

Rio de Janeiro, Brazil – February 10, 2004

**Embratel Participações S.A.**  
**NYSE: EMT; BOVESPA: EBTP3, EBTP4**

The Company holds 98.8 percent of  
**Empresa Brasileira de Telecomunicações S.A.**  
("Embratel").

**EXPLANATION TO CVM-BOVESPA**  
**(Free Translation)**

**Ref.: Explanation to Bovespa's February 09, 2004 Inquiry.**

The following explanation is the response to the aforementioned inquiry, which relates to an article published in the February 07, 2004 edition of newspaper *O Estado de São Paulo*.

In September 2002, Telemar Norte Leste S.A. ("Telemar") filed two lawsuits against Empresa Brasileira de Telecomunicações S.A. ("Embratel") in connection with challenges filed by Embratel questioning undue interconnection charges made by Telemar. In the first lawsuit, Telemar insisted on collecting interconnection charges related to the August 2001 to July 2002 period, which were partially contested by Embratel. In the second lawsuit, Telemar intended to prevent Embratel from challenging interconnection charges that were considered not due, but were, nevertheless, charged by Telemar as of August 2002.

One of the arguments used by Telemar was based on a July 2002 decision by Anatel. Embratel complied with this decision, since it paid the amounts it believed are owed to Telemar. However, Telemar understands that the amount paid by Embratel was lower than what it believed to be due and this is the matter of dispute between the two companies. At that time, Anatel issued no decision whatsoever about the amount under dispute.

The judge of the *29ª Vara Cível da Comarca da Capital do Rio de Janeiro* issued decisions relative to the lawsuits filed by Telemar against Embratel in the same ruling. As for the original lawsuit, related to August 2001 to July 2002 charges, the lower and single court judge ruled in favor of Telemar's petition – based on the understanding that the disputed amounts were not challenged by Embratel in accordance with the procedures established in the interconnection contract signed by both companies – and sentenced Embratel in R\$219,604,896.99, subject to contractual charges. As for the related lawsuit, the judge ruled against Telemar's petition – that obliges Embratel to forego its right to contest the amounts charged by Telemar – and also determined that Embratel could withdraw the legal deposits, which currently total over R\$162,000,000.00.



Telemar's defeat in this second lawsuit allows Embratel to withdraw the judicial deposits made so far in accordance with this recent ruling. Since the judicial deposits will only be withdrawn after potential appeals by both parties are judged, any payment by Embratel of the amount determined in the original lawsuit can only be requested after all appeals are judged.

These lawsuits are part of the Explanatory Notes of Embratel's financial statements since 2002 and are updated quarterly.

It is important to note that the aforementioned ruling, issued by the judge of the 29<sup>a</sup> Vara Cível da Comarca da Capital do Rio de Janeiro, is subject to appeal by Embratel and Telemar. Embratel expects to overturn the decision that has sentenced it to pay any amount that it understands to be undue, since the judge has not examined the elements presented by Embratel that prove that the alleged amount is not due. Embratel also expects that the ruling on the second lawsuit to be maintained, since the judge had acknowledged Embratel's right to question undue charges from Telemar.

Lastly, the aforementioned article is inaccurate, since the effectiveness of these rulings will only be enforceable after all possibility of appeal is terminated – therefore, Embratel is not required to make any payment until the referred appeals are judged – and, the judge's sentence makes no reference to an amount of R\$370 million.

*Embratel is the premier communications provider in Brazil offering a wide array of advanced communications services over its own state of the art network. It is the leading provider of data and Internet services in the country and is well positioned to be the country's only true national, local service provider for corporates. Service offerings: include telephony, advanced voice, high-speed data communication services, Internet, satellite data communications, corporate networks and local voice services for corporate clients. Embratel is uniquely positioned to be the all-distance telecommunications network of South America. The Company's network is has countrywide coverage with 28,868 km of fiber cables comprising 1,068,657 km of optic fibers.*

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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, 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.

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