and LD calls to all  
operators for the same rate



Unlimited intra-group local calls

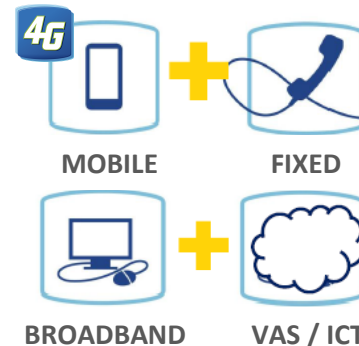


100MB of data

## All Channels, All Product Portfolio

### Small and Medium Business (SMB) Turnaround

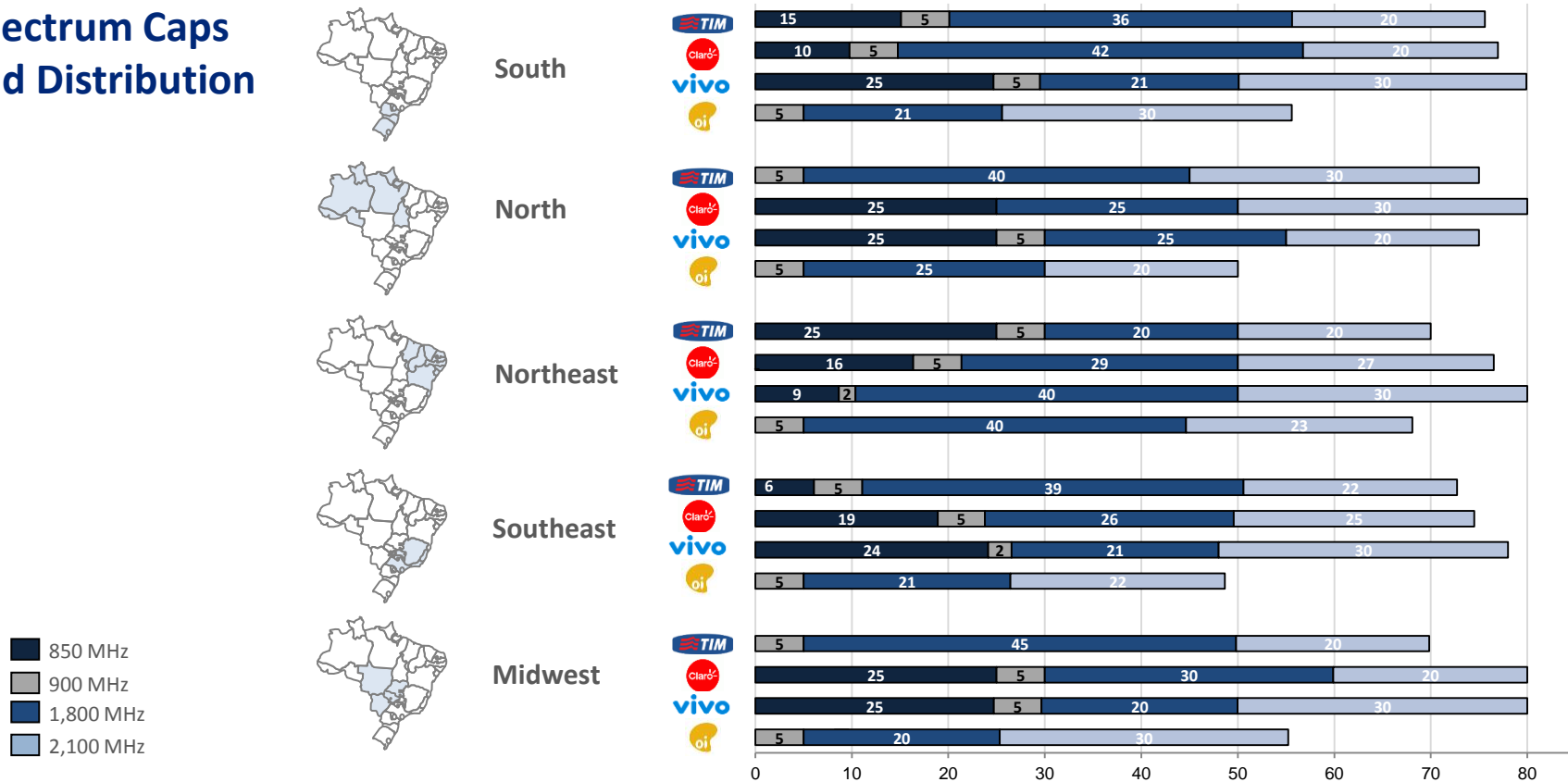
- Channel repositioning from SoHo to SMB
- Combination of consumer and enterprise products
- New offer: shared voice packages



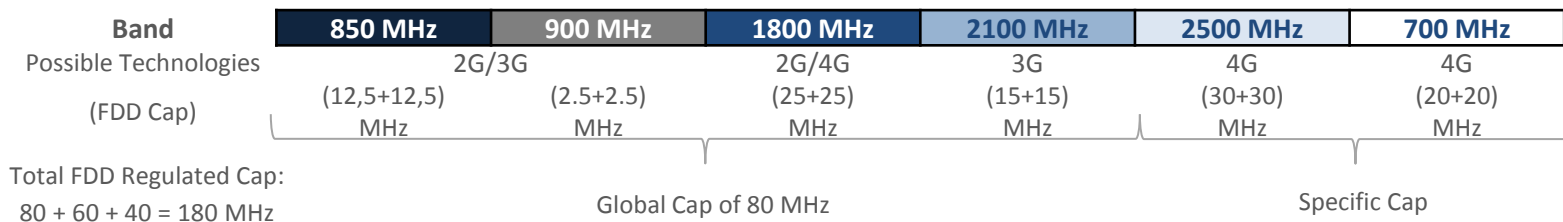
# Regulatory Update

# Spectrum comparison

## Spectrum Caps and Distribution







## Spectrum Market Cap Availability



# LTE auction details

## 700MHz Auction Results

		UPLINK					Central Band
TV Channels	Guard Band	Private Limited Service	4	2	3	1	Central Band
			5 				
			6				
1 <sup>st</sup> Round (10+10) MHz cap	Block 4 (10+10) MHz	Block 5 (10+10) MHz	Block 6 (10+10) MHz	Block 2 (10+10) MHz	Block 3 (10+10) MHz	Block 1 (10+10) MHz	Total
R\$ mln	Regional			National			
Minimum Price	1,893	30	5	1,928	1,928	1,928	7,712
Winning Bid	Unsold	30	Unsold	1,947	1,928	1,947	5,852
Premium	-	0.02%	-	0.99%	0.00%	1.00%	38
Final Public Price (Anatel)	-	26	-	1,739	1,720	1,739	5,224
EAD	887.59	13.86	2.48	903.93	903.93	903.93	3,616
EAD w/ unsold blocks obligations	-	18.9	-	1,119	1,119	1,119	3,616

Oi and Sercomtel did not participate in the auction

Auction totaled R\$5.85 billion, 24% lower than the R\$7.7 billion expected for minimum prices for all blocks

EAD Contribution of R\$890.1 million related to unsold blocks will be distributed proportionately among the participants and will be discounted of the Public Price

### Clean-up Cost Road Map\*

30% paid in April 2015 ~R\$370 million

30% in January 2016 ~R\$360 million

30% in January 2017 ~R\$360 million

10% in January 2018 ~R\$120 million

Total Amount: **R\$1,199 million**

### 700MHz Availability Schedule



\* Values will be adjusted by the IGP-DI index

# Main regulatory topics for 2015

2Q15

3Q15

April

May

June / July

August

September

## Network Neutrality (MJ)

- Public Consultations (PC) from the Ministry of Justice about network neutrality regulation in the “Marco Civil da Internet” (Brazilian Civil Rights Framework for the Internet).

## Antennas Law

- Law n. 13,116/15 published, that unifies antenna installation requirements nationwide.

## Network Neutrality (ANATEL)

- End of Anatel’s PC about the network neutrality regulation (MCI 9<sup>th</sup> art.).

## Regulatory Agenda

- Publication of the PC about Anatel’s Regulatory Agenda for 2015-2016 biennium.

## Personal Data

- Contributions to the PC of the Ministry of Justice about the Preliminary project of the Personal Data Project Law.

## Groups with SMP

- ANATEL conducts PC to review Groups with Significant Market Power in PGMG markets.

## 655/2015 Res.

- Published Reg. for acquisition of National Products (obligations fulfillment).

## Antennas Law

- Discussion on the Bill of Law minutes for urban and licensing rules.

## Digital TV Ads

- Beginning of campaign about the Analog TV switch off (Rio Verde/GO).

## Public notice of Leftovers

- PC for 1,800, 2,500 and 3,500 MHz bands authorization auction.

## Radio Frequency

- Res. 454/2006 revision.
- PC to allow 900 and 1,800 MHz bands auction.

## 700MHz

- Beginning of Digital TV converters distribution in Rio Verde /GO for “Bolsa Família” beneficiaries.

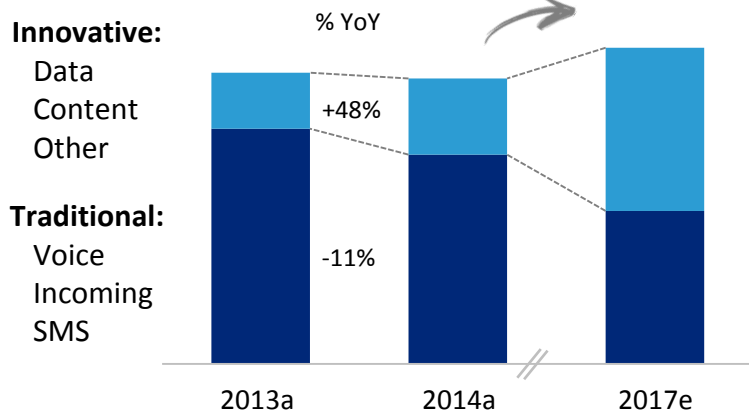
- Small Cells (Law n. 13,097/2015):** full exemption of TFI/TFF (FISTEL) to Small Cells with <5W power and reduction of 90% to 5-10W power.
- Fistel Adjustments:** Proposal of the Ministry of Finance to increase by 189% TFI / TFF (Fistel) stations / access. Sectorial actions with the Ministries.
- Speed reduction vs. Service Interruption after full data package usage:** Public Commitment published on 4/23/15, including educational campaign and code of conduct.
- Terms of Conduct Adjustment (TAC):** to be signed before Nov/15.
- “Banda Larga para Todos” (Broadband for All):** Government program under construction. Goals by 2018: 300 mln of broadband internet accesses, speed of 25Mbps, 40 thousand schools and 23 thousand Public Health Centers (basic care) covered with high capacity broadband.
- STFC concession:** Possible revision of the current model (to culminate in anticipation of its closure, scheduled for 2025), with regulatory review of universal and reversible assets.

# **Industrial Plan 2015-17**

# Business transformation at TIM

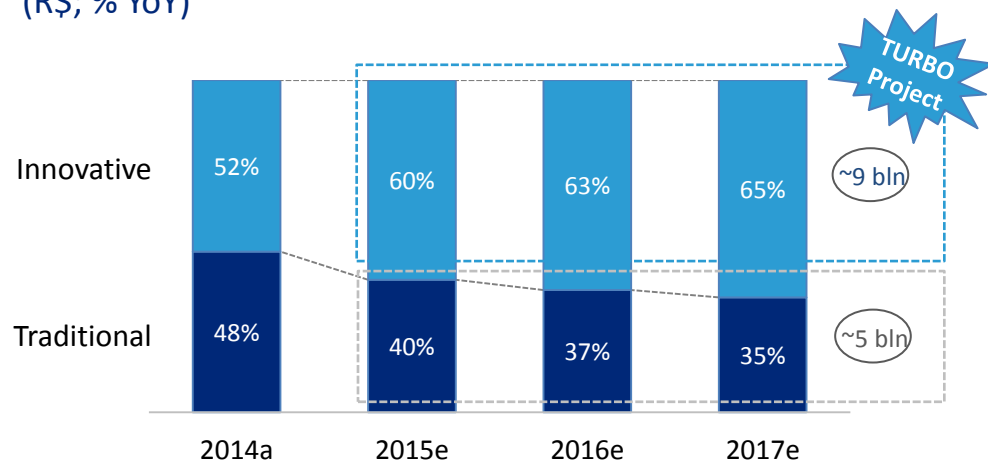
## Mobile Net Revenues Analysis

(R\$; % YoY)



## Innovative and Traditional Investments

(R\$; % YoY)

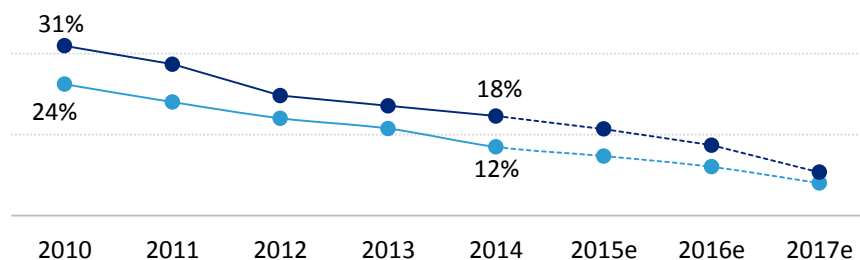


## MTR Impact Analysis

(R\$; %)

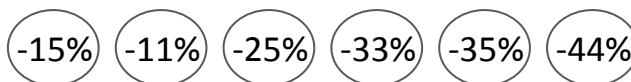
**EBITDA Exposure**

**Net Services Revenues Exposure**



Near mid-single

MTR Cut (% YoY)

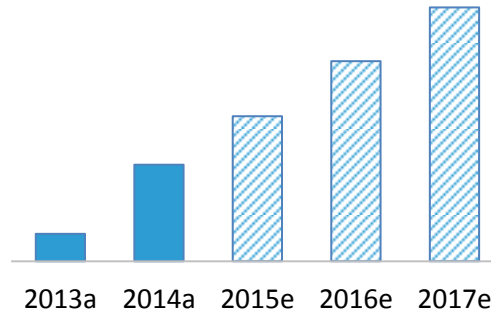


# 2015-2017 Guidance (fixed business)

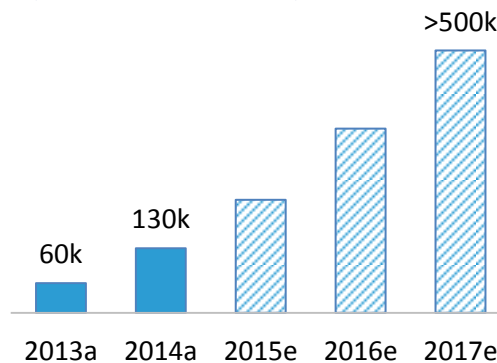
## Soluções Corporativas

- ✓ Revenue and EBITDA rebound
- ✓ Customer care unification (F+M)
- ✓ Launch of new convergent solutions

**Revenues from New Sales**  
(R\$; YoY)



**Customer Base**  
(thousands customers)

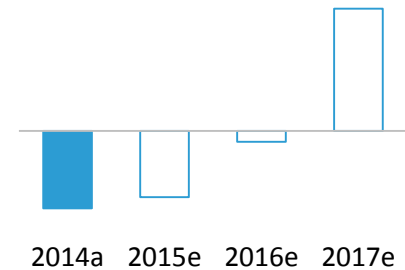


**LIVE**<sup>TIM</sup>  
Viva essa experiência.

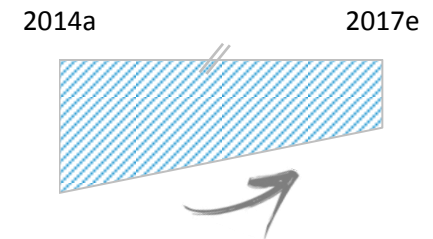
- ✓ Accelerate growth through incremental investment
- ✓ Focus on keeping customer experience leadership

## Fixed Business Performance

**EBITDA Evolution**  
(R\$; without intercompany)



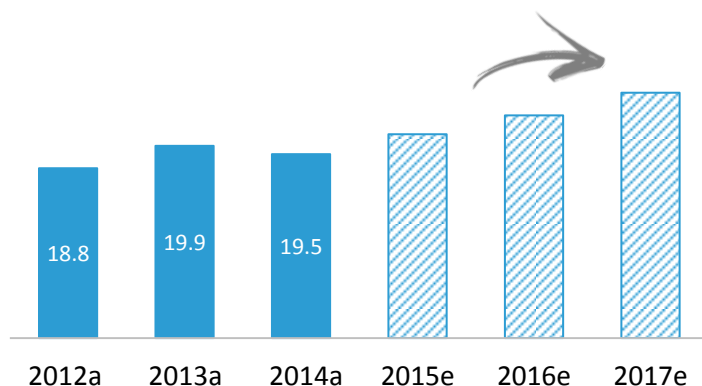
**EBITDA – Capex**  
(R\$; without intercompany)



# 2015-2017 Guidance

## Net Revenues

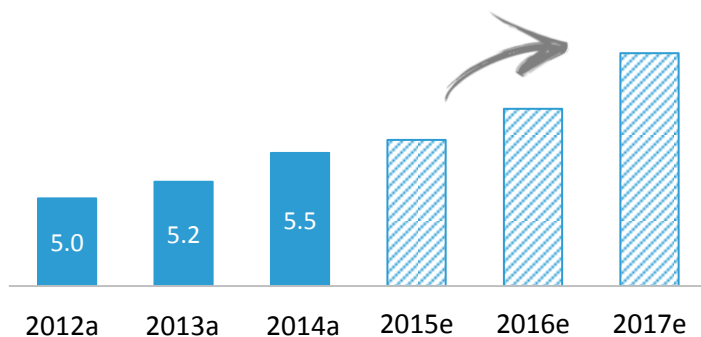
(R\$ billion)



**Continued Growth**

## EBITDA

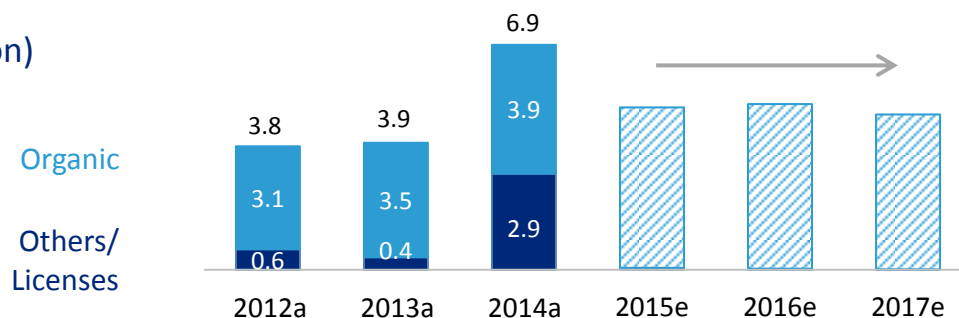
(R\$ billion)



**Continued Growth, improving margin**

## CAPEX

(R\$ billion)

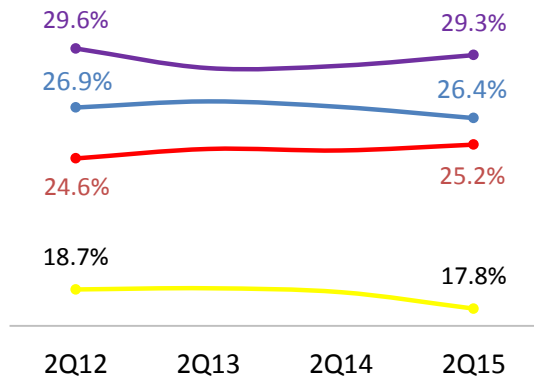


**CAPEX 2015-2017:  
>R\$14 billion**

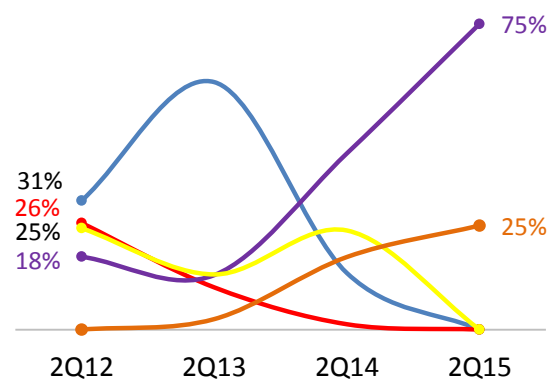
# Appendix

# Mobile base analysis

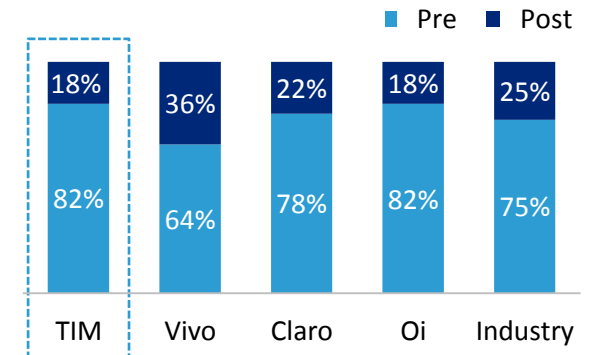
## Market Share



## Net Adds Share



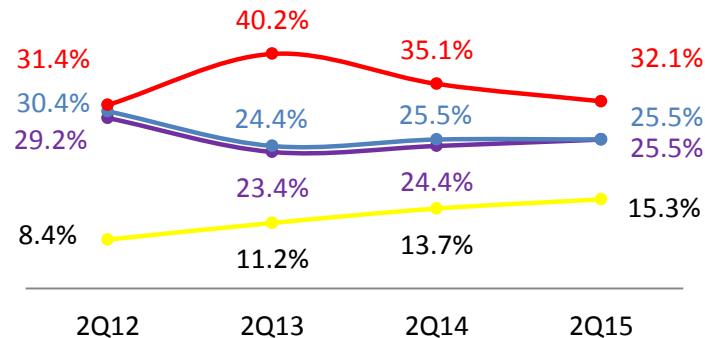
## Mobile Customer Base (in 2014)



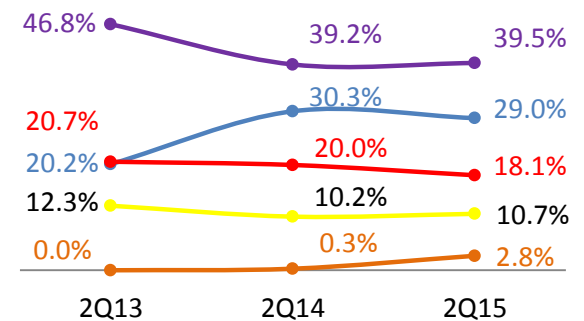
Nextel Oi Claro TIM Vivo

## Market Share per Technology

### 3G

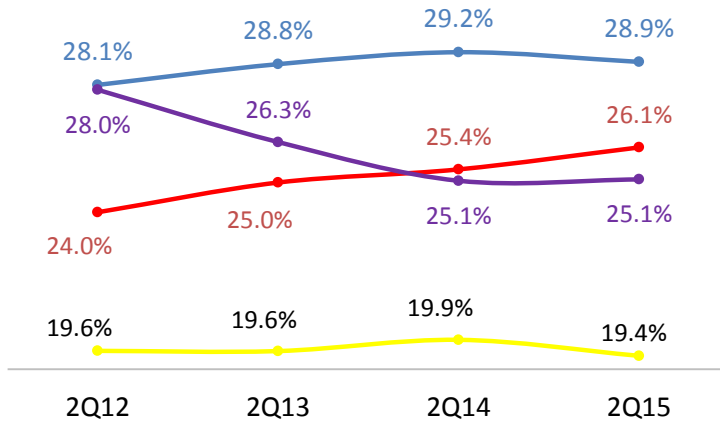


### 4G

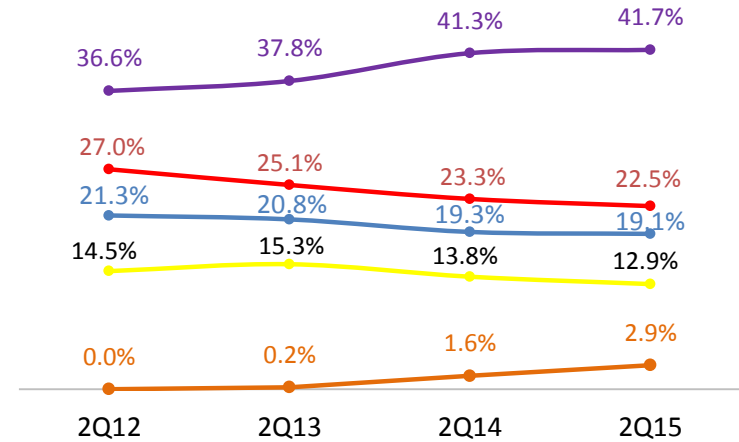


# Mobile Base breakdown

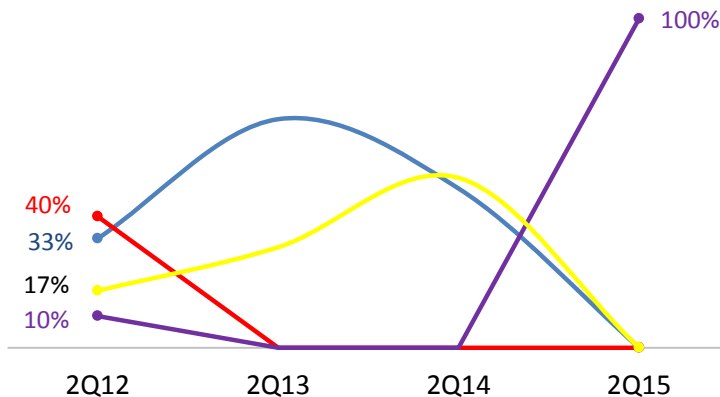
## Prepaid - Market Share



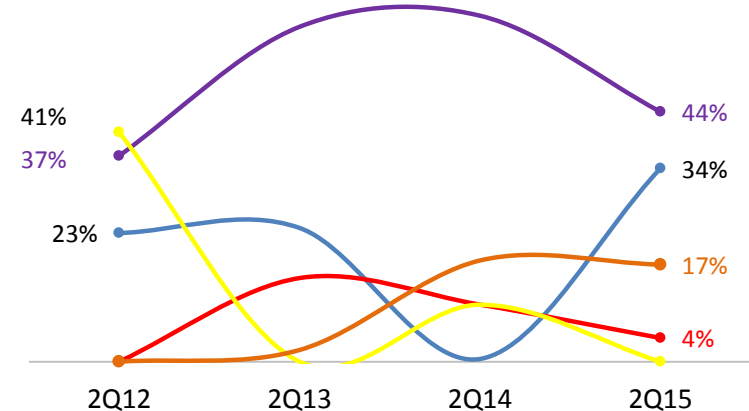
## Postpaid - Market Share



## Prepaid - Net Adds Share











## Post Paid - Net Adds Share



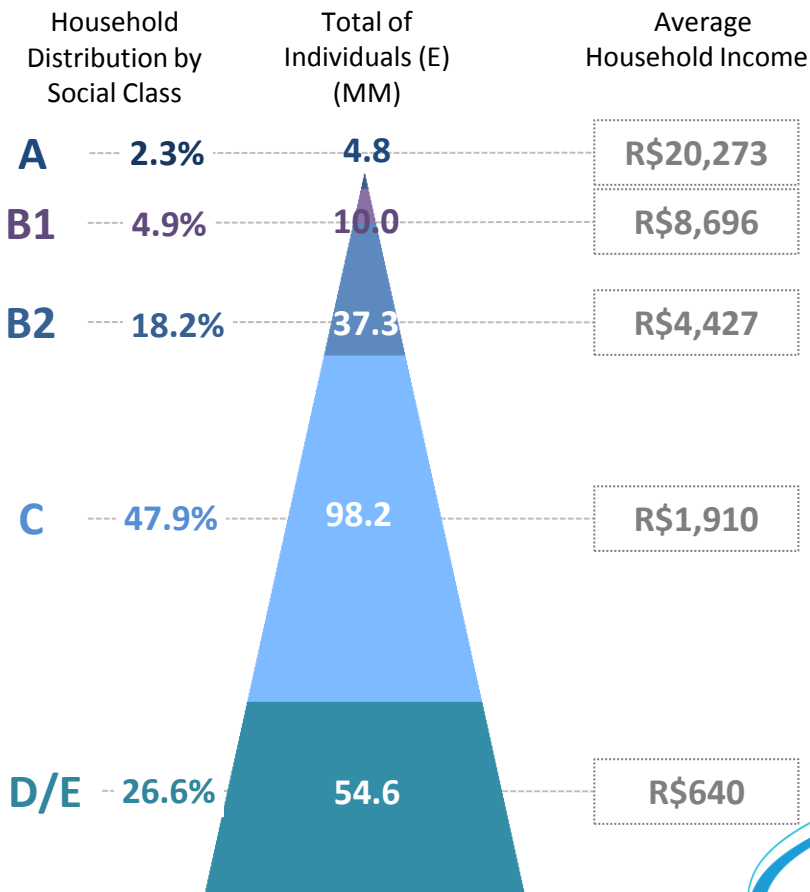
Nextel Oi Claro TIM Vivo

# Offer competitive evolution

		<div> <div>Price up</div> <div>Increase aggressiveness</div> </div>				
		2Q14	3Q14	4Q14	1Q15	2Q15
Prepaid		Turbo 7: on-net calls + SMS + WEB	Infinity Dia: R\$ 0.75/day  WEB + SMS: R\$ 0.75 > R\$ 0.99/day	WEB or SMS: R\$ 0.60 > R\$ 0.75	Data Blockage  Infinity per call: R\$ 0.25 > R\$ 0.30	Web w/ WhatsApp
		On-net minute tariff and SMS (R\$ 0.06)		Data Blockage (MG, RS)	Data Blockage	
		0 cents local call  SMS + WEB: R\$ 0.99/day	Claro Promo 3,6&7: on-net+ SMS+ WEB  On-net + WEB + SMS R\$ 0.99/day (SP)	WEB or SMS: R\$0.60 > R\$0.75	Data Blockage	Increase data allowance  Free OTT access  On-net calls: R\$ 0.30/call
			On-net R\$ 0.25/day SMS + WEB + Wi-Fi: R\$0.99 or R\$0.75 each	On-net : R\$0.50/day  Data Blockage	Bonus up to 300min/day and WEB to 10MB	
Postpaid/ Controle		Liberty Express +40 and +120 with WEB and SMS	WEB + SMS for R\$ 12/mo for Controle	Controle Whatsapp	Liberty Express W/ Whatsapp  Plans with data and SMS included	Liberty W/ WhatsApp  Liberty Express Fee: R\$ 69.9 > R\$ 74.9 mo
			Plans with data included	Increase monthly fees (+5%)  Unlimited SMS off-net  New plans with voice, WEB, SMS and LD	Increase data allowance  Controle monthly fees	Double internet for Control plans
			Controle monthly fee and data allowance	WEB or SMS: R\$ 0.60 > R\$ 0.75 each		Increase data allowance  Plans with LDN included  Free OTT access  Data blockage
			Data included  New plans with data and SMS	Increase data allowance  1,000 minutes M-F off-net local calls		Controle monthly fees  Postpaid SMS: R\$12 > R\$20 Mo

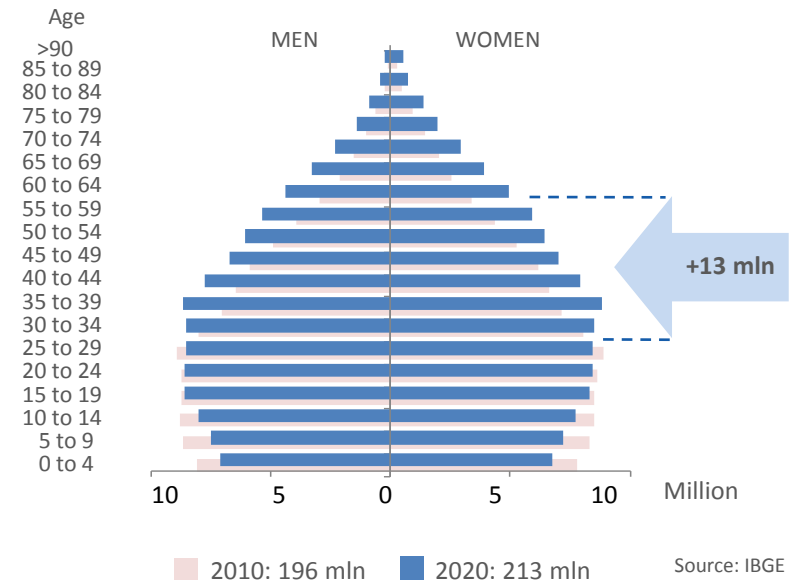
# Brazil's specifics

## Population by Social Class & Income Profile



Note: New criteria from Abep adopted after 2014  
Source: IPC Maps 2015

## Age Pyramid (million people)



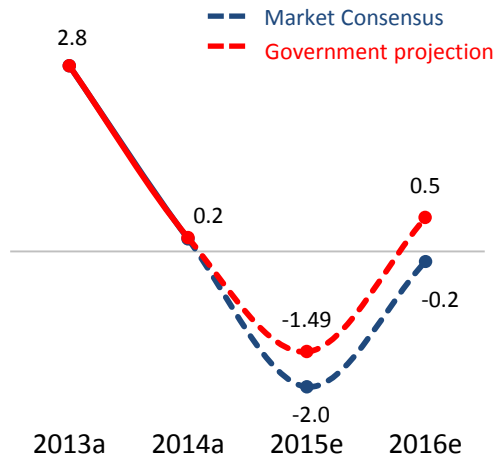
## Brazil Facts

- ✓ 8.5% of Brazilian above 15 years are illiterate
- ✓ 5.8% of the cities accounts for 75% of GDP
- ✓ 30 mln people still live in the rural areas
- ✓ Brazil is in the 7th position in terms of GDP

# Macro scenario outlook

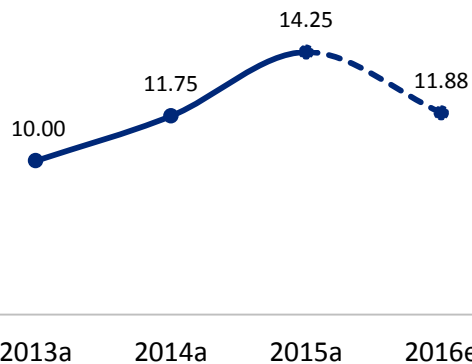
## GDP Forecast

(% YoY growth)



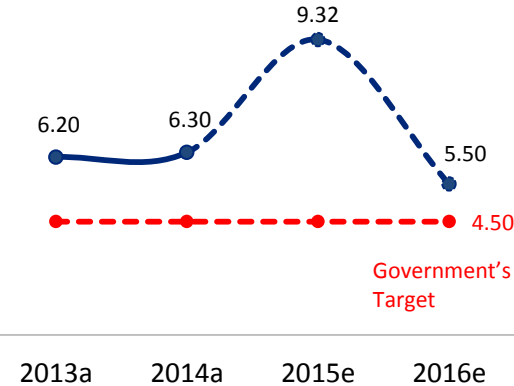
## Interest Rate Forecast

(% Selic Target p.y. – year end)



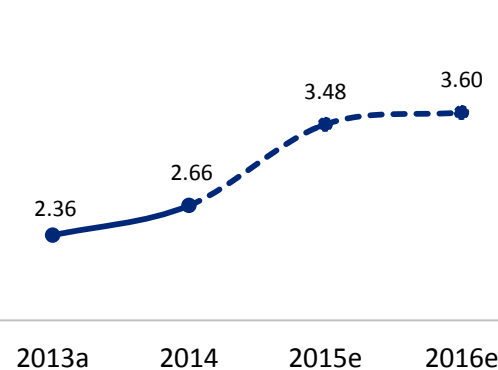
## Inflation Forecast

(IPCA: 12 months)



## FX Rate Forecast

(R\$/U\$ - end of period)

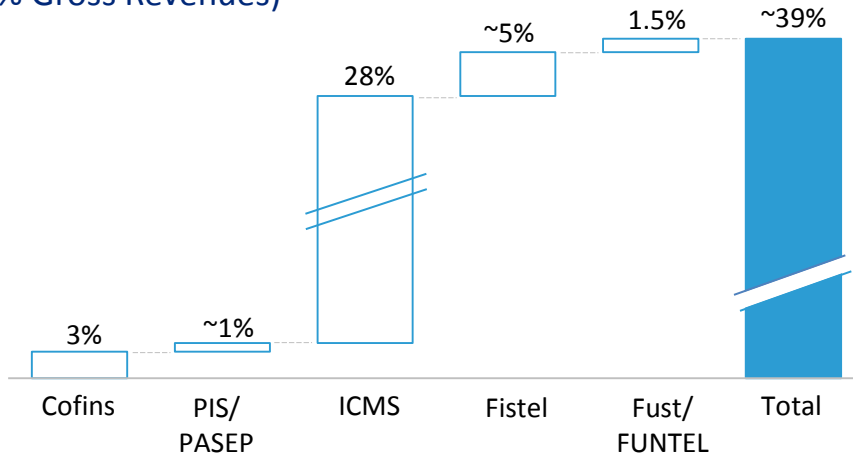


- Consensus expects a deterioration in overall macroeconomic scenario on the short term
- Market consensus shows a GDP recovery only in 2016
- Market expects government to push inflation above the upper limit of the inflation band
- With inflation and FX Rate going up, SELIC is expected to keep at current levels and starts to drop only by 2016

# Tax burden

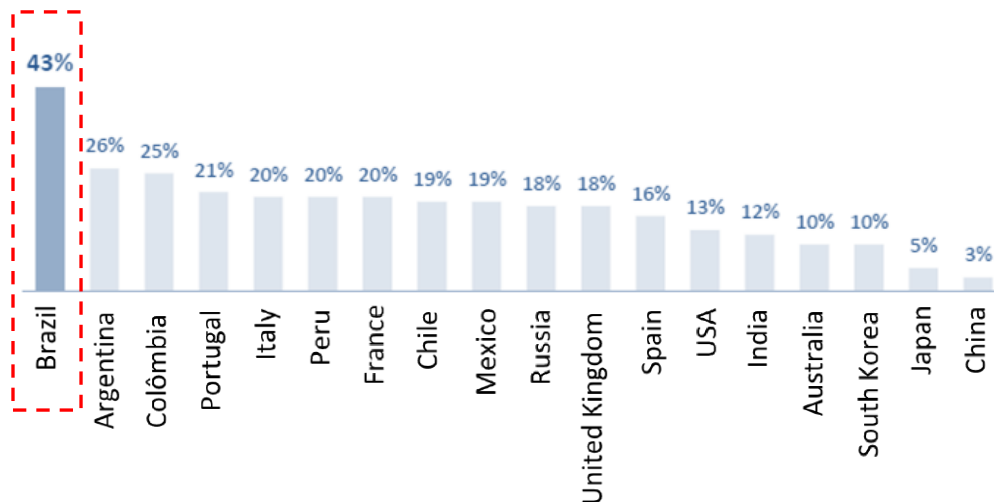
## Tax Burden Composition

(% Gross Revenues)



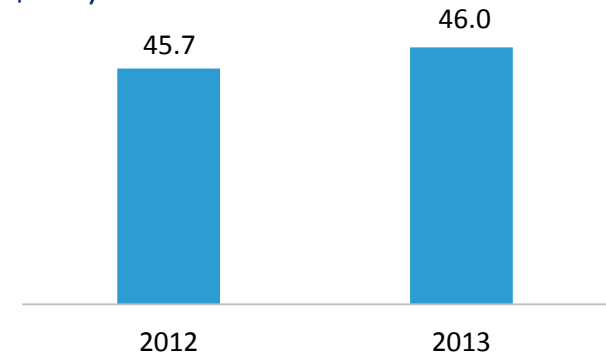
## Tax Burden over Net Revenues

(over mobile phone services - voice)



## Telecom Industry Tax Payments<sup>2</sup>

(R\$ bln)



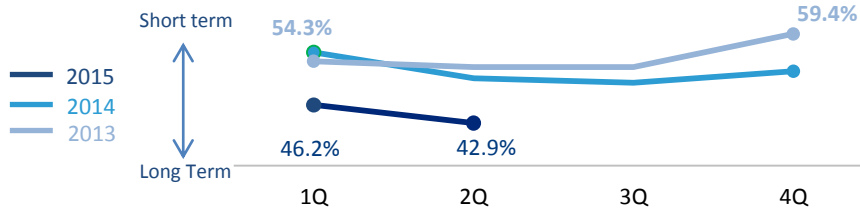
**Taxation represents almost 40% of companies gross revenues**

<sup>2</sup> Considers TIM, Telefonica, Oi and AMX  
Source: players Balance Sheet

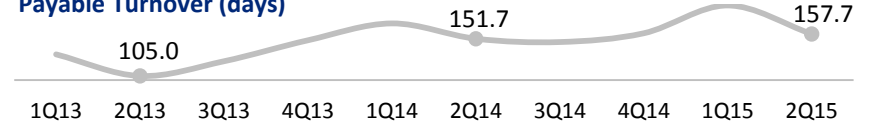


# Balance sheet analysis

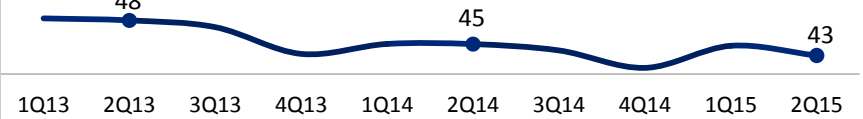
## TIM's Debt Composition



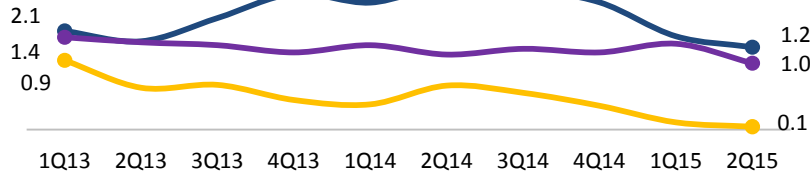
## Payable Turnover (days)



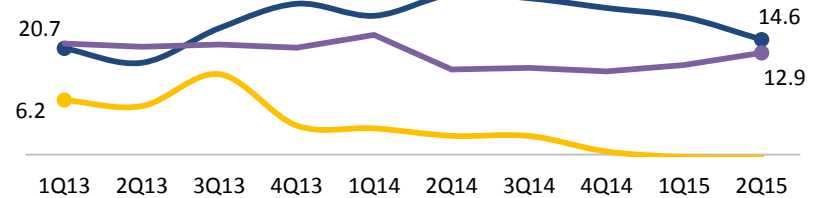
## Accounts Receivable Turnover (days)



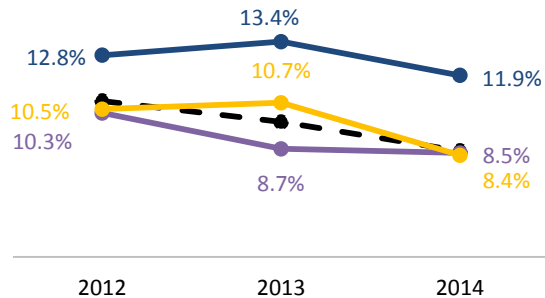
## Price/Book Value



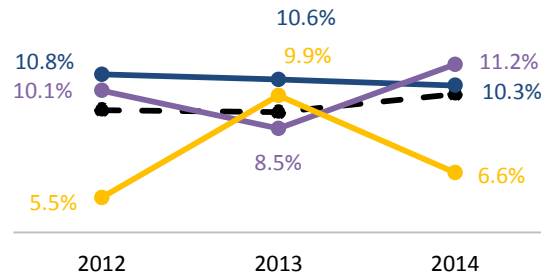
## Price/Earnings



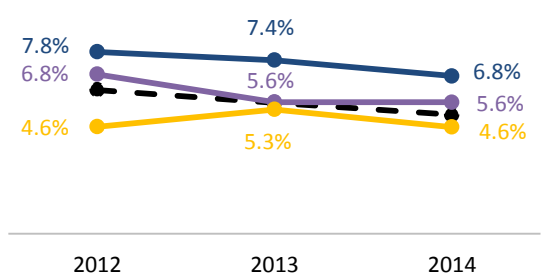
## ROIC (NOPAT/Invested Capital)



## ROE (Net Income/Shrd. Equity)



## ROA (NOPAT/Total Assets)



— TIM  
— VIVO  
— OIBR  
--- Market Average

Source: Bloomberg  
\*Estimated

# Quarterly historical data (R\$ thousand)

R\$ Thousand

Description	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	2Q15 vs. 2Q14 (YoY %)
<b>Gross Revenues</b>	<b>7,043,065</b>	<b>7,162,503</b>	<b>7,228,003</b>	<b>7,570,932</b>	<b>6,819,970</b>	<b>6,635,167</b>	<b>-7.4%</b>
Gross Revenues Telecommunications Services	6,180,443	6,014,599	6,081,110	6,257,031	5,942,111	5,740,123	-4.6%
Telecommunications Services - Mobile	5,958,845	5,793,628	5,848,679	6,030,871	5,705,976	5,497,016	-5.1%
Usage and Monthly fee	2,801,736	2,751,247	2,738,456	2,715,595	2,584,224	2,456,721	-10.7%
Value added services - VAS	1,499,538	1,577,565	1,676,798	1,862,119	1,825,718	1,912,886	21.3%
Long distance	814,990	771,408	760,797	746,945	722,486	683,682	-11.4%
Interconnection	775,304	627,616	605,718	622,023	475,267	372,412	-40.7%
Others	67,277	65,792	66,910	84,189	98,281	71,315	8.4%
Telecommunications Services - Fixed	221,599	220,971	232,430	226,160	236,135	243,107	10.0%
Gross Revenues Handset sales	862,622	1,147,904	1,146,893	1,313,901	877,859	895,043	-22.0%
<b>Discounts and deductions on Gross Revenues</b>	<b>(2,340,841)</b>	<b>(2,387,771)</b>	<b>(2,375,239)</b>	<b>(2,402,488)</b>	<b>(2,273,258)</b>	<b>(2,282,130)</b>	<b>-4.4%</b>
Taxes and discounts on services	(2,080,803)	(2,030,080)	(2,036,086)	(2,061,207)	(2,002,527)	(1,955,672)	-3.7%
Taxes and discounts on handset sales	(260,038)	(357,690)	(339,152)	(341,281)	(270,731)	(326,457)	-8.7%
<b>Net Revenues</b>	<b>4,702,224</b>	<b>4,774,732</b>	<b>4,852,764</b>	<b>5,168,444</b>	<b>4,546,712</b>	<b>4,353,037</b>	<b>-8.8%</b>
Organic Net Revenues	4,702,224	4,774,732	4,852,764	5,168,444	4,546,712	4,353,037	-8.8%
Net Revenues on Services	4,099,640	3,984,519	4,045,023	4,195,824	3,939,584	3,784,451	-5.0%
of which Mobile Innovative Revenues	716,766	798,588	905,734	1,048,845	1,044,033	1,150,283	44.0%
Organic Net Revenues on Services	4,099,640	3,984,519	4,045,023	4,195,824	3,939,584	3,784,451	-5.0%
Net Revenues on Products	602,584	790,214	807,741	972,620	607,128	568,586	-28.0%
<b>Operating Expenses</b>	<b>(3,384,936)</b>	<b>(3,443,836)</b>	<b>(3,520,861)</b>	<b>(3,610,263)</b>	<b>(3,207,211)</b>	<b>(2,163,578)</b>	<b>-37.2%</b>
Personnel expenses	(227,767)	(229,822)	(249,188)	(256,098)	(253,704)	(263,437)	14.6%
Selling & marketing expenses	(980,196)	(1,025,703)	(1,022,845)	(962,034)	(984,029)	(966,093)	-5.8%
Network & interconnection	(1,194,478)	(1,010,578)	(1,065,378)	(1,047,298)	(1,014,099)	(937,666)	-7.2%
General & administrative	(149,852)	(178,396)	(167,330)	(174,500)	(143,185)	(128,850)	-27.8%
Cost Of Goods Sold	(645,844)	(828,012)	(853,853)	(1,012,740)	(657,457)	(637,249)	-23.0%
Bad Debt	(76,103)	(77,152)	(58,071)	(37,249)	(56,541)	(59,524)	-22.8%
Other operational revenues (expenses)	(110,695)	(94,173)	(104,197)	(120,343)	(98,197)	829,241	-980.5%
<b>EBITDA</b>	<b>1,317,288</b>	<b>1,330,896</b>	<b>1,331,903</b>	<b>1,558,181</b>	<b>1,339,501</b>	<b>2,189,459</b>	<b>64.5%</b>
EBITDA Margin	28.0%	27.9%	27.4%	30.1%	29.5%	50.3%	22.4 p.p.
<b>Organic EBITDA</b>	<b>1,317,288</b>	<b>1,330,896</b>	<b>1,331,903</b>	<b>1,558,181</b>	<b>1,339,501</b>	<b>1,271,912</b>	<b>-4.4%</b>
Organic EBITDA Margin	28.0%	27.9%	27.4%	30.1%	29.5%	29.2%	1.3 p.p.
<b>Depreciation &amp; amortization</b>	<b>(730,313)</b>	<b>(757,072)</b>	<b>(762,628)</b>	<b>(802,565)</b>	<b>(811,300)</b>	<b>(832,591)</b>	<b>10.0%</b>
Depreciation	(401,829)	(407,479)	(417,756)	(445,793)	(448,988)	(455,628)	11.8%
Amortization	(328,484)	(349,594)	(344,872)	(356,772)	(362,312)	(376,963)	7.8%
<b>EBIT</b>	<b>586,975</b>	<b>573,824</b>	<b>569,275</b>	<b>755,616</b>	<b>528,201</b>	<b>1,356,868</b>	<b>136.5%</b>
EBIT Margin	12.5%	12.0%	11.7%	14.6%	11.6%	31.2%	19.2 p.p.
<b>Net Financial Results</b>	<b>(35,834)</b>	<b>(72,706)</b>	<b>(74,337)</b>	<b>(109,895)</b>	<b>(77,738)</b>	<b>(38,227)</b>	<b>-47.4%</b>
Financial expenses	(177,911)	(256,616)	(267,175)	(295,592)	(247,055)	(257,035)	0.2%
Net exchange variance	(1,403)	(560)	933	3,133	1,833	(1,060)	89.5%
Financial income	143,479	184,469	191,905	182,564	167,485	219,868	19.2%
<b>Income before taxes</b>	<b>551,141</b>	<b>501,117</b>	<b>494,938</b>	<b>645,721</b>	<b>450,463</b>	<b>1,318,641</b>	<b>163.1%</b>
Income tax and social contribution	(179,008)	(135,504)	(146,608)	(185,379)	(137,763)	(392,246)	189.5%
<b>Net Income</b>	<b>372,132</b>	<b>365,614</b>	<b>348,330</b>	<b>460,342</b>	<b>312,701</b>	<b>926,395</b>	<b>153.4%</b>
Organic Net Income	372,132	365,614	348,330	460,342	312,701	290,752	-20.5%

# Annual historical data (R\$ thousand)

R\$ Thousand

Description	2012	2013	2014	2015 (YTD)
<b>Gross Revenues</b>	<b>27,755,813</b>	<b>29,661,753</b>	<b>29,004,503</b>	<b>13,455,137</b>
Gross Revenues Telecommunications Services	24,350,086	25,065,214	24,533,183	11,682,234
Telecommunications Services - Mobile	22,879,828	23,993,427	23,632,023	11,202,993
Usage and Monthly fee	11,086,671	11,309,804	11,007,035	5,040,945
Value added services - VAS	4,404,832	5,353,653	6,616,020	3,738,604
Long distance	3,217,921	3,332,965	3,094,139	1,406,168
Interconnection	3,969,138	3,760,751	2,630,661	847,679
Others	201,264	236,254	284,168	169,596
Telecommunications Services - Fixed	1,470,259	1,071,787	901,160	479,242
Gross Revenues Handset sales	3,405,726	4,596,539	4,471,320	1,772,903
<b>Discounts and deductions on Gross Revenues</b>	<b>(8,991,865)</b>	<b>(9,740,463)</b>	<b>(9,506,338)</b>	<b>(4,555,388)</b>
Taxes and discounts on services	(7,930,128)	(8,364,155)	(8,208,176)	(3,958,199)
Taxes and discounts on handset sales	(1,061,738)	(1,376,308)	(1,298,162)	(597,189)
<b>Net Revenues</b>	<b>18,763,947</b>	<b>19,921,291</b>	<b>19,498,165</b>	<b>8,899,749</b>
<b>Organic Net Revenues</b>	<b>18,763,947</b>	<b>19,965,200</b>	<b>19,498,165</b>	<b>8,899,749</b>
Net Revenues on Services	16,419,958	16,701,059	16,325,007	7,724,035
<i>of which Mobile Innovative Revenues</i>	1,843,097	2,349,203	3,469,933	2,194,316
Organic Net Revenues on Services	16,419,958	16,744,969	16,325,007	7,724,035
Net Revenues on Products	2,343,989	3,220,232	3,173,159	1,175,714
<b>Operating Expenses</b>	<b>(13,751,989)</b>	<b>(14,714,546)</b>	<b>(13,959,897)</b>	<b>(5,370,789)</b>
Personnel expenses	(729,032)	(831,876)	(962,875)	(517,141)
Selling & marketing expenses	(3,842,934)	(3,937,899)	(3,990,778)	(1,950,122)
Network & interconnection	(5,352,395)	(5,312,301)	(4,317,732)	(1,951,764)
General & administrative	(551,393)	(624,725)	(670,078)	(272,035)
Cost Of Goods Sold	(2,604,978)	(3,350,841)	(3,340,449)	(1,294,706)
Bad Debt	(250,972)	(240,051)	(248,576)	(116,064)
Other operational revenues (expenses)	(420,286)	(416,853)	(429,408)	731,044
<b>EBITDA</b>	<b>5,011,958</b>	<b>5,206,744</b>	<b>5,538,268</b>	<b>3,528,960</b>
EBITDA Margin	26.7%	26.1%	28.4%	39.7%
<b>Organic EBITDA</b>	<b>5,054,088</b>	<b>5,237,399</b>	<b>5,538,268</b>	<b>2,611,413</b>
Organic EBITDA Margin	26.9%	26.2%	28.4%	29.3%
<b>Depreciation &amp; amortization</b>	<b>(2,688,588)</b>	<b>(2,767,871)</b>	<b>(3,052,579)</b>	<b>(1,643,891)</b>
Depreciation	(1,458,563)	(1,502,498)	(1,672,857)	(904,616)
Amortization	(1,230,025)	(1,265,374)	(1,379,722)	(739,275)
<b>EBIT</b>	<b>2,323,370</b>	<b>2,438,873</b>	<b>2,485,689</b>	<b>1,885,069</b>
EBIT Margin	12.4%	12.2%	12.7%	42.8%
<b>Net Financial Results</b>	<b>(169,890)</b>	<b>(302,720)</b>	<b>(292,772)</b>	<b>(115,965)</b>
Financial expenses	(644,754)	(749,700)	(997,294)	(504,091)
Net exchange variance	(4,151)	(4,410)	2,104	772
Financial income	479,015	451,391	702,417	387,353
<b>Income before taxes</b>	<b>2,153,480</b>	<b>2,136,153</b>	<b>2,192,917</b>	<b>1,769,104</b>
Income tax and social contribution	(704,592)	(630,539)	(646,499)	(530,009)
<b>Net Income</b>	<b>1,448,888</b>	<b>1,505,614</b>	<b>1,546,418</b>	<b>1,239,095</b>
<b>Organic Net Income</b>	<b>1,500,143</b>	<b>1,525,845</b>	<b>1,546,418</b>	<b>603,452</b>

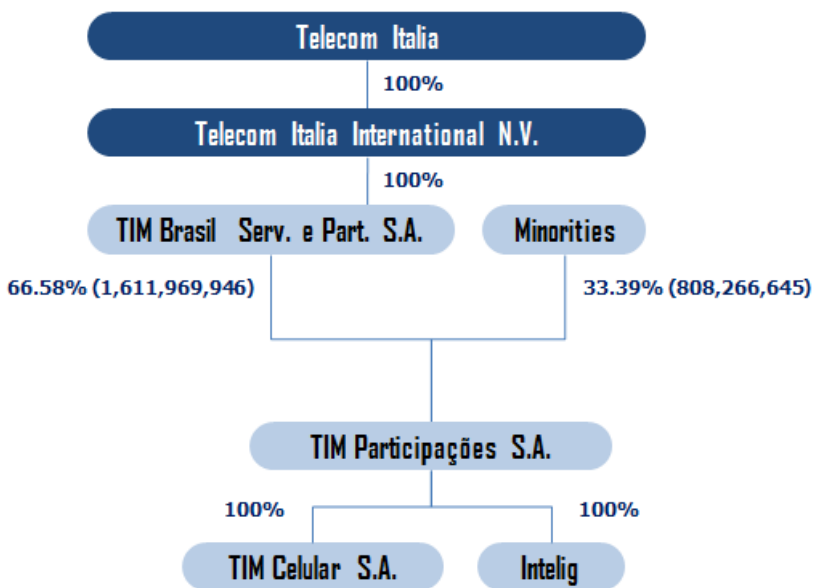
# Historical data: operational

Description	2012	2013	2014	2015 (YTD)
Brazilian Wireless Subscriber Base (000's)	261,808	271,100	280,732	282,455
Estimated Total Penetration	132.8%	134.36%	138.0%	138.2%
Municipalities Served (GSM)	3,383	3,404	3,433	3,449
Market Share	26.88%	27.09%	26.97%	26.41%
Total Lines (000's)	70,376	73,431	75,721	74,600
Pre-paid Lines (000's)	59,658	61,146	63,212	61,061
Post-paid Lines (000's)	10,718	12,285	12,508	13,540
Gross Additions (000's)	38,408	39,627	39,097	18,144
Net Additions (000's)	6,293	3,055	2,289	-1,120
Churn	47.5%	50.9%	49.6%	25.5%
Total ARPU	19.1	18.6	17.7	16.4
Total MOU	136	148	136	120
SAC	29	28	27	31
Handsets Sold (000's)	10,227	12,511	11,951	3,500
CAPEX (R\$ Mln)	3,765	3,871	6,854	2,108
Organic Capex <sup>1</sup>	3,400	3,871	3,932	2,108
Employees	11,650	12,167	12,860	12,930

<sup>1</sup> Excludes license acquisition

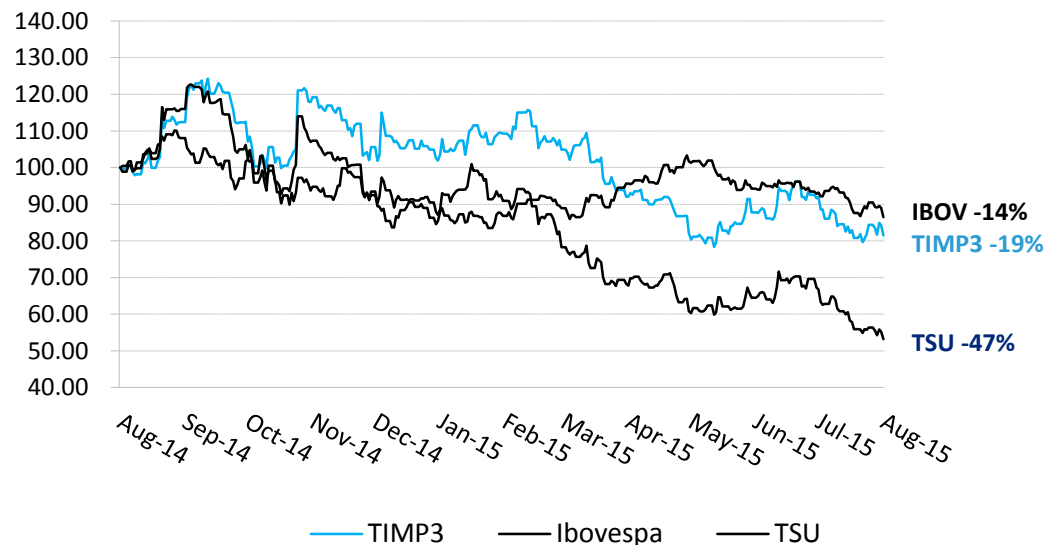
# Structure and stock performance

## Shareholders Structure



Treasury Shares: 795,888 (0.03%)  
**Total Shares: 2,421,032,479**

## Stock Performance (base 100)\*



\*Last price as of 08/07/2015  
Source: Bloomberg

# Safe harbor and IR contacts

## Safe Harbor Statements

*Statements in this presentation, as well as oral statements made by the management of TIM Participações S.A. (the “Company”, or “TIM”), that are not historical fact constitute “forward looking statements” that involve factors that could cause the actual results of the Company to differ materially from historical results or from any results expressed or implied by such forward looking statements. The Company cautions users of this presentation not to place undue reliance on forward looking statements, which may be based on assumptions and anticipated events that do not materialize.*

## Investor Relations Team

Avenida das Américas, 3434 - Bloco 01  
6º andar – Barra da Tijuca  
22640-102 Rio de Janeiro, RJ  
E-mail: [ri@timbrasil.com.br](mailto:ri@timbrasil.com.br)

### **Rogério Tostes**

E-mail: [rtostes@timbrasil.com.br](mailto:rtostes@timbrasil.com.br)  
Phone: +55 21 4109-3742

### **Vicente Ferreira**

E-mail: [vdferreira@timbrasil.com.br](mailto:vdferreira@timbrasil.com.br)  
Phone: +55 21 4109-3360

### **Leonardo Wanderley**

E-mail: [lwanderley@timbrasil.com.br](mailto:lwanderley@timbrasil.com.br)  
Phone: +55 21 4109-4017

### **Rodrigo Godoy**

E-mail: [rcgodoy@timbrasil.com.br](mailto:rcgodoy@timbrasil.com.br)  
Phone: +55 21 4109-3446

### **Luiza Chaves**

E-mail: [luchaves@timbrasil.com.br](mailto:luchaves@timbrasil.com.br)  
Phone: +55 21 4109-3751

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