

Company's Presentation

**TIM BRASIL**

May, 2015



Você, sem fronteiras.



# AGENDA

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Visit our website and IR app:

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

TIM IR app  
(English)

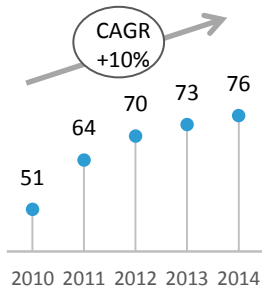
TIM RI app  
(Portuguese)



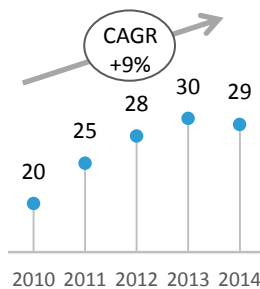
# KNOWING TIM BETTER

## GROWTH STRUCTUE

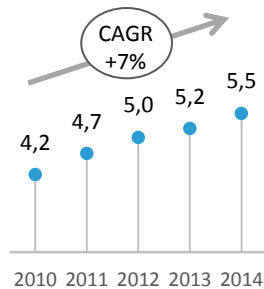
**Customer Base EoP**  
(mln customers)



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



**EBITDA**  
(R\$ bln)



**2<sup>nd</sup> Player  
Market &  
Revenue  
Share**

- ✓ 75.7 million customers (27% Share)
- ✓ More than 465,000 points of sales
- ✓ 175 own stores
- ✓ 15 Customer Care Centers (16k attendants)

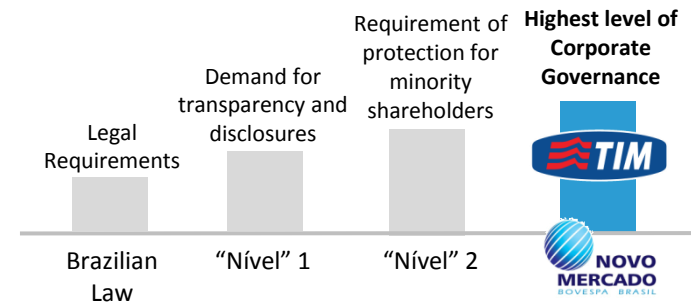
**95% of urban  
pop. covered**

- ✓ ~14,000 Antennas
- ✓ 3,439 cities covered
- ✓ 55,900 km of optical fiber network

**~13k  
employees**

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

## CORPORATE GOVERNANCE



### 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

### TIM: A Huge Brazilian Company

- ✓ Presence in Brazil since 1998
- ✓ 16<sup>th</sup> largest Private Company in Brazil (source: Exame Magazine - 2013)
- ✓ Approximately R\$32 billion of Market Capitalization

Growth  
Via  
Acquisition



**intelig**

15,000 km fiber  
optical backbone

**AES Atimus**  
Uma Empresa AES Brasil

5,500 km fiber  
optical backhauling

# **Market Overview and TIM Positioning**

# BRAZILIAN TELCOS X-RAY



	Mobile	Fixed <sup>1</sup>	Fixed BB <sup>1</sup>	Pay-TV	Group
Customers 1Q15 (000's)	75,749	657	153	n.a.	76,559
Market share 1Q15	26.7%	1.4%	0.5%	n.a.	---
Net Adds 12M (000's)	1,832	25	64	n.a.	1,921
Net Revs 1Q15 (R\$ Mln)	4,388		158		4,547
ARPU 1Q15	16.7	n.a.	n.a.	n.a.	---



	Mobile	Fixed <sup>1</sup>	Fixed BB <sup>1</sup>	Pay-TV	Group
Customers 1Q15 (000's)	71,942	11,519	7,523	10,266	101,250
Market share 1Q15	25.4%	25.2%	31.4%	51.9%	---
Net Adds 12M (000's)	3,193	1,463	941	391	5,988
Net Revs 1Q15 (R\$ Mln)	3,035		5,978		9,013
ARPU 1Q15	13.0	n.a.	n.a.	n.a.	---

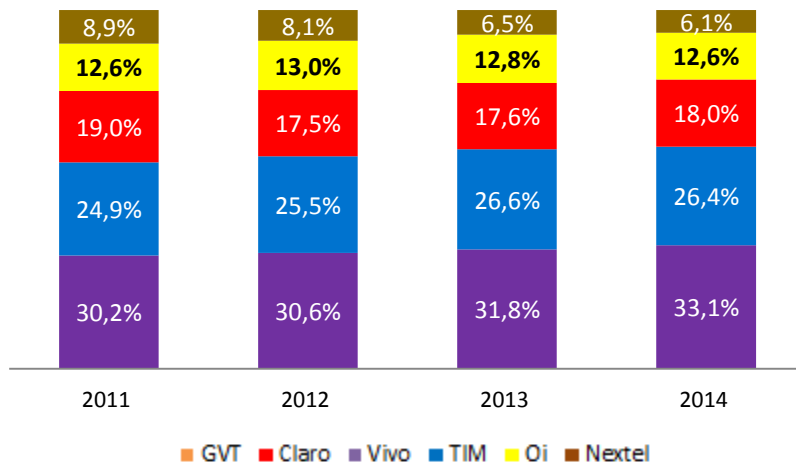


	Mobile	Fixed <sup>1</sup>	Fixed BB <sup>1</sup>	Pay-TV	Group
Customers 1Q15 (000's)	81,879	10,939	4,102	790	97,710
Market share 1Q15	28.9%	23.9%	17.1%	4.0%	---
Net Adds 12M (000's)	3,314	502	-205	145	3,756
Net Revs 4Q14 (R\$ Mln)	23,740		11,260		35,000
ARPU 4Q14	24.6	n.a.	n.a.	n.a.	---



	Mobile	Fixed <sup>1</sup>	Fixed BB <sup>1</sup>	Pay-TV	Group
Customers 1Q15 (000's)	50,388	16,692	6,554	1,232	75,467
Market share 1Q15	17.8%	36.5%	27.3%	6.2%	---
Net Adds 12M (000's)	-191	-1,742	20	404	-1,509
Net Revs 1Q15 (R\$ Mln)	2,259		4,582		6,841
ARPU 1Q15	17.7	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>2</sup>

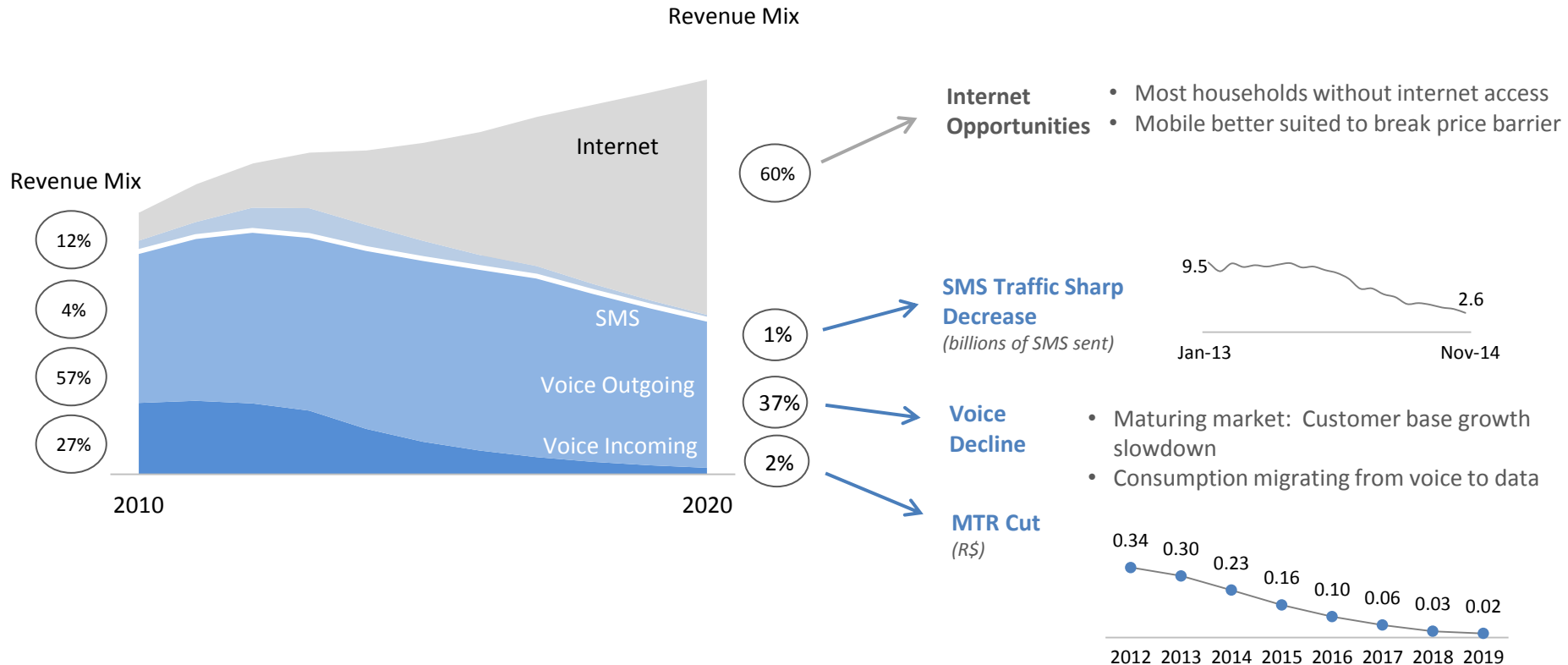
1 – Fixed voice and Broadband Access numbers refers to 4Q14  
2 - Mobile revenue considers only the 5 major players

Source: Anatel and Players balance sheet

## Internet Market Evolution

### Mobile Market Revenues Evolution

(Mobile Service Net Revenues; %)



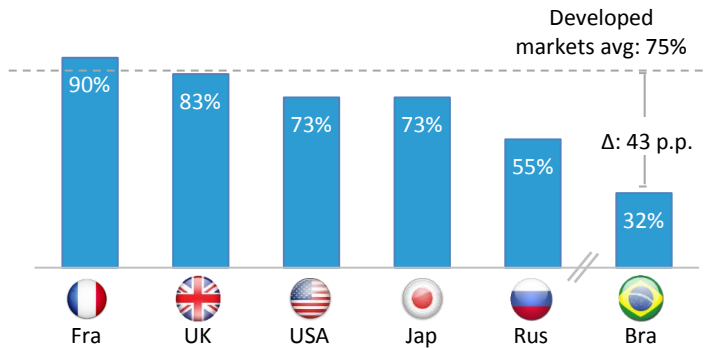
**Mobile Internet is the growth driver and will be the largest mobile market, although Voice remains important**



# DATA: CONNECTIVITY AND BEYOND

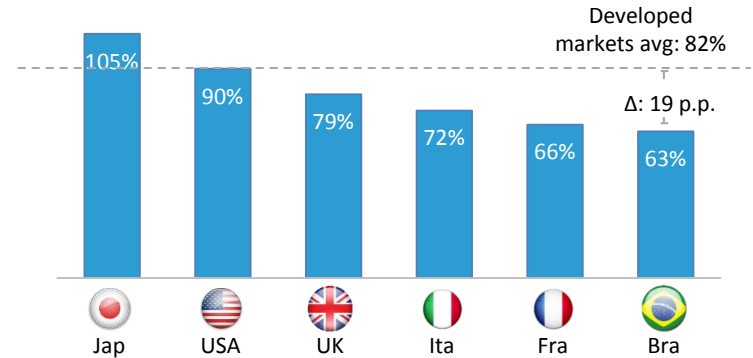
## Getting People Connected: Broadband Penetration

### Fixed (% households)



- Huge gap between Brazil and developed markets
- Lack of infrastructure: low quality and speed
- Affordability issues (high prices, combos)

### Mobile (% population)

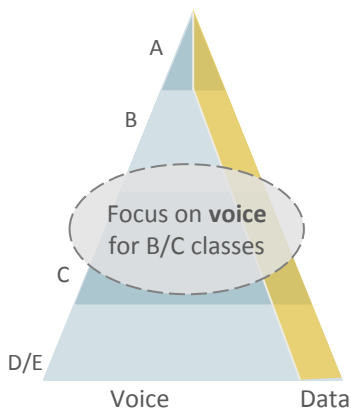


- Smaller gap between Brazil and developed markets
- Additional drivers for growth: days of use, data consumption
- Affordable prices

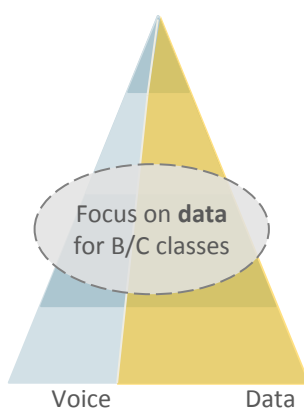
Source: OVUM / INEGI

## Targeting the “Big Middle”

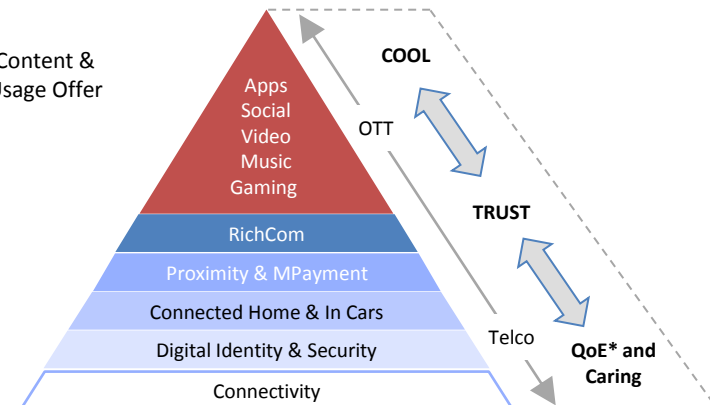
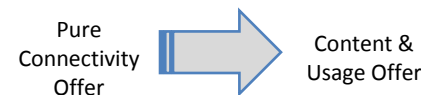
### Voice Centric World



### Data Centric World



## Entering in the Content World

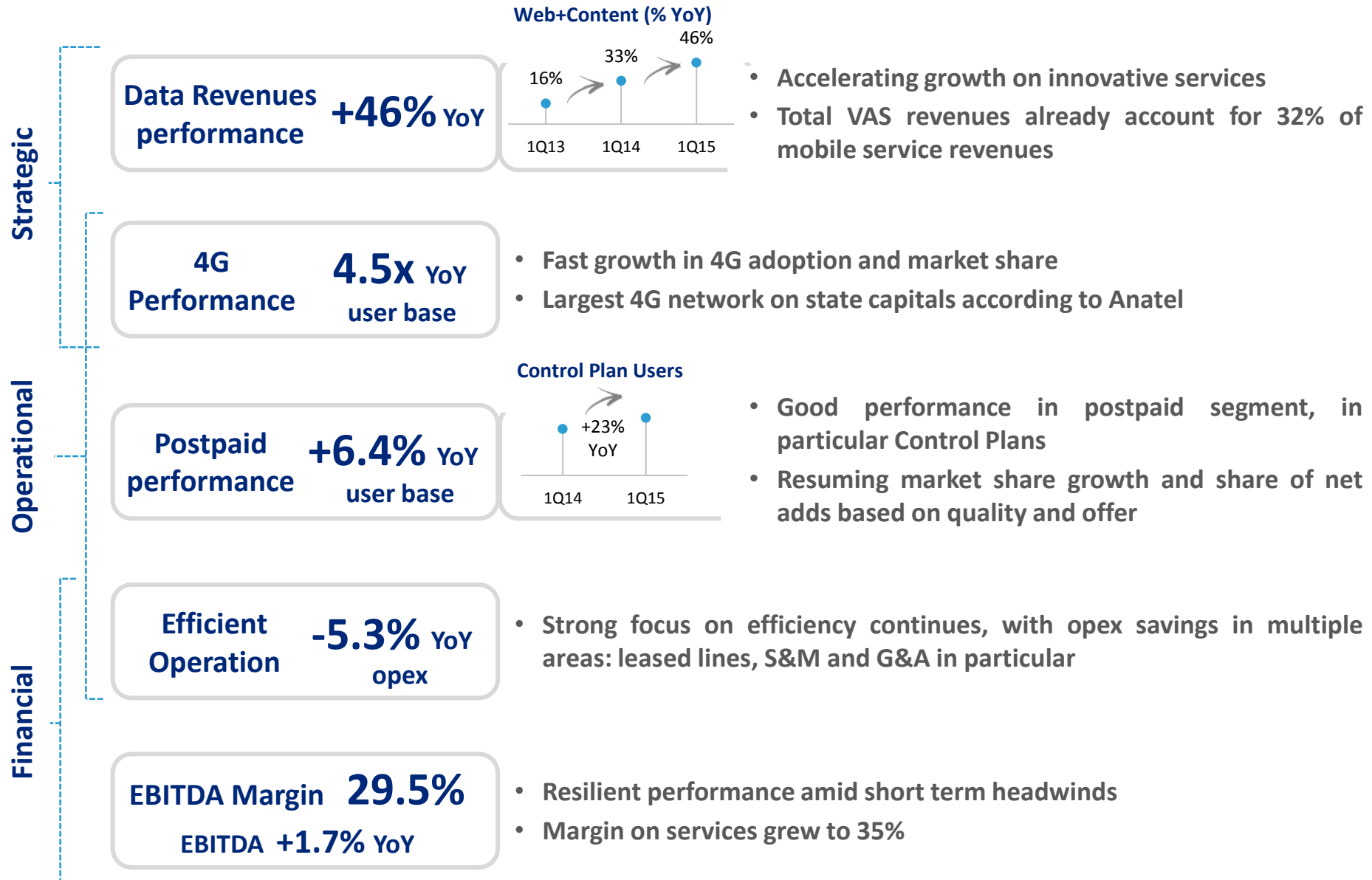


\* Quality of Experience

# 1Q15 Results



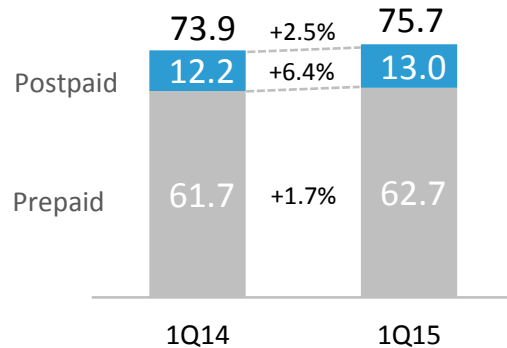
# FIRST QUARTER HIGHLIGHTS



# CORE BUSINESS PERFORMANCE

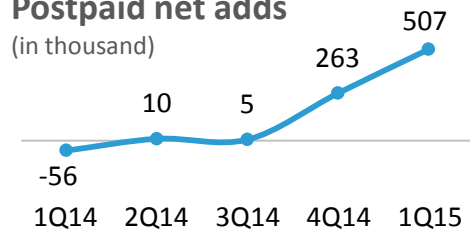
## Customer Base Evolution

(mln customers; % YoY)



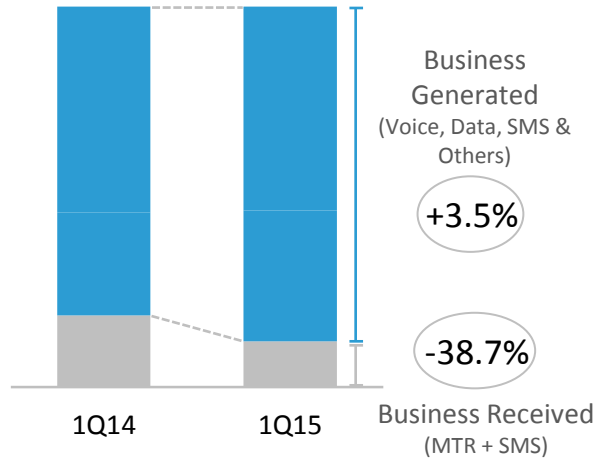
## Postpaid net adds

(in thousand)



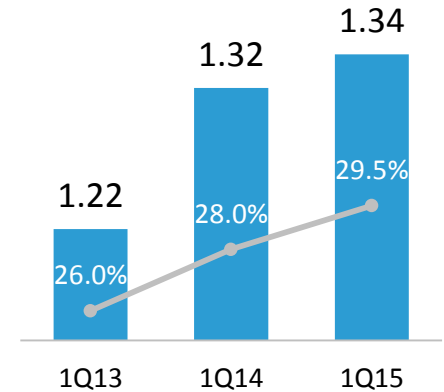
## Mobile Serv. Net Rev.

(% YoY)



## EBITDA & EBITDA Margin

(R\$ bln; % YoY)



- ✓ Data as a catalyst to business generated growth
- ✓ Macroeconomic scenario impacting consumer spending
- ✓ Stringent disconnection policy on prepaid

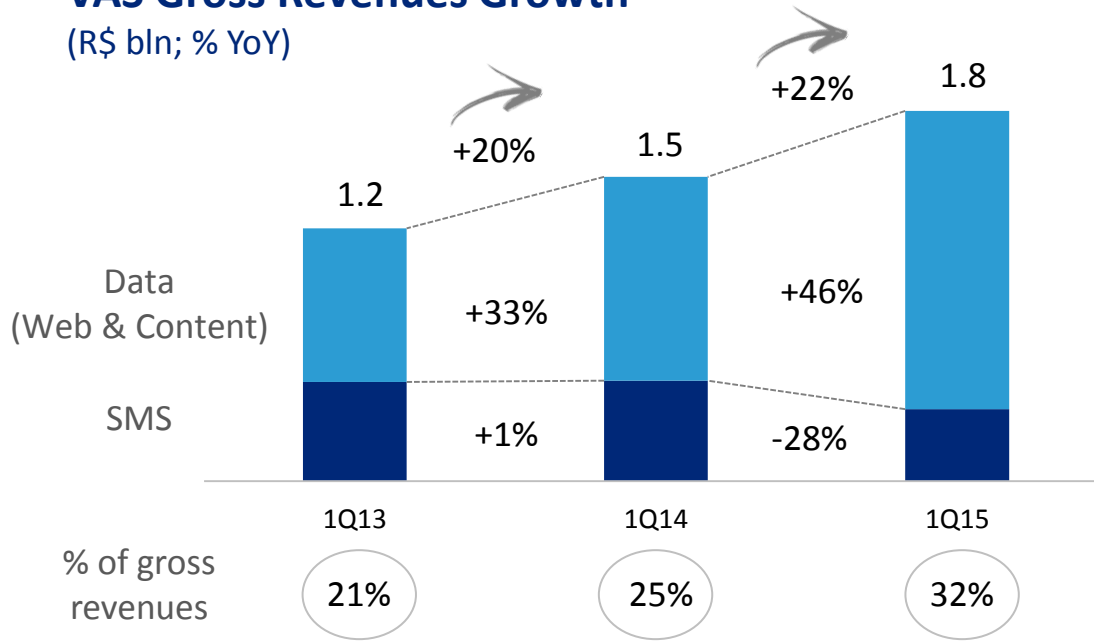
- ✓ New round of MTR cuts
- ✓ Sharp reduction of SMS business
- ✓ Data revenues compensating decline on traditional revenues

- ✓ Strong and disciplined efficiency approach
- ✓ Reshape of the business driving profitability

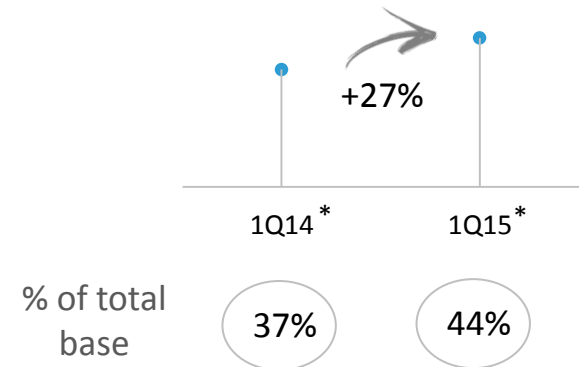
# DATA GROWTH CONTINUES, FUELED BY 4G

## VAS Gross Revenues Growth

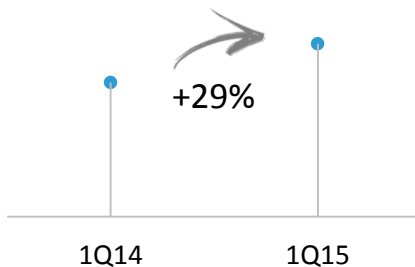
(R\$ bln; % YoY)



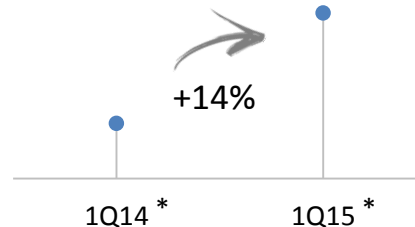
## Data Users (mln; % YoY)



## Data ARPU (R\$; % YoY)



## Data Traffic (Bytes of Use)



**32%** market share in 4G

**+2.4** millions 4G users vs. 1Q14

**50%** market share of smartphones sales

\*Feb

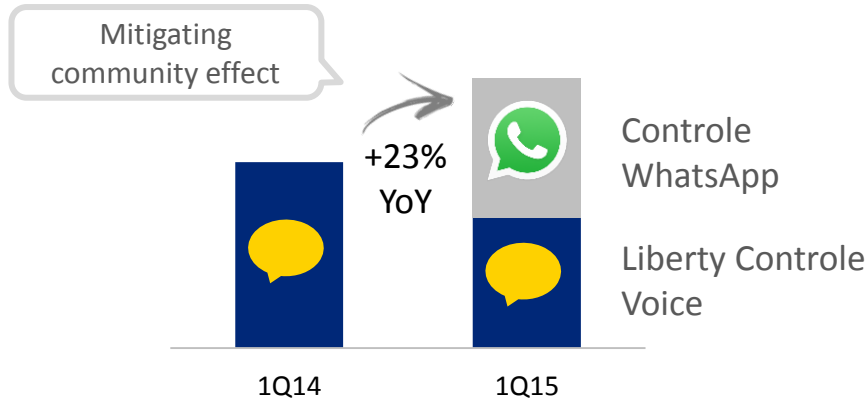
Source: Anatel & GfK Report

# RELEVANT INNOVATION GENERATING RESULTS

## Liberty Controle

### Gross Adds and Migration

(# of postpaid customers)



## Infinity Day

(% of infinity day users in the prepaid base)

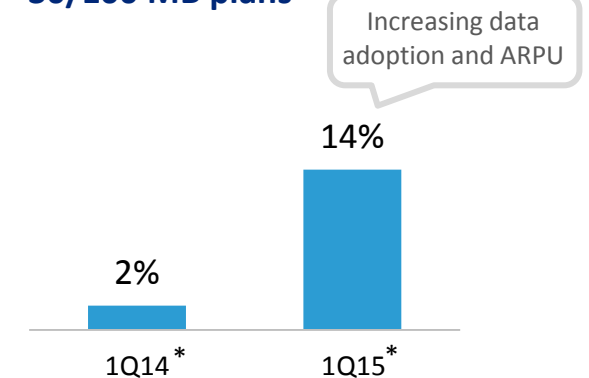


## Other Innovative Services

(# of active users)



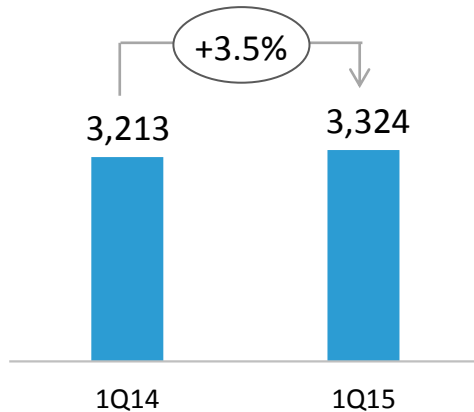
## % of prepaid users on 30/100 MB plans



# REVENUES HIGHLIGHT: SOLID CORE BUSINESS

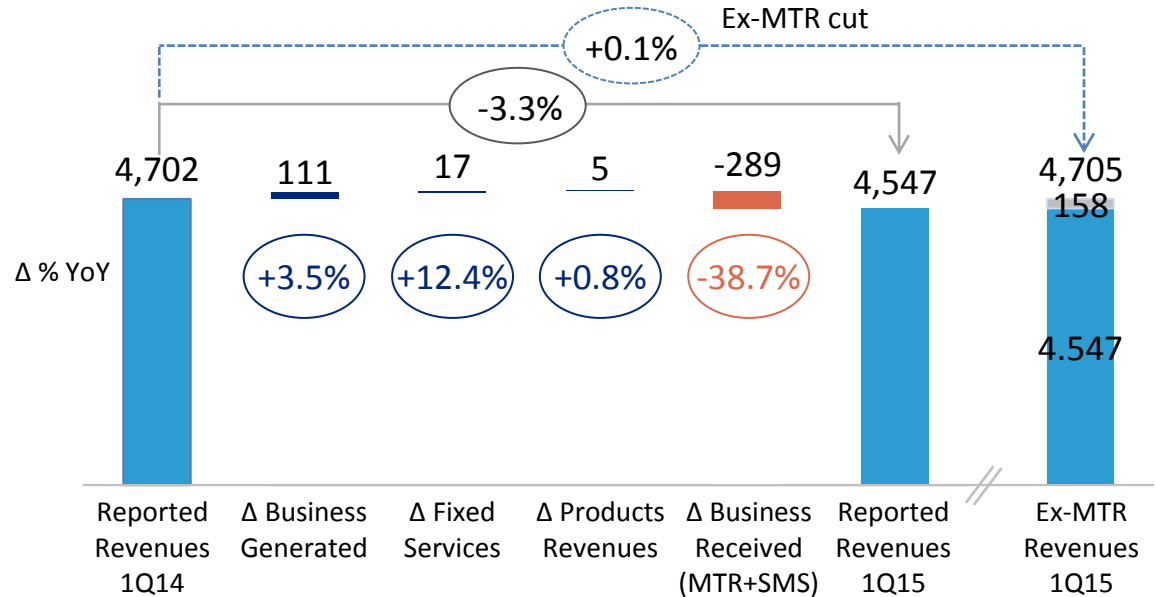
## Business Generated

(Serv. Rev. ex incoming)  
(R\$ mln; % YoY)



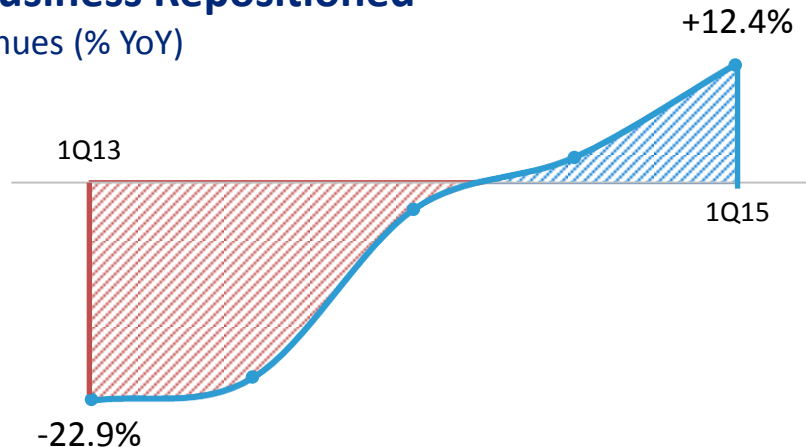
## Net Revenues Profile

(R\$ mln; % YoY)



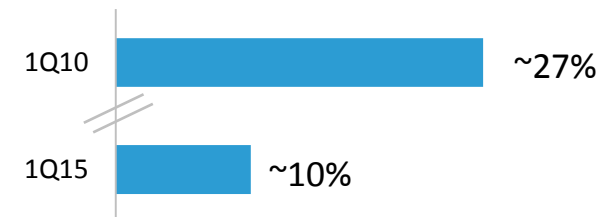
## Fixed Business Repositioned

Net Revenues (% YoY)



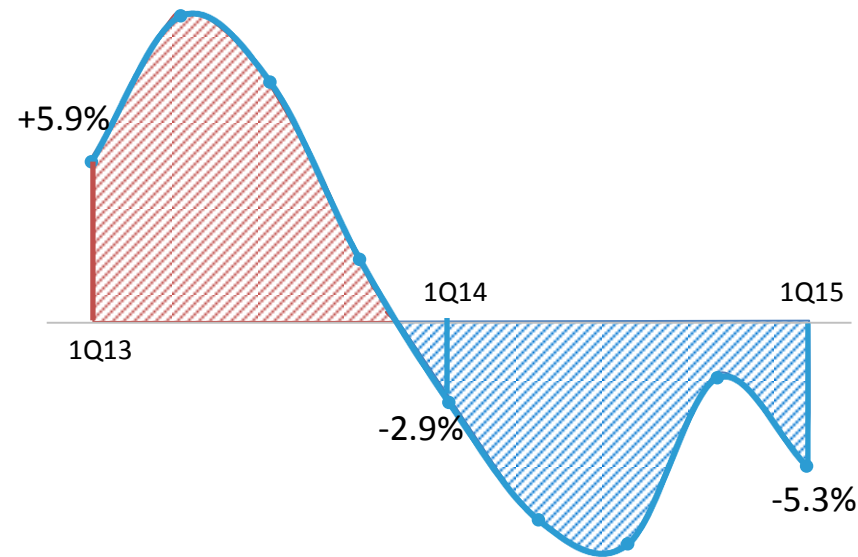
## MTR incidence over Service Revenues

(as % of net service revenues)

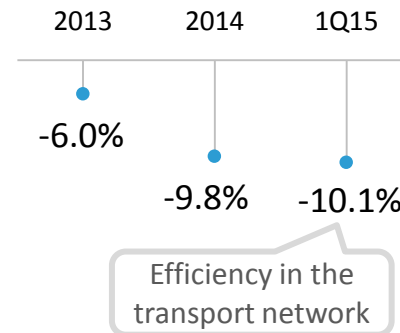


# EFFICIENCY APPROACH ON COSTS CONTINUES

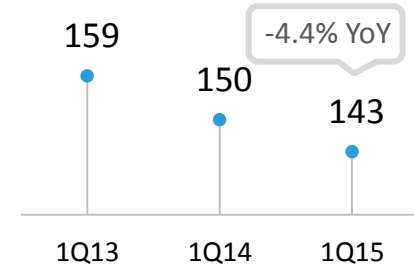
## Opex Evolution (% YoY)



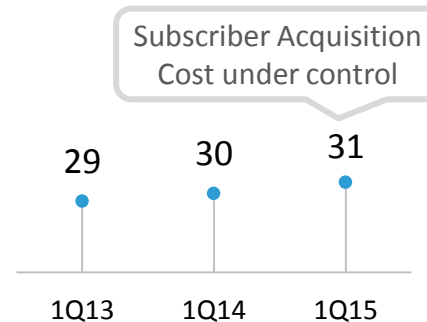
## Leased Lines costs (% YoY)



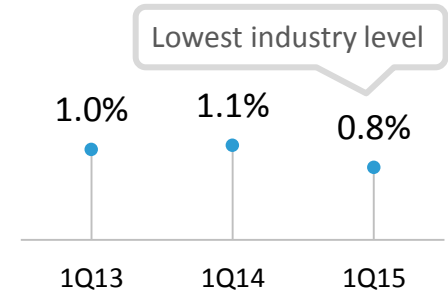
## G&A costs (R\$ mln)



## SAC/Gross Adds (R\$)



## Bad Debt as % of Gross Revenues



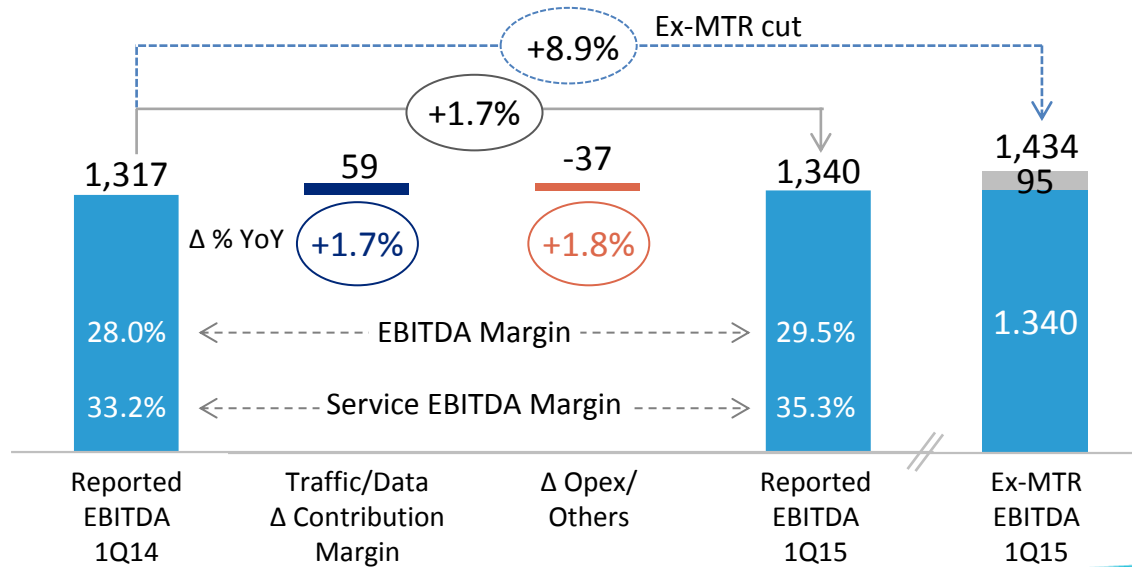
**Strong cost efficiency**  
despite solid growth on  
data users and traffic

**Stable**  
**SAC/ARPU** **2.1 months**

# FOCUS ON PROFITABILITY

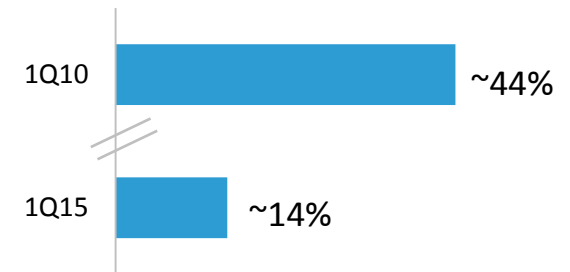
## EBITDA Profile

(R\$ mln; % YoY)



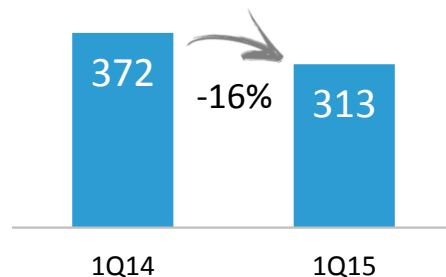
## MTR incidence over EBITDA

(as % of EBITDA)



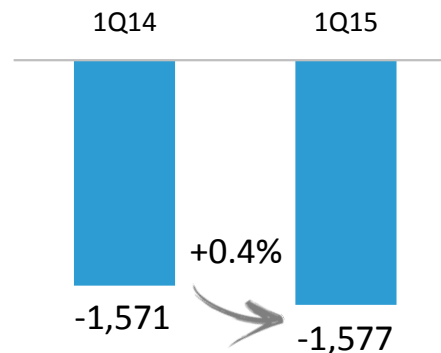
## Net Income

(R\$ mln; % YoY)



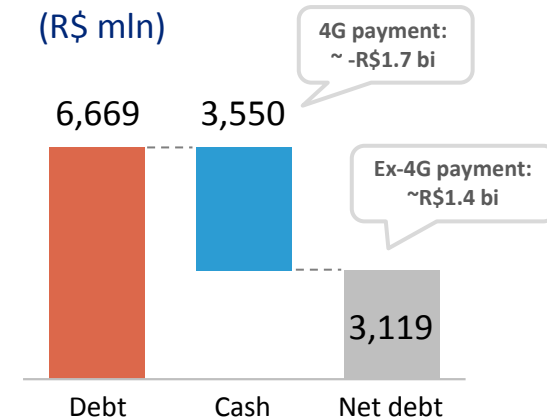
## Cash Flow

(R\$ mln; % YoY)



## Net Debt

(R\$ mln)



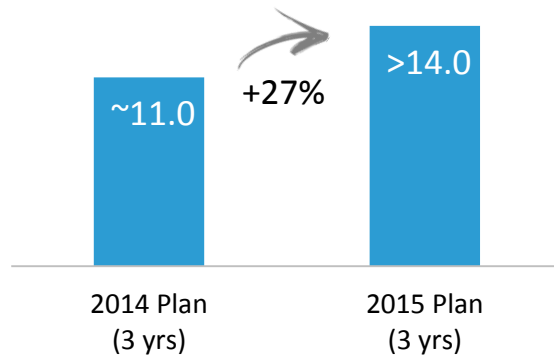


# Network and Quality Evolution

# INFRASTRUCTURE: PROJECT TURBO ROLL-OUT

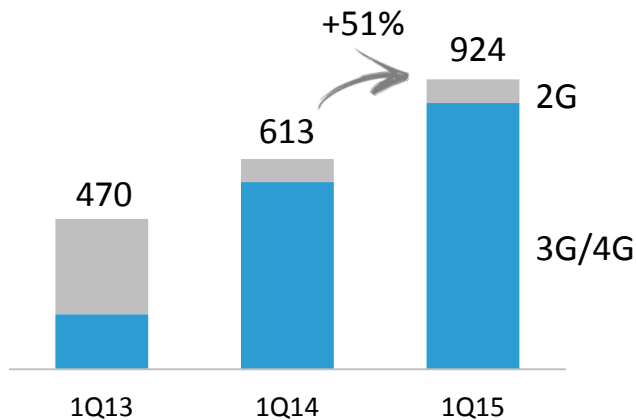
## New Capex Plan 2015-17

(R\$ bln; % YoY)



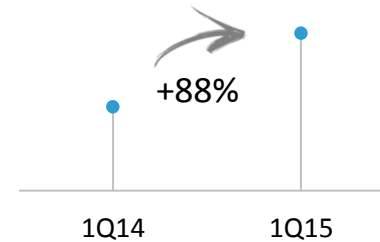
## Quarterly Capex Evolution

(R\$ mln; % YoY)



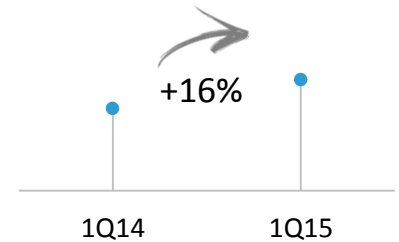
## Number of 4G Sites

(% YoY)



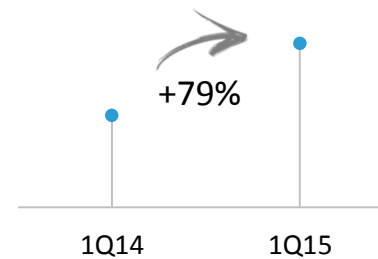
## Number of 3G Sites

(% YoY)



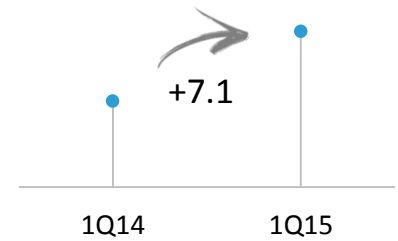
## Small Cells & Wi-fi

(% YoY)



## BackBone

(000 Km; YoY)



# 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...

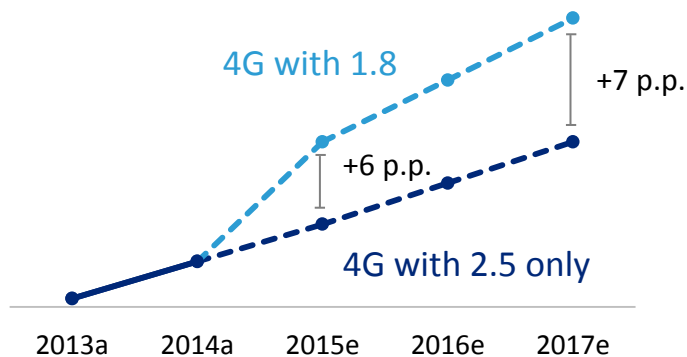


to...



## 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

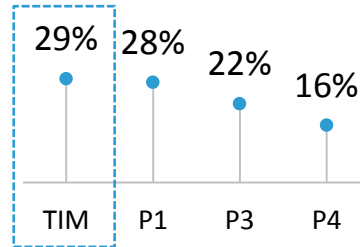
- ✓ Indoor coverage increase in cities already covered with LTE
- ✓ Refarming to be applied in other cities

# IMPROVING QUALITY PERCEPTION

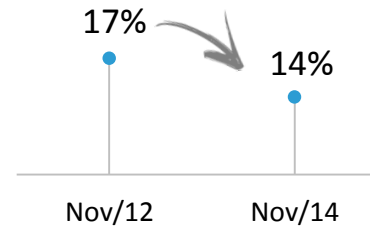
## Customer Satisfaction:

(Provokers Research)

### Ranking for Preference

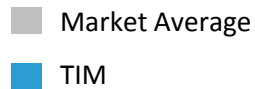


### TIM Postpaid Rejection



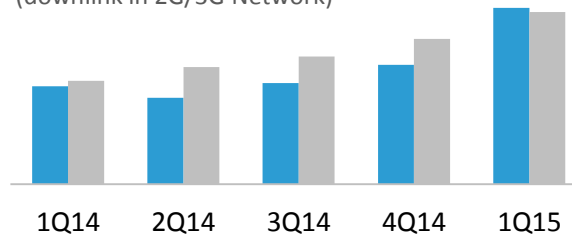
## Speed Test:

(Ookla)<sup>1</sup>



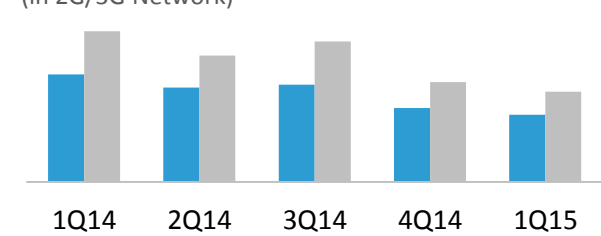
### Throughput (Kbps)

(downlink in 2G/3G Network)



### Latency (ms)

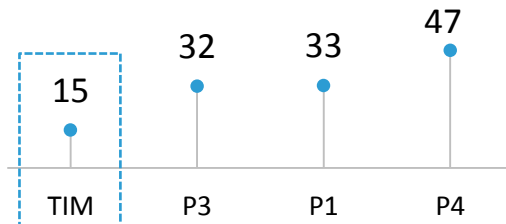
(in 2G/3G Network)



(1) The report was generated and created from TIM's analysis over the NetMetrics Reports provided by Speedtest.net

## Consumer Complaints<sup>2</sup>

Demands at Consumer's Protection Agency (Procon) in 1Q15



Public commitment for improvement of communication and education on mobile internet




(2) Total per economic group, in thousands. Source: SENACON/MJ

# ANATEL QUALITY METRICS

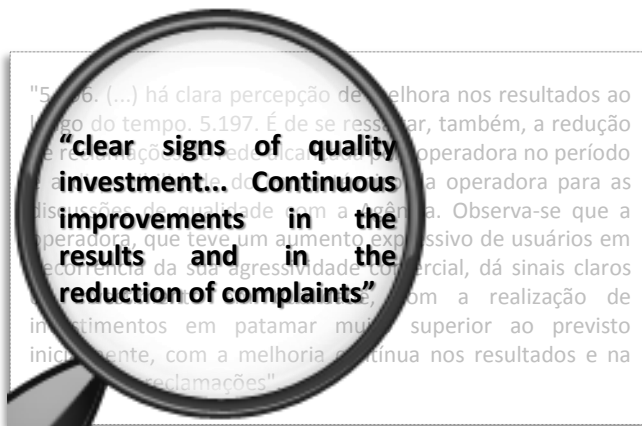
## Anatel's Quality Plan Results

(End of Quality Plan 2012-2014)

% of Metrics within Anatel's Target			
Player	Jul/14	Feb/15	Change
P3	93.1%	93.7%	0.6%
 TIM	86.1%	90.1%	4.0% ↑
P1	83.5%	83.8%	0.3%
P4	78.1%	86.1%	8.0%

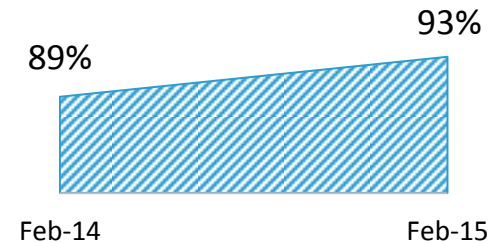
## Anatel's Opinion on TIM

(End of Quality Plan 2012-2014)

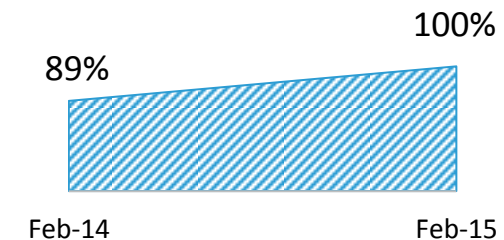


## # of States within Target (%)

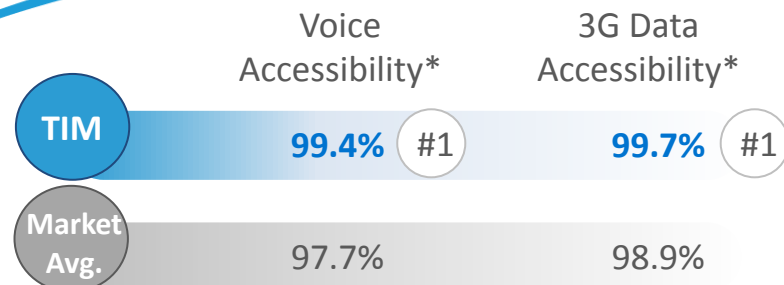
### Data Accessibility – 3G



### Data Drop – 3G



## Improvement case: São Paulo



Source: Anatel

\* As of Feb/15. Market Average weighted by number of users for top 4 players (ex-TIM)

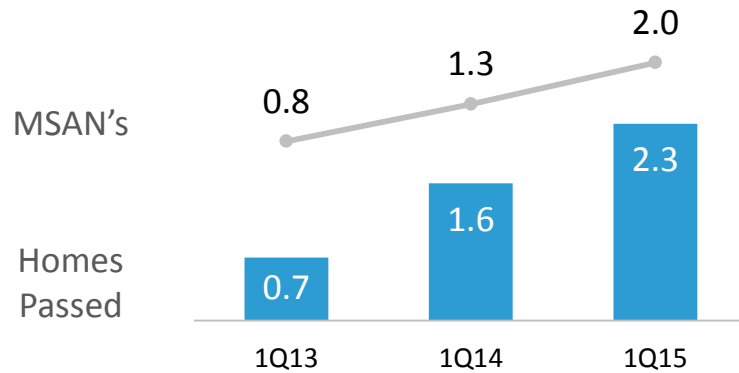
# Fixed Business

# LIVE TIM: MAINTAINING PERFORMANCE TRACK RECORD

EU QUERO  
**LIVE**<sup>TIM</sup>

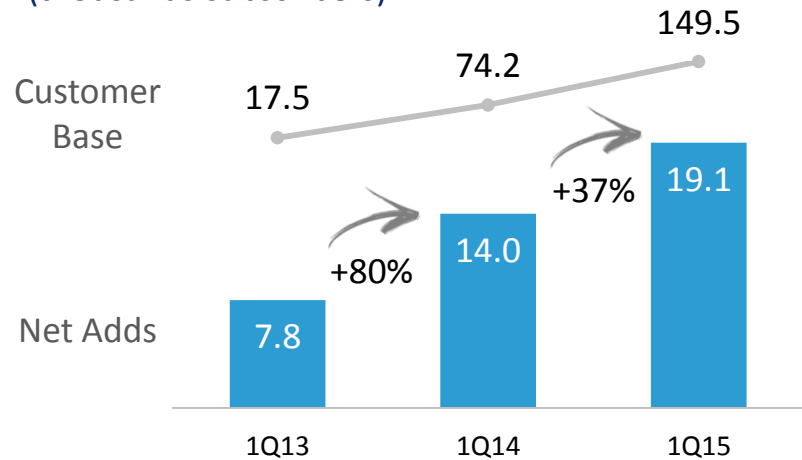
## MSAN e Homes Passed

(thousands; millions homes)



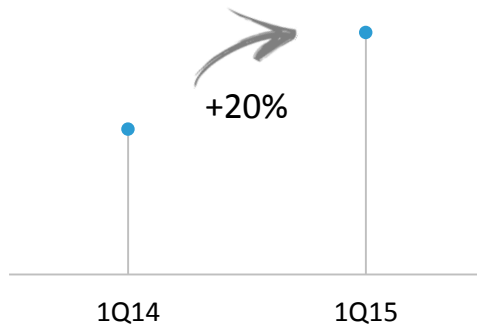
## Customer Base

(thousands subscribers)



## ARPU

(R\$; % YoY)



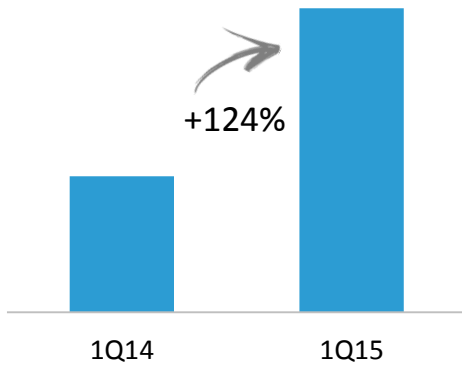


# CORPORATE SEGMENT: MORE FOCUS, IMPROVING RESULTS



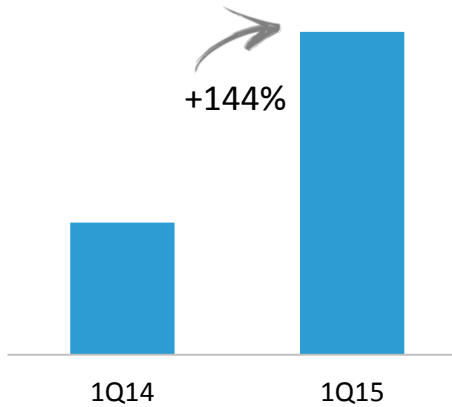
## Sales

(R\$; % YoY)



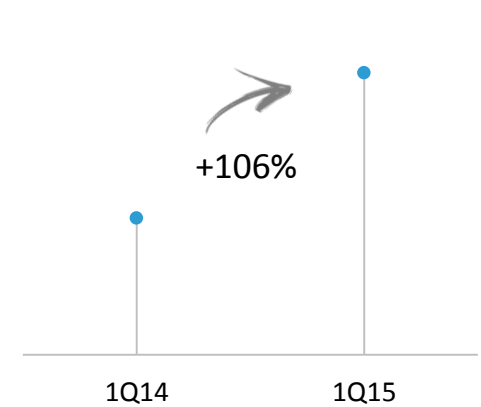
## Activations

(R\$; % YoY)



## Margin of Projects Sold

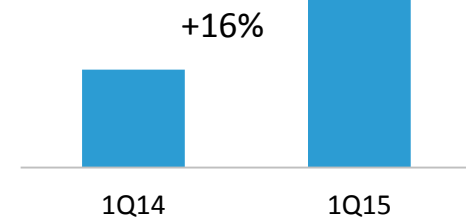
(R\$; % YoY)



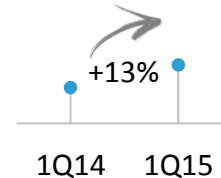
## Mobile Solutions

### Gross Adds

(% YoY)

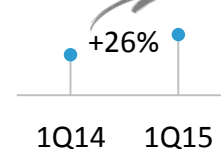


### Data only (% YoY)



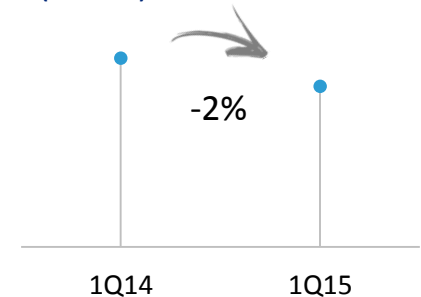
### Smartphones Lines

(% YoY)



### Churn

(% YoY)



# **Business Outlook**

# 1Q15 CONCLUSIONS

## 1 Q1 with headwinds but positive performance

- + Growing EBITDA and EBITDA margin
- + Growing outgoing revenues
- + Accelerating on data
- Macro / inflation / consumer spending
- MTR reduction
- SMS / voice trends

## 2 Solid progress on infrastructure plan

- + Project turbo roll-out
- + Quality metrics
- + 4G take up / growth

## 3 Demonstrating innovative DNA in data

- + WhatsApp availability in all plans bringing differentiation
- + Recovering performance in postpaid
- + Increasing data plans on prepaid

**All key strategic metrics checked**

+ **Data revenues growth**

+ **Data users growth**

+ **% of base as data users**

+ **Data ARPU growth**

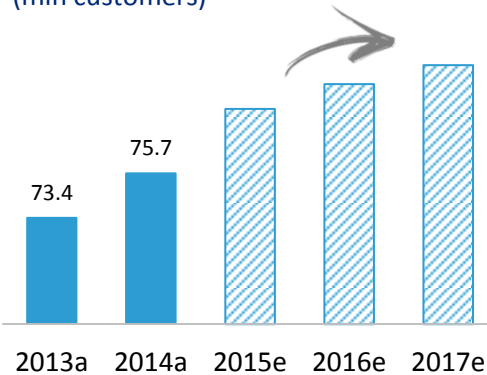
+ **Outgoing revenues growth**

+ **EBITDA margin increase**

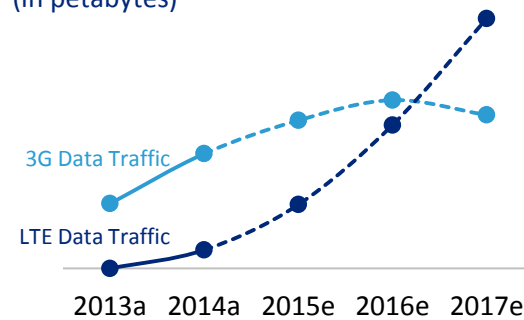
# COST EFFICIENCY

## Business Growth

### Mobile Customer Base (mln customers)



### Data Traffic Expectation (in petabytes)

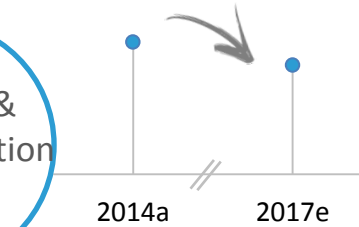


Network & Interconnection Savings

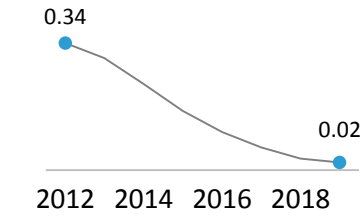
Operational Efficiency

Fixed Business Progress

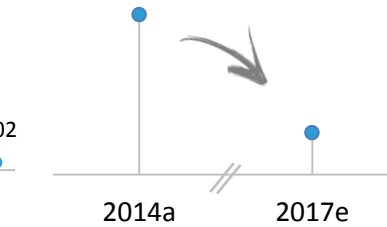
### Leased Lines Cost (R\$)



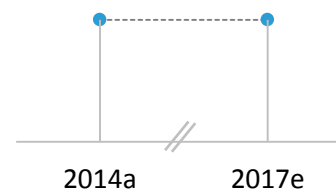
### MTR Path (R\$)



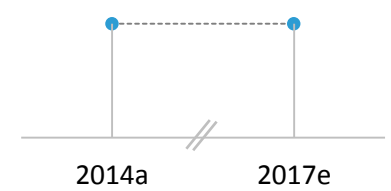
### SMS Market Revenues (R\$)



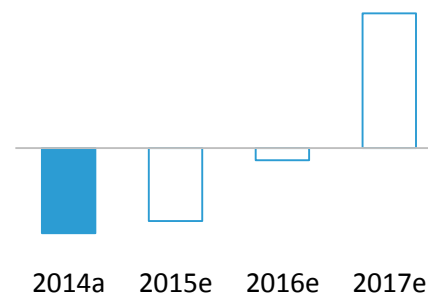
### SAC (Subscriber Acquisition Cost; R\$)



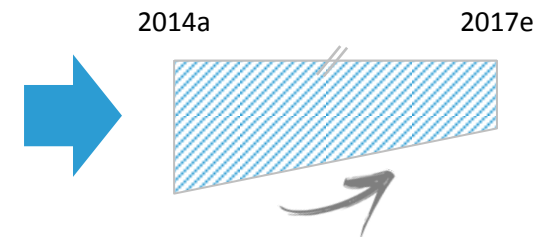
### Bad Debt (R\$)



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



### EBITDA - Capex (R\$; without intercompany)



# BUSINESS PERFORMANCE

## Mobile Net Revenues Analysis

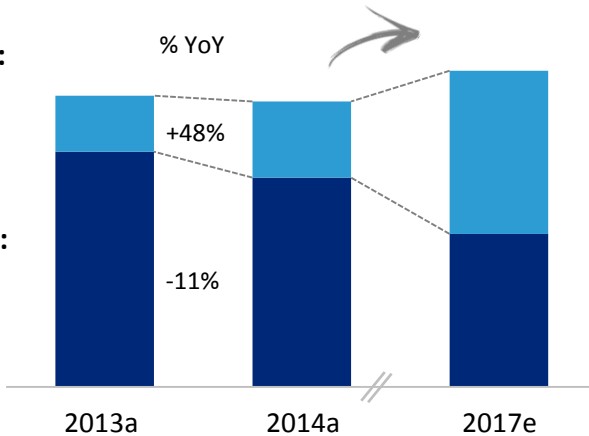
(R\$; % YoY)

### Innovative:

Data  
Content  
Other

### Traditional:

Voice  
Incoming  
SMS

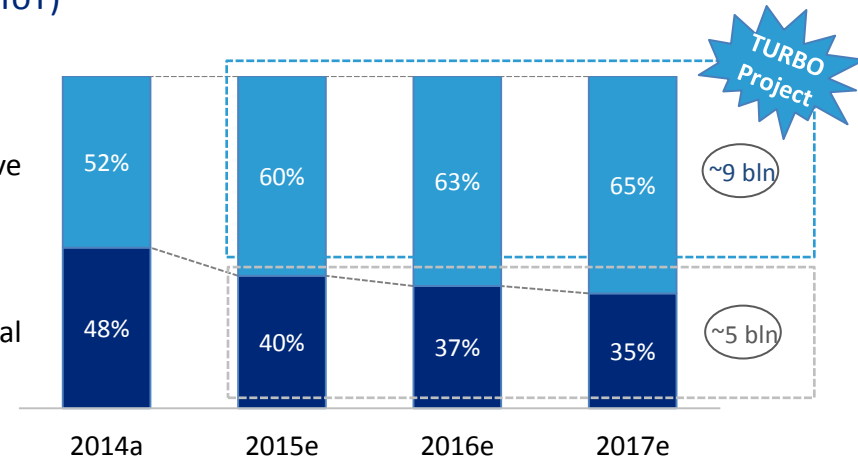


## Innovative and Traditional Investments

(R\$; % YoY)

### Innovative

### Traditional

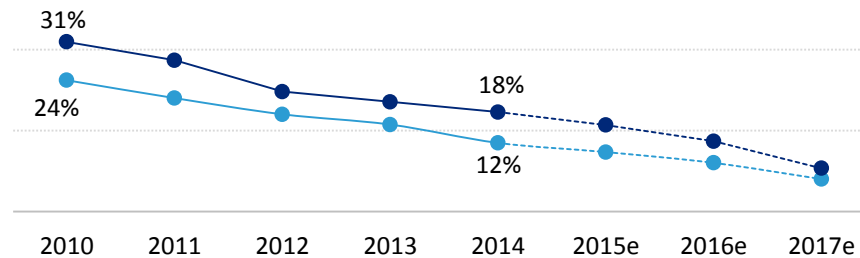


## MTR Impact Analysis

(R\$; %)

EBITDA  
Exposure

Net Services  
Revenues  
Exposure



Near mid-  
single

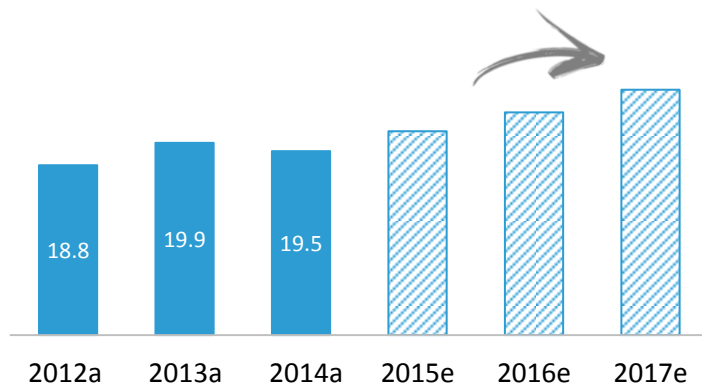
MTR Cut (% YoY)



# 2015-2017 GUIDANCE

## Net Revenues

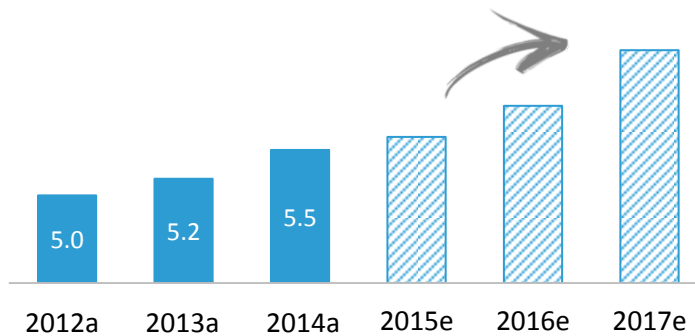
(R\$ billion)



**Continued Growth**

## EBITDA

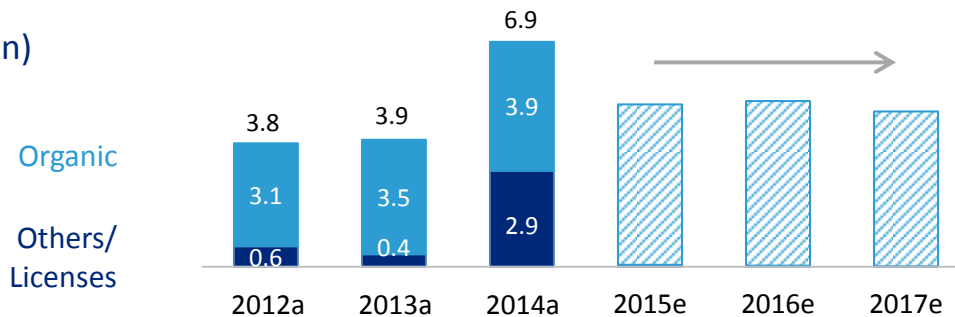
(R\$ billion)



**Continued Growth, improving margin**

## CAPEX

(R\$ billion)



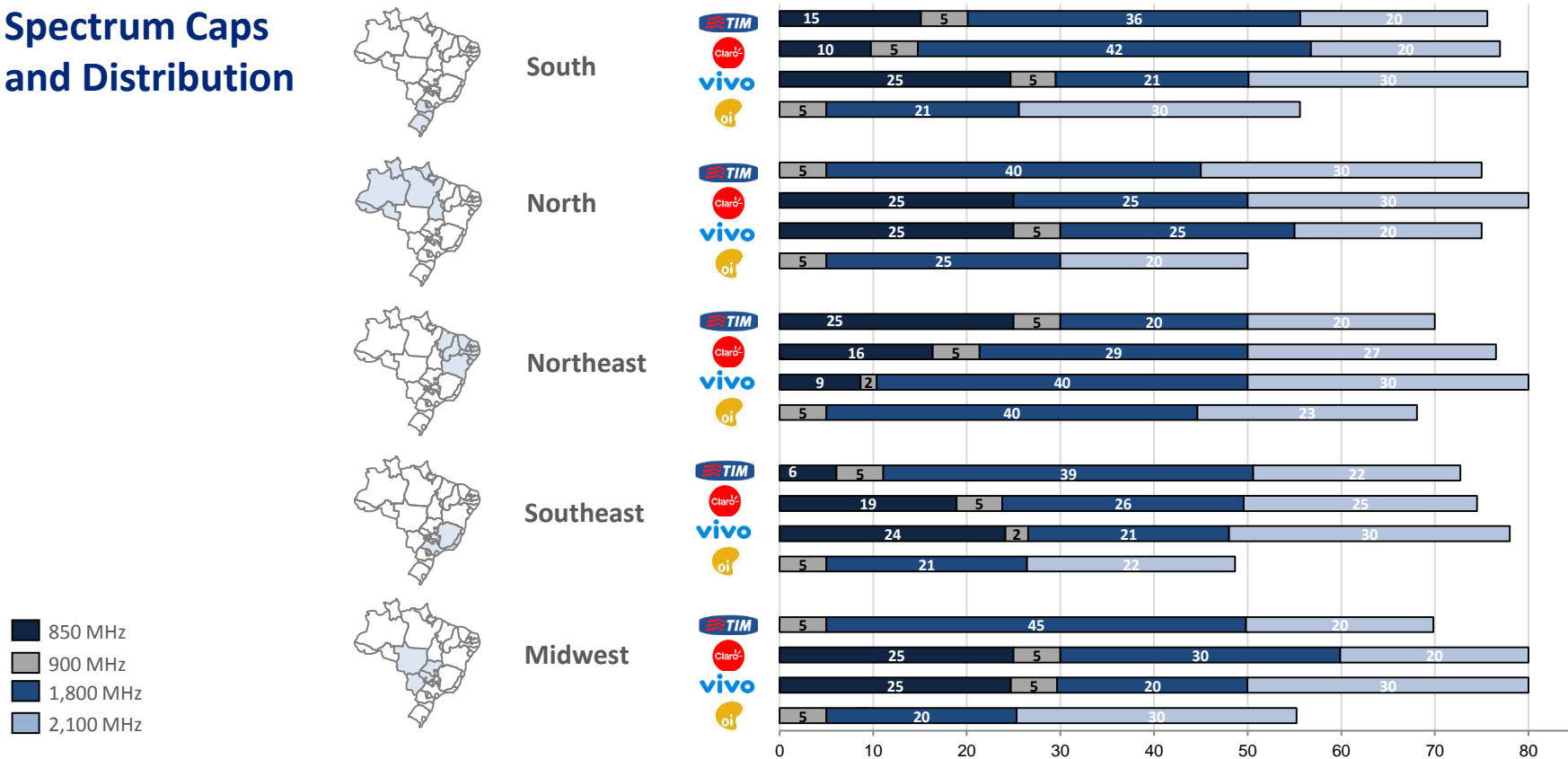
**CAPEX 2015-2017:  
>R\$14 billion**

# Regulatory Update

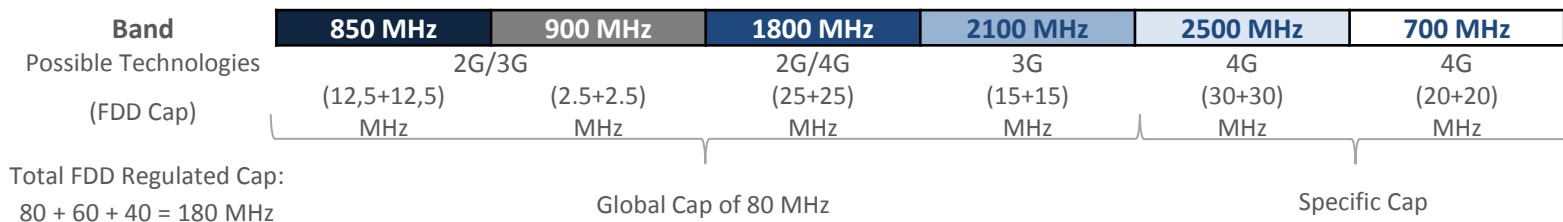


# SPECTRUM COMPARISON

## 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 Algar	TIM	vivo	Claro	
			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% in April 2015 ~R\$360 million

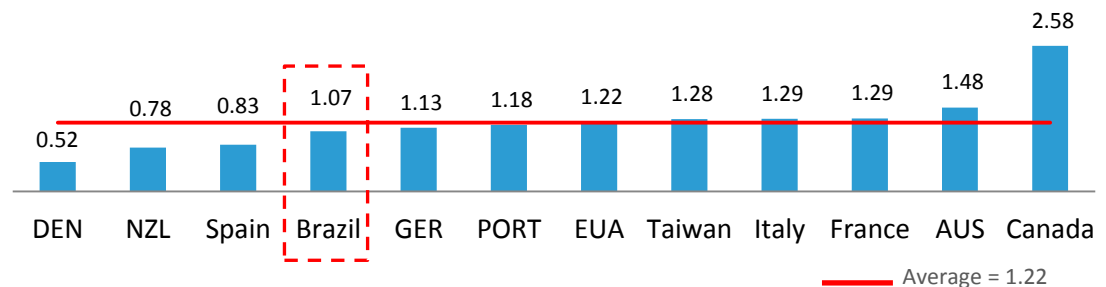
30% in January 2016 ~R\$360 million

30% in January 2017 ~R\$360 million

10% in January 2018 ~R\$120 million

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

### Spectrum acquisition at fair price (Price in USD/MHz/Pop. adjusted for GDP)



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

# MAIN REGULATORY TOPICS FOR 2015

## Internet

**“Marco Civil da Internet” (Brazilian Civil Rights Framework for the Internet):** Law nº. 12,965 provides Decrees/Regulations on topics such as net neutrality and privacy. Public Consultations will be launched involving the Comitê Gestor da Internet (CGI), MinCom and ANATEL


## Broadband


**“Programa Banda Larga para Todos” (Broadband for All) and review of PGMU (Universal Service goals):** The President Dilma intends to launch a universal broadband program, with 90% of households connected at 25Mbps.

## Licensing

**“PL das Antenas” (SCD 293):** Approved by the House of Representatives. Still needs to be voted in the Senate. Main points: simplification of licensing in environmental bodies and municipal governments; 60 days “positive silence”; right of passage in public lands.

## Exemptions


**Fistel** (Law nº. 13.097/2014): Enacted on 20.01, by President Dilma Rousseff. FISTEL full exemption for Small Cells with power <5W and reduction to 10% with power <10W. 

**REPNBL:** Regulates tax exemption for Telecommunications Network Deployment. Update approved by Minicom on 01.14.2015, reducing the % of national technology. 

## Regulatory evolution

**“Revisão do modelo de Concessão de STFC”:** Asset reversibility and duration, Universal Service (Presidential Decree nº. 7.512/2011): possibly relieving voice universal service goals, changes in Law nº. 9.472/1997 (General Telecommunication Law), extending the concession beyond 2025.

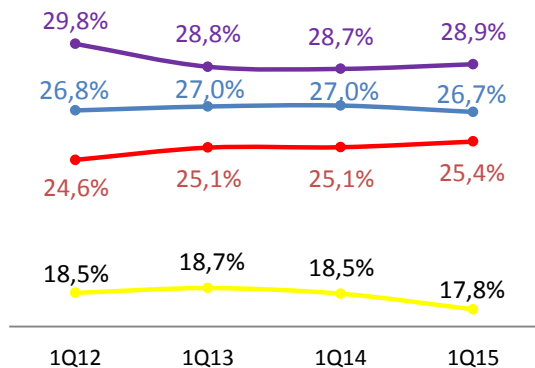
## Spectrum

**1,800 MHz Renewal:** Anatel approved the renewal process for the 1,800 MHz band for an additional period of 15 years. 

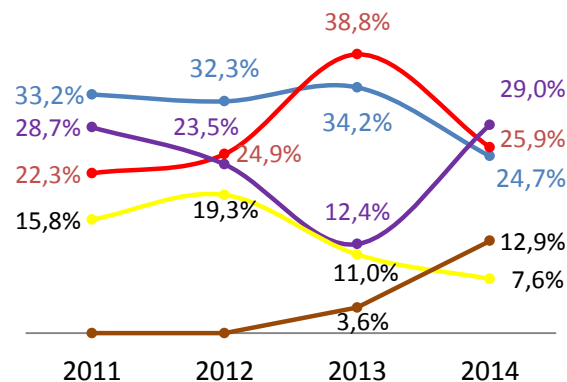
# Appendix

# MOBILE BASE ANALYSIS

## Mobile Base

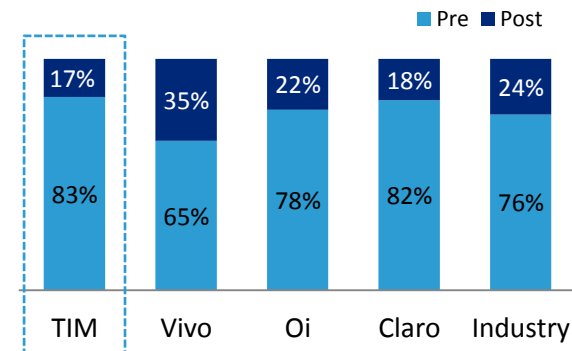


## Net Adds Share



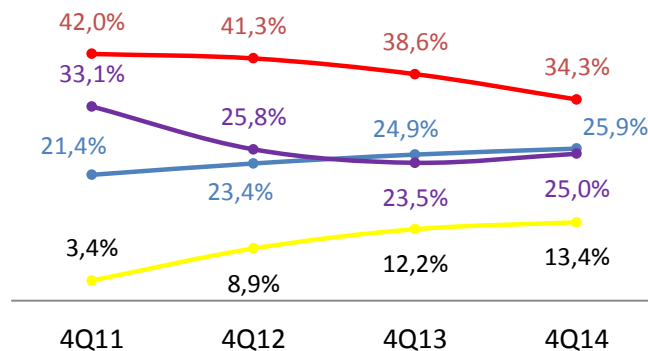
## Mobile Customer Base

In 2014

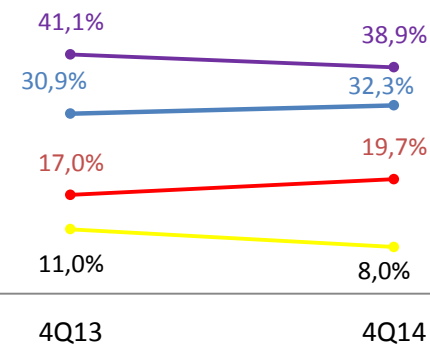


## Market Share per Technology

### 3G

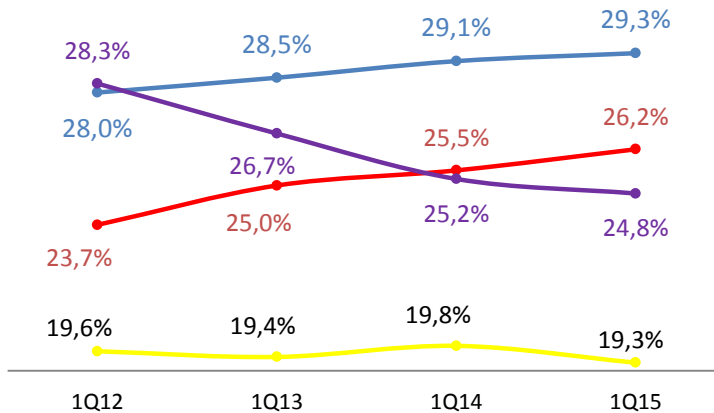


### 4G

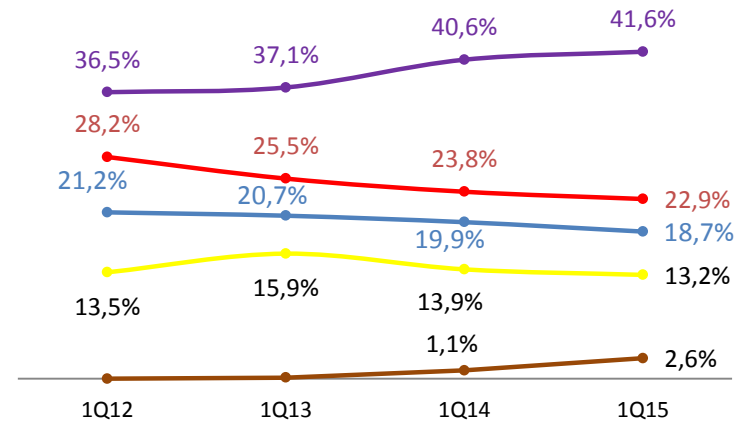


# MOBILE BASE BREAKDOWN

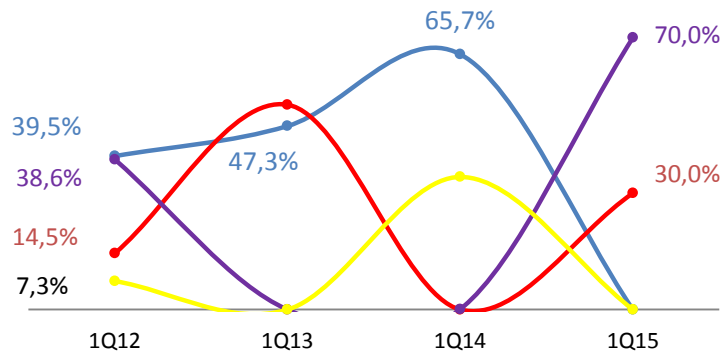
## Prepaid



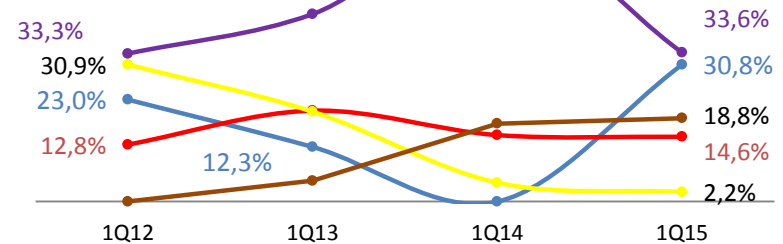
## Postpaid







## Net Adds Share



## Net Adds Share



# OFFERS: RECENT MAIN CHANGES

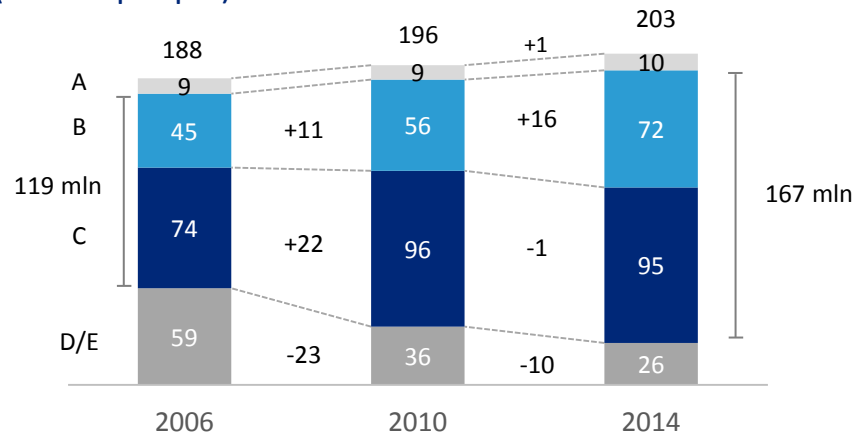
	1Q14	2Q14	3Q14	4Q14	1Q15
	<ul style="list-style-type: none"> <li>• Increase of SMS and internet offer from R\$0.50 to R\$0.60/day each</li> <li>• Increase on the monthly charge of TIM Liberty plans</li> <li>• Increase on the monthly charge of Liberty Controle plans</li> </ul>	<ul style="list-style-type: none"> <li>• Infinity Turbo 7 launch</li> <li>• SMS + Data for R\$12/month available to Liberty Controle plans</li> </ul>	<ul style="list-style-type: none"> <li>• Infinity Day launch</li> <li>• Increase of Web+SMS package to from R\$0.75 to R\$0.99/day</li> <li>• Increase on SMS and data services to R\$0.75/day each</li> <li>• Increase of R\$1 on Liberty Torpedo</li> </ul>	<ul style="list-style-type: none"> <li>• Internet sharing plans with up to 4 devices</li> <li>• Controle Whatsapp launch</li> </ul>	<ul style="list-style-type: none"> <li>• Price up in the prepaid plan: from R\$0.25 to R\$0.30 per unlimited on-net and LD calls (using 41) in several regions</li> <li>• Internet access blocked when the limit hired is reached (nationally).</li> </ul>
	<ul style="list-style-type: none"> <li>• Vivo Tudo: weekly charge of R\$6.90 for voice, SMS and data</li> <li>• Increase of R\$2 on monthly charge of Controle plans</li> </ul>	<ul style="list-style-type: none"> <li>• Increase of monthly package 'Vivo Sempre Internet' from R\$9.90 to R\$11.90</li> <li>• Increase on 'Vivo Sempre' tariff from R\$0.05 to R\$0.06</li> </ul>	<ul style="list-style-type: none"> <li>• Obligation to contract data package on postpaid plans</li> </ul>	<ul style="list-style-type: none"> <li>• 4G available on 'Vivo Tudo' and prepaid packages</li> <li>• New 'SmartVivo pós' plans</li> </ul>	<ul style="list-style-type: none"> <li>• Internet access blocked when the limit hired is reached (in prepaid and Controle plans nationally and in 'Vivo Tudo' plan in most regions).</li> </ul>
	<ul style="list-style-type: none"> <li>• Unlimited prepaid: increase of on-net calls tariff to R\$0.25 from R\$0.21</li> <li>• Increase of SMS and internet offers to R\$0.60/day each</li> <li>• Unlimited Controle plan: on net calls increased from R\$0.21 to R\$0.25</li> </ul>	<ul style="list-style-type: none"> <li>• Free on net local calls M-M in the main code areas</li> <li>• SMS + Data package per R\$0.99/day</li> </ul>	<ul style="list-style-type: none"> <li>• Promo 6 launch: recharge of R\$6 with voice, SMS and data benefits</li> <li>• New offer to SP with voice, SMS and internet benefits for R\$0.99/day</li> </ul>	<ul style="list-style-type: none"> <li>• Increase on M-F off-net calls to R\$0.70/call</li> <li>• Increase of SMS and Web services to R\$0.75/day each</li> </ul>	<ul style="list-style-type: none"> <li>• Unlimited prepaid: increase of on-net calls tariff to R\$0.30 from R\$0.25</li> <li>• Internet access blocked when the limit hired is reached (in prepaid plans nationally)</li> </ul>
	<ul style="list-style-type: none"> <li>• Increase of internet and SMS offers to R\$0.60/day each</li> </ul>	<ul style="list-style-type: none"> <li>• Increase on daily tariff of internet to R\$0.60/day</li> <li>• New package with SMS+ Data + Wi-Fi for R\$0.75/day</li> </ul>	<ul style="list-style-type: none"> <li>• Obligation to contract data package on postpaid plans</li> </ul>	<ul style="list-style-type: none"> <li>• Increase of M-M and M-F on-net calls to R\$0.25/day, local M-F off-net to R\$0.70/day and SMS + Web + Wi-Fi to R\$0.99/day</li> </ul>	<ul style="list-style-type: none"> <li>• Increase bonus, internet limit and download speed on prepaid plans</li> <li>• Standardized offnet M-M tariff at R\$1.75/minute nationally</li> </ul>



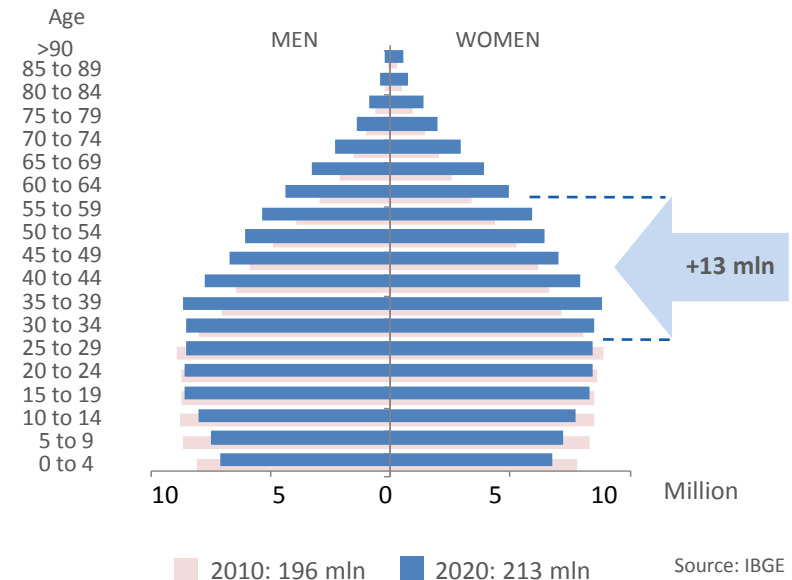
# BRAZIL'S SPECIFICS

## Income Profile

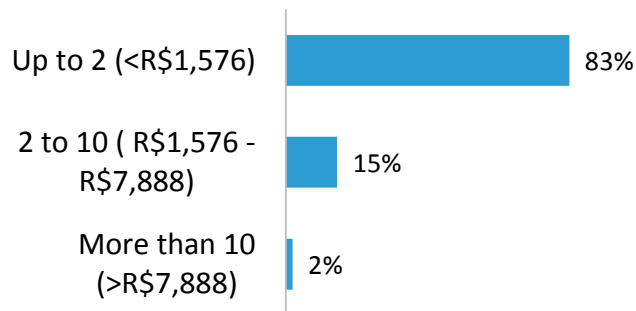
### Population by Social Class (million people)



## Age Pyramid (million people)



## Minimum Wage in Brazil (minimum wage; % of the pop.)



Minimum wage in 2015: R\$788

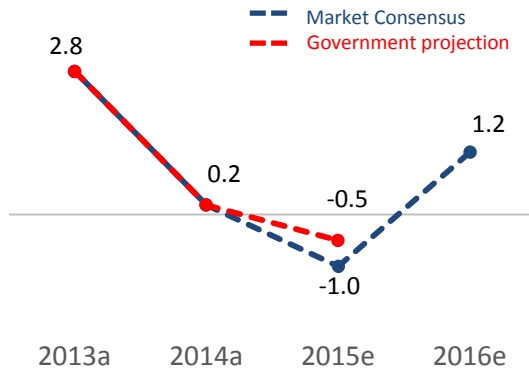
### Brazil Facts

- ✓ 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

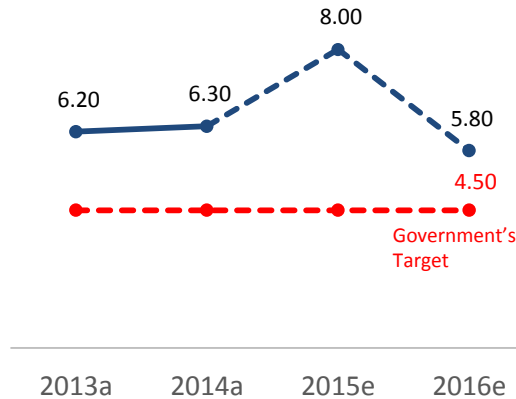
## GDP Forecast

(% YoY growth)



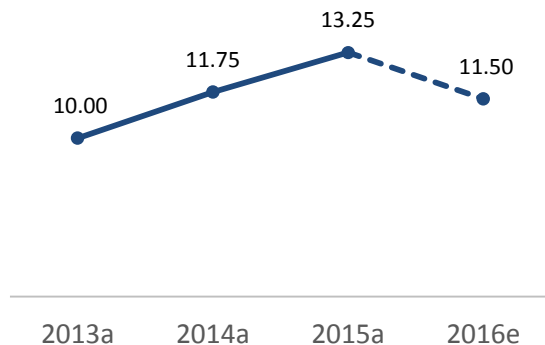
## Inflation Forecast

(IPCA: 12 months)



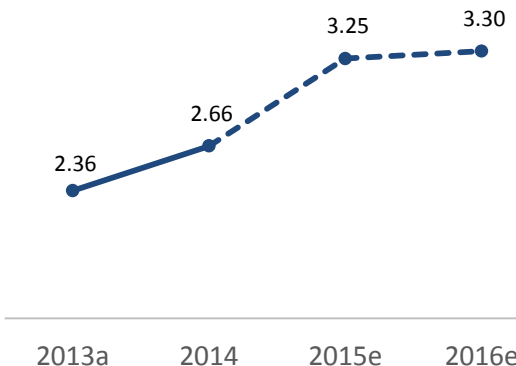
## Interest Rate Forecast

(% Selic Target p.y. – year end)



## FX Rate Forecast

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

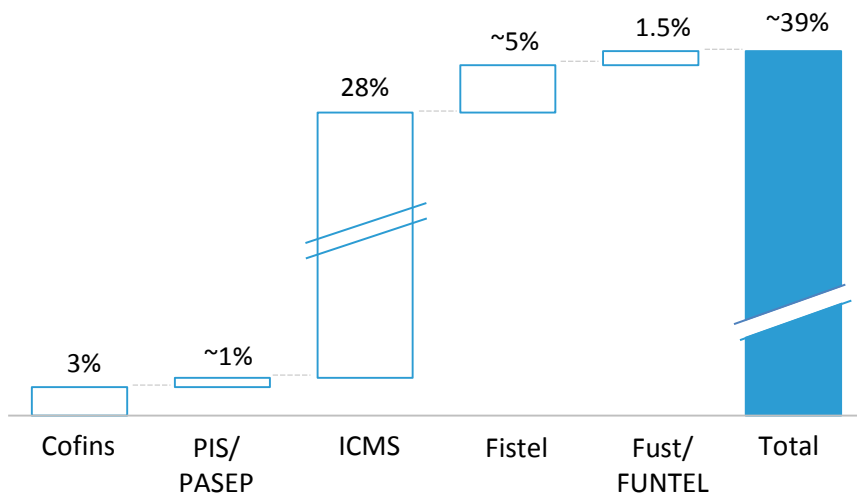


- Consensus expects a deterioration in overall macroeconomic scenario on the short term
- Market consensus shows a GDP recovery only in 2016
- Market expects government to push inflation above the upper limit of the inflation band
- With inflation and FX Rate going up, SELIC is expected to keep at current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

# TAX BURDEN

## Tax Burden Composition

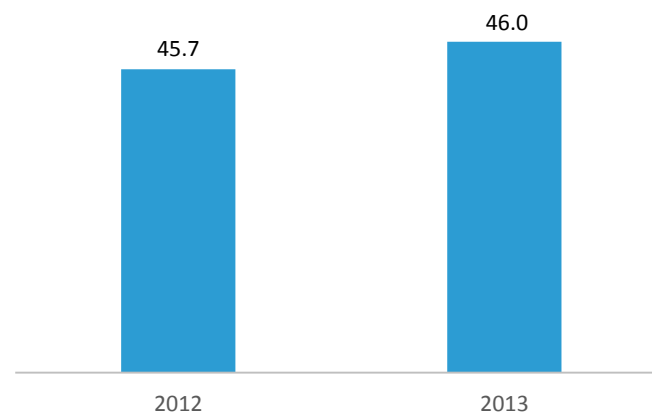
% Gross Revenues



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

## Telecom Industry Tax Payments<sup>1</sup>

(R\$ bln)



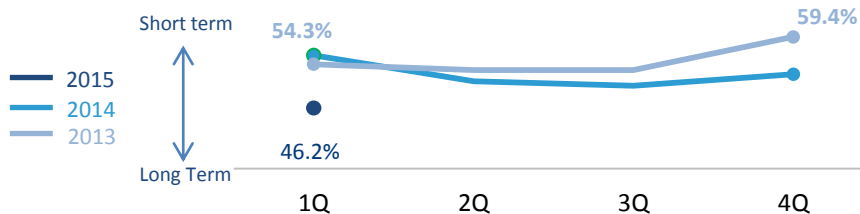
<sup>1</sup> Considers TIM, Telefonica, Oi and AMX

Source: players Balance Sheet

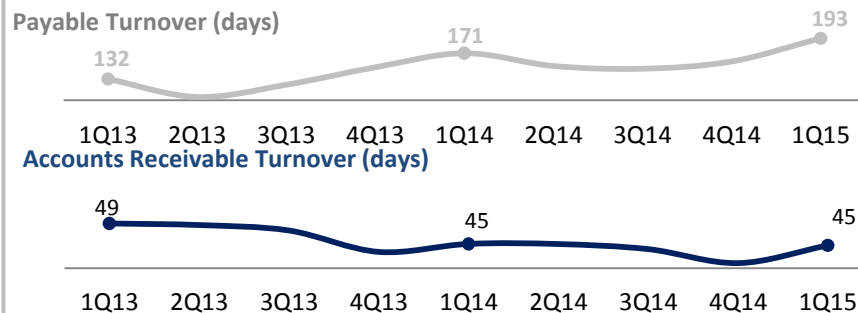


# BALANCE SHEET ANALYSIS

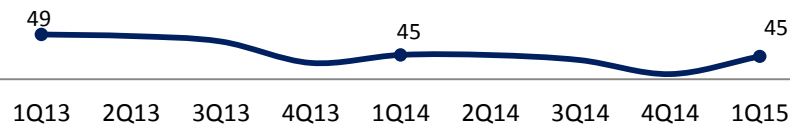
## TIM's Debt Composition



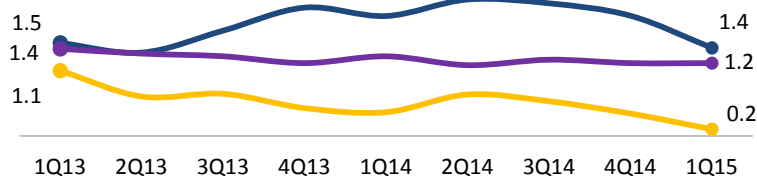
## Payable Turnover (days)



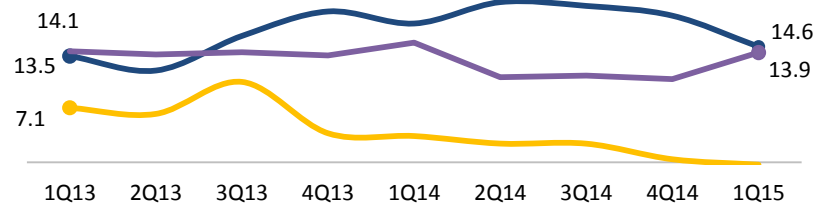
## Accounts Receivable Turnover (days)



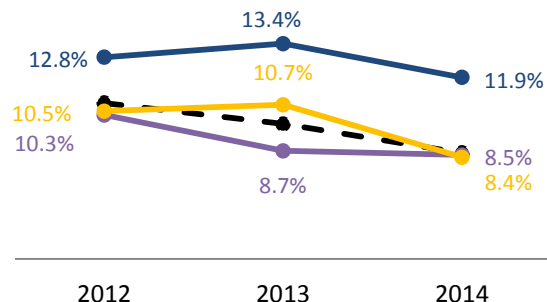
## Price/Book Value



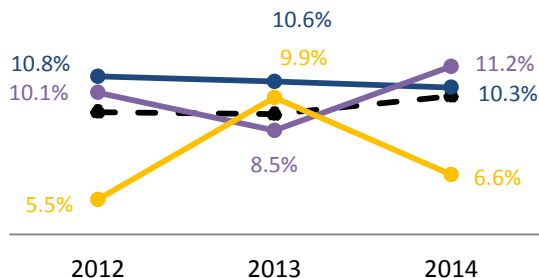
## Price/Earnings



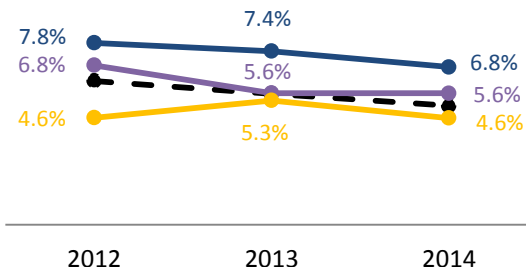
## ROIC (NOPAT/Invested Capital)



## ROE (Net Income/Shrd. Equity)



## ROE (NOPAT/Total Asset)



— TIM  
 — VIVO  
 — OIBR  
 - - - Market Average

Source: Bloomberg  
\*Estimated

# QUARTERLY HISTORICAL DATA (R\$ THOUSAND)

R\$ Thousand

Description	1Q14	2Q14	3Q14	4Q14	1Q15	1Q15 vs 1Q14 (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>-3.2%</b>
Gross Revenues Telecommunications Services	6,180,443	6,014,599	6,081,110	6,257,031	5,942,111	-3.9%
Telecommunications Services - Mobile	5,958,845	5,793,628	5,848,679	6,030,871	5,705,976	-4.2%
Usage and Monthly fee	2,801,736	2,751,247	2,738,456	2,715,595	2,584,224	-7.8%
Value added services - VAS	1,499,538	1,577,565	1,676,798	1,862,119	1,825,718	21.8%
Long distance	814,990	771,408	760,797	746,945	722,486	-11.4%
Interconnection	775,304	627,616	605,718	622,023	475,267	-38.7%
Others	67,277	65,792	66,910	84,189	98,281	46.1%
Telecommunications Services - Fixed	221,599	220,971	232,430	226,160	236,135	6.6%
Gross Revenues Handset sales	862,622	1,147,904	1,146,893	1,313,901	877,859	1.8%
<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>-2.9%</b>
Taxes and discounts on services	(2,080,803)	(2,030,080)	(2,036,086)	(2,061,207)	(2,002,527)	-3.8%
Taxes and discounts on handset sales	(260,038)	(357,690)	(339,152)	(341,281)	(270,731)	4.1%
<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>-3.3%</b>
<b>Adjusted 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>-3.3%</b>
Net Revenues on Services	4,099,640	3,984,519	4,045,023	4,195,824	3,939,584	-3.9%
Adjusted Net Revenues on Services	4,099,640	3,984,519	4,045,023	4,195,824	3,939,584	-3.9%
Net Revenues on Products	602,584	790,214	807,741	972,620	607,128	0.8%
<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>-5.3%</b>
Personnel expenses	(227,767)	(229,822)	(249,188)	(256,098)	(253,704)	11.4%
Selling & marketing expenses	(980,196)	(1,025,703)	(1,022,845)	(962,034)	(984,029)	0.4%
Network & interconnection	(1,194,478)	(1,010,578)	(1,065,378)	(1,047,298)	(1,014,099)	-15.1%
General & administrative	(149,852)	(178,396)	(167,330)	(174,500)	(143,185)	-4.4%
Cost Of Goods Sold	(645,844)	(828,012)	(853,853)	(1,012,740)	(657,457)	1.8%
Bad Debt	(76,103)	(77,152)	(58,071)	(37,249)	(56,541)	-25.7%
Other operational revenues (expenses)	(110,695)	(94,173)	(104,197)	(120,343)	(98,197)	-11.3%
<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>1.7%</b>
EBITDA Margin	28.0%	27.9%	27.4%	30.1%	29.5%	1.4 p.p
<b>Adjusted 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>1.7%</b>
Adjusted EBITDA Margin	28.0%	27.9%	27.4%	30.1%	29.5%	1.4 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>11.1%</b>
Depreciation	(401,829)	(407,479)	(417,756)	(445,793)	(448,988)	11.7%
Amortization	(328,484)	(349,594)	(344,872)	(356,772)	(362,312)	10.3%
<b>EBIT</b>	<b>586,975</b>	<b>573,824</b>	<b>569,275</b>	<b>755,616</b>	<b>528,201</b>	<b>-10.0%</b>
EBIT Margin	12.5%	12.0%	11.7%	14.6%	11.6%	-0.9 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>116.9%</b>
Financial expenses	(177,911)	(256,616)	(267,175)	(295,592)	(247,055)	38.9%
Net exchange variance	(1,403)	(560)	933	3,133	1,833	n.a.
Financial income	143,479	184,469	191,905	182,564	167,485	16.7%
<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>-18.3%</b>
Income tax and social contribution	(179,008)	(135,504)	(146,608)	(185,379)	(137,763)	-23.0%
<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>-16.0%</b>
<b>Adjusted Net Income</b>	<b>372,132</b>	<b>365,614</b>	<b>348,330</b>	<b>460,342</b>	<b>312,701</b>	<b>-16.0%</b>

# ANNUAL HISTORICAL DATA (R\$ THOUSAND)

R\$ Thousand				
Description	2012	2013	2014	2014 vs 2013 (YoY%)
<b>Gross Revenues</b>	<b>27,755,813</b>	<b>29,661,753</b>	<b>29,004,503</b>	<b>-2.2%</b>
Gross Revenues Telecommunications Services	24,350,086	25,065,214	24,533,183	-2.1%
Telecommunications Services - Mobile	22,879,828	23,993,427	23,632,023	-1.5%
Usage and Monthly fee	11,086,671	11,309,804	11,007,035	-2.7%
Value added services - VAS	4,404,832	5,353,653	6,616,020	23.6%
Long distance	3,217,921	3,332,965	3,094,139	-7.2%
Interconnection	3,969,138	3,760,751	2,630,661	-30.0%
Others	201,264	236,254	284,168	20.3%
Telecommunications Services - Fixed	1,470,259	1,071,787	901,160	-15.9%
Gross Revenues Handset sales	3,405,726	4,596,539	4,471,320	-2.7%
<b>Discounts and deductions on Gross Revenues</b>	<b>(8,991,865)</b>	<b>(9,740,463)</b>	<b>(9,506,338)</b>	<b>-2.4%</b>
Taxes and discounts on services	(7,930,128)	(8,364,155)	(8,208,176)	-1.9%
Taxes and discounts on handset sales	(1,061,738)	(1,376,308)	(1,298,162)	-5.7%
<b>Net Revenues</b>	<b>18,763,947</b>	<b>19,921,291</b>	<b>19,498,165</b>	<b>-2.1%</b>
<b>Adjusted Net Revenues</b>	<b>18,763,947</b>	<b>19,965,200</b>	<b>19,498,165</b>	<b>-2.3%</b>
Net Revenues on Services	16,419,958	16,701,059	16,325,007	-2.3%
Adjusted Net Revenues on Services	16,419,958	16,744,969	16,325,007	-2.5%
Net Revenues on Products	2,343,989	3,220,232	3,173,159	-1.5%
<b>Operating Expenses</b>	<b>(13,751,989)</b>	<b>(14,714,546)</b>	<b>(13,959,897)</b>	<b>-5.1%</b>
Personnel expenses	(729,032)	(831,876)	(962,875)	15.7%
Selling & marketing expenses	(3,842,934)	(3,937,899)	(3,990,778)	1.3%
Network & interconnection	(5,352,395)	(5,312,301)	(4,317,732)	-18.7%
General & administrative	(551,393)	(624,725)	(670,078)	7.3%
Cost Of Goods Sold	(2,604,978)	(3,350,841)	(3,340,449)	-0.3%
Bad Debt	(250,972)	(240,051)	(248,576)	3.6%
Other operational revenues (expenses)	(420,286)	(416,853)	(429,408)	3.0%
<b>EBITDA</b>	<b>5,011,958</b>	<b>5,206,744</b>	<b>5,538,268</b>	<b>6.4%</b>
EBITDA Margin	26.7%	26.1%	28.4%	2.3 pp
<b>Adjusted EBITDA</b>	<b>5,054,088</b>	<b>5,237,399</b>	<b>5,538,268</b>	<b>5.7%</b>
Adjusted EBITDA Margin	26.9%	26.2%	28.4%	2.2 pp
<b>Depreciation &amp; amortization</b>	<b>(2,688,588)</b>	<b>(2,767,871)</b>	<b>(3,052,579)</b>	<b>10.3%</b>
Depreciation	(1,458,563)	(1,502,498)	(1,672,857)	11.3%
Amortization	(1,230,025)	(1,265,374)	(1,379,722)	9.0%
<b>EBIT</b>	<b>2,323,370</b>	<b>2,438,873</b>	<b>2,485,689</b>	<b>1.9%</b>
EBIT Margin	12.4%	12.2%	12.7%	0.5 pp
<b>Net Financial Results</b>	<b>(169,890)</b>	<b>(302,720)</b>	<b>(292,772)</b>	<b>-3.3%</b>
Financial expenses	(644,754)	(749,700)	(997,294)	33.0%
Net exchange variance	(4,151)	(4,410)	2,104	n.a.
Financial income	479,015	451,391	702,417	55.6%
<b>Income before taxes</b>	<b>2,153,480</b>	<b>2,136,153</b>	<b>2,192,917</b>	<b>2.7%</b>
Income tax and social contribution	(704,592)	(630,539)	(646,499)	2.5%
<b>Net Income</b>	<b>1,448,888</b>	<b>1,505,614</b>	<b>1,546,418</b>	<b>2.7%</b>
<b>Adjusted Net Income</b>	<b>1,500,143</b>	<b>1,525,845</b>	<b>1,546,418</b>	<b>1.3%</b>

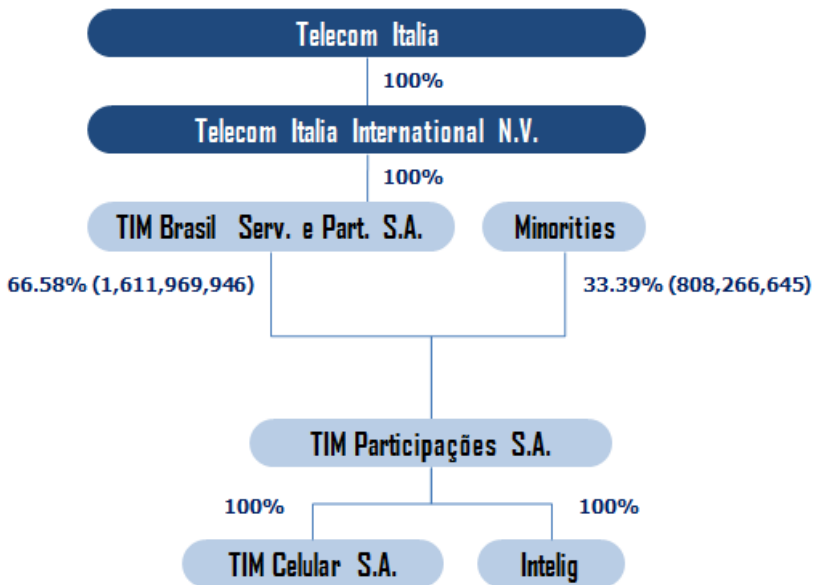
# HISTORICAL DATA: OPERATIONAL

Description	2012	2013	2014	2015 (YTD)
Brazilian Wireless Subscriber Base (000's)	261,808	271,100	280,732	283,400
Estimated Total Penetration	132.8%	134.36%	138.0%	139.0%
Municipalities Served (GSM)	3,383	3,404	3,433	3,439
Market Share	26.88%	27.09%	26.97%	26.73%
Total Lines (000's)	70,376	73,431	75,721	75,749
Pre-paid Lines (000's)	59,658	61,146	63,212	62,735
Post-paid Lines (000's)	10,718	12,285	12,508	13,015
Gross Additions (000's)	38,408	39,627	39,097	9,350
Net Additions (000's)	6,293	3,055	2,289	29
Churn	47.5%	50.9%	49.6%	-12.3%
Total ARPU	19.1	18.6	17.7	16.7
Total MOU	136	148	136	120
SAC	29	28	27	31
Handsets Sold (000's)	10,227	12,511	11,951	1,968
CAPEX (R\$ Mln)	3,765	3,871	6,854	924
Organic Capex <sup>1</sup>	3,400	3,871	3,932	924
Employees	11,650	12,167	12,860	12,785

<sup>1</sup> Excludes license acquisition

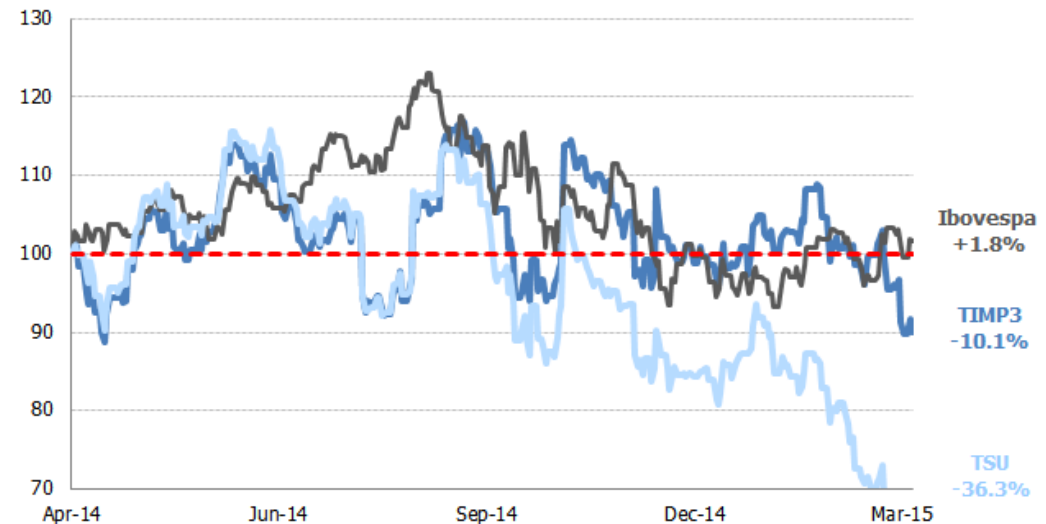
# STRUCTURE AND STOCK PERFORMANCE

## Shareholders Structure



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

## Stock Performance (base 100)\*



\*Last price as of 03/31/2015  
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.*

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