



**Bear Stearns
Telecom Conference
September 2005**

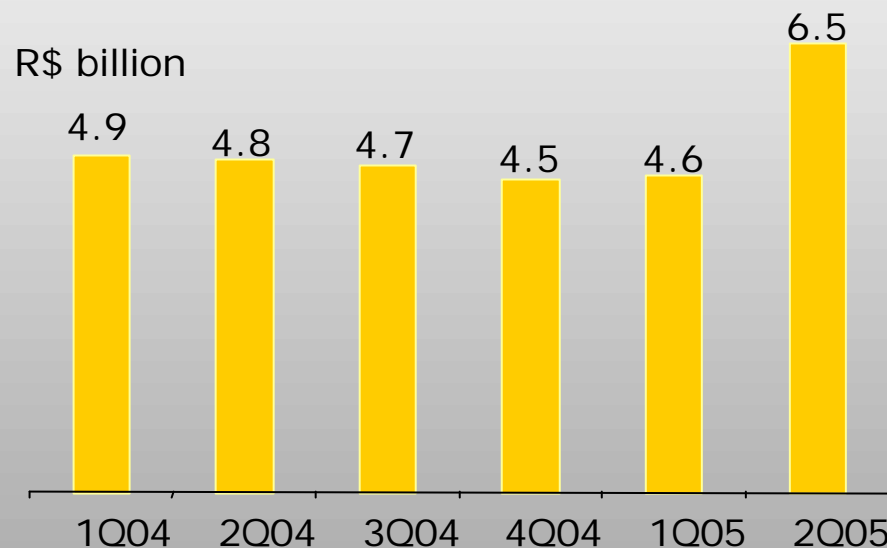
Forward-Looking Statement

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

Stronger Financial Structure to Support Growth

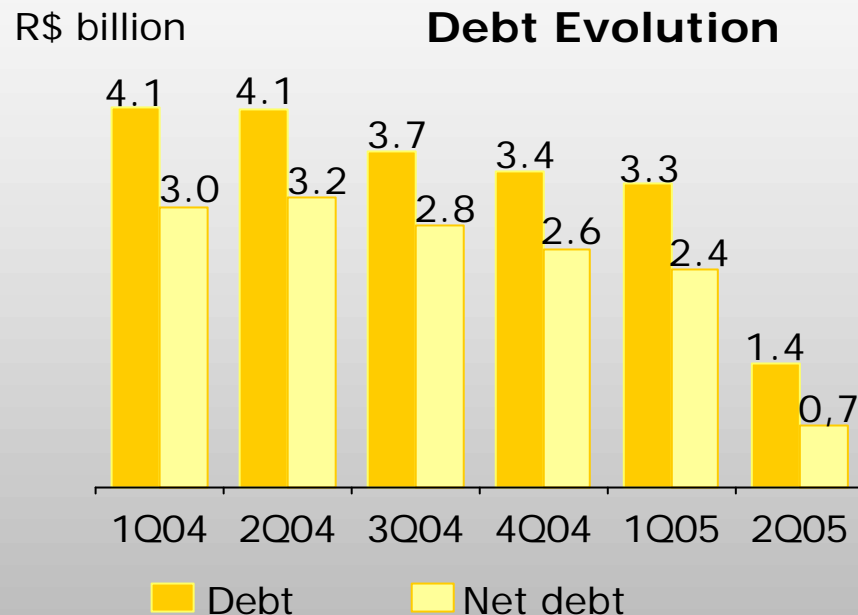
- R\$1.8 billion capital increase
- Ability to invest more aggressively
- Controlling shareholder commitment evidenced by larger capital exposure to the company - 64% economic interest

Shareholders' Equity



Reduced Outstanding Debt

- Improved ratios
- Reduction in interest payments and cost of debt
- Capacity for additional debt



	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05
Net debt/Trailing EBITDA	1,6	1,7	1,9	1,9	1,7	0,5
Trailing EBITDA/Financial Expense	3,3	3,0	2,6	2,3	2,5	2,7
Net Debt/ Shareholder's Equity	0,6	0,7	0,6	0,6	0,5	0,1

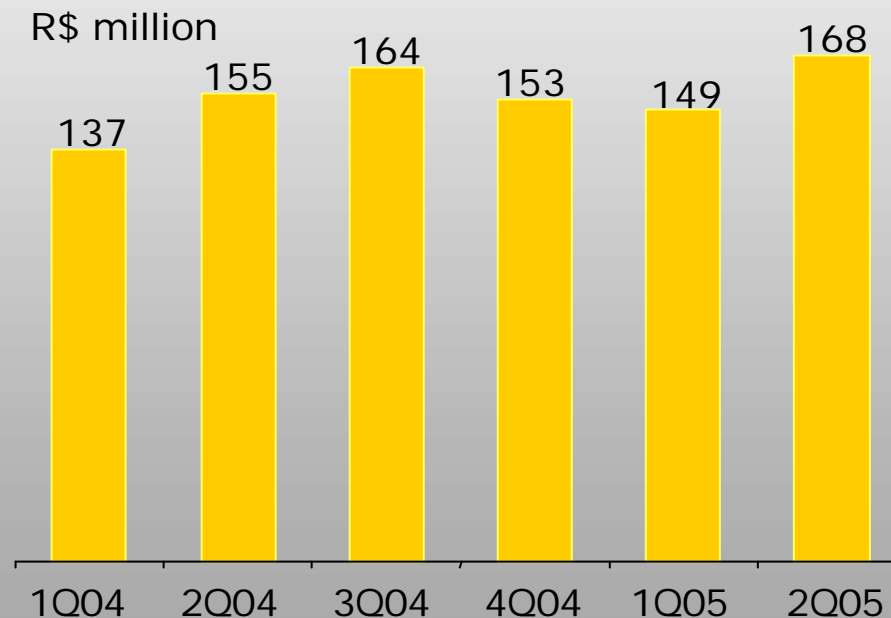
Grow Local Revenues

- Enhance presence in existing markets
 - corporate
 - residential

- Expand into new markets
 - Small and medium companys (SME)
 - high-end residential

- Develop access alternatives

Local Revenues



Grow Local Revenues More Access is Key

Own network

Fiber, Radio,
Copper, Satellite

- ❖ Expand local network to reach corporate customers
- ❖ Use Livre to tackle residential market niches

Third party network

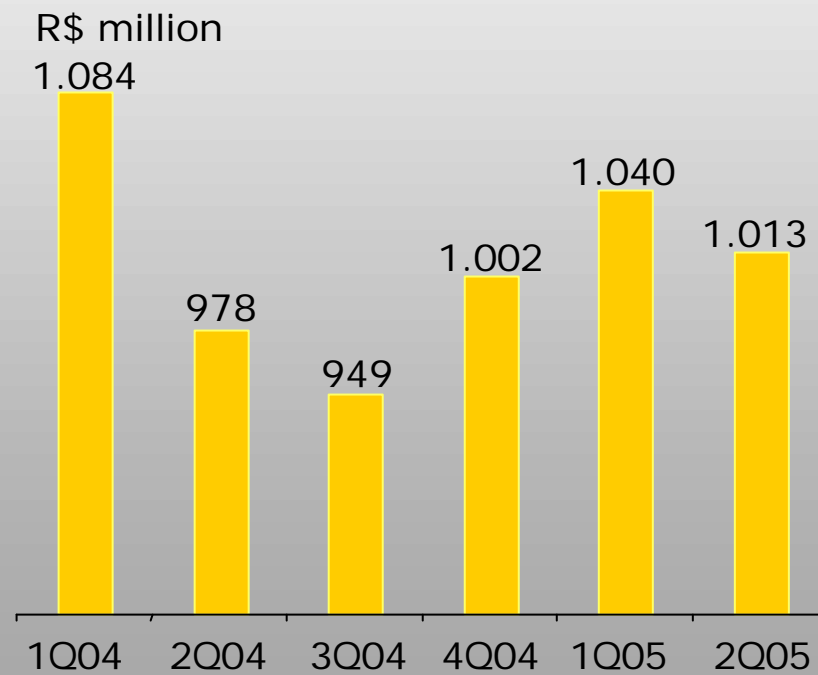
Cable Networks,
Local Teles, Niche Players

- ❖ Expand local and provide integrated telecom services to SMEs
- ❖ Enter residential market with local, broadband and video offerings

Stabilize Domestic Long Distance Revenues

- Price focused advertising
- Reward programs for value perception
- Lower prices expected to stimulate traffic in the long run

Domestic Long Distance Revenue



Grow Data Business Through Acquisitions

Committed

PrimeSys

- ✦ Add major customers to outsourcing activities
- ✦ Become their key strategic partner and cross-sell
- ✦ Achieve operating synergies

Possible

Telmex do Brasil

- ✦ Increase access to corporate clients
- ✦ Add corporate client base (mainly multinational)
- ✦ Local and long-haul interconnection synergies

Main Regulatory Issues

Already defined

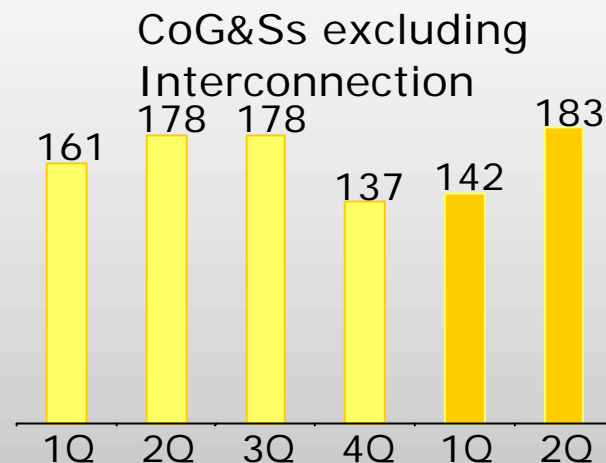
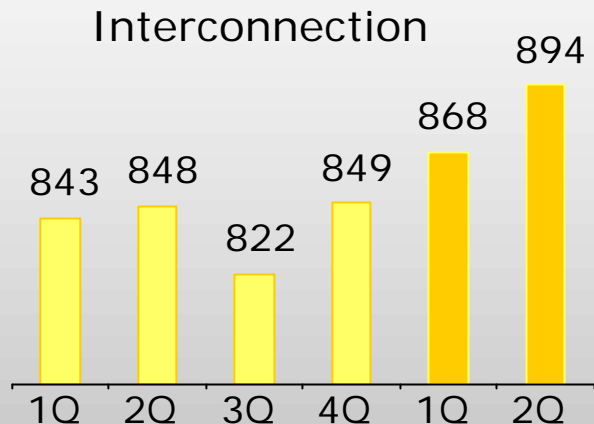
- Local and long distance interconnection caps in 2006
 - local - capped at 50% of the local tariff in 2006, 40% in 2007, long run cost model (LRIC) from 2008 onwards
 - long distance - capped at 30% of highest distance rate
- Interconnection rate modulation
 - TU-RL to vary in proportion according to end customer tariff in basic tariff plan as of 2006
- Industrial use leased lines
 - regulation enacted this year with significant price reductions

To be defined

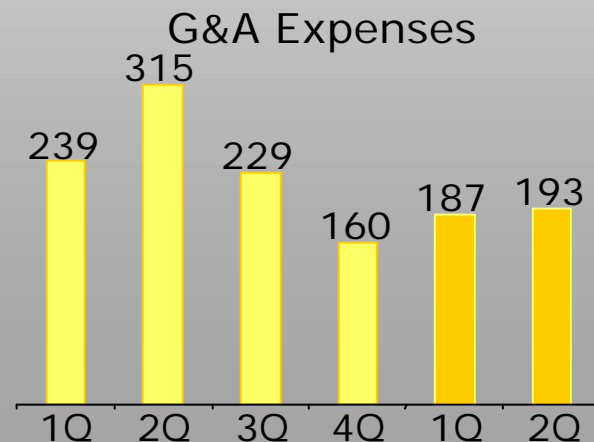
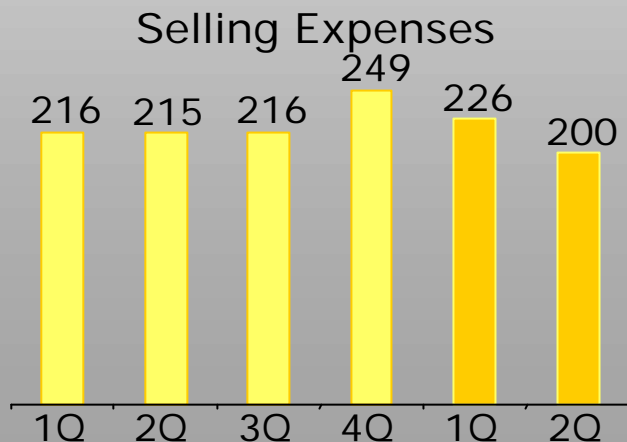
- Pulse to minute conversion
 - Public comment expected to start at any moment
- Interconnection rate modulation
 - V-UM modulation is possible with the regulation of mobile interconnection due at any moment
- Significant market power
 - public comment expected soon

Administrative Cost Reduction Helped to Offset Interconnection Cost Increases

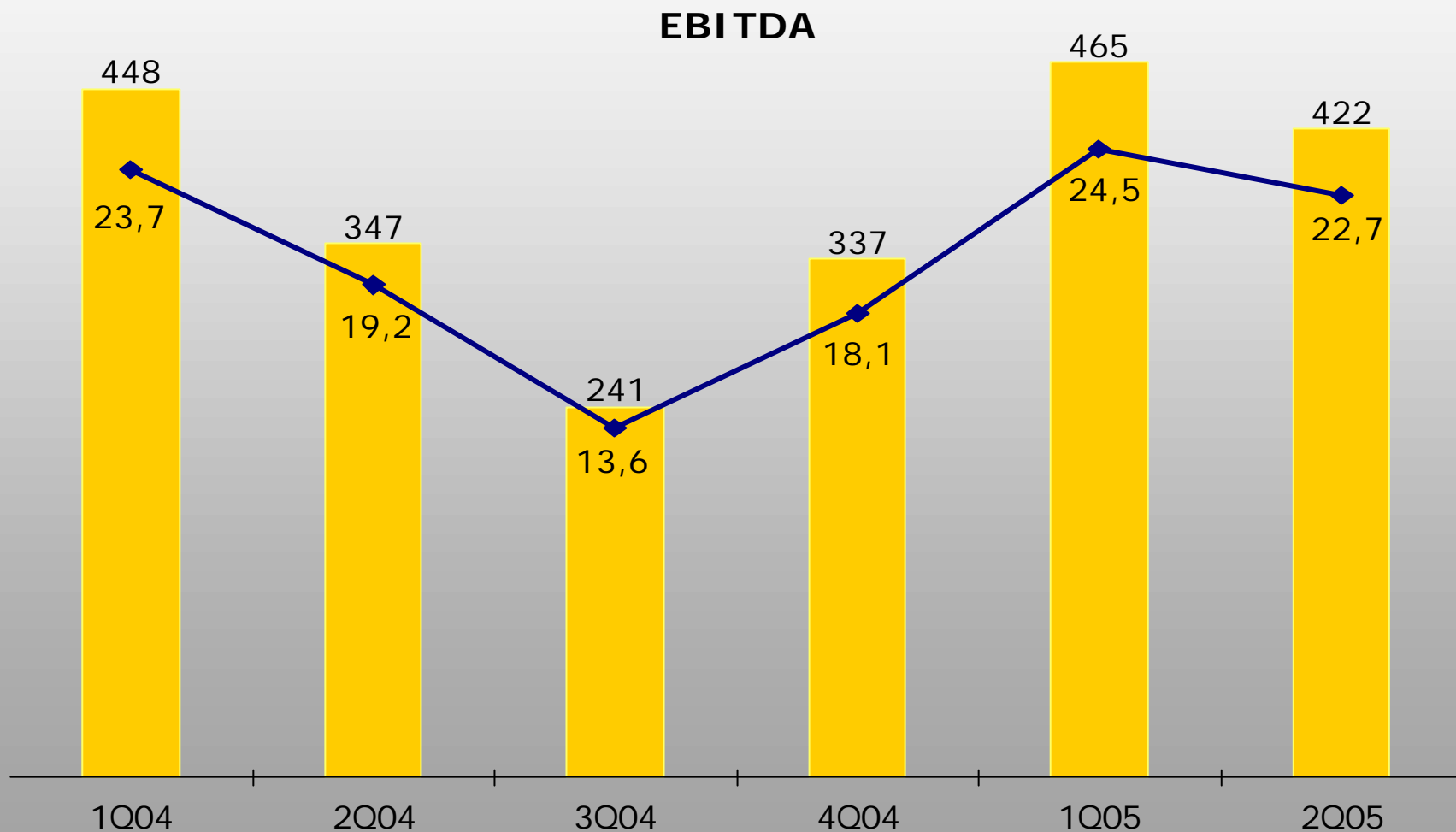
R\$ million



2004
2005



EBITDA is Gradually Improving





Embratel
Participações S.A.