

## **EMBRATEL PARTICIPAÇÕES S.A.**

Federal Taxpayer n.º 02.558.124/0001-12

State Taxpayer n.º 3330026237-7

*(Free Translation)*

### **MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS**

**DATE, TIME AND PLACE:** February 03, 2005, at 07:00PM, at the Company's headquarter at Rua Regente Feijó n° 166/1687-B – Centro, Rio de Janeiro, RJ.

**CALL TO THE MEETING AND PRESENCE:** The Members of the Board of Directors were called to the meeting in a regular manner as well as, in accordance with terms of § 3 of Article 163 of Law n° 6.404/76, the Members of the Board of Auditors signing below.

**AGENDA:** **(A)** Approve a capital increase of the Company, within the limits of the authorized capital; and **(B)** Resignation and election of company management.

**OPINION OF THE BOARD OF AUDITORS:** Initially, the Board Members were informed that the Board of Auditors issued an opinion in favor of Company's management proposal to a capital increase, which is transcribed as follows: "After having examined the Company's management proposal, the Board of Auditors has issued an opinion that favors the Company's management proposal, under the following terms: (i) increase the capital stock, which is currently R\$2,273,913,387.00 (two billion, two hundred seventy three million, nine hundred thirteen thousand, three hundred eighty seven reais), to up to R\$4,096,713,387.00 (four billion, ninety six million, seven hundred thirteen, three hundred eighty seven reais), with an increase, therefore, of up to R\$1,822,800,000.00 (one billion, eight hundred twenty two million, eight hundred thousand reais), of which up to 157,658,651,441 (one hundred fifty seven billion, six hundred fifty eight million, six hundred fifty one thousand, four hundred forty one) in common shares and up to 266,248,325,303 (two hundred sixty six billion, two hundred forty eight million, three hundred twenty five thousand, three hundred and three) in preferred shares, all of them identical to the outstanding shares, at an issue price of R\$4.30 (four reais and thirty cents) per lot of one thousand shares, through a private subscription by the current shareholders; and (ii) the maintenance by the Company of its decision to increase the capital stock provided that the amount subscribed reaches the minimum level of R\$911,400,000.00 (nine hundred eleven million, four hundred thousand reais). Rio de Janeiro, February 03, 2005. (Signed by) Ruy Dell'Avanzi, Edison Giraldo and Erasmo Simões Trogo."

**DECISIONS:** The members of the Board of Directors unanimously approved the resolutions below without restrictions:

#### **(A) CAPITAL INCREASE OF THE COMPANY.**

1. Following the decision taken on the Board Meeting on December 15, 2004 and having examined the company management's proposal as well as the opinion of the board of auditors, the final terms of the capital increase were approved, within the limits of the authorized capital, of R\$2,273,913,387.00 (two billion, two hundred seventy three million, nine hundred thirteen thousand, three hundred eighty seven reais), to up to

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R\$4,096,713,387.00 (four billion, ninety six million, seven hundred thirteen, three hundred eighty seven reais), with an increase, therefore, of up to R\$1,822,800,000.00 (one billion, eight hundred twenty two million, eight hundred thousand reais), of which up to 157,658,651,441 (one hundred fifty seven billion, six hundred fifty eight million, six hundred fifty one thousand, four hundred forty one) in common shares and up to 266,248,325,303 (two hundred sixty six billion, two hundred forty eight million, three hundred twenty five thousand, three hundred and three) in preferred shares, all of them identical to the outstanding shares, at an issue price of R\$4.30 (four reais and thirty cents) per lot of one thousand shares, for both classes of shares of the Company, through a private subscription by the current shareholders, with preemptive right being extended to the holders of *American Depositary Shares* ("ADSs"), considering the proposal presented by the management of the Company and the justifications mentioned in item 2 below, as well as the favorable opinion issued by the Board of Auditors. The Company shall maintain its decision to increase the capital stock provided that the subscription amount reaches a minimum level of R\$911,400,000.00 (nine hundred eleven million, four hundred thousand reais).

2. The following reasons justify the capital increase:
  - (a) The Company intends to reduce its net debt levels and the financial costs of its controlled company, Empresa Brasileira de Telecomunicações S.A. – Embratel, through injection of funds to: (i) redeem 35%, or US\$96,250,000.00 (approximately R\$250,635,000.00), of the aggregate principal amount outstanding under Embratel's US\$275,000,000.00 (approximately R\$716,100,000.00) guaranteed notes due 2008. The guaranteed notes bear interest at 11.0% per annum and mature in 2008. Under the terms of the guaranteed notes, the redemption price would equal 111% of the principal amount of the notes, which would result in an aggregate redemption payment of US\$106,837,500.00 (approximately R\$278,204,850.00) plus accrued interest; and (ii) pay short-term debt as it matures. Short-term debt, which may be repaid with part of the proceeds from the offering or with other funds, includes R\$1,000,000,000.00 in commercial paper issued by Embratel in Brazil in Reais, maturing in the second quarter of 2005; and
  - (b) The Company intends to gain financial flexibility to fund general working capital needs and capital expenditures. Proceeds may be used for the acquisition of certain assets from the controlling shareholder in Brazil, although no specific transaction has been proposed.
3. The issue price will be of R\$4.30 (four reais and thirty cents) per lot of one thousand shares, for both classes of shares of the Company. The issue price for the new common and preferred shares was determined based on the share price of the preferred shares on Bolsa de Valores de São Paulo ("BOVESPA"), due to its high degree of liquidity, according to terms in Article 170, paragraph 1, of Law No. 6.404 of December 15, 1976, as amended ("Lei das Sociedades Anônimas"), and to CVM Advisory Opinions No. 1 of September 27, 1978, and No. 5 of December 3, 1979. The determination of the issue price of the new shares to be issued by the Company, based on what was proposed by the company management, which was supported by studies and analyses made by the financial advisors of the Company - Goldman Sachs & Co., is a function of market conditions and is intended to stimulate shareholder participation and to enable the

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formation of a market price for the subscription rights. The issue price represents (i) a discount of approximately 9% (nine percent) on the volume weighted average closing price of the preferred shares in the last thirty (30) trading days at BOVESPA; and (ii) a discount of approximately 19% (19 percent) on the volume weighted average closing price of the preferred shares in the last sixty (60) trading days at BOVESPA.

4. The capital increase approved herein shall be done in accordance with the following terms and conditions:

4.1. Record and Subscription List: Shareholders holding common and preferred shares of the Company on February 16, 2005, shall have preference in the subscription of the capital increase decided herein, for shares identical to the shares held by them, in the proportion of: (i) 1.267668090 common shares of each common share held by them, (ii) 1.267668090 preferred shares for each preferred share held by them. Shareholders holding ADSs of the Company on February 22, 2005, shall have preference in the subscription of the capital increase decided herein, for shares identical to the shares held by them, in the proportion of and (iii) 1.267668090 ADSs of each ADS held by them.

4.2. Ex-Rights Trading: Common and preferred shares or ADSs acquired beginning on February 17, 2005 shall not entitle the purchaser to the subscription right.

4.3. Dividends: After ratification of the capital increase by the Board of Directors, the shares issued will be entitled to receive the full amount of any dividends to be declared by the Company thereafter.

4.4. Period to Exercise the Subscription Right: (i) in the Brazilian market: from February 22, 2005 to March 23, 2005, and (ii) in the US market: from February 25, 2005 to March 21, 2005.

4.5. Manner of Payment: The shares shall be paid for in cash in Brazilian currency at the time of subscription.

4.6. Procedure To Subscribe Remaining Shares:

(i) after the end of the exercise period of the preemptive rights, shareholders who indicated an interest in their subscription bulletins in subscribing for any leftover unsubscribed shares shall have a period of three (3) business days after the determination of the number of leftover shares to subscribe for such leftover shares;

(ii) shares that remain unsubscribed after the first reoffering round will again be reoffered to shareholders that have indicated an interest in their subscription bulletins in subscribing for any leftover unsubscribed shares. Shareholders will have a period of 03 (three) business days after the determination of the number of leftover shares from the first reoffering round to subscribe for such unsubscribed shares;

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(iii) the maximum number of shares (including shares in the form of ADSs) to be allocated to each subscriber will be determined by multiplying the total number of shares (including shares in the form of ADSs) that were not subscribed by the percentage calculated by dividing the number of shares (including shares in the form of ADSs) subscribed by the subscriber by the total number of shares subscribed (including shares in the form of ADSs), provided that the maximum number of leftover unsubscribed shares (including shares in the form of ADSs) to be allocated to each subscriber will be calculated based on the results of the first reoffering round. Each subscriber will have the right to subscribe shares in the proportion described above, being sure that, in order to determine the number of shares that each subscriber will be allowed to subscribe of the leftover, it will be applied the proportion that each subscriber has over the total amount of leftover relative to each class of share. Each subscriber will initially subscribe the leftover relative to the shares identical to the share held by them, and, once this leftover is concluded, the subscriber will subscribe the remaining share classes, if necessary.

(iv) in addition, the Company management is authorized to decide if any leftover unsubscribed shares, after two reoffering rounds, shall be sold in an auction at BOVESPA, for the benefit of the Company (article 171, paragraph 7, item "b" of Lei das S.A.s), which auction, if necessary, will be held on April 18, 2005, or shall be allocated among the shareholders through additional reoffering rounds.

4.7. Ratification: After subscribers effectively pay in the capital increase approved herein, a new meeting of the Board of Directors shall be convened to ratify the capital increase of the Company.

4.8. Notice to the Shareholders: The Company will publish a Notice to the Shareholders in a newspaper of wide circulation in Brazil to communicate the capital increase approved herein and the terms and conditions for the exercise of the preemptive subscription rights.

4.9. F-3: In order to enable holders of ADSs holders traded in the U.S. market to exercise preemptive rights to subscribe for preferred shares in the capital increase, Company management filed F-3 Registration Statement with the U.S. Securities and Exchange Commission and shall make amendments to it to reflect the terms and conditions approved herein.

4.10. Ratification: The Board of Directors ratifies all acts taken to date by the Company's management with respect to the capital increase approved herein.

**(B) RESIGNATION AND ELECTION OF COMPANY MANAGEMENT.**

5. **ELECTION OF COMPANY VICE-PRESIDENT.** As stated in the minutes of the August 25, 2004 Board Meeting that took place at 16:15PM, and in view of the fact that Mr. **JOSÉ**

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**FORMOSO MARTÍNEZ** has met all legal formalities with the Brazilian immigration authorities and obtained the needed documentation to be eligible to be elected to the title of **VICE-PRESIDENT**, Mr. **ISAAC BERENZSTEJN** presented his resignation to this title, which he had been concomitantly occupying, along with the title of Financial Director and Investor Relations Officer, until Mr. **JOSÉ FORMOSO MARTÍNEZ** could have obtained the aforementioned documentation. Therefore, the Board Members elected as **VICE-PRESIDENT** of the Company Mr. **JOSÉ FORMOSO MARTÍNEZ**, Mexican, married, engineer, bearer of Registro Nacional de Estrangeiro (RNE) n.º V405864-B, bearer of CIC/MF under n.º CPF: 059.557.727-07, resident and domiciled in this City, with commercial address at Av. Presidente Vargas, n.º 1.012, Centro, Rio de Janeiro/RJ, who will take office to the title he was elected within the applicable legal term. The Director presented to the Company a Disengagement Statement as to fulfill the requirements of article 147, §§ 1 and 2 of Law 6.404/76, shall remain in office to fill out the 3-fiscal-year term of his predecessor, as described in the Company's by-laws and in accordance with the applicable law.

6. **ELECTION OF THE VICE-CHAIRMAN OF THE BOARD OF THE DIRECTORS.** The Board unanimously elected Mr. **JOSÉ FORMOSO MARTÍNEZ**, Mexican, married, engineer, bearer of *Registro Nacional de Estrangeiro* (RNE) n.º V405864-B, bearer of CIC/MF under n.º CPF: 059.557.727-07, resident and domiciled in this City, with commercial address at Av. Presidente Vargas, n.º 1.012, Centro, Rio de Janeiro/RJ, to the title of **VICE-CHAIRMAN** of the Board of Directors. The Board member herein elected presented to the Company a Disengagement Statement as to fulfill the requirements of article 147, §§ 1 and 2 of Law 6.404/76, shall remain in office to fill out the 3-fiscal-year term of his predecessor, as described in the Company's by-laws and in accordance with the applicable law.

**CLOSING OF THE MEETING.** As there was nothing further to be dealt with, the meeting was adjourned and these minutes were drafted, which being read and approved, were signed by the members of the Board of Directors and of the Board of Auditors present, and by the Secretary, and copied in the book of minutes.

Rio de Janeiro, February 03, 2005.

**SIGNED:**

**BOARD OF DIRECTORS**

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**CARLOS HENRIQUE MOREIRA - CHAIRMAN**

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**MARIA SILVIA BASTOS MARQUES**

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**DILIO SERGIO PENEDO**

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**OSCAR VON HAUSKER**

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**JOEL KORN**

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**ALBERTO DE ORLEANS E BRAGANÇA**

**BOARD OF AUDITORS:**

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**RUY DELL'AVANZI**

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**EDISON GIRALDO**

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**ERASMO SIMÕES TROGO**

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**ANTONIO OSCAR DE CARVALHO PETERSEN FILHO**  
Secretary-General