



**Acquisition of 37.1% of NET/ Telmex do Brasil  
October 2005**

# Forward-looking Statement

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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

# Transaction Highlights

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- Embrapar acquires the stakes Telmex owns in
  - NET Serviços (NET) - 37.1% (direct and indirect non-controlling stake)
  - Telmex do Brasil (TDB) - 100.0%
  
- Company valuations (Equity Values\*):
  - Embrapar → R\$4.85 billion (R\$6.4 per share)
  - Latam (NET's stake) → R\$1.20 billion
  - Atlantis (TDB) → R\$ 271 million
  
- Form of payment:
  - issuance of 230.5 billion Embrapar ordinary shares to Telmex
    - 186.5 billion for the NET stake and 44 billion for TDB's stake

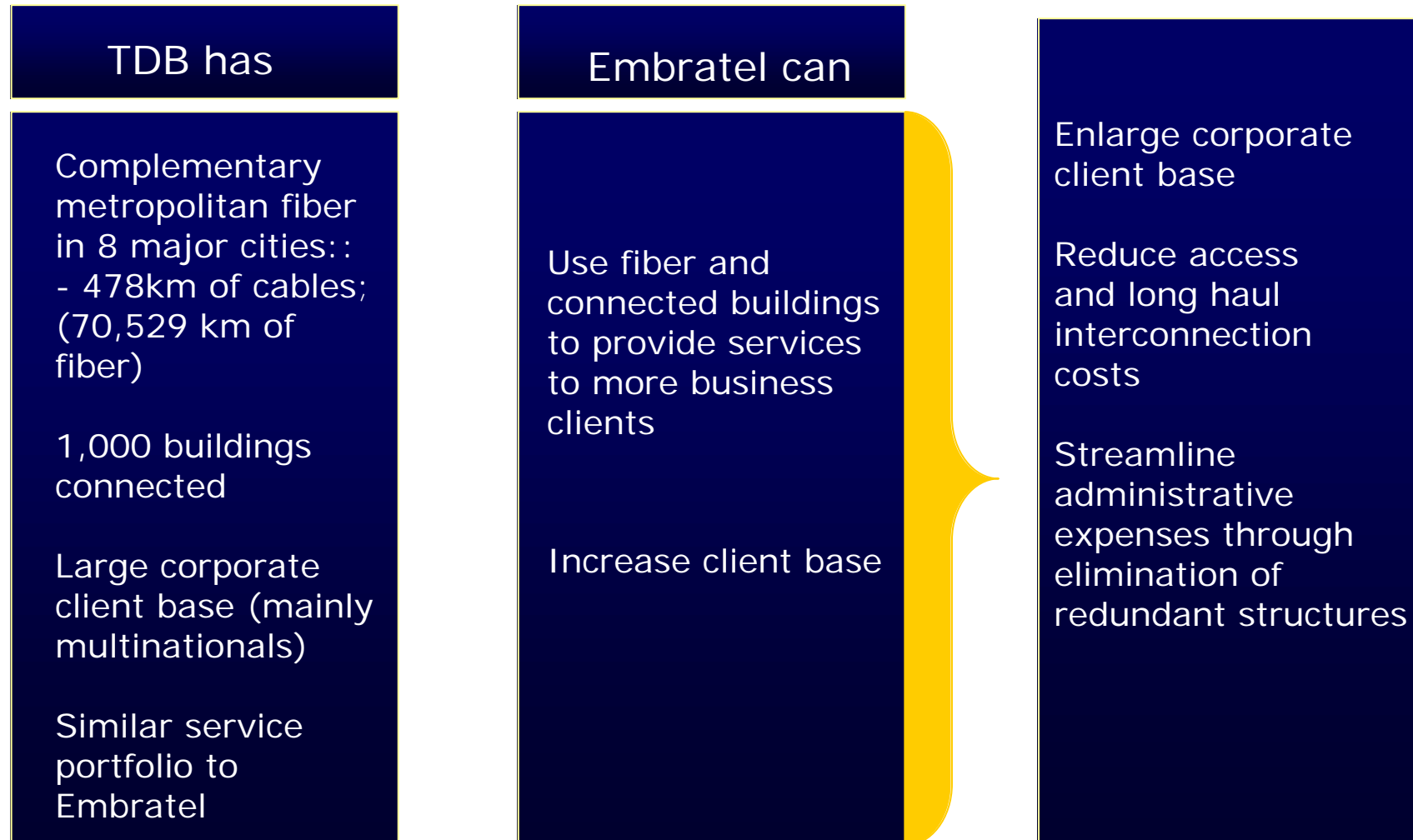
\* Definition of Net Debt used in determining Equity Values: Debt + Pension Fund Liabilities + Contingencies provisioned - Judicial Deposits - Cash

## Transaction Rationale

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- Enhances Embratel's position in markets where its presence is already consolidated;
- Enable Embratel to develop competitive access alternatives to address small and medium-sized businesses and the high-end residential market to provide local telephony and integrated telecommunication services;
- Align interests and generate greater operational and commercial efficiency by making Embrapar Telmex' sole investment vehicle in the Brazilian telecommunications market

# Why Telmex do Brasil? Enhance Position in Corporate Market



# Why NET?

## More Access to SME Business



NET has	Investments required	Embratel can
Hybrid fiber-coaxial Network in 36 cities  6,197 km of fiber  Approximately 700,000 businesses passed (SME market)	Create Network redundancy  Install electronics for data and voice transmission  Build collector to buildings  Make electricity safe	Use fiber to provide integrated telecommunication services to businesses and significantly increase penetration in SMEs

Gain SMEs local service business - local revenue growth  
Provide integrated telecom services and retain long distance  
Obtain interconnection savings  
Speed-up delivery and implement service differentiation

# Why NET? Enter High-end Residential Market



NET has	Investments required	Embratel can
<ul style="list-style-type: none"><li>2.5 million bi-directional homes passed in 9 cities</li><li>1.4 million A/B class customers</li><li>6.7 million homes passed</li></ul>	<ul style="list-style-type: none"><li>Acquire voice-enabled cable modems</li><li>Segmented offerings</li><li>In-building Backbone</li><li>Increase bi-directional capabilities</li></ul>	<ul style="list-style-type: none"><li>Use coaxial Network to provide local, long distance and data telecommunication services to residential customers and SOHOs</li></ul>

Gain high-end residential local service business - local revenue growth  
Provide segmented telecom services and retain long distance  
Obtain interconnection savings



# Telmex do Brasil Financial Highlights

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R\$ million	2004	1H2005
Revenues	155	79
EBITDA <sup>***</sup>	39	21
<i>EBITDA margin</i>	25%	27%
Net income <sup>*</sup>	(144)	1
Cash <sup>**</sup>	39	53
Total debt	none	none
Total assets	229	229
Net worth	188	189
Capex	9.3	1.5

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\* 2004 Net income was impacted by non-recurring R\$201 million asset write-off

\*\* In August 2005 TDB's cash position was R\$65 million, still with no debt

\*\*\* Savings ins COGS/SG&A expected to add R\$22 million in annual EBITDA

# NET Serviços' Financial Highlights



R\$ million	2004	1H2005
Revenues	1.393	751
EBITDA	376	228
<i>EBITDA margin</i>	27%	30%
Net income	(45)	15
Cash	278	303
Net debt	1.245	335
Total assets	2.139	2.100
Net worth	523	510
Capex	123	65

# Valuations

- Methodology - DCF
- Company valuations were made based on the NPV of the of projected cash flows for the operating companies minus Net debt at June 30, 2005; mid range values were chosen
- Valuations at nominal perpetuity growth rate of 2%
- Net debt = + cash & equivalents - total debt - actuarial deficit - provisions for contingencies + judicial deposits

	Equity (avg.) (R\$ million)	Price/share (R\$)**	Cost of Capital Capital *** (WACC)
Embrapar	4,850	6.40	13.82%/12.84%*
Latam	1,205	0.84	13.13%
Atlantis	271	n.m.	13.95%

\*Embratel and Star One were valued separately  
 \*\* Equivalent implicit value paid per NET's shares  
 \*\*\* Synergies were valued at higher WACCs



# Embratel, TDB and Net Compared

	Embratel	Net	TDB
Revenues - 2004	R\$7.33bn	R\$1.4bn	R\$ 155mm
Long-haul Network	nationwide coverage 28,868km of cables (1,068,657km of fiber)	leased satellite	leased
Metropolitan fiber Network	3,827 km of cables (207,653km of fiber)	6,197 km	478km of cables (70,529 km of fiber)
Presence in cities	22 fiber	36 fiber-coaxial	8 fiber
Connections to clients	20,000+ fiber 40,000+ radio	6.7 million homes passed	1,000 buildings connected
Services	all voice, data, outsourcing, WLL, satellite	Pay TV, broad band	all voice, data, IP Network services
Customers	corporate, SME, residential, carriers	residential	corporate

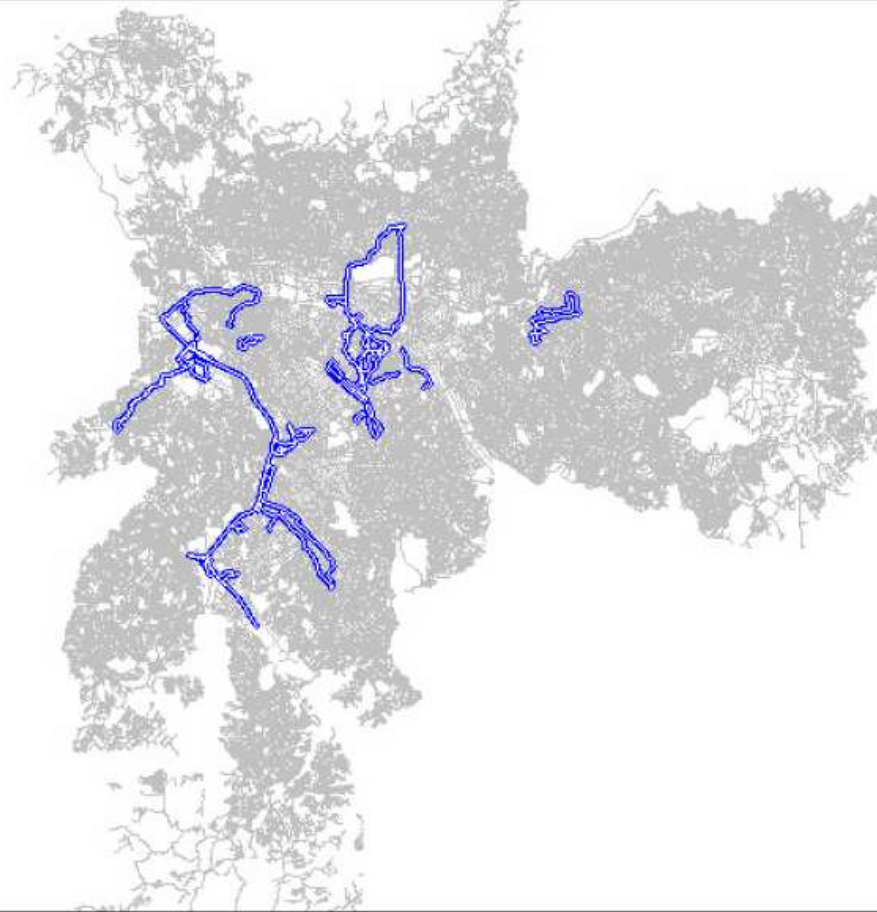
# Embratel's Metropolitan Fiber

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## São Paulo

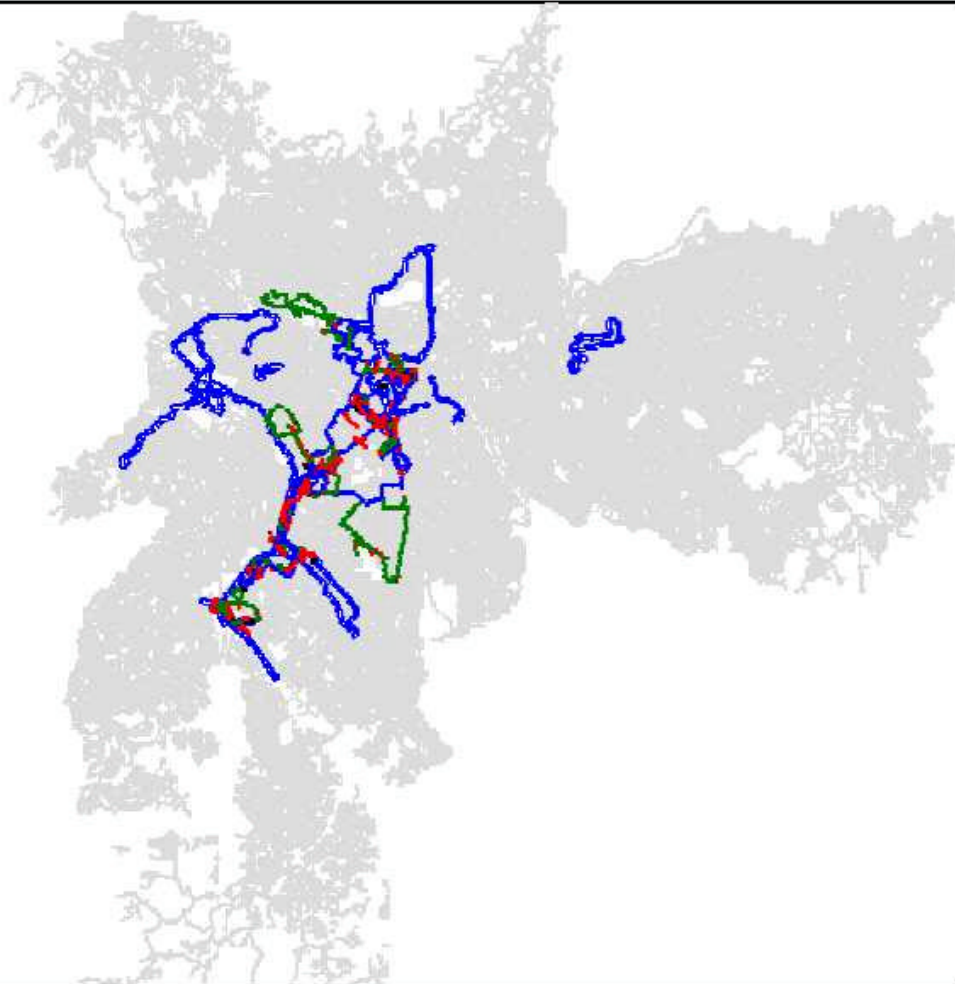


# Embratel's and TDB Metropolitan Fiber Combined

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## São Paulo

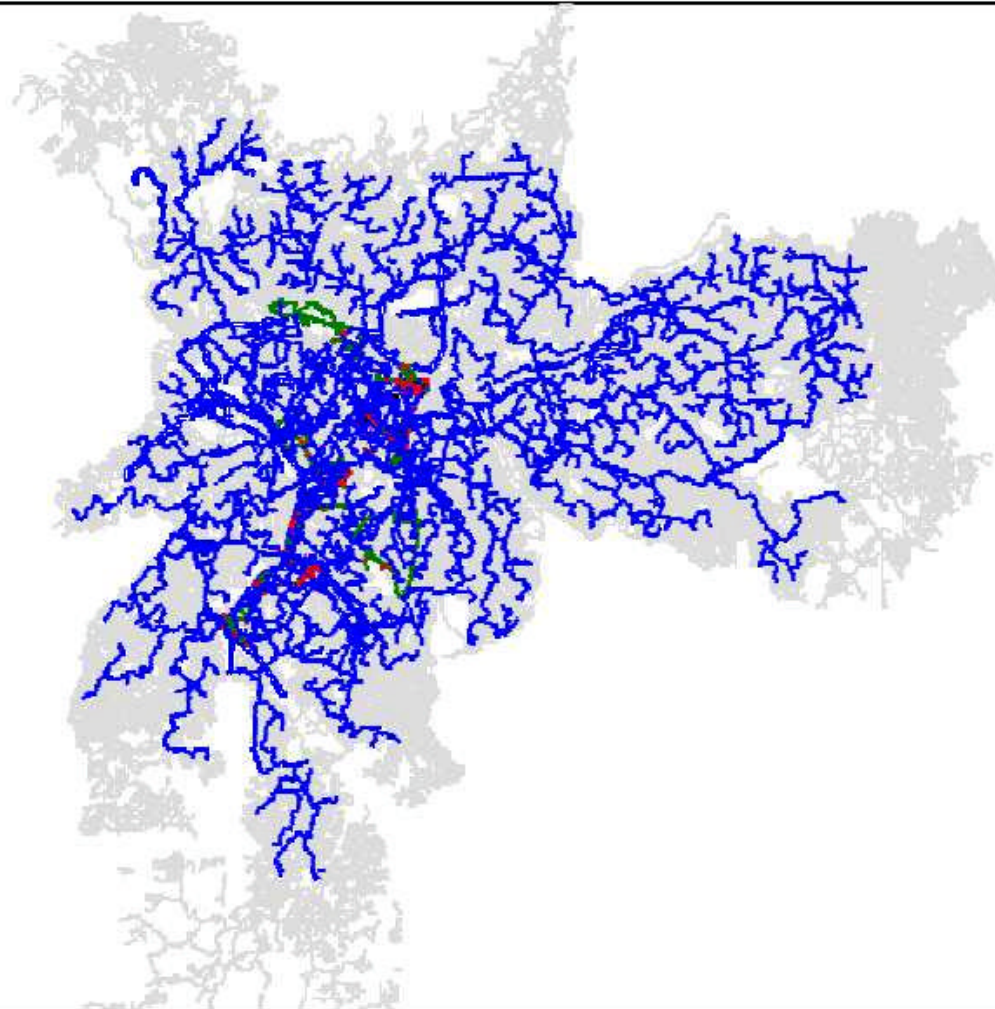


# Embratel, TDB and NET Metropolitan Fiber Combined

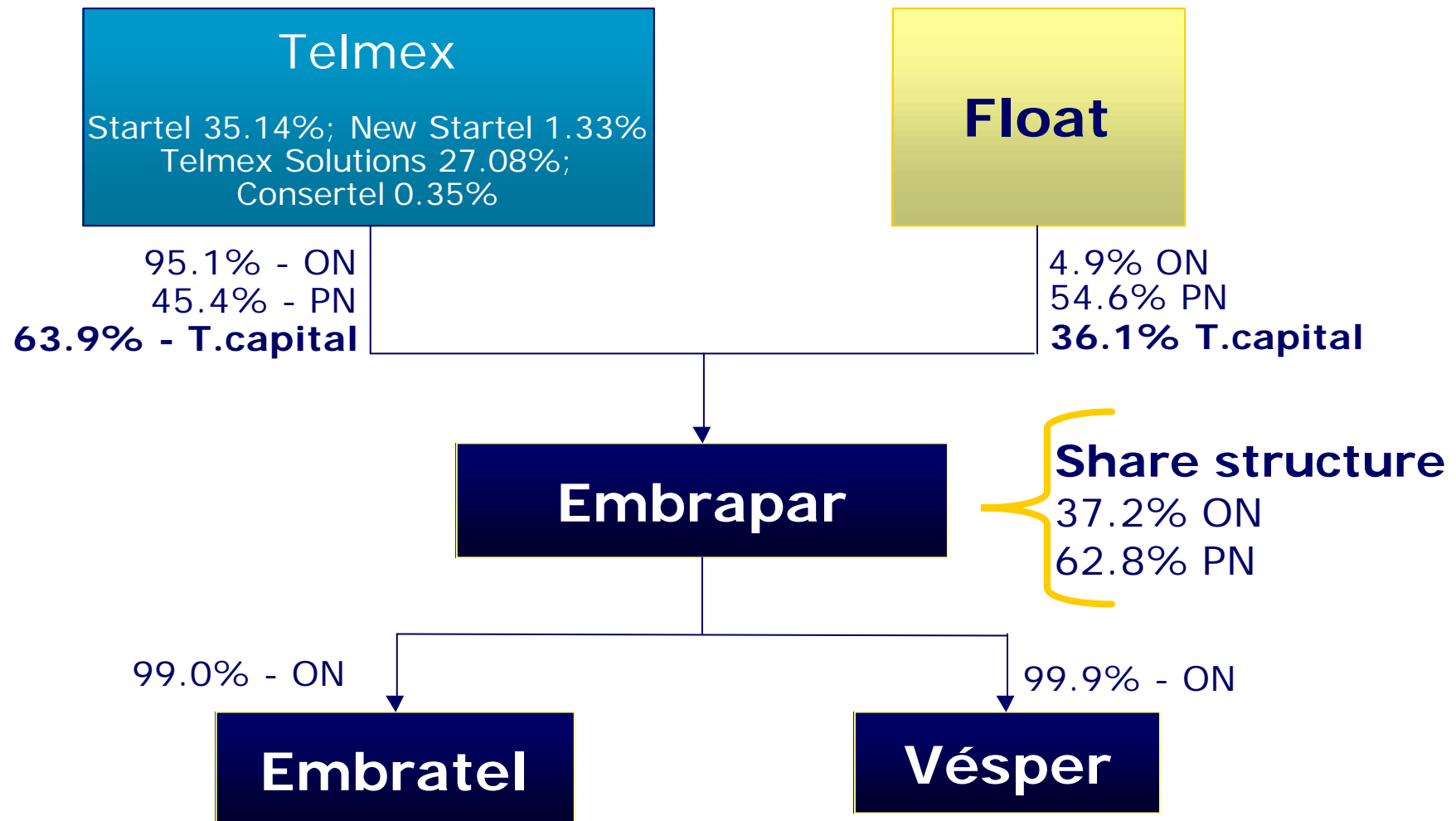
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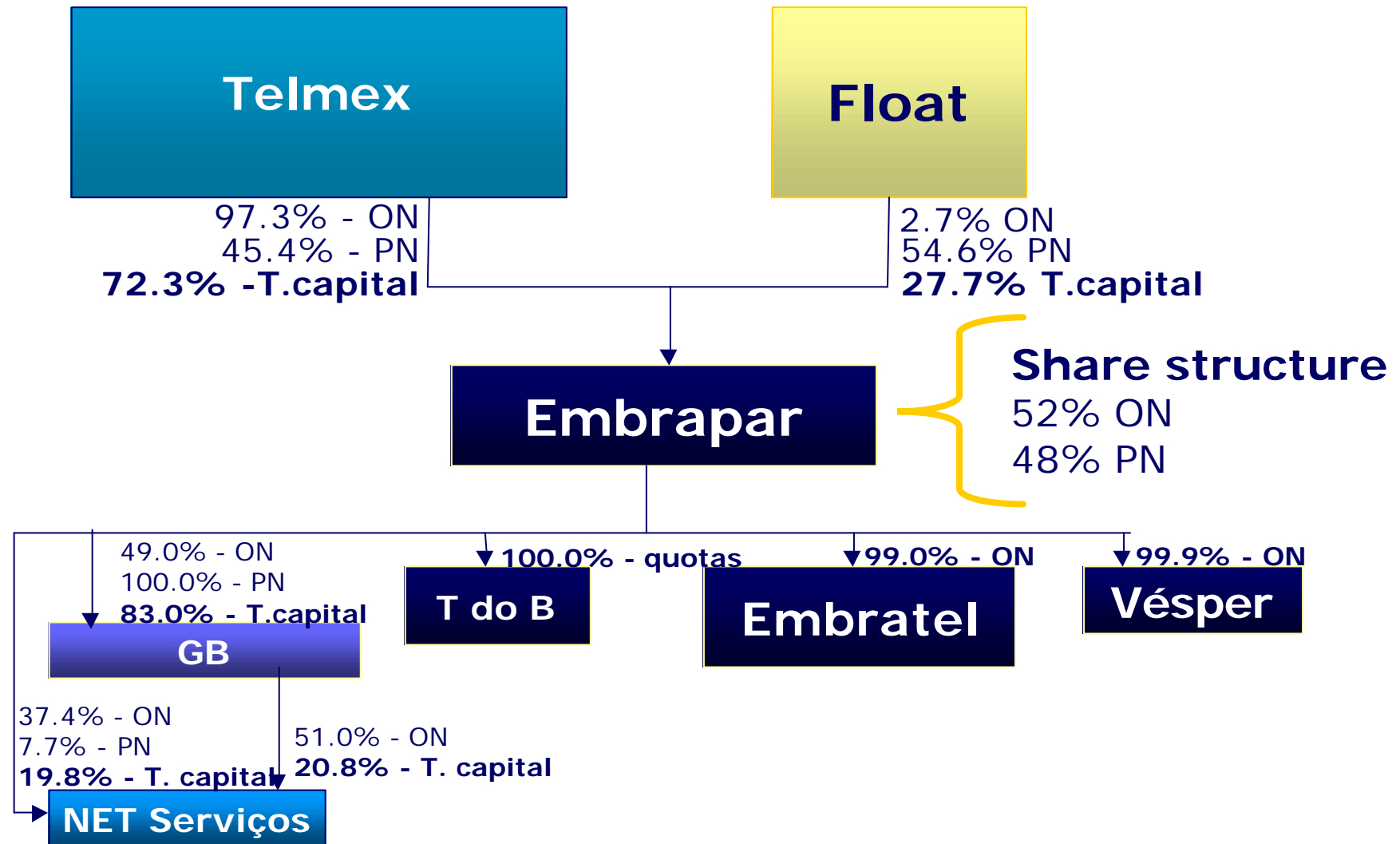
## São Paulo



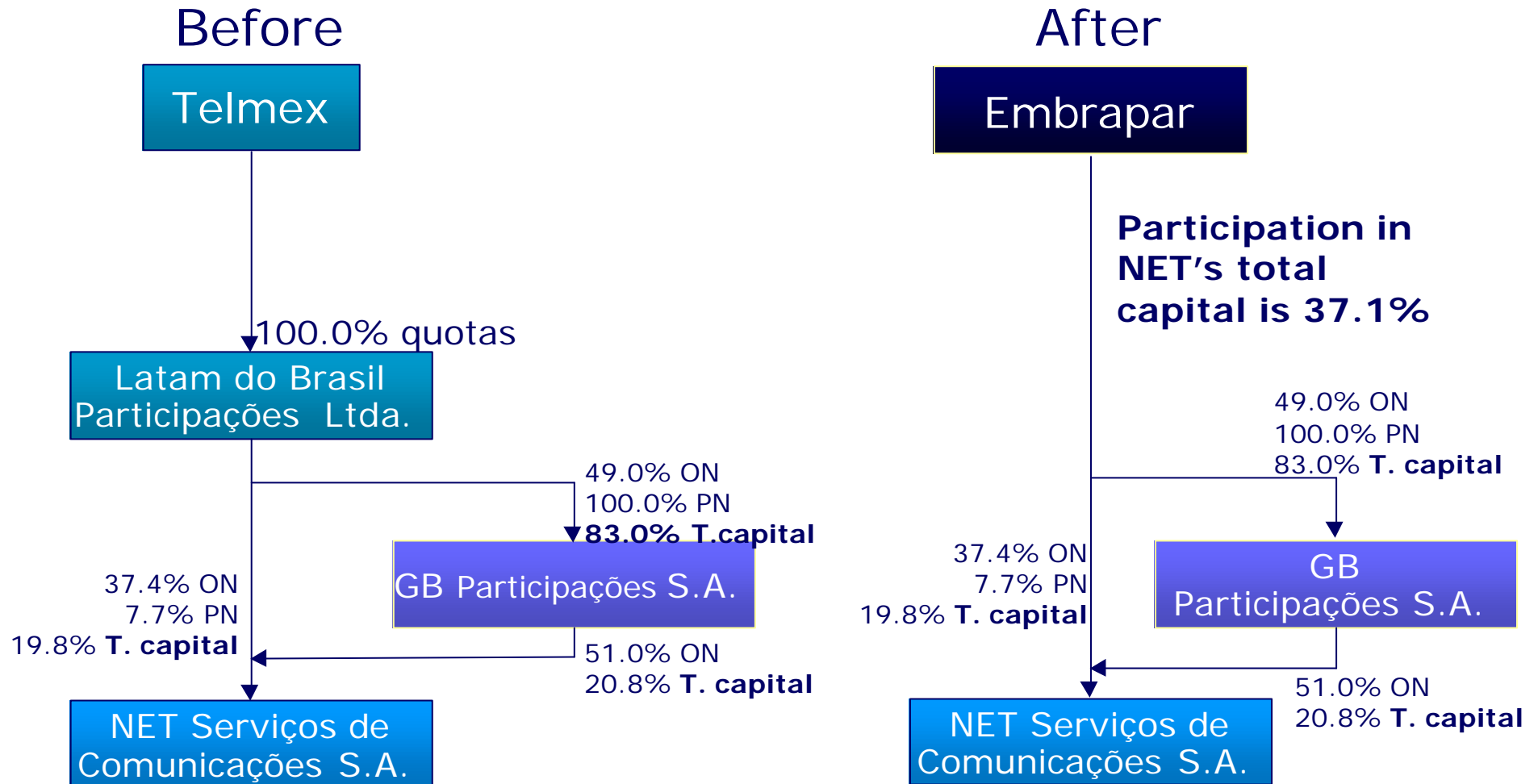
# Embrapar Ownership Prior to Transaction



# Embrapar Ownership After Transaction



# Stake in NET Before and After



# TDB Ownership Before and After

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