

## TIM PARTICIPAÇÕES S.A.



2<sup>nd</sup> Annual Citi Brazil Equity Conference  
June 2009



▶ **Update on Brazilian Competitive landscape**







▶ Recapping Q1 Results

▶ TIM's Fundamentals

▶ TIM's Re-launch Revisit

▶ Market Facts and Historical Data

## Brazilian competitive landscape

		TIM	Telefonica/Vivo <sup>(1)</sup>	Embratel /Claro	Oi <sup>(2)</sup> /Brasil Telecom	
Player Footprint		 <p>National fixed license acquired in May / 07</p>	 <p>Long distance incumbent</p>	 <p>Long distance incumbent</p>		
	Subscriber Base <sup>(3)</sup>	Mobile	36.1 MM	45.7 MM	39.6 MM	31.8 MM
		Fixed	0.3 MM	11.6 MM	5.8 MM	21.8 MM
		Broadband	0.5 MM	2.7 MM	2.4 MM	3.9 MM
		<div>Mobile + Fixed Incumbent</div> <div>Mobile</div>				
<div>(1) Including Telemig Celular (2) Including Amazonia Celular</div>						

(1) Including Telemig Celular  
(2) Including Amazonia Celular  
(3) 1Q09 figures  
Source: company reports and Anatel

► Update on Brazilian Competitive landscape

► **Recapping Q1 Results**

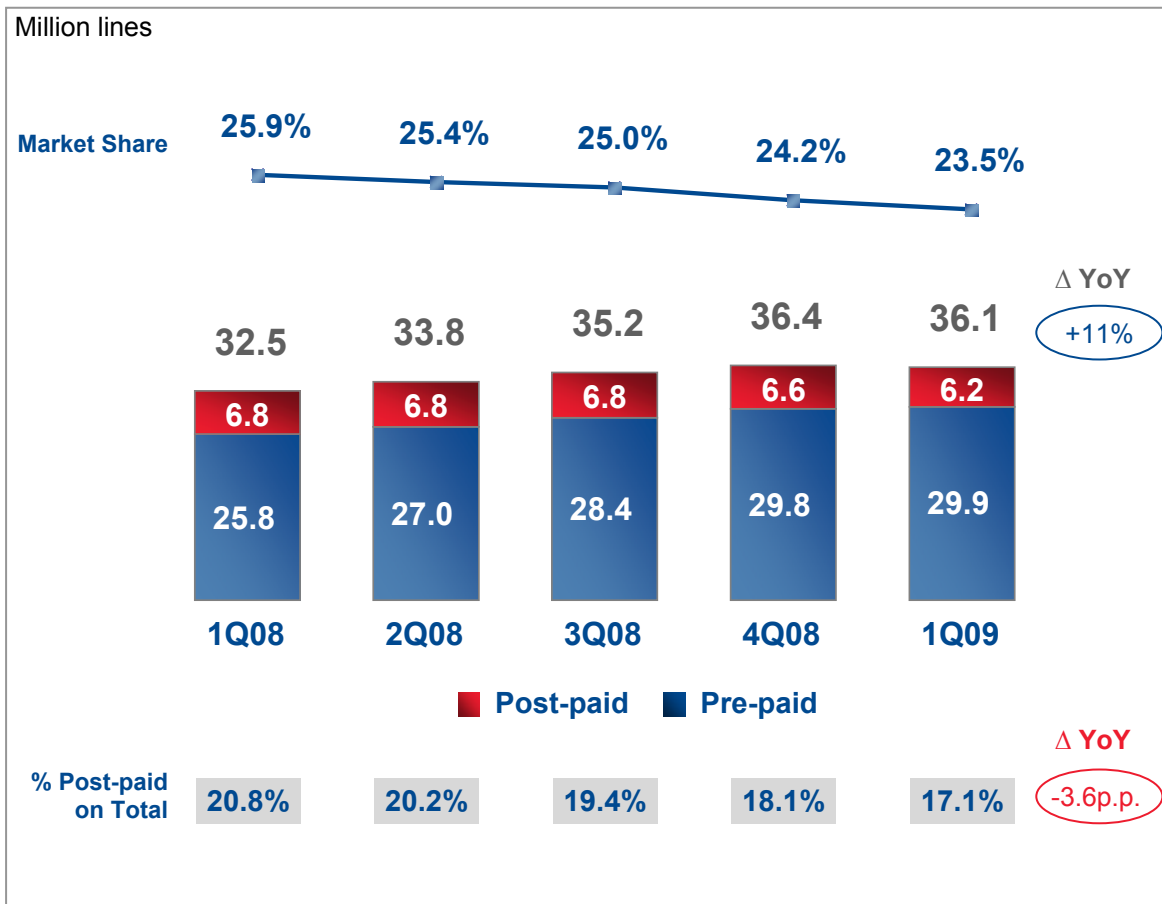
► TIM's Fundamentals

► TIM's Re-launch Revisit

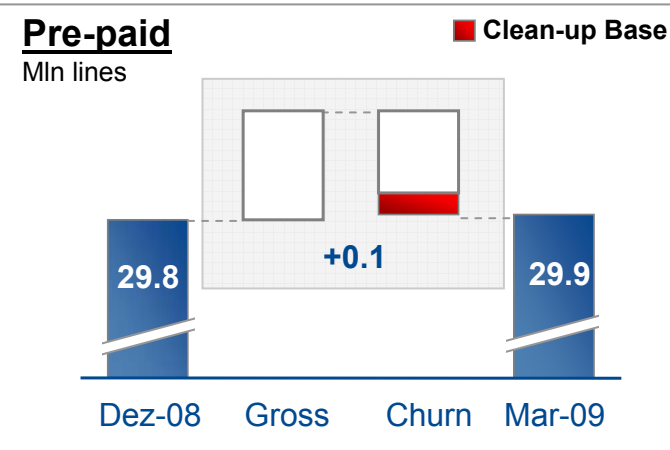
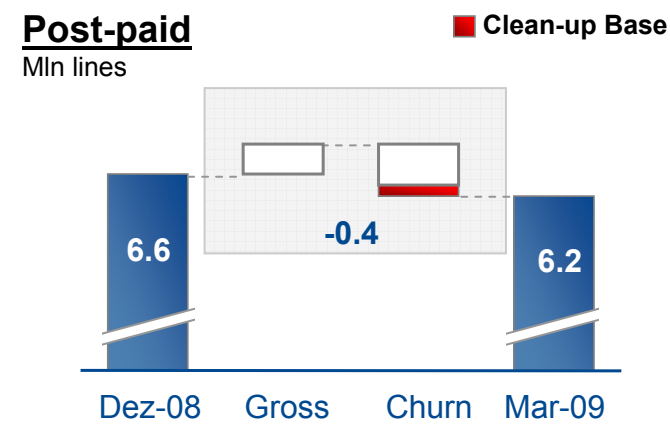
► Market Facts and Historical Data

## Customer Base Evolution

### TIM Mobile Base Evolution

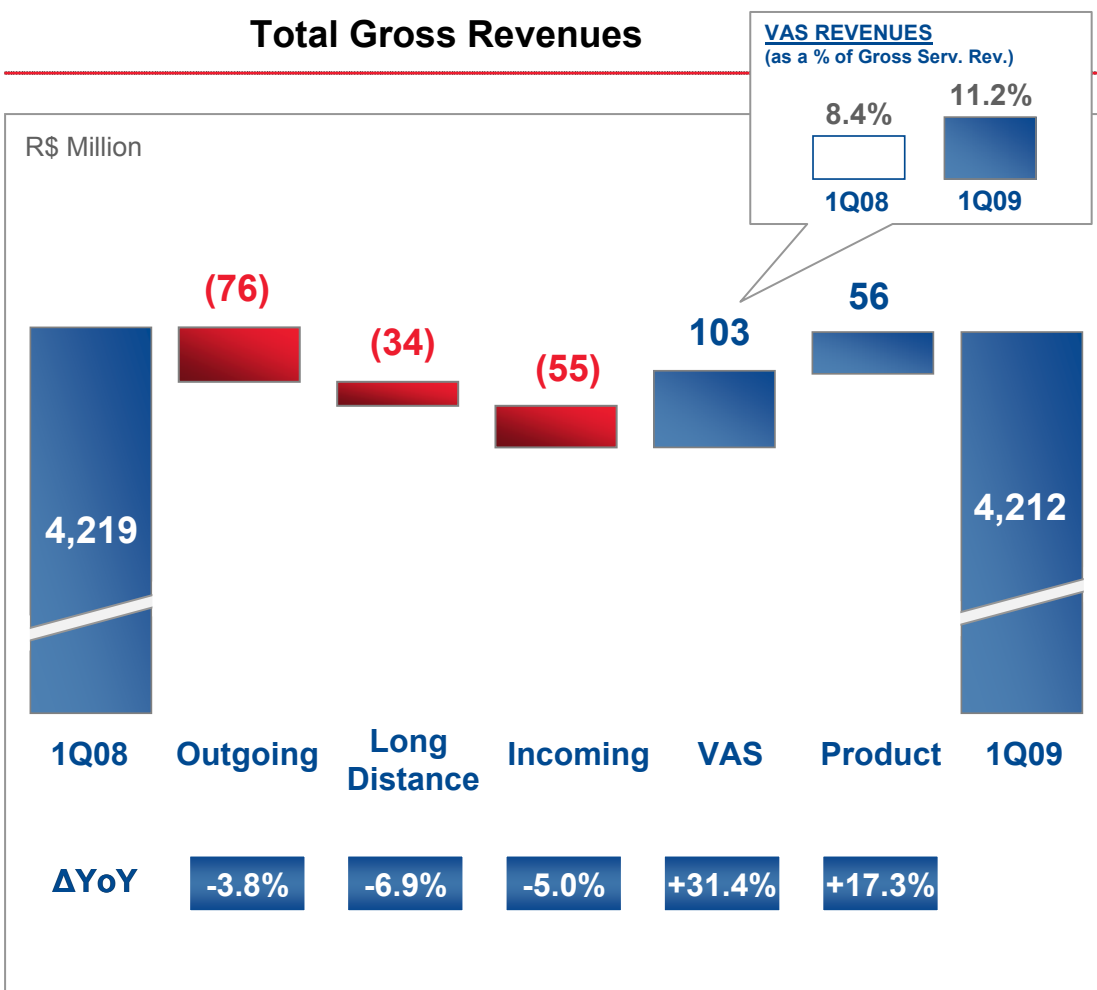


### Clean-up Base

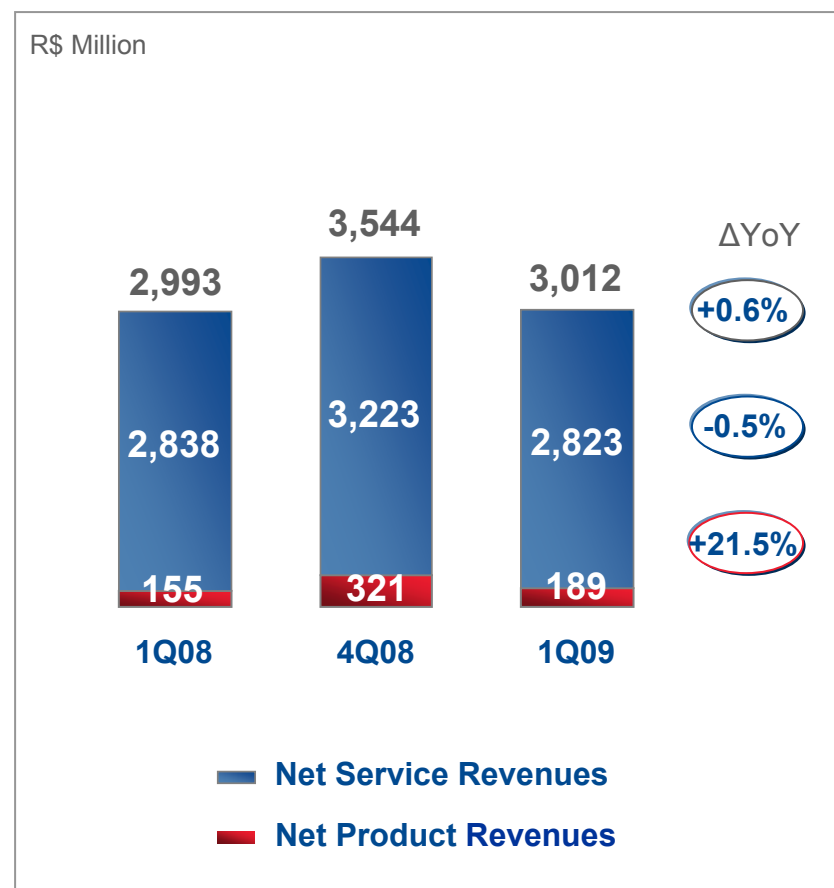


## Revenues Break-down

### Total Gross Revenues



### Total Net Revenues

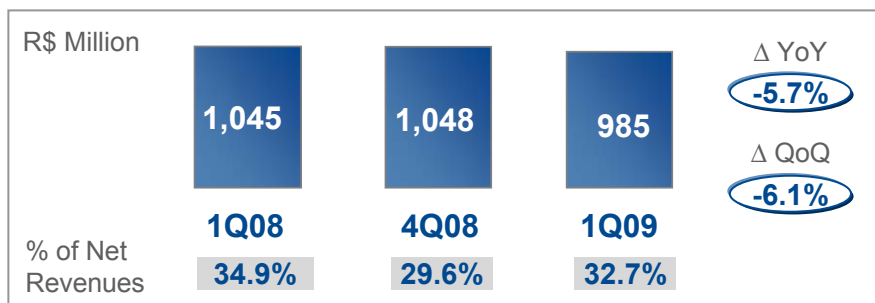




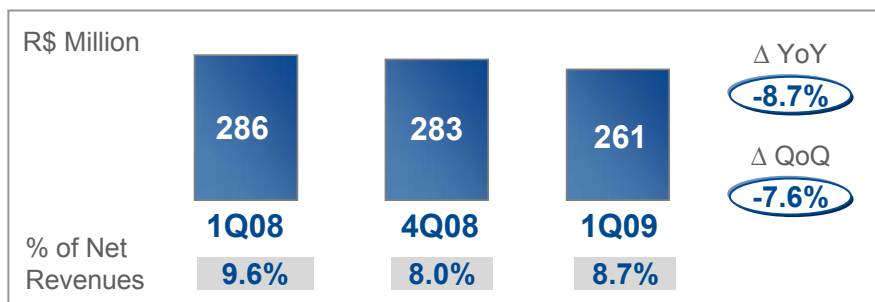
You, without borders.

## Efficiency Sustains EBITDA Margin

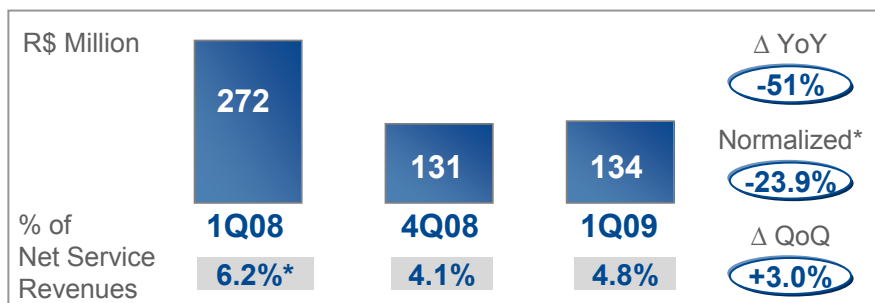
### Interconnection & Network Costs



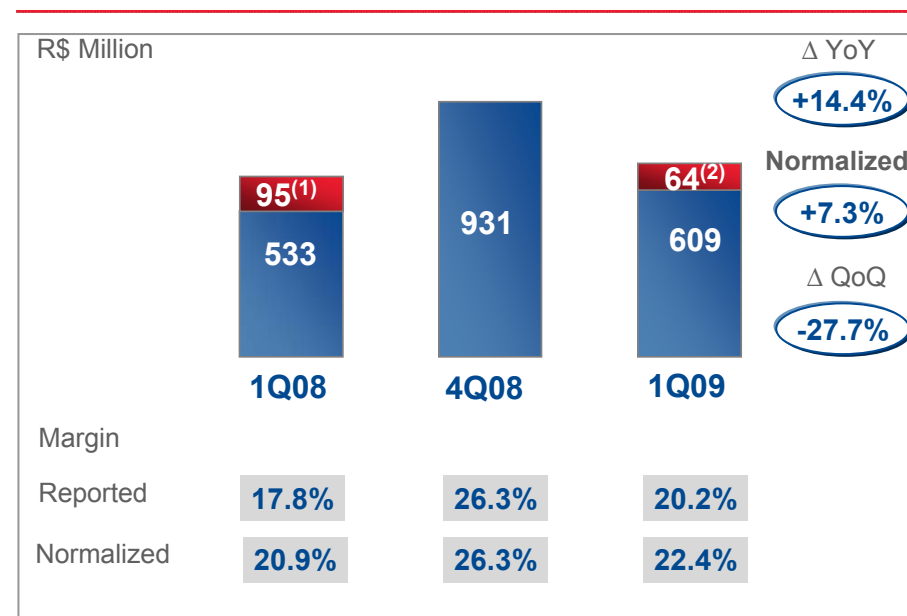
### Personnel and G&A Costs\*\*



### Bad debt



### EBITDA



(1) Telesales Impact

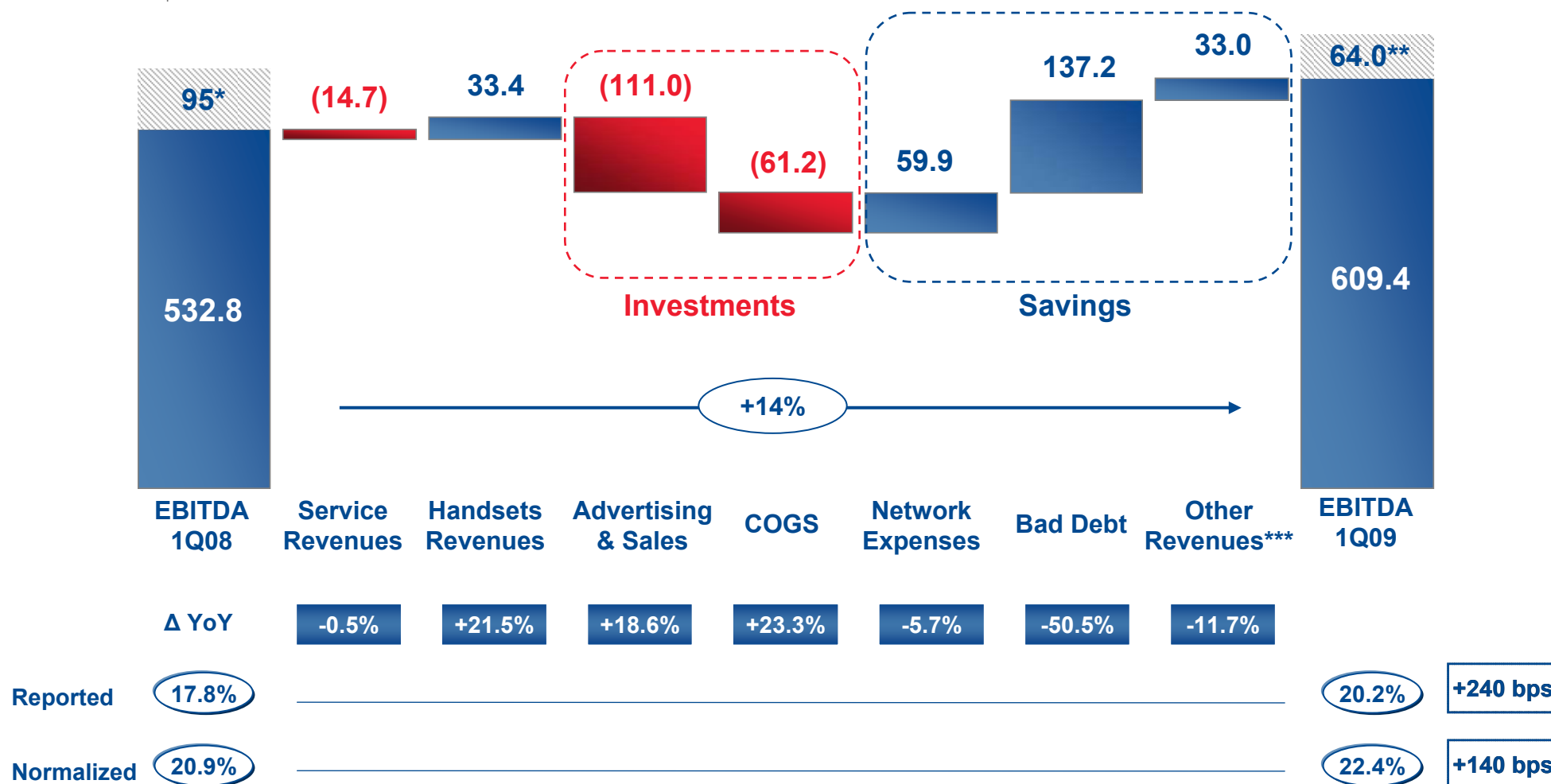
(2) Embratel's dispute expenses

\* Excluding Telesales additional impact of R\$ 95 Mn (9.6% including impact)

\*\*includes IT costs

## EBITDA – Improving Resources Allocation

R\$ Million



\* Telesales Impact

\*\* Embratel's dispute

\*\*\* Other Expenses include: G&A, Personnel and Net Other Operating Expenses/Revenues



- ▶ Update on Brazilian Competitive landscape
- ▶ Recapping Q1 Results
- ▶ **TIM's Fundamentals**
- ▶ TIM's Re-launch Revisit
- ▶ Market Facts and Historical Data

**① Network: leadership in coverage and quality**

- **voice** (coverage and quality)
- **data** (Edge/ 3G)

**② High-Value Customer Base with proven innovative attitude** (VAS 11.2% of gross service revenue in 1Q09)

**③ Unique “Pure Mobile” convergence offering**

- **TIM Web: strong growth** (+2x of base YoY)
- **TIM Fixo: high satisfaction** among early adopters

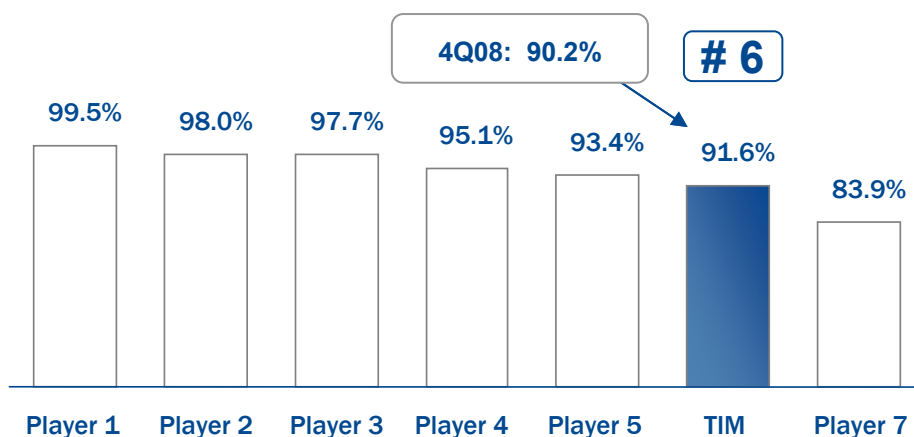
**④ Brand association** to attributes of innovation, change and evolution

**Operating as a  
“Pure Mobile” company,  
with solid fundamentals...  
... in line with our DNA**

## Network: Improving Overall Service Quality

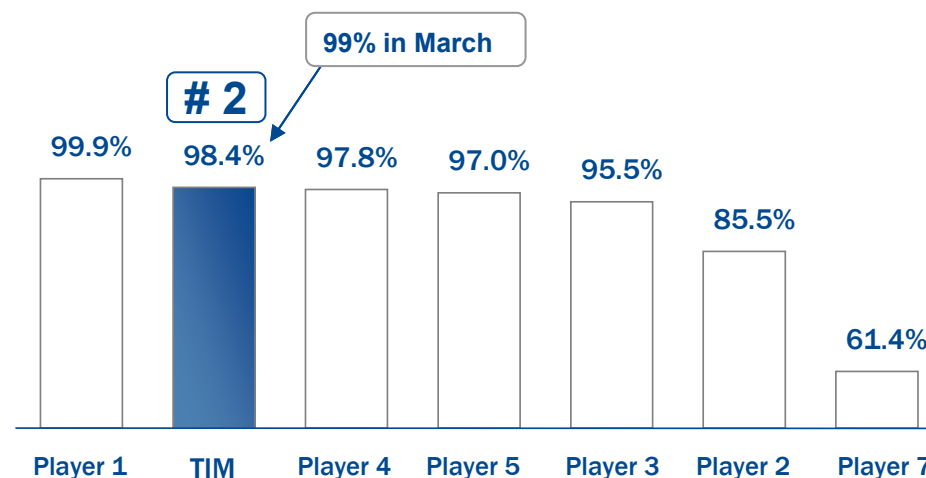
### 2008 FY – Overall Service Quality

% achievement of overall service quality targets, TIM vs. competitors



### Feb-Mar/09 – Overall Service Quality

% achievement of overall service quality targets, TIM vs. competitors



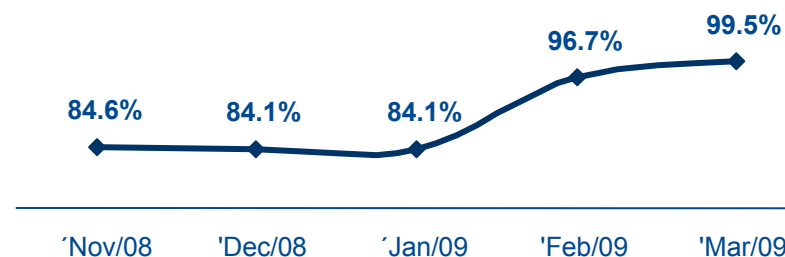
### Network Service Quality

% achievement of network service quality targets

Main mobile operators

	Nov/08	Mar/09	Delta (p.p.)
<b>TIM</b>	<b>84.6%</b>	<b>99.5%</b>	<b>14.8</b>
Player 1	99.0%	100.0%	1.0
Player 2	95.7%	93.1%	-2.7
Player 3	73.1%	46.2%	-26.9

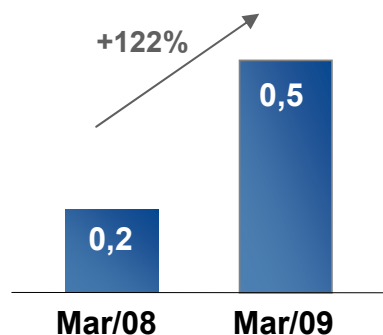
% achievement of network service quality targets



## Unique “Pure Mobile” convergence offering

### Mobile Broadband: Strong growth

Million (Mn)



- ✓ TIM Web ARPU grew > 50% since 3G launch (May'08)
- ✓ The fastest mobile broadband offer in the market: up to 7.2 Mbps and robust 3G backhaul
- ✓ Unattended ADSL demand: Over 50% of TIM Web users has a fixed location
- ✓ Over 70% of TIM Web users are satisfied\*

### Fixed: Assessing TIM Fixo satisfaction\*



	Fixed Mkt Avg	TIM Fixo
Region I	7.99	8.44
Region II	7.85	8.82
Region III	7.07	8.44

- ✓ Subscriber base reached 0.3Mn users
- ✓ Strong customer satisfaction on TIM Fixo
- ✓ Over 25% of TIM's clients came from other fixed players
- ✓ Fresh-market: 40% of TIM Fixo users were previously unattended
- ✓ Customer loyalty far above the average market

\*source: TNS Interscience Survey Dez2008

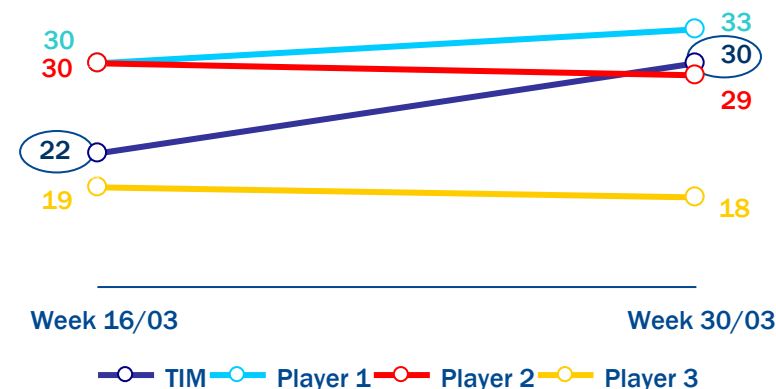
## Brand: Repositioning

### 3 steps Strategy



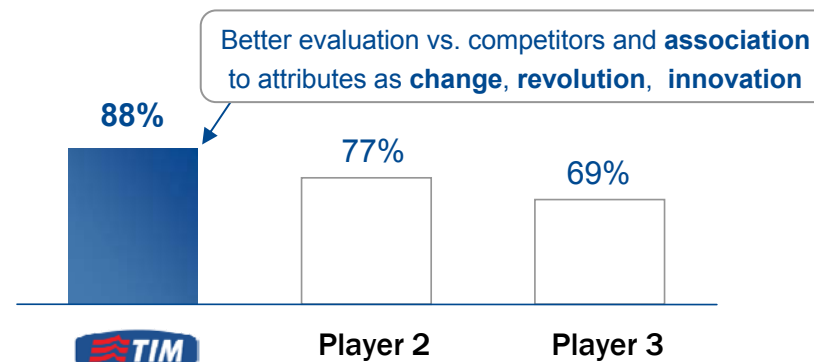
### Top of Mind

Sao Paulo and Rio de Janeiro, %



### Advertising Campaign Evaluation

% Excellent and good grades



- ▶ Update on Brazilian Competitive landscape
- ▶ Recapping Q1 Results
- ▶ TIM's Fundamentals
- ▶ **TIM's Re-launch Revisit**
- ▶ Market Facts and Historical Data

## TIM Re-launch Revisit

### Restructuring

- Strategy and Organization
- Brand repositioning
- Customer Base clean-up
- Network Service Quality improvement
- Embratel's dispute resolution
- Efficiency Plan on going and improved Capital Allocation
- Signing of Intelig deal

### Pressure on Top Line

- Flat revenues:
  - Customer base erosion on post-paid (long tail)
  - pre-paid MOU decline
  - Weak 2008 Christmas campaign

### Priorities 2Q09

- Focus on Value:
  - Push on Post-paid
  - Reduce Portability Gap
  - Reinvest Pre-paid ARPM to inflate usage
- Speed-up Efficiency plan and Intelig integration

## Restructuring Phase Completed



- ▶ **Strategy and Organization:** completed ✓
- ▶ **Brand Repositioning:** doubled share of voice, Top of Mind improved (#2 in SP and RJ Panel), phase 1 of offering portfolio re-launch ✓
- ▶ **Customer Base:** back to growth as of March, after 1 mln inactive lines clean-up in February ✓
- ▶ **Back to #2 in Overall Service Quality** (vs. # 6 in 2008) according to Anatel's ranking (99% achievement in March) driven by network reliability (+14.9 p.p. in 5 months) ✓
- ▶ **Resolution of Embratel's dispute:** positive cash impact of R\$ 90 mln; one-time shot cost of R\$ 64 mln, booked in 1Q09 ✓
- ▶ **Efficiency Plan on going and improved Capital Allocation** (-5% in HR, G&A and Others, -13% IT, -51% in Bad Debt) ✓
- ▶ **Signing of Intelig acquisition:** ready to capture relevant synergies ✓



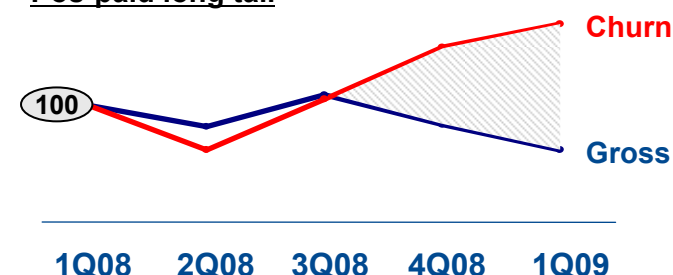
## Pressure on Top Line



### ► Post-paid customer base erosion along last 12 months

- Lower focus on gross adds and increasing churn in second half 2008
- Post-paid mix down to 17.1% on total customer base (-3.7 p.p. vs 1Q08)

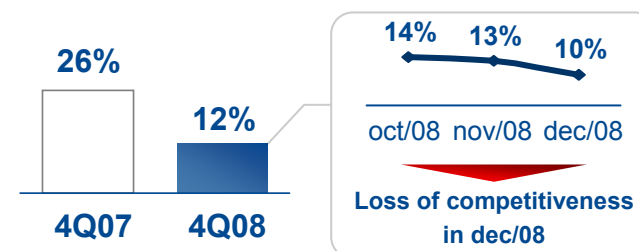
Pos-paid long tail



### ► Deceleration of growth of pre-paid revenue, due to lower promotional aggressiveness, especially in the campaign for Christmas

- Pre-paid ARPM increase (+53% YoY)
- MOU outgoing decrease (-31% YoY)

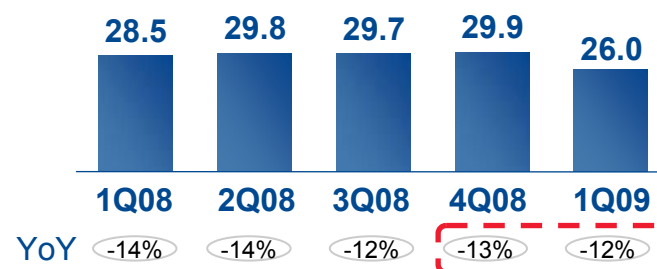
Incremental market share



### ► ARPU dilution mainly due to worse customer base mix:

- Pre-paid outgoing ARPU increase (+6% YoY)
- Post-paid outgoing ARPU decrease (-4% YoY)
- Blended outgoing ARPU decrease (-12% YoY)

ARPU (R\$)



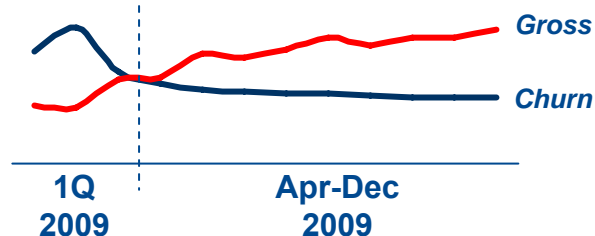
## Priorities



### Growth with Profitability

#### Invert current trend

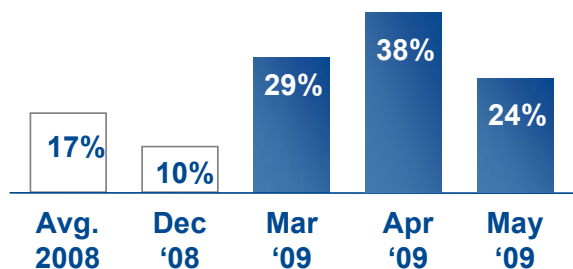
##### Post-paid



- ▶ EBITDA and Operating Free Cash Flow defense
- ▶ Financing the growth

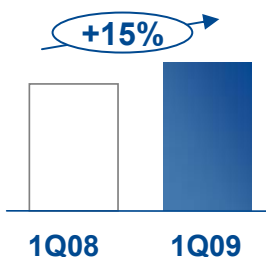
- ▶ Efficiency on Network
- ▶ Business development (Long Distance, Top Clients)

#### Market Share Incremental

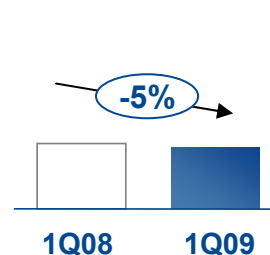


Speed-up of commercial KPIs in 2Q

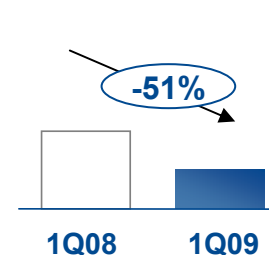
#### SAC



#### G&A e RH



#### Bad debts



Improve efficiency to sustain growth

## Invert current trend – Sales growth



### 1) Sales Convention (April 2nd) -

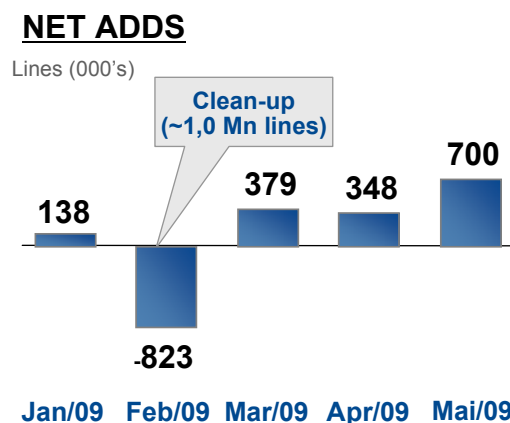
#### “The Turnaround”

- ▶ 1MM handsets sold
- ▶ Focus on post-paid
- ▶ New commissioning

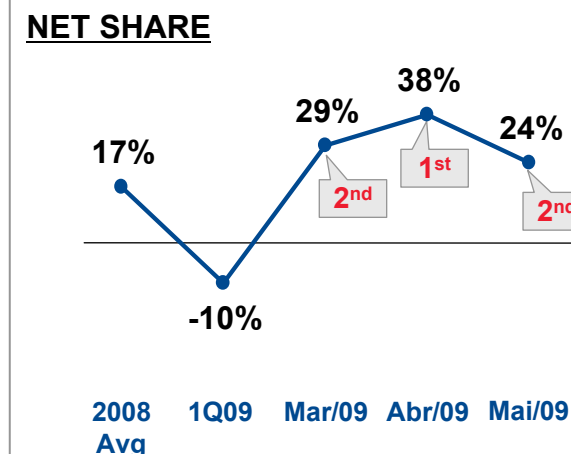
### 2) Portability:

- ▶ Sales incentives

#### Net Adds Revamp...



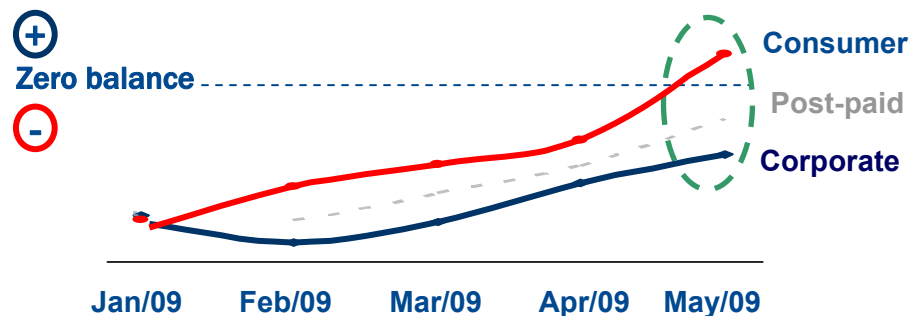
#### ...And Better Net Share



#### Mobile NP revamp

- ✓ Positive balance in the Consumer
- ✓ Improving trend in post paid and corporate
- ✓ Positive balance in the NE and Mid West regions

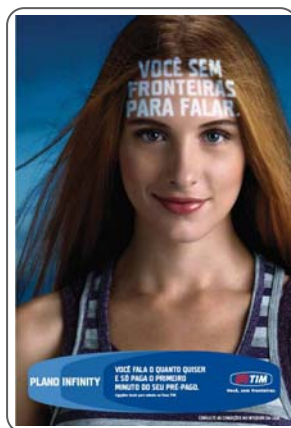
**Company repositioning:  
sales KPIs growth starting from 2Q09**



## Invert current trend – New offers portfolio (2Q09)



### Launched offers



Single invoice for business customers



Business

Post High

Post

Pre

▶ New offer

- ▶ New post-paid offer
- ▶ Mother's Day (free LD)

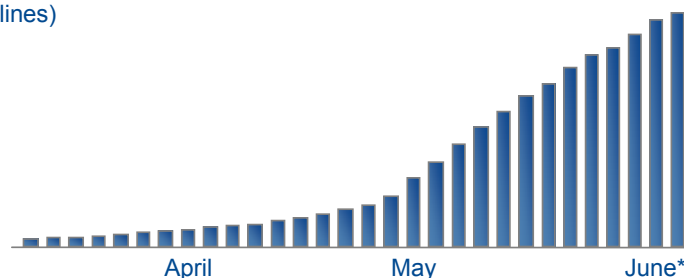


▶ Portability



### Customer's Base Infinity: (lines)

~2 Mn



\*Beginning of June

**Company repositioning:  
revenues growth from 2H09**

## Efficiency Plan

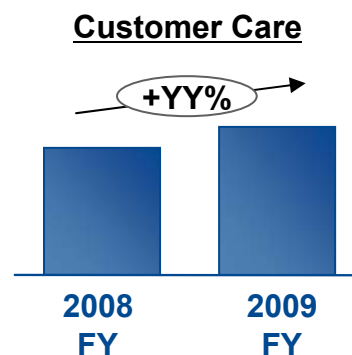
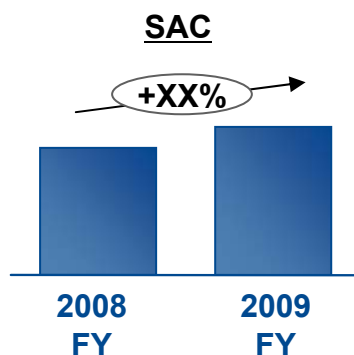


Quick wins	Improvement	Re-thinking
<ul style="list-style-type: none"> <li>▪ Bad debt</li> <li>▪ IT: contracts renegotiation</li> <li>▪ G&amp;A: costs optimization</li> </ul>	<ul style="list-style-type: none"> <li>▪ Commercial: channel costs rationalization</li> <li>▪ Network: contracts renegotiation</li> <li>▪ IT: demand rationalization</li> </ul>	<ul style="list-style-type: none"> <li>▪ Network: Intelig integration</li> <li>▪ Customer care: revision of caring model</li> <li>▪ New sourcing models (revenue sharing, risk sharing, etc)</li> </ul>

**Efficiency identified until now:**  
**~R\$0.8 Bln**  
**Opex + Capex**

- ▶ Finance company growth
- ▶ Defend profitability and cash generation (EBITDA margin and Operating Cash Flow) against exchange rate and business risks

**~50% of efficiency reinvested on business growth**



## Integration of Intelig



### Network and transport

- ▶ Transport network use (backbone and metropolitan) for TIM Brasil traffic



- ▶ 100% leased lines
- ▶ Optical fiber MAN\* under development

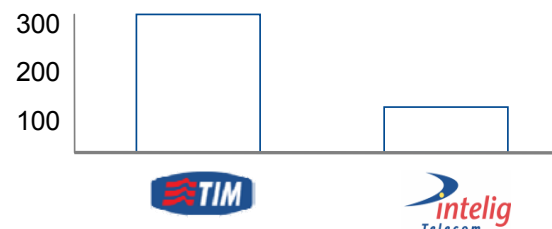


- ▶ 14.500 km of own optical fiber
- ▶ 800 Km in MAN\* rings

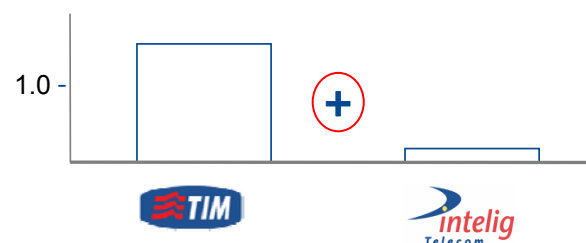
### Data solutions for Business

- ▶ Cross/up-sell of TIM mobile solutions for Intelig customer base and Intelig data solutions for TIM customers

#### Business clients ('000)



#### LD Net Revenues (R\$ Bln)



**Accelerate integration to capture synergies: ~2% of EBITDA margin (18 months)**

### Long Distance

- ▶ Extension of the LD business to non-TIM customers

\*Metropolitan area network

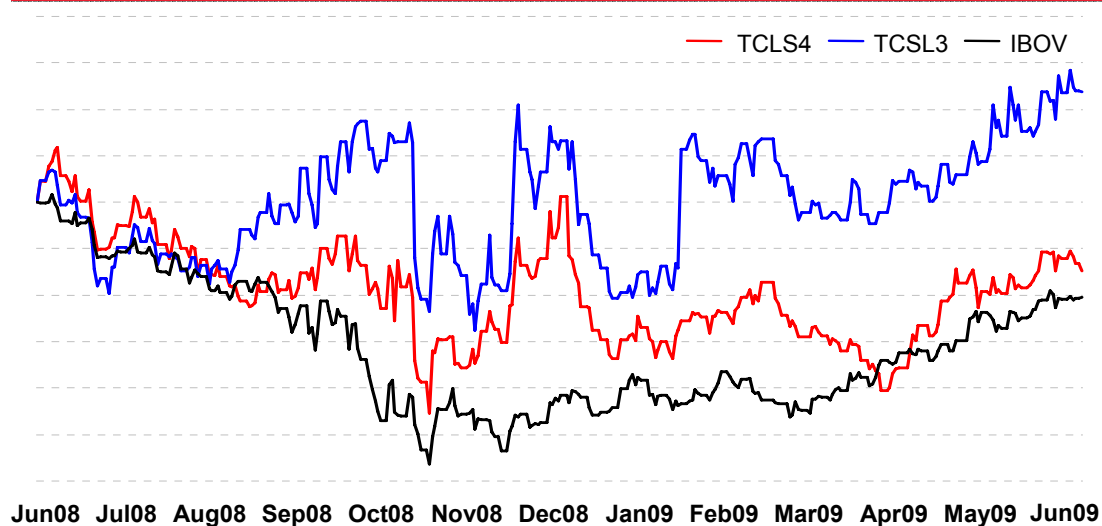
- ▶ Update on Brazilian Competitive landscape
- ▶ Recapping Q1 Results
- ▶ TIM's Fundamentals
- ▶ TIM's Re-launch Revisit
- ▶ **Market Facts and Historical Data**



You, without borders.

## Market Facts

### Stock Performance



### Market Panel\*

Market Capitalization: R\$ 11.98 Billion

Market Capitalization: US\$ 6.22 Billion

Stock Exchange: BOVESPA

Ticker Symbol: TCSL4 (Preferred)

Price: R\$ 3.78

52 Week Price Range:

High – R\$ 4.96

Low – R\$ 2.42

Stock Exchange: BOVESPA

Ticker Symbol: **TCSL3** (Common)

Price: R\$ 6.99

52 Week Price Range:

High – R\$ 7.95

Low – R\$ 4.49

Stock Exchange: NYSE

Ticker Symbol: **TSU** (ADR)

Price: US\$ 19.81

52 Week Price Range:

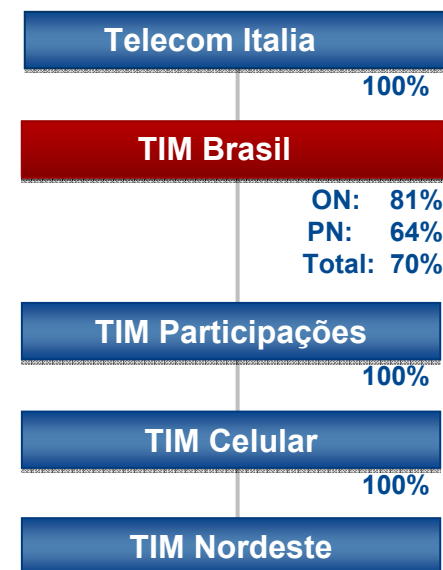
High – US\$ 43.80

Low – US\$ 11.44

### Shareholders Structure

TIM Part.	Total	(%)	Control	(%)	Free float	(%)
Common	799,924,805	34%	650,537,118	40%	149,387,687	21%
Preferred	1,548,522,231	66%	990,098,811	60%	558,423,420	79%
<b>Total</b>	<b>2,348,447,036</b>	<b>100%</b>	<b>1,640,635,929</b>	<b>100%</b>	<b>707,811,107</b>	<b>100%</b>

\*in May 11, 2009



\*All Market Panel data refer to June 12, 2009



## Historical indicators: operational results

	2007	1Q08	2Q08	3Q08	4Q08	2008	1Q09	QoQ %	YoY %
Estimated population in the Region (million)	188,5	189,0	189,5	190,0	190,4	190,4	190,9	0,2%	1,0%
Municipalities Served (GSM)	2.655	2.706	2.733	2.765	2.768	2.768	2.772	0,1%	2,4%
Brazilian Wireless Subscriber Base (million)	121,0	125,8	133,2	140,8	150,6	150,6	153,7	2,0%	22,1%
Estimated Total Penetration	64,2%	66,6%	70,3%	74,1%	79,1%	79,1%	80,5%	1,4 p.p,	13,9 p.p,
Market Share	25,8%	25,9%	25,4%	25,0%	24,2%	24,2%	23,5%	-0,7 p.p,	-2,4 p.p,
Total Lines ('000)	31.254	32.533	33.815	35.206	36.402	36.402	36.096	-0,8%	11,0%
Pre-paid Lines ('000)	24.483	25.775	26.993	28.386	29.832	29.832	29.923	0,3%	16,1%
Post-paid Lines ('000)	6.771	6.758	6.821	6.820	6.571	6.571	6.174	-6,0%	-8,6%
Gross Additions ('000)	15.401	3.787	4.046	4.573	4.674	17.080	3.836	-17,9%	1,3%
Net Additions ('000)	5.843	1.279	1.282	1.392	1.196	5.149	-306	-125,6%	-123,9%
Churn	35,2%	7,9%	8,4%	9,4%	9,8%	35,5%	11,4%	1,6 p.p,	3,5 p.p,
Total ARPU	34,4	29,5	29,8	29,7	29,9	29,7	26,0	-13,2%	-11,9%
Total MOU	96	94	100	101	86	95	70	-18,8%	-25,6%
Investment (R\$ Mn)	1.933	273	1.706	511	783	3.272	194	-75,2%	-28,7%
Employees	10.043	10.097	10.253	10.173	10.300	10.300	10.212	-0,9%	1,1%

## Historical indicators: financial results

	2007	1Q08	2Q08	3Q08	4Q08	2008	1Q09	QoQ %	YoY %
<b>Net Revenues</b>	<b>12,441,643</b>	<b>2,992,957</b>	<b>3,186,075</b>	<b>3,357,794</b>	<b>3,544,138</b>	<b>13,080,965</b>	<b>3,011,668</b>	<b>-15.0%</b>	<b>0.6%</b>
Services	11,421,037	2,837,663	2,970,664	3,065,744	3,222,737	12,096,808	2,822,979	-12.4%	-0.5%
Handset Revenue	1,020,606	155,294	215,411	292,051	321,401	984,157	188,689	-41.3%	21.5%
<b>Operating Expenses</b>	<b>(9,601,330)</b>	<b>(2,460,169)</b>	<b>(2,548,906)</b>	<b>(2,559,338)</b>	<b>(2,613,134)</b>	<b>(10,181,547)</b>	<b>(2,402,216)</b>	<b>-8.1%</b>	<b>-2.4%</b>
Personal Expenses	(625,398)	(162,625)	(168,697)	(152,654)	(164,186)	(648,162)	(157,959)	-3.8%	-2.9%
Selling and Marketing Expenses	(2,512,078)	(598,141)	(665,621)	(715,019)	(708,347)	(2,687,128)	(709,130)	0.1%	18.6%
Network & Interconnection	(3,865,089)	(1,044,547)	(1,072,570)	(1,077,171)	(1,048,241)	(4,242,530)	(984,633)	-6.1%	-5.7%
General & Administrative	(429,699)	(123,779)	(107,984)	(101,496)	(118,883)	(452,143)	(103,488)	-13.0%	-16.4%
Cost of Goods Sold	(1,434,431)	(263,235)	(324,831)	(378,072)	(439,650)	(1,405,788)	(324,451)	-26.2%	23.3%
Bad Debt	(714,571)	(271,701)	(203,327)	(143,250)	(130,554)	(748,833)	(134,453)	3.0%	-50.5%
Other operational revenues (expenses)	(20,065)	3,859	(5,876)	8,325	(3,272)	3,036	11,897	-	208.3%
<b>EBITDA</b>	<b>2,840,313</b>	<b>532,788</b>	<b>637,169</b>	<b>798,456</b>	<b>931,004</b>	<b>2,899,418</b>	<b>609,451</b>	<b>-34.5%</b>	<b>14.4%</b>
EBITDA - Margin over total net revenues	22.8%	17.8%	20.0%	23.8%	26.3%	22.2%	20.2%	-6.0 p.p.	2.4 p.p.
<b>Depreciation &amp; Amortization</b>	<b>(2,323,674)</b>	<b>(572,033)</b>	<b>(596,338)</b>	<b>(617,988)</b>	<b>(622,185)</b>	<b>(2,408,545)</b>	<b>(641,222)</b>	<b>3.1%</b>	<b>12.1%</b>
<b>EBIT</b>	<b>516,639</b>	<b>(39,245)</b>	<b>40,831</b>	<b>180,468</b>	<b>308,818</b>	<b>490,872</b>	<b>(31,771)</b>	<b>-</b>	<b>-19.0%</b>
<b>Net Financial Results</b>	<b>(281,500)</b>	<b>(73,609)</b>	<b>(91,382)</b>	<b>(152,943)</b>	<b>(57,041)</b>	<b>(374,974)</b>	<b>(69,314)</b>	<b>21.5%</b>	<b>-5.8%</b>
<b>Income (loss) before taxes and Minorities</b>	<b>235,139</b>	<b>(112,854)</b>	<b>(50,552)</b>	<b>27,526</b>	<b>251,778</b>	<b>115,898</b>	<b>(101,085)</b>	<b>-</b>	<b>-10.4%</b>
Income tax and social contribution	(166,837)	(12,613)	(15,743)	(39,579)	132,188	64,254	(42,929)	-	240.4%
<b>Net Income (Loss)</b>	<b>68,302</b>	<b>(125,466)</b>	<b>(66,295)</b>	<b>(12,053)</b>	<b>383,966</b>	<b>180,152</b>	<b>(144,014)</b>	<b>-</b>	<b>14.8%</b>

Numbers may differ from the previous publishing due to rounding

## “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

Avenida das Américas, 3434 - Bloco 01  
6° andar – Barra da Tijuca  
22640-102 Rio de Janeiro, RJ  
Phone: +55 21 4009-3742 / 4009-3446 / 4009-4017  
Fax: +55 21 4009-3990

### Visit our Website

<http://www.timpartri.com.br>



**Você, sem fronteiras.**