

# TIM Fiber Day

December 5<sup>th</sup>, 2011



Você, sem fronteiras.

# The Brazilian telecom landscape and the strategic value of TIM Fiber

Luca Luciani



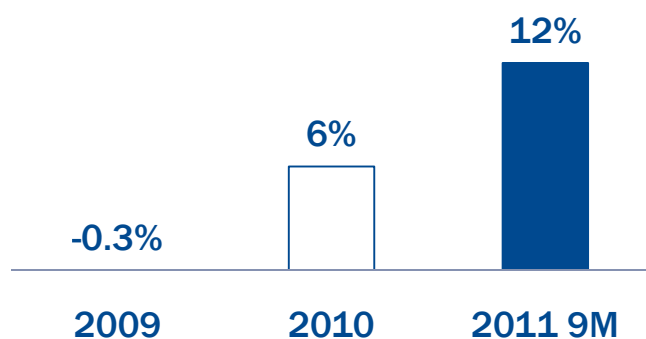
- ▶ **TIM Achievements**
- ▶ **Market View and Strategy**
- ▶ **How TIM Fiber creates value**
- ▶ **Conclusions**



# Acceleration of growth: Improved KPIs



## Service Revenues Growth



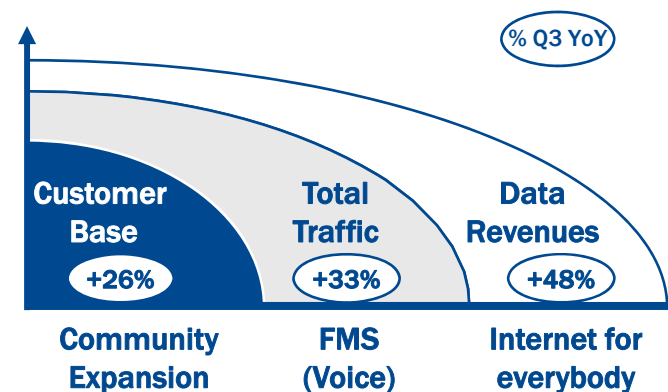
### Total Revenues (Δ% YoY):

Year	Δ% YoY
2009	-1.4%
2010	+5%
2011 9M	+17.5%

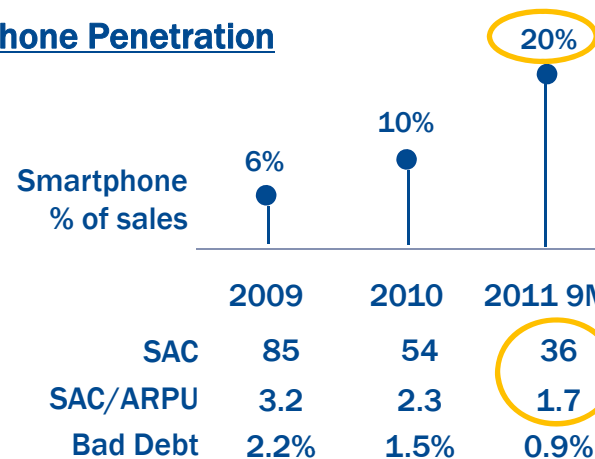
### Customer Base (million of lines):

	2009	2010	2011 9M
Customer Base	41.1	51.0	59.2
Market Share	23.6%	25.1%	26.0%
Increm. Share	20.2%	34.2%	33.5%

## 3 Waves of growth in place



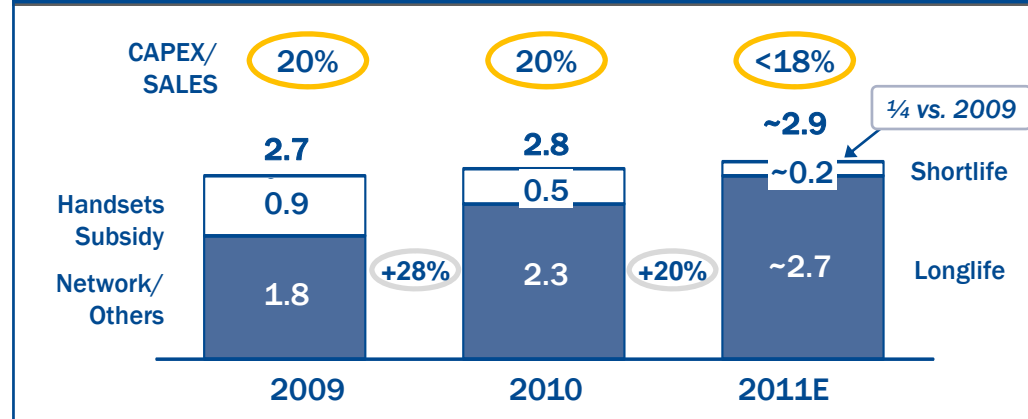
## Smartphone Penetration



# Network Deployment: Better CAPEX Allocation

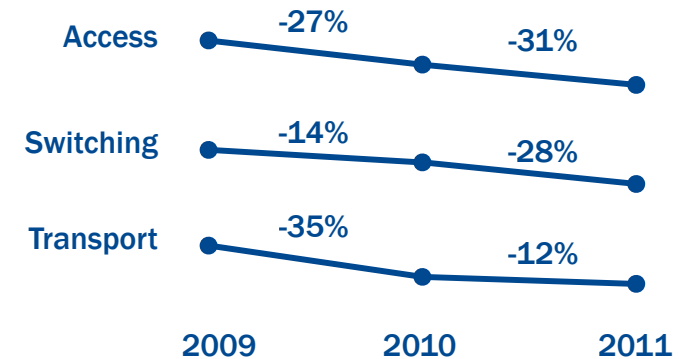


## Better CAPEX Allocation

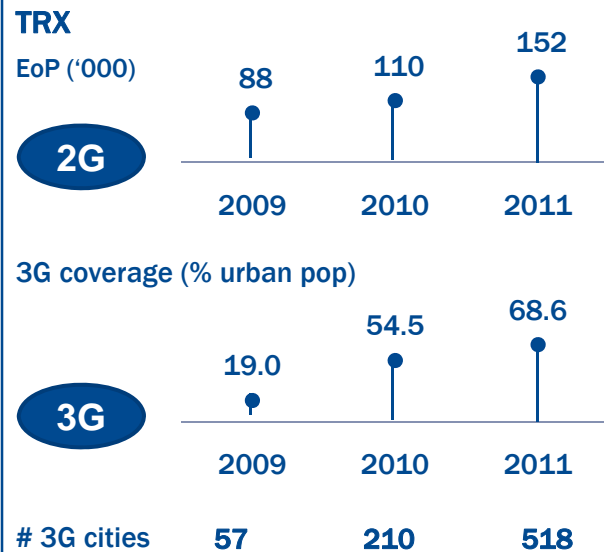


## Efficiency

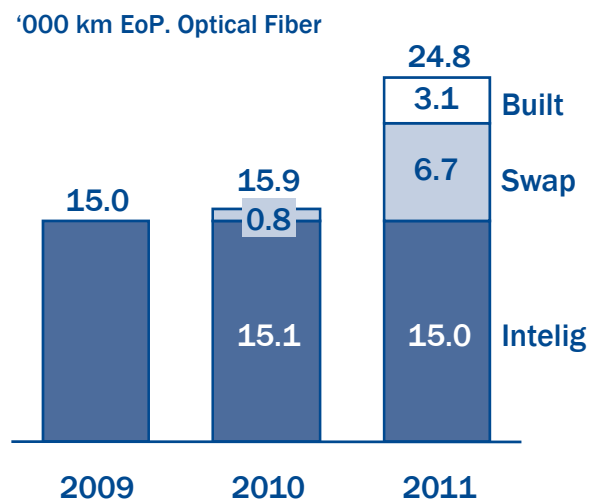
### Unit price



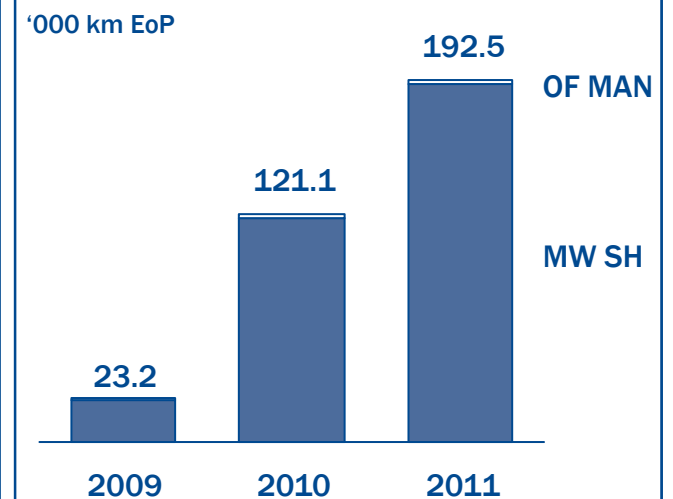
## Access



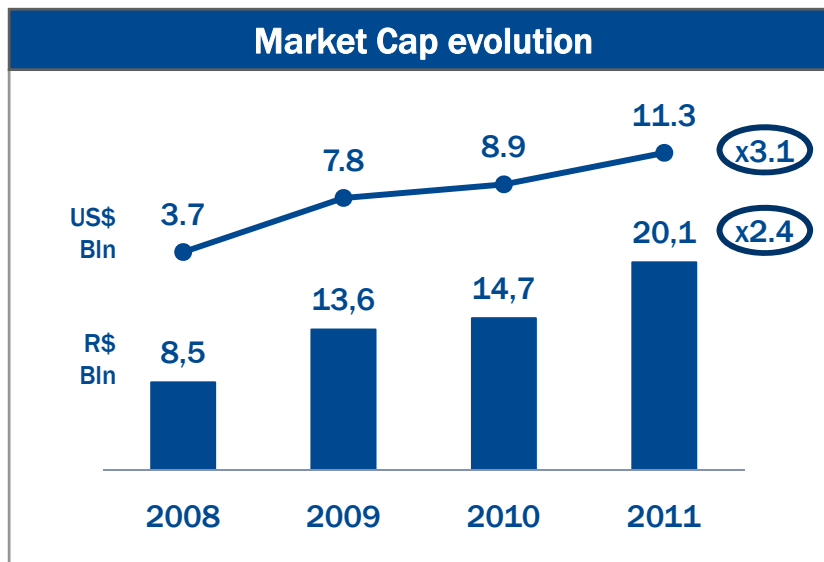
## Backbone



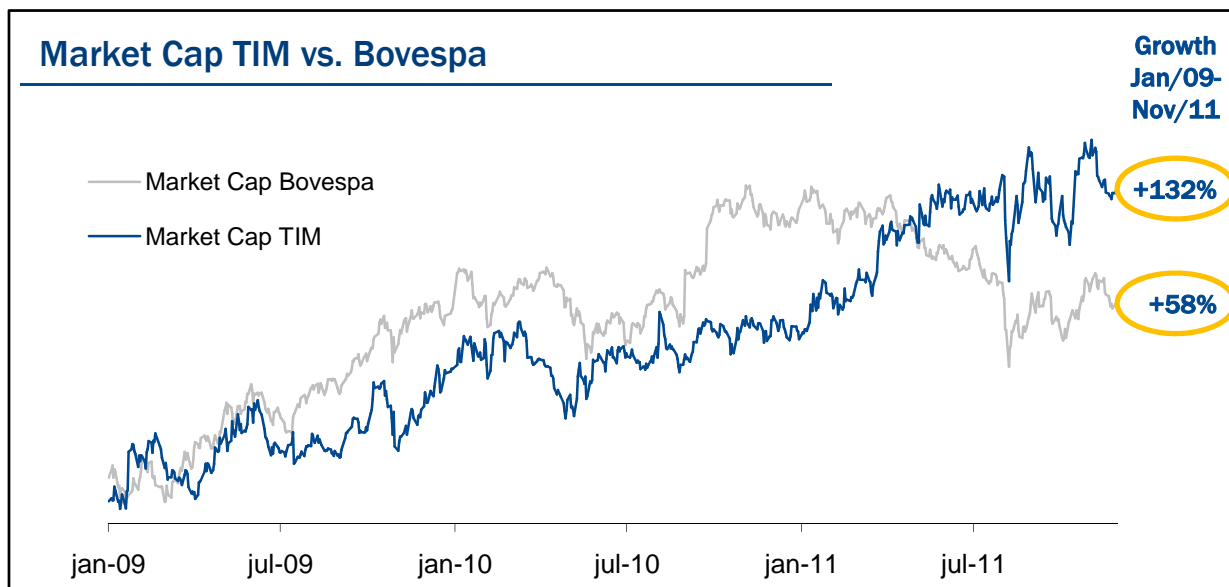
## Backhauling



# Improved Shareholders Returns



- ✓ Intelig Acquisition
- ✓ Novo Mercado
- ✓ AES Atimus Acquisition
- ✓ AuCap to strengthen Balance Sheet



- ▶ **TIM Achievements**
- ▶ **Market View and Strategy**
- ▶ **How TIM Fiber creates value**
- ▶ **Conclusions**

- A** **Innovation is crucial to act in a competitive market**
- B** **Catching the Brazilian TLC Market opportunities:**
  - surfing the pure mobile opportunities
  - addressing underpenetrated internet market with mobility
  - entering in new ultra-BB residential market via TIM Fiber 5,500 Km network
  - speeding up Corporate TLC solutions (Intelig): 500k SME addressable in SP/RJ
- C** **With AES Atimus acquisition, TIM is structurally strengthening its infrastructure:**
  - FTTS to power 2G/3G access and wi-fi offloading
  - Ultra Broadband at home and at the office

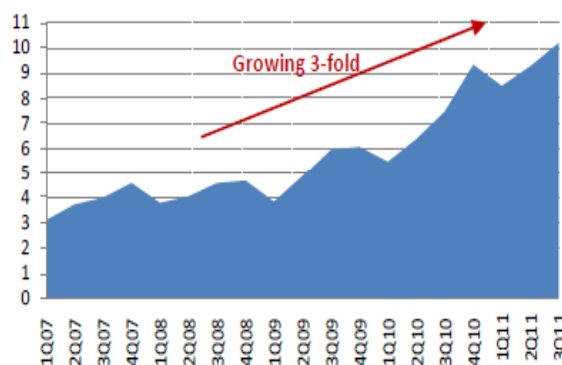


# A Innovation is crucial to act in a Competitive Market



## TIM Gross Adds

Mln lines



## TIM Approach

### Customer Base Enlargement

- Promo
- Subsidy

- Gross Adds
- SAC

- Unlimited
- Simple
- Transparent

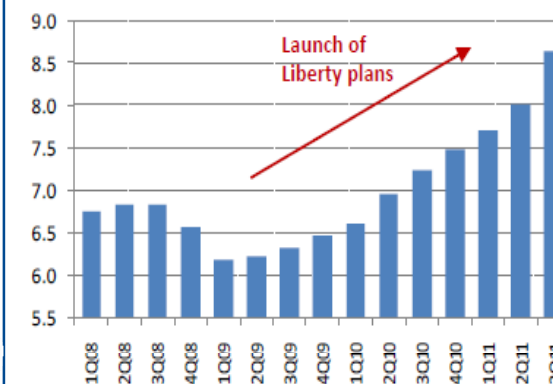
### Customer Base Development

- Up-sell
- Voice/data
- Fidelization

- Pos-Paid
- Churn

## TIM Post-paid CB

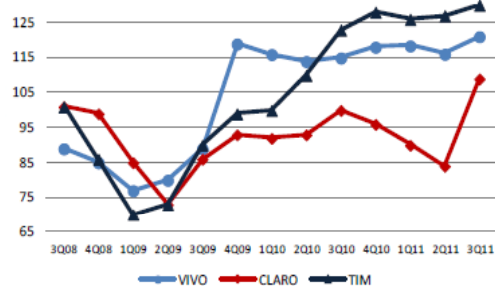
Mln lines



## Examples of Innovation in Go 2 Market:

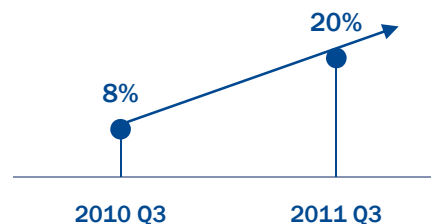
### Talking More

MoU (min)



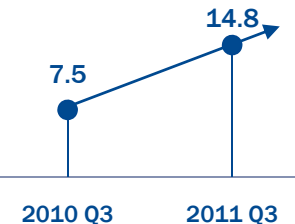
### No subsidy

Smartphone penetration



### Internet for all

Unique users per month (Mln)

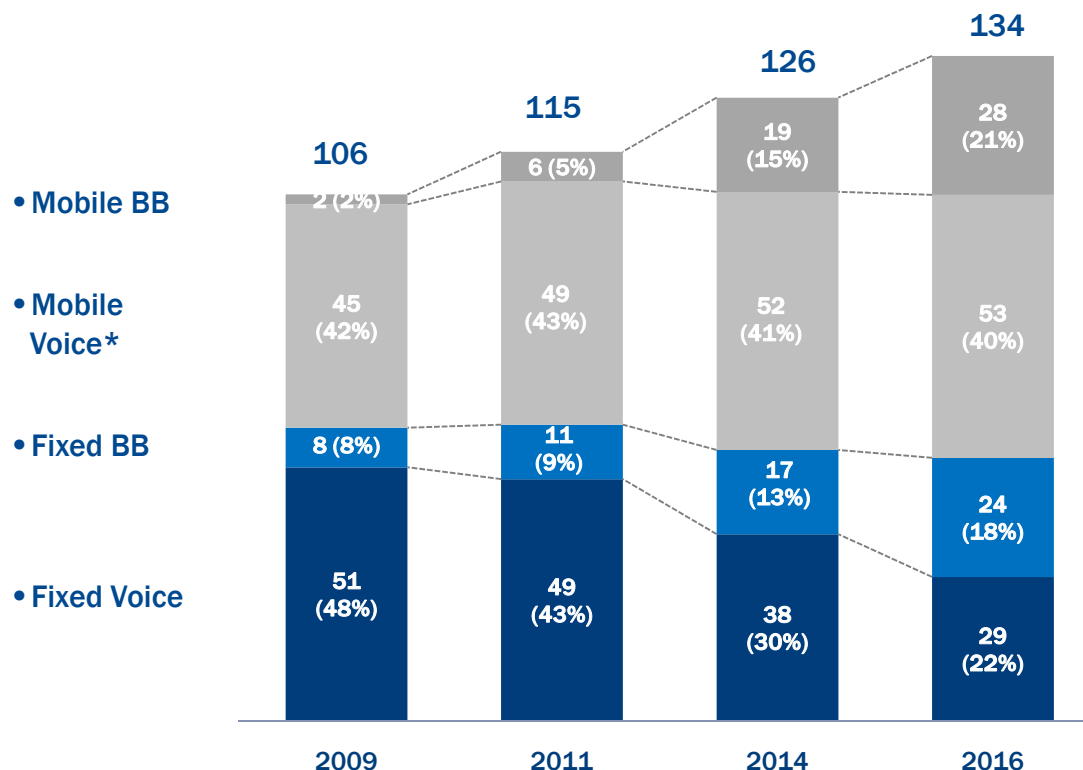


TIM innovation in Go 2 Market

# B Brazilian TLC Market Transformation

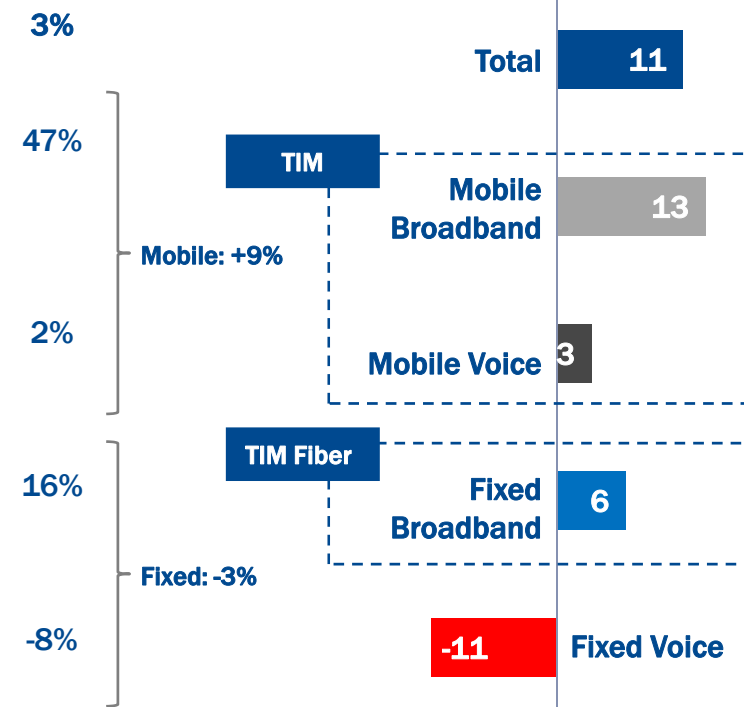


R\$ Billion



CAGR '11-'14

Incremental Revenues '11-'14



Market Split between:

Mobile	47 (44%)	47 (48%)	71 (57%)	81 (61%)
Fixed	59 (56%)	60 (52%)	55 (43%)	53 (39%)

\*incl. SMS and Content

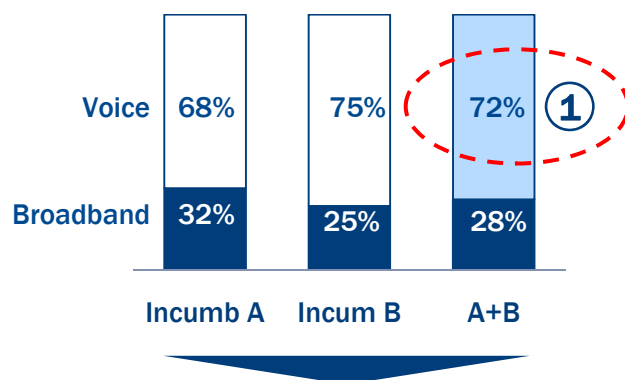
Source: TIM Marketing Plan. Gartner. IDC. E-Bit

# B TIM Positioning: surfing the Pure Mobile Opportunity



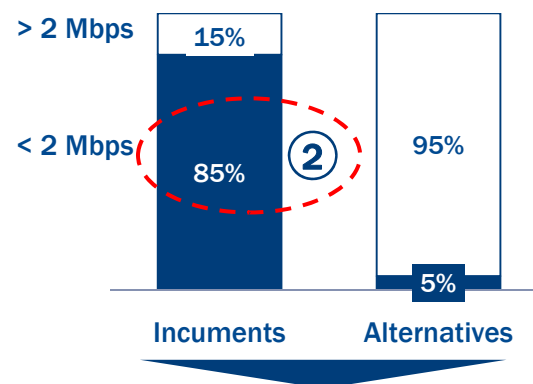
## Limited BB penetration among incumbents wireline accesses

% of wireline accesses. Q3 2011



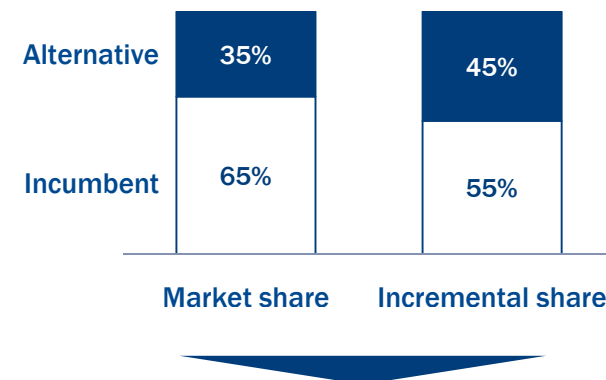
## Poor BB capability

% of wireline accesses



## Erosion of incumbent BB Market Share

% of accesses (2011 9M)



### TIM's Opportunities:

#### FMS on voice

- ✓ Accelerating FMS without facing a trade-off between Mobile growth and Fixed Line cannibalization
- ✓ Negative mobility price premium

#### FMS on data

- ✓ Mobile Broadband competitive vis a vis < 2Mbps Wireline Broadband
- ✓ Availability of mobile network (3G @ 80% of population coverage)
- ✓ Affordability of mobile data packages (Infinity web R\$0.50/day; Liberty 29.9/month)

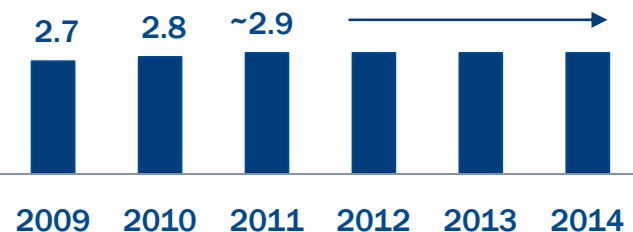
#### Ultra Broadband

- ✓ No play in the short run for mobile access
- ✓ Selective opportunities for TIM Fiber in SP/RJ

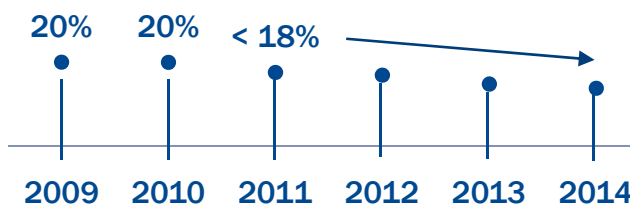
# c Strengthening Network Infrastructure



## Capex



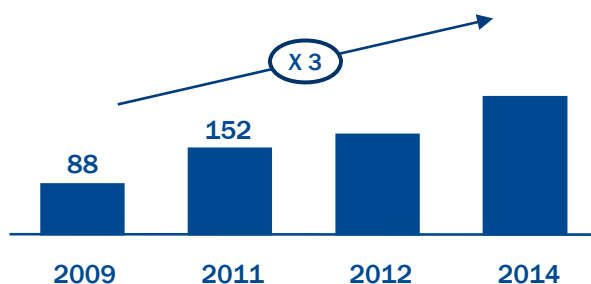
## Capex/Sales



Improving OFCF

## Access 2G

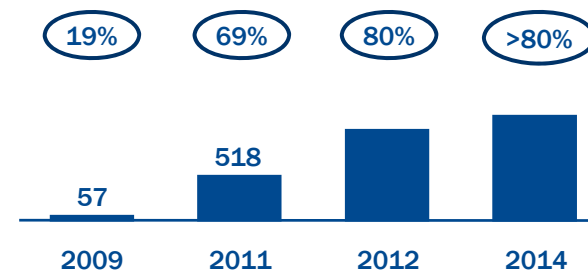
TRX EoP  
'000



## Access 3G

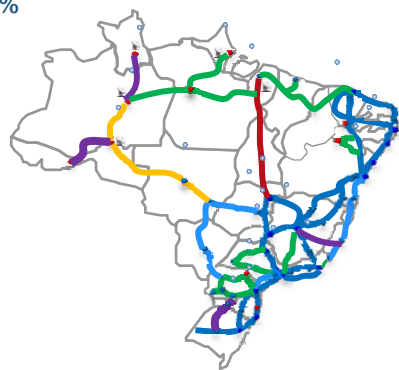
# 3G cities

○ % of population



## Backbone Development

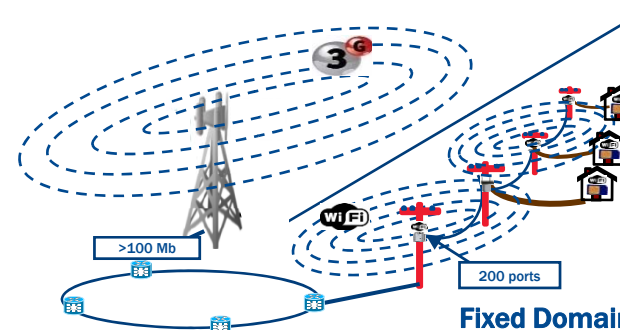
FO LD: growth >150%  
@ 2014



## FTTS in Top 40 Cities

Atimus: ~5.5k km  
Top 40 cities: ~4.0k km

Mobile Domain



# C With AES Atimus acquisition, TIM is ready to catch the Brazilian TLC Market Transformation



## Customers Behavior

- ✓ “Voice Matters”
- ✓ “Beyond The Voice”
- ✓ Limited **Willingness to Pay vs. to Use** for Internet
- ✓ **Mobile/Wi-Fi** solutions more and **more effective** (reliability. efficiency. capillarity)
- ✓ **Cooper** Based Networks structurally **limited**

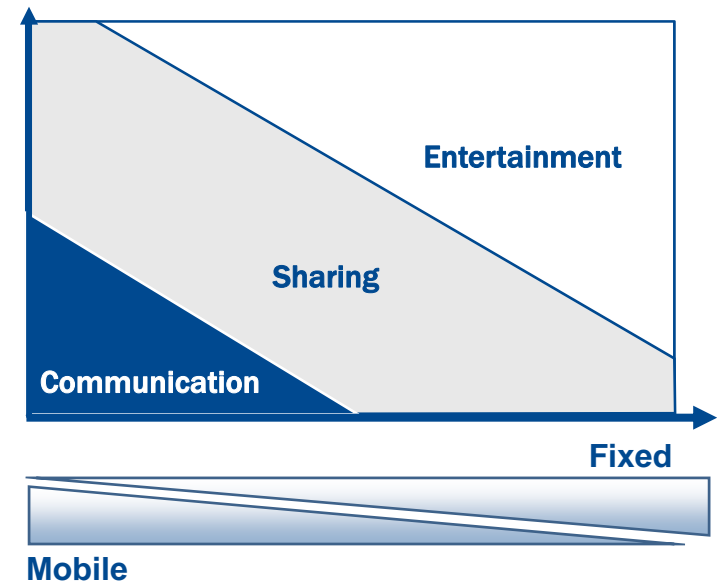
## Technology Evolution

**“The incumbents deadlock”**

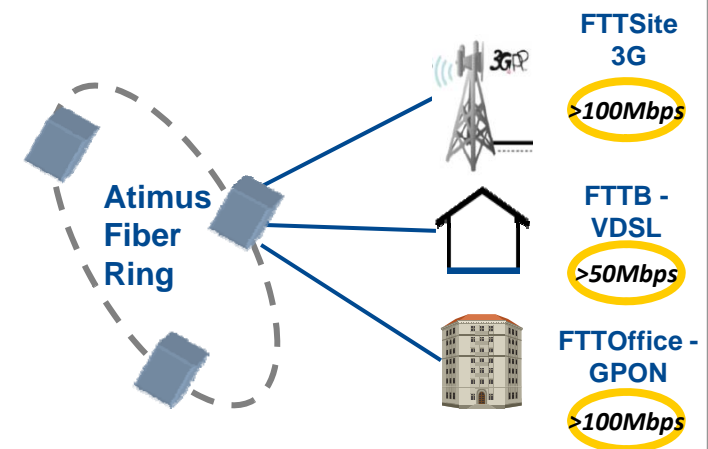
## TIM Approach

- ✓ Keeping on the **Community Expansion**
- ✓ **Evolving Customer Behavior** (from voice to data to service)
- ✓ Develop the **best mobile data network** (Fiber to the curb; LTE ready; Wi-Fi offloading)
- ✓ Address new **Residential/ Corporate Ultra BB Needs** (Naked Access + Pay TV Partnerships)

Cooper based ADSL structurally limited vs. Fiber Based Solutions (FTTC. FTTB. FTHH)



## Fiber based Solution



- ▶ **TIM Achievements**
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- ▶ **Conclusions**



# How TIM Fiber creates value for shareholders?

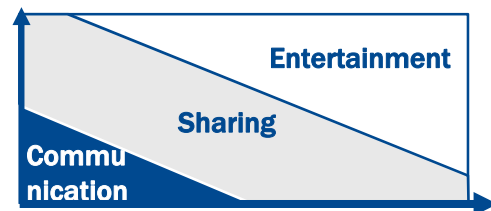


**Accelerating Growth**

## Mobile Data

### Heavy approach in SP/RJ

- ✓ 24 months time to market shortcut



## Fixed Ultra BB Residential

Naked BB entertainment experience

- Gaming
- Video on demand
- Downloading (music, Youtube....)

- ✓ Partnership with PayTV/OTTs

## Fixed Ultra BB Corporate

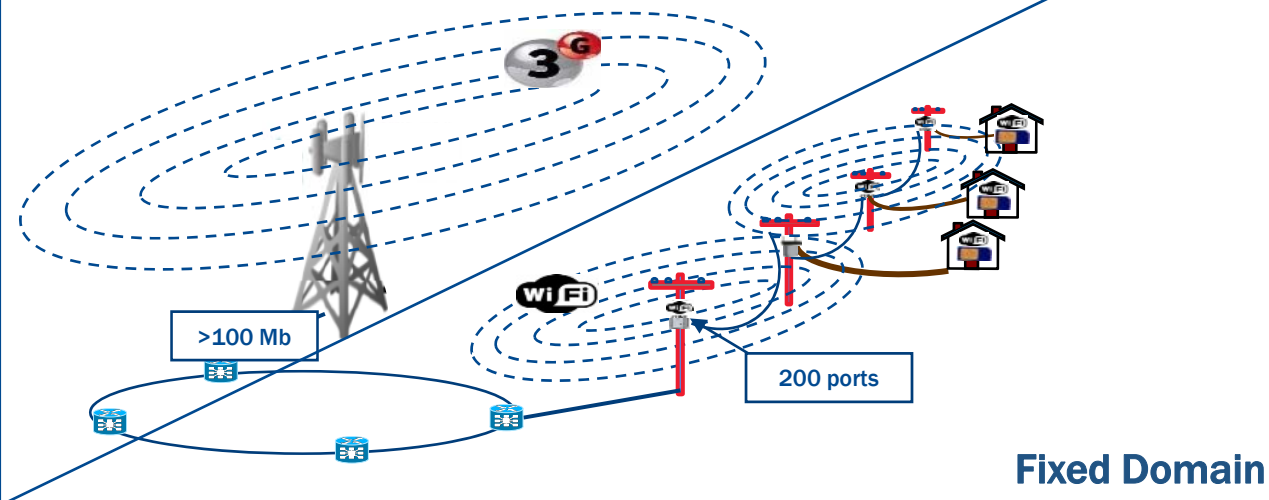
- ✓ Integrated Voice, Data and services
- ✓ Solutions

- ✓ Partnership with Cloud Computing

**Powered by an optical Fiber based Network**

## Internet Access

### Mobile Domain



# TIM Fiber: marginal CAPEX required to connect customers



Investment per active household (R\$)



• **AES Acquisition:** fully exploiting existing fiber network with high capillarity (5.500 Km in SP/RJ). "i.e. drop instead of last mile"

• **Power Node (MSAN)** + premises access: high flexibility, time to market and costs efficiency (standardized solution)

• **Installation.** using existing building infrastructure (jumper, DDF)

• **Not Necessary:** already existing connection belonging to the building

• **VDSL Modem:** cost efficient solutions with high standardized products

# TIM Fiber contribution: Value Creation for TIM Brasil



## Savings in Transport CAPEX and OPEX

- Sites directly connected with fiber:
  - Reducing leased lines OPEX
  - Avoiding future CAPEX and OPEX
- Increasing sites capacity for speeds 4G like



Mar 2012

## Corporate Segment Acceleration

- SP and RJ metropolitan areas represent 35% of the national corporate market
- Intelig with ~4% of SME market share
- Capilar access network allows quick installation and fast growth



Mar 2012

**Total Value  
R\$ 4.8 Bn**

## Mobile Data Business Acceleration (SP/RJ)

- Higher speeds in mobile access
- High transport capacity. eliminating bottlenecks
- Possibility to accelerate FMS also through modems



Jun 2012

## Launch of the Residential Broadband

- Market in strong growth. with potential to grow ~R\$ 2 Bln over the next 4-5 years
- Residential market underserved by incumbents. which present low performance due to old copper networks

TIM Fiber

Jun 2012

- ▶ **TIM Achievements**
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▶ **Conclusions**

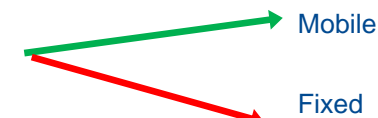
# Conclusions



## GROWTH

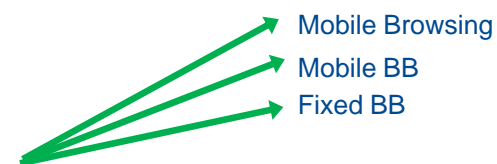
### FMS voice

- ✓ **Accelerating FMS** without trade-off between mobile growth and fixed line cannibalization



### Internet Wave

- ✓ **Accelerate mobile internet penetration** (small/big screen) to satisfy underserved connectivity demand
- ✓ **Ultra-BB Residential** (TIM Fiber); potential partnership with pay TV
- ✓ **Broadband Connectivity/solutions for corporate** segment (Intelig)



### Go 2 Market

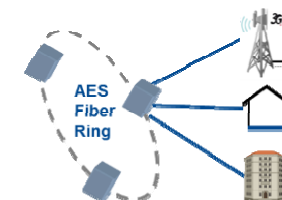
- ✓ **Keeping on innovation**
- ✓ **Enrichment of Value Proposition** via:
  - upselling voice/data
  - customer development/CRM approach
  - synergizing Sales and CRC



## SHAREHOLDERS VALUE

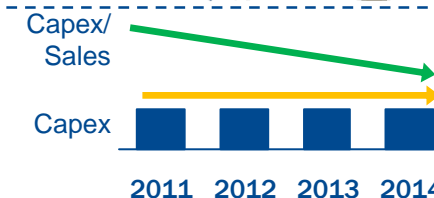
### Network

- ✓ **Access strengthening** (2G; 3G; Wi-Fi offload)
- ✓ 40.000 Km **Fiber optic based Backbone**
- ✓ **FTTS in top 40 cities**
- ✓ **Best Optical Network in SP and RJ**



### OFCF

- ✓ **Capex Flat** at 2011 level
- ✓ ~R\$ 1Bn Opex and Capex **synergies from TIM Fiber**
- ✓ ~ R\$ 500 for Household Broadband connectivity



### TIM Fiber contribution

- ✓ **R\$ 4.8Bln Value Creation for TIM Brasil:**
  - Opex/Capex savings
  - FMS data in SP/RJ
  - Intelig
  - TIM Fiber

Sinergies	Intelig
R\$ 4.8 Bln	
Mobile data	Residential BB



Você, sem fronteiras.

# Financials



Description	3Q11	2Q11	1Q11	4Q10	3Q10	2Q10	1Q10	QoQ	YoY
<b>Gross Revenues</b>	<b>6,381,506</b>	<b>6,151,077</b>	<b>5,440,095</b>	<b>5,565,433</b>	<b>5,172,709</b>	<b>4,942,702</b>	<b>4,638,451</b>	<b>3.7%</b>	<b>23.4%</b>
<b>Gross Revenues Telecommunications Services</b>	<b>5,669,667</b>	<b>5,419,571</b>	<b>5,007,167</b>	<b>5,097,335</b>	<b>4,748,624</b>	<b>4,563,196</b>	<b>4,352,230</b>	<b>4.6%</b>	<b>19.4%</b>
<b>Telecommunications Services - Mobile</b>	<b>5,293,621</b>	<b>5,031,172</b>	<b>4,644,475</b>	<b>4,739,065</b>	<b>4,409,695</b>	<b>4,248,259</b>	<b>4,083,120</b>	<b>5.2%</b>	<b>20.0%</b>
Usage and Monthly fee	2,606,041	2,473,967	2,371,264	2,478,825	2,250,890	2,143,273	2,038,988	5.3%	15.8%
Value added services - VAS	833,623	734,418	640,353	642,263	564,886	550,228	484,153	13.5%	47.6%
Long distance	829,403	820,239	690,159	626,101	586,281	591,451	570,508	1.1%	41.5%
Interconnection	974,291	944,232	896,620	935,665	922,687	902,224	918,789	3.2%	5.6%
Others	50,262	58,316	46,079	56,211	84,951	61,083	70,682	-13.8%	-40.8%
<b>Telecommunications Services - Fixed</b>	<b>376,046</b>	<b>388,399</b>	<b>362,692</b>	<b>358,270</b>	<b>338,929</b>	<b>314,937</b>	<b>269,110</b>	<b>-3.2%</b>	<b>11.0%</b>
<b>Gross Revenues Handset sales</b>	<b>711,839</b>	<b>731,506</b>	<b>432,928</b>	<b>468,098</b>	<b>424,085</b>	<b>379,506</b>	<b>286,221</b>	<b>-2.7%</b>	<b>67.9%</b>
<b>Discounts and deductions on Gross Revenues</b>	<b>(2,010,118)</b>	<b>(1,899,319)</b>	<b>(1,687,831)</b>	<b>(1,639,784)</b>	<b>(1,495,928)</b>	<b>(1,383,721)</b>	<b>(1,342,412)</b>	<b>5.8%</b>	<b>34.4%</b>
<b>Taxes and discounts on services</b>	<b>(1,783,050)</b>	<b>(1,675,573)</b>	<b>(1,543,979)</b>	<b>(1,470,347)</b>	<b>(1,330,370)</b>	<b>(1,213,212)</b>	<b>(1,175,830)</b>	<b>6.4%</b>	<b>34.0%</b>
<b>Taxes and discounts on handset sales</b>	<b>(227,068)</b>	<b>(223,746)</b>	<b>(143,852)</b>	<b>(169,437)</b>	<b>(165,558)</b>	<b>(170,509)</b>	<b>(166,582)</b>	<b>1.5%</b>	<b>37.2%</b>
<b>Net Revenues</b>	<b>4,371,388</b>	<b>4,251,759</b>	<b>3,752,264</b>	<b>3,925,649</b>	<b>3,676,781</b>	<b>3,558,981</b>	<b>3,296,039</b>	<b>2.8%</b>	<b>18.9%</b>
<b>Net Revenues on Services</b>	<b>3,886,617</b>	<b>3,743,999</b>	<b>3,463,187</b>	<b>3,626,988</b>	<b>3,418,254</b>	<b>3,349,984</b>	<b>3,176,400</b>	<b>3.8%</b>	<b>13.7%</b>
<b>Net Revenues on Products</b>	<b>484,771</b>	<b>507,760</b>	<b>289,076</b>	<b>298,661</b>	<b>258,527</b>	<b>208,997</b>	<b>119,639</b>	<b>-4.5%</b>	<b>87.5%</b>
<b>Operating Expenses</b>	<b>(3,218,984)</b>	<b>(3,113,535)</b>	<b>(2,719,710)</b>	<b>(2,724,309)</b>	<b>(2,641,686)</b>	<b>(2,548,904)</b>	<b>(2,348,956)</b>	<b>3.4%</b>	<b>21.9%</b>
Personnel expenses	(158,351)	(156,381)	(153,443)	(146,204)	(139,798)	(147,520)	(153,200)	1.3%	13.3%
Selling & marketing expenses	(1,010,953)	(946,894)	(896,207)	(903,187)	(935,325)	(854,498)	(790,155)	6.8%	8.1%
Network & interconnection	(1,202,861)	(1,147,163)	(1,109,388)	(1,084,544)	(1,075,302)	(1,044,935)	(1,022,261)	4.9%	11.9%
General & administrative	(110,262)	(134,326)	(124,307)	(123,797)	(122,652)	(125,981)	(112,179)	-17.9%	-10.1%
Cost Of Goods Sold	(597,708)	(587,588)	(332,583)	(383,985)	(274,594)	(231,867)	(135,645)	1.7%	117.7%
Bad Debt	(60,825)	(66,274)	(41,979)	(58,016)	(69,397)	(90,458)	(92,627)	-8.2%	-12.4%
Other operational revenues (expenses)	(78,024)	(74,909)	(61,803)	(24,576)	(24,618)	(53,645)	(42,889)	4.2%	216.9%
<b>EBITDA</b>	<b>1,152,404</b>	<b>1,138,224</b>	<b>1,032,553</b>	<b>1,201,340</b>	<b>1,035,095</b>	<b>1,010,077</b>	<b>947,083</b>	<b>1.2%</b>	<b>11.3%</b>
EBITDA Margin	26.4%	26.8%	27.5%	30.6%	28.2%	28.4%	28.7%	-0.4pp	-1.8pp
<b>Depreciation &amp; amortization</b>	<b>(639,526)</b>	<b>(608,852)</b>	<b>(682,800)</b>	<b>(686,801)</b>	<b>(755,545)</b>	<b>(771,445)</b>	<b>(779,670)</b>	<b>5.0%</b>	<b>-15.4%</b>
Depreciation	(354,599)	(343,142)	(343,722)	(344,370)	(367,651)	(370,010)	(366,623)	3.3%	-3.6%
Amortization	(284,928)	(265,710)	(339,078)	(342,431)	(387,894)	(401,435)	(413,047)	7.2%	-26.5%
<b>EBIT</b>	<b>512,878</b>	<b>529,372</b>	<b>349,753</b>	<b>514,539</b>	<b>279,550</b>	<b>238,632</b>	<b>167,413</b>	<b>-3.1%</b>	<b>83.5%</b>
<b>EBIT Margin</b>	<b>11.7%</b>	<b>12.5%</b>	<b>9.3%</b>	<b>13.1%</b>	<b>7.6%</b>	<b>6.7%</b>	<b>5.1%</b>	<b>-0.7pp</b>	<b>4.1pp</b>
<b>Net Financial Results</b>	<b>(61,450)</b>	<b>(43,974)</b>	<b>(32,616)</b>	<b>(56,791)</b>	<b>(58,839)</b>	<b>(58,911)</b>	<b>(70,916)</b>	<b>39.7%</b>	<b>4.4%</b>
Financial expenses	(124,046)	(71,247)	(89,560)	(96,137)	(86,579)	(98,828)	(98,957)	74.1%	43.3%
Financial income	69,675	64,608	68,641	69,471	52,656	53,600	55,944	7.8%	32.3%
Net exchange variance	(7,079)	(37,335)	(11,697)	(30,125)	(24,916)	(13,683)	(27,903)	-81.0%	-71.6%
<b>Income before taxes</b>	<b>451,429</b>	<b>485,398</b>	<b>317,137</b>	<b>457,748</b>	<b>220,711</b>	<b>179,721</b>	<b>96,497</b>	<b>-7.0%</b>	<b>104.5%</b>
Income tax and social contribution	(134,796)	(135,417)	(103,681)	1,426,899	(74,188)	(53,757)	(41,916)	-0.5%	81.7%
<b>Net Income</b>	<b>316,632</b>	<b>349,981</b>	<b>213,456</b>	<b>1,884,647</b>	<b>146,523</b>	<b>125,964</b>	<b>54,581</b>	<b>-9.5%</b>	<b>116.1%</b>

# Balance Sheet



Description	3Q11	2Q11	1Q11	4Q10	3Q10	2Q10	1Q10	QoQ	YoY
<b>Assets</b>	<b>20,097,289</b>	<b>18,961,191</b>	<b>18,852,890</b>	<b>19,370,852</b>	<b>16,363,065</b>	<b>17,096,115</b>	<b>17,002,986</b>	<b>6.0%</b>	<b>22.8%</b>
<b>Current Assets</b>	<b>7,071,209</b>	<b>6,173,116</b>	<b>6,110,877</b>	<b>6,425,920</b>	<b>5,407,291</b>	<b>5,906,332</b>	<b>5,594,836</b>	<b>14.5%</b>	<b>30.8%</b>
Cash and cash equivalents	2,129,869	1,297,176	1,580,009	2,376,232	1,353,828	1,686,971	1,505,395	64.2%	57.3%
Short-term investments	42	2,492	7,083	18,177	15,289	16,457	16,016	-98.3%	-99.7%
Accounts receivable	3,152,122	2,951,482	2,732,850	2,748,411	2,653,589	2,612,785	2,297,742	6.8%	18.8%
Inventories	353,191	348,390	302,467	228,654	222,709	227,941	276,933	1.4%	58.6%
Indirect recoverable Taxes	592,047	592,050	551,078	494,036	473,701	451,456	435,336	0.0%	25.0%
Direct recoverable Taxes	510,512	452,940	232,906	361,929	419,659	446,133	434,761	12.7%	21.6%
Prepaid expenses	236,674	432,409	606,165	93,768	177,735	323,427	447,317	-45.3%	33.2%
Derivative contracts	7,656	5,581	5,920	6,121	6,967	57,452	54,231	37.2%	9.9%
Other assets	89,096	90,596	92,399	98,592	83,814	83,710	127,105	-1.7%	6.3%
<b>Non Current</b>	<b>13,026,080</b>	<b>12,788,075</b>	<b>12,742,013</b>	<b>12,944,933</b>	<b>10,955,774</b>	<b>11,189,783</b>	<b>11,408,150</b>	<b>1.9%</b>	<b>18.9%</b>
<b>Non Current Assets</b>									
Long-term investments	19,397	15,934	14,338	136,912	17,442	16,641	15,084	21.7%	11.2%
Accounts receivable	54,700	47,685	39,066	36,812	28,863	30,065	35,353	14.7%	89.5%
Indirect recoverable Taxes	311,778	252,937	207,991	188,111	192,996	195,420	186,609	23.3%	61.5%
Direct recoverable Taxes	55,835	86,919	158,951	139,366	102,221	73,999	42,988	-35.8%	-45.4%
Deferred income and social contribution taxes	1,549,052	1,626,565	1,694,972	1,732,732	221,348	253,026	278,376	-4.8%	599.8%
Judicial deposits	569,467	530,097	493,252	385,519	347,873	334,499	306,786	7.4%	63.7%
Prepaid expenses	92,912	89,162	87,100	14,620	15,268	15,869	14,181	4.2%	508.5%
Derivative contracts	49,950	7,752	18,303	16,746	22,815	31,822	31,831	544.4%	118.9%
Other assets	13,772	17,793	17,776	17,763	17,751	11,934	11,934	-22.6%	-22.4%
<b>Permanent Assets</b>									
Property, plant and equipment	5,866,218	5,643,414	5,576,244	5,863,723	5,351,457	5,419,804	5,572,807	3.9%	9.6%
Intangibles	4,442,999	4,469,817	4,434,020	4,535,849	4,637,740	4,806,704	4,912,201	-0.6%	-4.2%
<b>Liabilities</b>	<b>20,097,289</b>	<b>18,961,191</b>	<b>18,852,890</b>	<b>19,370,852</b>	<b>16,363,065</b>	<b>17,096,115</b>	<b>17,002,986</b>	<b>6.0%</b>	<b>22.8%</b>
<b>Current Liabilities</b>	<b>5,143,913</b>	<b>4,476,261</b>	<b>5,048,115</b>	<b>5,691,089</b>	<b>4,002,764</b>	<b>4,755,683</b>	<b>4,867,930</b>	<b>14.9%</b>	<b>28.5%</b>
Loans and financing	871,722	669,630	996,400	957,549	926,216	1,596,944	1,369,945	30.2%	-5.9%
Derivative contracts	923	1,652	1,769	2,071	1,872	51,514	53,037	-44.2%	-50.7%
Suppliers	2,901,207	2,557,930	2,552,396	3,103,469	2,107,669	2,241,614	2,272,528	13.4%	37.7%
Salaries and related charges	159,639	134,696	142,213	125,292	133,449	118,363	118,345	18.5%	19.6%
Indirect taxes, charges and contributions	553,206	556,025	520,494	544,375	508,979	487,563	532,670	-0.5%	8.7%
Direct taxes, charges and contributions	317,429	254,702	141,005	265,328	164,516	116,818	181,631	24.6%	92.9%
Dividends payable	25,422	25,502	511,676	511,737	15,159	23,711	224,601	-0.3%	67.7%
Athorizations payable	58,526	58,526	-	-	-	-	-	-	-
Other liabilities	255,839	217,598	182,162	181,268	144,904	119,156	115,173	17.6%	76.6%
<b>Non Current Liabilities</b>	<b>3,775,866</b>	<b>3,620,683</b>	<b>3,290,510</b>	<b>3,378,954</b>	<b>3,447,528</b>	<b>3,582,527</b>	<b>3,503,115</b>	<b>4.3%</b>	<b>9.5%</b>
Loans and financing	2,657,992	2,430,145	2,121,239	2,277,121	2,414,644	2,556,475	2,648,527	9.4%	10.1%
Derivative contracts	115,328	209,561	163,359	164,482	135,459	108,118	93,467	-45.0%	-14.9%
Indirect taxes, charges and contributions	125,530	125,530	125,965	57,721	58,782	59,715	4,446	0.0%	113.6%
Direct taxes, charges and contributions	163,734	147,804	138,981	138,981	138,981	138,981	32,849	10.8%	17.8%
Deferred income and social contribution taxes	78,277	80,154	81,799	83,708	87,282	89,841	92,926	-2.3%	-10.3%
Provision for contingencies	228,717	232,634	262,848	249,057	285,365	326,037	323,717	-1.7%	-19.9%
Pension plan	8,977	9,040	9,103	9,165	7,338	7,401	7,464	-0.7%	22.3%
Asset retirement obligations	254,771	252,474	247,371	255,737	248,455	246,354	241,001	0.9%	2.5%
Other liabilities	142,540	133,341	139,845	142,982	71,222	49,605	58,718	6.9%	100.1%
<b>Shareholders' Equity</b>	<b>11,177,510</b>	<b>10,864,246</b>	<b>10,514,265</b>	<b>10,300,809</b>	<b>8,912,773</b>	<b>8,757,905</b>	<b>8,631,941</b>	<b>2.9%</b>	<b>25.4%</b>
Capital	8,164,665	8,164,665	8,149,096	8,149,096	8,149,096	8,149,096	8,149,096	0.0%	0.2%
Capital reserves	380,560	380,560	396,129	396,128	396,129	396,129	396,129	0.0%	-3.9%
Income reserves	1,755,585	1,755,584	1,755,584	1,755,585	166,394	158,049	158,049	0.0%	955.1%
Accumulated losses	-	-	-	-	(125,914)	(125,914)	(125,914)	-	-
Stocks in treasury	(3,369)	-	-	-	-	-	-	-	-
Net Income for the period	880,070	563,437	213,456	-	327,068	180,545	54,581	56.2%	169.1%

## Cash Flow



Description	3Q11	2Q11	1Q11	4Q10	3Q10	2Q10	1Q10	QoQ	YoY
EBIT	512,878	529,373	349,753	514,539	279,550	238,632	167,413	-3.1%	83.5%
Depreciation & amortization	639,527	608,852	682,800	686,801	755,545	771,445	779,670	5.0%	-15.4%
Capital Expenditures	(838,248)	(717,415)	(296,530)	(1,100,238)	(525,935)	(520,150)	(689,438)	16.8%	59.4%
Changes in Net Operating Working Capital	369,756	(82,226)	(1,285,426)	1,150,502	94,951	(259,735)	(975,912)	-549.7%	289.4%
Free Operating Cash Flow	683,913	338,584	(549,403)	1,251,604	604,111	230,192	(718,267)	102.0%	13.2%
Income and Social Contribution Taxes	(59,177)	(112,482)	(67,829)	(88,059)	(45,070)	(31,490)	(26,034)	-47.4%	31.3%
Dividends and Interest on Capital	(80)	(486,174)	(61)	(33)	(207)	(200,891)	(51)	-100.0%	-61.4%
Social Capital Increase	-	-	-	-	-	-	-	-	-
Intelig Goodwill	-	-	-	-	-	-	-	-	-
Intelig's Acquisition Effect	-	-	-	-	-	-	-	-	-
Net Financial Result	(61,450)	(43,974)	(32,616)	(56,791)	(58,839)	(58,911)	(70,916)	39.7%	4.4%
Judicial Deposits	(39,370)	(36,844)	(107,733)	(33,399)	(9,906)	(24,831)	(77,565)	6.9%	297.4%
LT Taxes, Interests and Contribution	15,930	8,389	68,244	(1,061)	(933)	161,401	8,154	89.9%	-1807.4%
Other Changes	(225)	5,966	1,892	23,085	(48,099)	(38,316)	11,023	-103.8%	-99.5%
Net Cash Flow	539,541	(326,536)	(687,506)	1,095,346	441,057	37,154	(873,656)	-265.2%	22.3%

## Operational indicators

Description	3Q11	2Q11	1Q11	4Q10	3Q10	2Q10	1Q10	QoQ	YoY
Municipalities Served (GSM)	3,259	3,233	3,208	3,203	3,200	3,198	2,970	0.8%	1.8%
Brazilian Wireless Subscriber Base (000's)	227,352	217,346	210,510	202,944	191,472	185,135	179,110	4.6%	18.7%
Market Share	26.04%	25.55%	25.11%	25.14%	24.52%	24.00%	23.65%	1.9%	6.2%
Total Lines (000's)	59,210	55,525	52,849	51,028	46,947	44,425	42,368	6.6%	26.1%
Pre-paid Lines (000's)	50,559	47,506	45,147	43,549	39,711	37,469	35,753	6.4%	27.3%
Post-paid Lines (000's)	8,651	8,019	7,702	7,479	7,236	6,956	6,615	7.9%	19.6%
Gross Additions (000's)	10,186	9,257	8,476	9,317	7,463	6,366	5,462	10.0%	36.5%
Net Additions (000's)	3,685	2,676	1,821	4,081	2,522	2,057	1,254	37.7%	46.1%
Churn	11.6%	12.3%	13.0%	11.0%	11.1%	10.1%	10.2%	-5.7%	4.5%
Total ARPU	21.2	21.6	20.8	23.3	23.5	24.2	24.0	-1.9%	-9.8%
Total MOU	130	127	126	129	123	110	100	2.4%	5.7%
CAPEX (R\$ Mn)	838	717	297	1,100	526	520	689	16.9%	59.3%
Employees	9,821	9,616	9,568	9,712	9,081	9,007	8,950	2.1%	8.1%
SAC	36	35	36	36	55	63	75	2.9%	-34.5%