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## NEWS RELEASE

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Silvia M.R. Pereira  
Investor Relations  
tel: (55 21) 519-9662  
fax: (55 21) 519-6388  
email: [invest@embratel.com.br](mailto:invest@embratel.com.br)

**Contact Information:**

Wallace Borges Grecco  
Press Relations  
tel: (55 21) 519-7282  
fax: (55 21) 519-8010  
email: [cmsocial@embratel.net.br](mailto:cmsocial@embratel.net.br)

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### EMBRATEL REPORTS

#### SECOND QUARTER 2000 NET REVENUES OF R\$ 1.6 BILLION

**Data growth of 65 %; operating income growth of 74 % year-over-year**

Rio de Janeiro, Brazil - July 24, 2000 - Embratel Participações S.A. (Embratel Participações or the "Company") (NYSE: EMT; BOVESPA: EBTP3, EBTP4), the Company that holds 98.8 percent of Empresa Brasileira de Telecomunicações S.A. ("Embratel"), today announced highlights of results for the quarter ending June 30, 2000. (All financial figures are in Reais and based on consolidated financial statements in Brazilian GAAP - "Legislação Societária").

Embratel Participações' second quarter 2000 net revenues were R\$1.6 billion with continued strong growth in data revenues. EBITDA reached R\$443 million. Net income was R\$124 million (R\$0.37 per 1000 shares) compared to a net income of R\$78 million (R\$0.23 per 1000 shares) in the second quarter of 1999. On a year-to-date basis, net revenues and net income were, respectively, R\$3.1 billion and R\$274 million (R\$0.82 per 1000 shares).

## **Data and Internet Services**

Second quarter data revenues rose 64.7 percent to R\$473 million compared to the same quarter of 1999 and 13.9 percent compared to the first quarter of 2000. The strong data growth in the second quarter was driven by Internet, dedicated data networks (Topnet) and frame relay (Fastnet). A portion of the data revenues continues to be derived from leases of a short term nature.

Internet revenues grew 100 plus percent in the second quarter 2000 compared to the second quarter of 1999, resulting from continued strong growth in the ISP business and Internet access for business customers. Compared to the first quarter of 2000, Internet revenues grew 39.3 percent. Contributing to this growth was the demand from new ISPs offering free subscription services. This growth was further fueled by demand for the business dial family of products launched by Embratel at the end of 1999.

On an accumulated basis, data revenues reached R\$889 million representing a 61.6 percent growth from R\$550 million in the first half of 1999. Data now represents 22.0 percent of our gross revenues up from 18.0 percent in the first half of the prior year.

## **Domestic Long Distance Voice Services**

Domestic long distance revenues reached R\$1.2 billion in the second quarter of 2000 compared to R\$1.0 billion in the second quarter of 1999, representing a 21.1 percent growth year-over-year. Year-to-date, domestic long distance revenues were R\$2.5 billion, corresponding to a 24.0 percent increase when compared to the first half of 1999. This increase results from line and traffic growth, entry into the intra-state segment and fixed-to-cellular revenues which the company began receiving as of July 3, 1999.

While domestic long distance grew year-over-year, it leveled off in the second quarter partially due to seasonality and the introduction of competition. In early June, Embratel introduced *Sempre 21*, a calling plan with simplified tariff structured and attractive rates (see below) and will be introducing regional campaigns. The company also implemented tariff increases in accordance with regulatory guidelines at the end of June.

### **International Long Distance Voice Services**

International long distance revenues were R\$362 million, a 60.1 percent increase compared to R\$226 million in the second quarter of 1999. The majority of this increase derives from a higher ICMS rate. Without the ICMS increase revenues would have grown 6.0 percent, slightly above our expectations. A small portion of the increase is related to revenues from public pay phones from prior periods which were recorded in the second quarter of 2000. On an accumulated basis, international long distance revenues were R\$635 million compared to R\$448 million in the first half of 1999.

The company remains concerned that the increase in ICMS rate from 13.0 to 25.0 percent will make international calls more expensive to customers possibly leading to reductions in international revenues as customers choose illegal means of completing international calls such as bypass and call backs.

### **EBITDA**

EBITDA rose to R\$443 million compared to R\$315 million in the second quarter of 1999. EBITDA margin was 28.0 percent this quarter compared to 25.6 percent in the second half of 1999. Second quarter EBITDA margin was achieved despite increased billing expenses. Year-to-date, EBITDA rose to R\$874 million in the first half of 2000 from R\$682 million in the prior year period, with EBITDA margins rising to 28.1 percent from 27.9 percent, respectively. Contributing to the EBITDA growth has been a relative reduction in interconnection costs and the higher proportion of revenues derived from data. In anticipation of increased billing,

collections and customer service costs, Embratel has implemented and will maintain cost control measures during this period of transition.

## **Net Income**

Net income for the second quarter of R\$124 million increased 59.4 percent from R\$78 million in the same period of 1999. On an accumulated basis, net income reached R\$273 million in the first half of 2000 compared to R\$9 million in the first half of 1999.

## **Financial Position**

Embratel Participações ended the quarter with a cash position of R\$325 million. Total debt outstanding as of June 30, 2000 was R\$2.2 billion of which R\$1.3 billion is long term. Most (98.7 percent) of Embratel's debt is denominated in foreign currencies. The average interest on this debt is US dollar plus 10.6 percent p.a.. On June 30, 2000, Embratel's debt/equity ratio was 0.36. Approximately R\$850 million of US dollar and yen short term debt was obtained in the quarter. These short term debt positions have been hedged against currency devaluation. The increase in short term indebtedness results from higher working capital needs associated primarily with the judicial deposit (see below on Development of Tax Matters).

## **Accounts Receivables**

The Company's net receivable position on June 30, 2000 was R\$2,442 million compared to R\$2,144 million in March 31, 2000. The increase in outstanding receivables is related both to the introduction of our new billing system as explained in the first quarter earnings release, as well as past receivables from other telecommunications providers. The overall level of accrued bills rose as the company continues with the billing system implementation.

The company anticipates accounts receivables will continue to require close scrutiny and management throughout the third quarter.

## **Fixed to Cellular Revenues Prior to July 3, 1999**

Anatel decided unanimously in favor of Embratel's right to fixed to cellular revenues during the period between June 6, 1998 and July 2, 1999. As these revenues relate to prior periods, Embratel has taken a conservative position on this matter and will recognize them upon collection. The Company will separately report such amounts on a net basis in future periods.

This ruling further supports their earlier decision that these revenues, post July 3, 1999, belonged to Embratel and have been recognized in the periods that were earned.

## **Developments on Tax Matters**

On June 1, 2000, Embratel made a judicial deposit of R\$ 433 million (corresponding to the assessed amount and interest) related to a tax assessment of R\$ 411 million received on December 31, 1999 for not withholding tax on remittances to foreign administrations for the payment of settlement rates. Embratel continues to believe that ultimately we will prevail on this matter and this deposit has been recorded as a non-trade receivable. The decision to make the judicial deposit was to protect the company from further penalties while it continues to dispute in the courts the above assessment.

## **Sempre 21**

Early in June, Embratel launched **Sempre 21**, a different calling plan that simplifies tariff structure when compared to the basic tariff plan. Under **Sempre 21** tariff differentiation is based only on geographic areas with the same tariffs applying for all times of the day. Four tariff areas have been established: intra-state, intra-region, inter-region and inter-state capitals. This plan is available for business and residential clients and we have experienced excellent response from both to date.

## **Other Highlights**

**Call Centers:** During the quarter Embratel opened two call centers - Ribeirão Preto (São Paulo) and Vila Velha (Espírito Santo) each of which with 1,000 jobs positions. Embratel now has a total of 4 call centers. Since start of operations, our call centers have created new employment opportunities in telecommunications for more than 3,000 people.

**Managed Security Services for Internet:** In August, Embratel will be the first to market with managed security services for Internet to protect businesses' networks from unauthorized entry, sabotage and accidental corruption. Managed security services are intended for mid-size

businesses who realize they need security services but lack internal resources to design, implement and managed those services.

Embratel provides long distance and international telecommunications services, in addition to 40 other communication services. Embratel is uniquely positioned to be the all-distance telecommunications network of Latin America and owns the only national and international Brazilian telecommunications network directly connected to thousands of companies. It is the main provider of high-speed data transmission and Internet in Brazil, with the largest network of broadband optical fiber cables, covering over 26,000 kilometers.

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Note: Except for the historical information contained herein, this news release 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, dependence on availability of interconnection facilities, regulation risks, contingent liabilities, 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.

(Three pages to follow)

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Embratel Participações SA																
Corporate Law																
Consolidated Income Statement																
R\$ Thousands	Quarter ending Jun 30, 2000		Quarter ending June 30, 1999		YoY		Quarter ending Mar 31, 2000 (**)		QoQ		Half year ending Jun 30, 2000		Half year ending June 30, 1999		YoY	
		%		%	% change		%	% change		%	% change		%	% change		%
<b>Revenues</b>																
Domestic Long Distance	1.223.355	57,7%	1.010.370	63,8%	21,1%	1.265.945	62,7%	-3,4%	2.489.300	60,1%	2.008.162	64,4%	24,0%			
International Long Distance	362.417	17,1%	226.391	14,3%	60,1%	272.354	13,5%	33,1%	634.771	15,3%	447.575	14,3%	41,8%			
Data Communications	473.208	22,3%	287.359	18,1%	64,7%	415.628	20,6%	13,9%	888.836	21,5%	550.044	17,6%	61,6%			
Other Services	62.027	2,9%	59.758	3,8%	3,8%	65.420	3,2%	-5,2%	127.447	3,1%	114.742	3,7%	11,1%			
<b>Gross Revenues</b>	<b>2.121.007</b>	<b>100,0%</b>	<b>1.583.878</b>	<b>100,0%</b>	<b>33,9%</b>	<b>2.019.347</b>	<b>100,0%</b>	<b>5,0%</b>	<b>4.140.354</b>	<b>100,0%</b>	<b>3.120.523</b>	<b>100,0%</b>	<b>32,7%</b>			
<b>Taxes &amp; other deductions</b>	<b>(540.652)</b>	<b>-25,5%</b>	<b>(355.197)</b>	<b>-22,4%</b>	<b>52,2%</b>	<b>(488.569)</b>	<b>-24,2%</b>	<b>10,7%</b>	<b>(1.029.221)</b>	<b>-24,9%</b>	<b>(675.397)</b>	<b>-21,6%</b>	<b>52,4%</b>			
<b>Net revenues</b>	<b>1.580.355</b>	<b>100,0%</b>	<b>1.228.681</b>	<b>100,0%</b>	<b>28,6%</b>	<b>1.530.778</b>	<b>100,0%</b>	<b>3,2%</b>	<b>3.111.133</b>	<b>100,0%</b>	<b>2.445.126</b>	<b>100,0%</b>	<b>27,2%</b>			
Lines costs (Interconnection/facilities)	(755.711)	-47,8%	(611.689)	-49,8%	23,5%	(752.272)	-49,1%	0,5%	(1.507.983)	-48,5%	(1.232.931)	-50,4%	22,3%			
Selling, general and administrative expenses	(287.420)	-18,2%	(214.049)	-17,4%	34,3%	(242.317)	-15,8%	18,6%	(529.737)	-17,0%	(349.069)	-14,3%	51,8%			
Others (*)	(94.211)	-6,0%	(88.481)	-7,2%	6,5%	(104.731)	-6,8%	-10,0%	(198.942)	-6,4%	(181.461)	-7,4%	9,6%			
<b>EBITDA</b>	<b>443.013</b>	<b>28,0%</b>	<b>314.462</b>	<b>25,6%</b>	<b>40,9%</b>	<b>431.458</b>	<b>28,2%</b>	<b>2,7%</b>	<b>874.471</b>	<b>28,1%</b>	<b>681.665</b>	<b>27,9%</b>	<b>28,3%</b>			
Depreciation and amortization	(211.854)	-13,4%	(181.839)	-14,8%	16,5%	(201.858)	-13,2%	5,0%	(413.712)	-13,3%	(356.336)	-14,6%	16,1%			
<b>Operating income (EBIT)</b>	<b>231.159</b>	<b>14,6%</b>	<b>132.623</b>	<b>10,8%</b>	<b>74,3%</b>	<b>229.600</b>	<b>15,0%</b>	<b>0,7%</b>	<b>460.759</b>	<b>14,8%</b>	<b>325.329</b>	<b>13,3%</b>	<b>41,6%</b>			
Financial income (including monetary and exchange vari	57.780	3,7%	82.913	6,7%	-30,3%	13.033	0,9%	343,3%	70.813	2,3%	270.355	11,1%	-73,8%			
Financial expense (including monetary and exchange va	(93.679)	-5,9%	(122.715)	-10,0%	-23,7%	(1.807)	-0,1%	5084,2%	(95.486)	-3,1%	(538.270)	-22,0%	-82,3%			
Other non-operating income(expense)	(244)	0,0%	2.297	0,2%	-110,6%	12.129	0,8%	-102,0%	11.885	0,4%	2.570	0,1%	362,5%			
<b>Net income before tax, employee profit sharing and minority interest</b>	<b>195.016</b>	<b>12,3%</b>	<b>95.118</b>	<b>7,7%</b>	<b>105,0%</b>	<b>252.955</b>	<b>16,5%</b>	<b>-22,9%</b>	<b>447.971</b>	<b>14,4%</b>	<b>59.984</b>	<b>2,5%</b>	<b>646,8%</b>			
Inc. tax, s. contrib. and employee profit sharing	(69.977)	-4,4%	(16.681)	-1,4%	319,5%	(101.087)	-6,6%	-30,8%	(171.064)	-5,5%	(51.018)	-2,1%	235,3%			
Minority interest	(1.551)	-0,1%	(980)	-0,1%	58,3%	(1.885)	-0,1%	-17,7%	(3.436)	-0,1%	(99)	0,0%	3370,7%			
<b>Net income</b>	<b>123.488</b>	<b>7,8%</b>	<b>77.457</b>	<b>6,3%</b>	<b>59,4%</b>	<b>149.963</b>	<b>9,8%</b>	<b>-17,7%</b>	<b>273.471</b>	<b>8,8%</b>	<b>8.867</b>	<b>0,4%</b>	<b>2964,1%</b>			
End of period shares outstanding (000)	332.915.828		333.058.928			332.915.828			332.915.828		333.058.928					
Earnings per 1000 shares	0,37		0,23			0,45			0,82		0,03					

Note: (\*) Includes labor, maintenance and other expenses allocated to cost of services as well as other operating expenses and income  
(\*\*) First quarter 2000 domestic, international, data and other gross revenues were restated to accommodate new criteria of revenue classification; overall gross and net revenue amounts did not change.

Embratel Participações SA		
Corporate Law		
Consolidate Balance Sheet		
R\$ Thousands	June 30, 2000	March 31, 2000
<b>Assets</b>		
Cash and cash equivalents	325.048	303.148
Other current assets	3.029.109	2.611.956
Other	866.057	404.918
Net property, plant & equipment	7.265.947	7.174.542
<b>Total assets</b>	<b>11.486.161</b>	<b>10.494.564</b>
<b>Liabilities</b>		
Short term debt and current portion of long term debt	791.577	462.708
Other current liabilities	2.866.137	2.689.389
Long term debt	1.376.983	1.006.099
Others	462.045	470.334
<b>Shareholders' equity</b>	<b>5.989.419</b>	<b>5.866.034</b>
<b>Total liabilities and shareholders' equity</b>	<b>11.486.161</b>	<b>10.494.564</b>

Embratel Participações SA (millions of minutes)	Quarter ending (**) 3/31/2000	Quarter ending 6/30/2000	Change relative to 6/30/99	Change relative to 03/31/00	Half year ending 6/30/2000	Increase relative to 6/30/99
<b>Domestic Long Distance (*)</b>	4803,4	4.682,6	21,0%	-2,5%	9.486,0	24,0%
<b>International Long Distance</b>						
<b>Outbound</b>	162,1	160,1	10,6%	-1,2%	322,2	10,0%
<b>Inbound</b>	267,4	281,9	40,6%	5,4%	549,3	42,2%

(\*) This minute series includes domestic long distance traffic, domestic long distance fixed to cellular traffic, cellular to fixed and cellular to cellular traffic and advanced telephony traffic

(\*\*) Minutes have been restated to adjust series to current methodology