
NEWS RELEASE

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Embratel Positions for 2002 Telecom World

Firm near completion of preparations for 2002

Announces Write Downs and Reserves

Rio de Janeiro, Brazil – December 4, 2001 - 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"), announced today that it will book pre-tax adjustments of \$R605 million in the fourth quarter of 2001 to write down obsolete switching assets and to increase its receivable reserves. These adjustments are related to Embratel's evolution to a fully independent provider of long distance services.

Long Distance Billing and "Per Call" Environment Proved to be a Challenge

"In 1998 when the Brazilian government sold Telebras in pieces, it left Embratel with the daunting task of evolving from long distance and data 'transport' unit to a self sufficient 'business entity' states President Jorge Rodriguez. Prior to the break-up, all customer billing, credit control, and call blocking was performed by the local service companies and Embratel received a share of revenue for handling the transport portion. The transition, coupled with the mandate of 'per call' carrier selection proved to be a formidable task."

In 2000, when Embratel began its own billing and account management, the company found that it lacked many of the tools required to manage the per call environment. "When you have no ability to pre-enroll your subscribers, you find that you must create massive call blocking, fraud detection, data base management, and customer call center capabilities" noted Jorge Rodriguez "None of these tasks are simple and we found that in some cases, equipment needed to be

replaced to achieve the revenue assurance levels required by the company.” This has now been accomplished.

During the second half of 2001, Embratel completed many of these initiatives and now has significant fraud detection and call blocking capabilities as well as a comprehensive customer data base, billing operation and customer service centers. Creating these capabilities required the replacement of several network switching centers and constitute the bulk of the R\$85 million write down anticipated for the fourth quarter of 2001.

“Now that we have all the tools in place, we are also in a better position to judge the adequacy of our reserves and we are electing to increase the allowance by R\$520 million” explains Finance Vice President José Maria Zubiría. “At the same time, we have gained confidence in the new tools and procedures and thus are not electing to increase the rate of reserve beyond the 8-9 percent net revenue (6.5 percent of gross revenue) level that we have used throughout 2001.” Embratel views that the newly acquired call blocking capabilities coupled with some additional enhancements in the first half of 2002 will create a call control environment that is consistent with an 8 - 9 percent reserve level. In March of 2001, an accumulated total of 30 thousand non-paying customers had been blocked. At the end of September, the blocking reached a level of 500 thousand. As of today, 1.3 million accounts have been blocked. As long as the economic conditions remain consistent, we should see improvement in collections in the second half of 2002.

A further enhancement to Embratel's capabilities will be co-billing. We expect to reach an agreement in short-order with some of the local operators. With regards to other operators, Embratel expects Anatel to intervene enforcing equal treatment to all long distance carriers as established by regulation (Telecommunications' Law, Concession Contracts and Interconnection Contracts). We expect Anatel to ensure Embratel is not discriminated against by local operators in violation of the law.

21 Local Entry Viewed to be a Profitable Extension of Embratel

Embratel is pleased with the recent rulings by Anatel that allow local service entry on a competitive basis. This will allow Embratel to first focus on customers to which the company already has interconnection, thus minimizing capital expenditures, at this time. “We have the brand, the reputation, the relationship, and the systems and connections” explains Purificacion Carpinteyro, Local Services Vice President. “The only additional investment will be local switching expansions. Local service entry will strengthen Embratel's position in the marketplace, particularly for corporate customers.”

Embratel is convinced that its entry into full wireline service will be much smoother than the long distance transformation. "This program is essentially a logical extension of our existing network and is eagerly awaited by many of our customers" states Jorge Rodriguez. "We already have the last mile installed for over 21,000 premises of major businesses in Brazil to support our current data and long distance services. These customers know Embratel and its quality standards. Many of them are anxious to give Embratel a chance at the full service provision role."

Recent studies show that Embratel enjoys a stellar reputation in the data and long distance arena. A study by Interbrand (Gazeta Mercantil - May 8, 2001) showed that Embratel was the only telecom company to rank among Brazil's most valuable brands. "We knew Embratel's brand was highly regarded among customers, this was why we kept the company's name after privatization" said Eduardo Levy, Marketing Vice President. "We have since enhanced the attributes of our brand delivering reliable/quality services to clients".

Embratel is confident that Anatel will enforce and improve the unbundling rules, thus making possible for new entrants to break into the local telephony monopoly.

"The local wireline market in Brazil constitutes a full one-third of the potential telecom revenues in the country" states Strategic Planning and Development Vice President, Shamim Khan "the fact that we can begin to tap this area with only a 5 percent increase in our deployed capital explains our enthusiasm. Embratel is famous for high quality, mission critical service. Why not extend our offering to local?"

Capital Expenditures

In 2002 the Company is looking to reduce its capital expenditures to approximately R\$1.1 billion combined for ongoing operations including its entry into local services. This drop aims at balancing the creation of cash from operations without compromising profitable opportunities of growth.

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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. Service offerings include advanced voice, high-speed data communication services, Internet, satellite data communications and corporate networks. Embratel is uniquely positioned to be the all-distance telecommunications network of South America. The Company's network is has countrywide coverage with 28,388 km of fiber cables comprising 1,045,617 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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