



# Embratel Participações

Second Quarter 2004 Results  
Conference Call



# Forward Looking Statement

Except for the historical information contained herein, this presentation may be deemed to include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve risk and uncertainty, including financial, regulatory environment and trend projections. Although the company believes that its expectations are based on reasonable assumptions, it can give no assurance that its expectations will be achieved. The important factors that could cause actual results to differ materially from those in the forward-looking statements herein include, without limitation, the company's degree of financial leverage, risks associated with debt service requirements and interest rate fluctuations, risks associated with any possible acquisitions and the integration thereof, risks of international business, including currency risk, collections risks, dependence on availability of interconnection facilities, regulation risks, contingent liabilities, collection risks, and the impact of competitive services and pricing, as well as other risks referred in the company's filings with the CVM and SEC. The company does not undertake any obligation to release publicly any revisions to its forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.



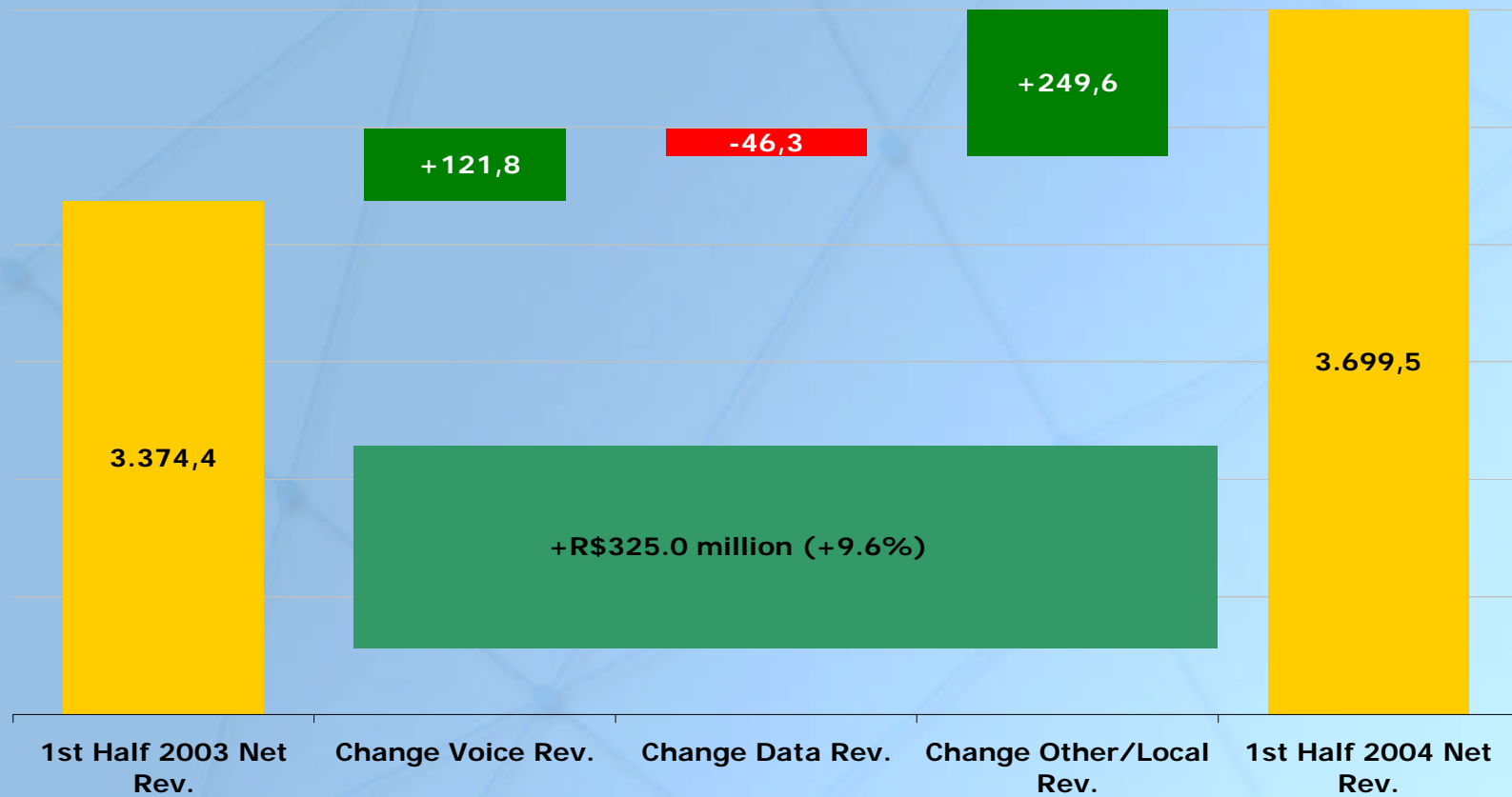
## Second Quarter 2004 Highlights

- Net revenues of R\$1.8 billion in 2Q04, increasing 8.5% YoY
- Year to date, net revenues increased 9.6% YoY to R\$3.7 billion
- Data revenues of R\$432 million in 2Q04, increasing 4.1% QoQ
- Local revenues reached 8.6% of revenues, increasing 13.5% QoQ
- Year to date, EBITDA increased 1.8% YoY to R\$796 million
- Anatel issued key regulation on:
  - Line sharing unbundling
  - Reduction in the number of local areas from 7,600 to under 5,400.
- Administrative process on withholding tax on outbound remittances is practically terminated with a favorable outcome
- In June, Anatel approved the sale of Embratel to Telmex



# First Half Revenues Grew 9.6% YoY Data Revenues Grew 4.1% QoQ

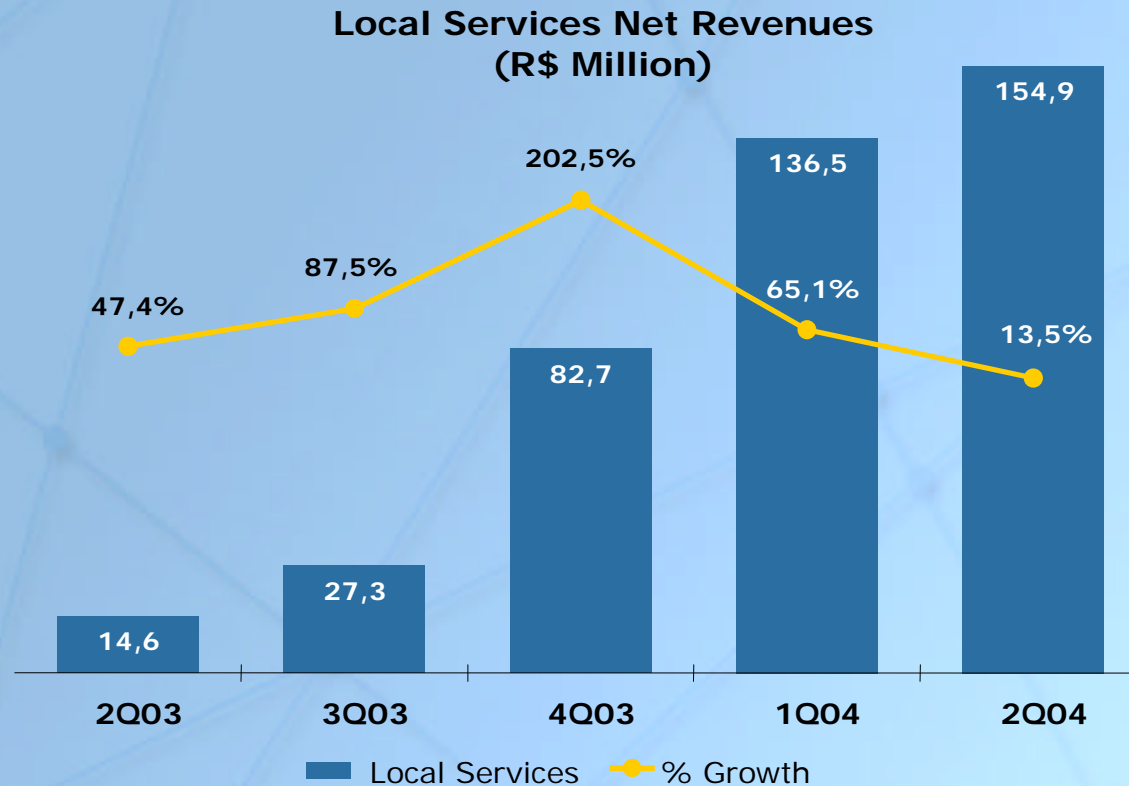
Net Revenues - 1H2004 vs 1H2003 (R\$ Million)





## Local Services Now Account for 8.6% of Total Revenues

- Local revenues increased 13.5% QoQ to R\$155 milion
- ADSL services over own networks already available in selected areas
- Vésper launches "Livre 2 em 1"





# Year to Date, EBITDA Increased 1.8% YoY to R\$796 million

## 2Q04 EBITDA - Non-Recurring Operating Costs/Expenses

Non-Recurring Items	Value R\$ Millior	Impact on EBITDA	Cash or Non-Cash	Line Item
Payment of Retention Plan	92	Reduction	Cash	Personnel Expenses
Reversion of Provision of Interconnection Costs	66	Increase	Non-Cash	Other Operating Income
Recovery of FUST <sup>1</sup> Taxes	38	Increase	Tax Credit	Other Operating Income
<b>Net Impact - Operating Items</b>	<b>12</b>	<b>Increase</b>		

<sup>1</sup> *FUST* - Fund for Universalization of Telecommunication Services.

## 2Q04 Bottom Line - Non-Recurring Items

Non-Recurring Items	Value R\$ Million	Impact on Net Income <sup>3</sup>	Cash or Non-Cash	Line Item
Financial Income - Recovery of FUST <sup>1</sup> Taxes	20	Increase	Tax Credit	Financial Income
Recovery of Tax on Net Income (ILL <sup>2</sup> )	106	Increase	Tax Credit	Other Non-Oper. Income
<b>Net Impact - Non-Operating Items</b>	<b>126</b>	<b>Increase</b>		
<b>Net Impact - Operating &amp; Non-Operating</b>	<b>138</b>	<b>Increase</b>		

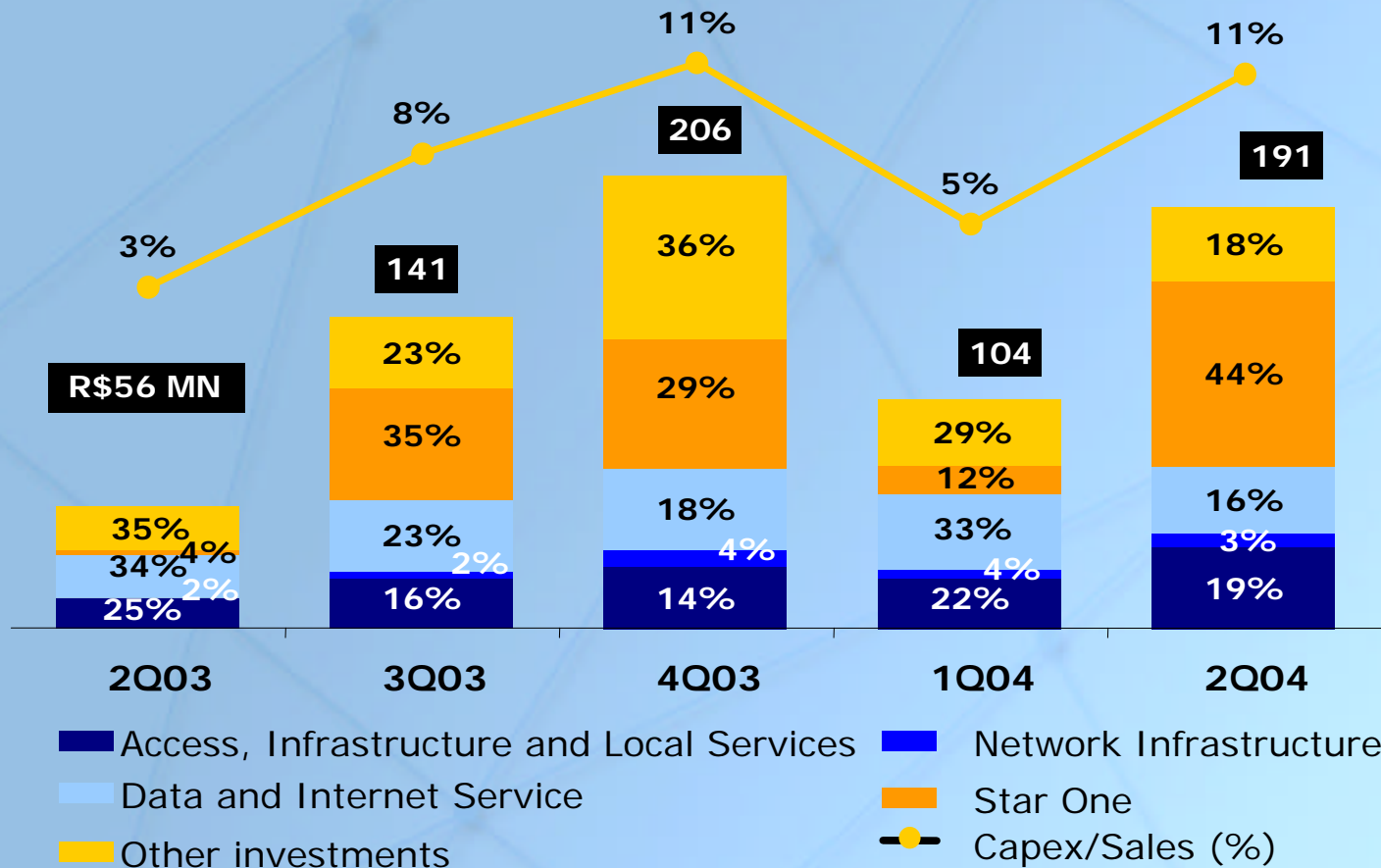
<sup>1</sup> *FUST* - Fund for Universalization of Telecommunication Services.

<sup>2</sup> *ILL* - Refers to recognition of a tax credit related to the federal government's imposition from 1989 to 1992 of a tax on certain profits that had not been distributed.

<sup>3</sup> Before taxes.



# 2Q04 Capex of R\$191 Million, or 11% of Net Revenues





# Important Regulatory Achievements

	<b>Outcome</b>	<b>Status</b>
<b>Interconnection</b>	➤ Cost-based (peak vs. off-peak) interconnections	➤ At contract renewal
<b>Unbundling</b>	➤ Cost-based unbundling: Line sharing regulation and price cap	➤ May/2004
<b>Co-billing</b>	➤ Anatel arbitration on prices (> 50% reduction)	➤ 1Q03
<b>Data access</b>	➤ Enforcement of isonomic treatment and conditions	➤ Contract Renegotiation End of 2003 - on going
<b>Local areas</b>	➤ Gradual reduction in the number of the local areas (7600 ⇨ 5360)	➤ June/2004
<b>Number portability</b>	➤ Mandatory requirement	➤ At contract renewal

**Embratel is shaping the regulatory environment**

**Competition is now acknowledged as a priority**

**Leveling of playing field**



## Reinventing Embratel

- **Brazil's premium telecommunications service provider**
- **Nationwide service coverage**
- **State-of-the-art seamless network**
- **Strong established brand name: "21" PIC code**
- **Best provider of telecommunications solutions for companies**
- **Unparalleled breadth of data services and largest Internet backbone**
- **Strong entrant in local services**
- **Leading provider of satellite services through Star One**
- **Active role in shaping the regulatory environment**
- **Poised to capitalize on growth opportunities**



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## Other Information

- This webcast will be available from July 22<sup>nd</sup> to 29<sup>th</sup>, 2004 at **[www.embratel.com.br/ir-presentations](http://www.embratel.com.br/ir-presentations)**
- For further information please see our earnings release - **[www.embratel.com.br/ir-earnings](http://www.embratel.com.br/ir-earnings)** or contact us:

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