

Rio, 22 /09 / 2005

**MANAGEMENT PROPOSAL TO EMBRAPAR'S
BOARD OF DIRECTORS:**

Acquisition of 100% of Telmex do Brasil Ltda. and of a 37,1% participation in NET Serviços de Comunicação S.A..

Dear Members of the Board:

This proposal aims to recommend to Board Members the acquisition and its terms, by Embratel Participações S.A. (Embrapar), of the total amount of the capital of Telmex do Brasil Ltda. (TDB) and of a 37,1% participation in the capital of NET Serviços de Comunicação S.A. (NET). According to the Relevant Fact of 24/5/2005, such acquisitions will be implemented through the merger with Embrapar, of Atlantis Holdings do Brasil Ltda. (Atlantis) and of Latam do Brasil Participações S.A. (Latam), pure holding companies which hold the above mentioned stakes in TDB and NET, respectively, and which will be dissolved as a result of such merger (see Annex I). To justify such acquisition, this proposal is organized under the following topics:

- 1 – Strategic Outlook**
- 2 – Description of NET**
- 3 - Description of TDB**
- 4 – Financial Terms proposed by the Administration**
- 5 – Conclusion**

Annex I: Organizational structure before and after the proposed acquisitions.

Annex II: Network diagram of Embratel's TDB and NET's São Paulo network.

Annex III: Valuation study by ABN AMRO.

Annex IV: Letters from ABN AMRO and Citigroup.

1- Strategic Outlook:

The telecommunications sector has gone through deep changes in recent years and it is a common view among industry specialists, a view which is shared by this administration, that such changes will accelerate in the following years, revolutionizing the telecommunications market. The long term scenario is expected characterized by:

- The “end” of distance for voice traffic
- Convergence of:
 - Networks: different types of media (voice, video and data) traveling over a sole IP platform.
 - Services: Voice, Video and Data becoming what is referred to as *triple-play*.

- Interfaces: all media available to customers in different locations and through different equipment.
- *Full-service* providers, capable of offering, by themselves or in partnerships, the largest range of the above mentioned services.
- A larger share of content in telecommunications companies revenue mix.
- Increasing last mile bandwidth needs in order to deliver such contents to customers.
- Industry consolidation, with few large *players*.

With the recent strengthening of Embratel's financial structure (capital increase of R\$1.8 billion), and increasing operational improvements, the company is now better prepared to invest in growth and position itself not only to face but also to take advantage of the above challenges.

The acquisition of the above mentioned assets, will enable Embratel to move forward in several of these challenges, with NET and TDB performing different roles, not only with respect to "services" but also in the "last mile" area.

As an additional advantage to meeting Embrapar's business objectives it should be pointed out that there will be greater alignment between the interests of Embratel and its controlling shareholder, given that after the completion of these acquisitions, Embrapar becomes the sole vehicle of Telmex' activities in Brazil. We expect as a result, positive impacts on Embrapar's market value and on the perception of the company as one of the leading players in the sector.

2 – Description of NET

Through Latam , Telmex holds today a direct and indirect 37,1% share in NET's capital stock, and a shareholder's agreement that would assure Embratel relevant rights in the company's corporate governance and in the context of strategic decisions, and also, the right to negotiate a contract for the use of the network. In addition, such agreement grants a *call option* to acquire the control of NET in case the applicable legislation changes permitting such acquisition.

Net operates Pay-TV services through cable. It is expected that the company's 2005 annual revenues be of R\$1.5 billion and its EBITDA of R\$420 million, according to ABN's attached Valuation. After the recent financial restructuring, the company had a solid balance sheet on June 30: net debt of (debt minus cash) of around R\$355 million and a net worth of R\$510 million, with total assets of R\$2.1 billion.

The interesting aspects Embratel sees in this company are:

- The complementarity of its network. NET operates a HFC (Hybrid Fiber-Coaxial), network with more than 40,000 km of cables, of which 6,200 km are optic fibers and 34,600 km of coaxial cables. The company provides Pay-TV services for more than 1.5 million subscribers in 44 cities, and in 11 of which the company also provides

broadband services under the brand “Virtua”, with more than 250,000 clients at the end of the second quarter 2005, have had an accelerated growth of 90% in the trailing 12 months. Net’s network mainly covers classes A, B e C, residential customers reaching 6.7 million homes passed. The network coverage also enables tapping over 700 thousand businesses, including large corporations, medium and small enterprises, especially the last two. In the city of São Paulo in particular, Net’s network would greatly expand Embratel’s ability to serve the small and medium company market.

- Accelerate revenue growth
 - There is the opportunity for Embratel to grow revenues by reaching the small and medium company market, which is estimated to represent a market of R\$6 billion in annual revenues. For this market, Embratel needs the last mile access with reasonable reach and costs, and NET would bring significant contribution for fulfilling this gap. This segment mainly consumes voice services, among which local voice is the most used, services that could be offered with value added and more efficient operational cost with the use of next generation networks, and specially with the use of IP protocol.
 - Offer services to the residential market, with the possibility of partnering with NET, to provide on a large scale *triple play* (voice data and video) for the high-end residential market.
- Retention of long distance revenues – Increase Embratel condition to retain domestic and international long distance revenues, by ensuring direct contact with the end customer through NET’s last mile.
- The right, assured by the Shareholders’ Agreement, that in case changes in the cable legislation permits (“Lei do Cabo”), Embrapar acquires NET, ’s control enabling further cost/services synergies, as well as the full consolidation in Embrapar of NET’s results.

3 - Description of TDB

Today, TDB, a subsidiary controlled indirectly by Telmex, is mainly an access (*last mile*) provider with more competitive prices and quality compared to those offered by large local operators. It is a niche player company that utilizes a high-speed network to provide voice, data, video and Internet services to the corporate market. Its clients are large financial institutions and industrial companies, as well as other telecommunications operators. Its net revenues and EBITDA projected for 2005 are R\$133 million and R\$36 million, respectively (according to ABN’s Valuation). In June 30, the company had assets of R\$229 million, net worth of R\$189 million, cash of R\$53 million (the company had no debt).

The points of interest we see in the company are:

- Complementarity of its network: TDB has metropolitan fiber networks in eight cities – 6 capital and 2 cities in the interior of the state of São Paulo, with around 500 km of cables. These networks are located in areas of corporate customer concentration. In São Paulo, where the largest part of the company's network is, there is large complementarity with Embratel's network. TDB has more than 1.000 corporate building connected to its network.
- Products and services: TDB, among the telecommunications companies that provide data is the one which is most similar to Embratel when referring to the service portfolio which facilitates the integration of the two companies in addition to providing significant synergies through the reduction of duplicated structures.
- Relatively low expansion investments: having invested since creation more than R\$500 million only for network construction (estimated at around US\$250 million at the time), additional required investments are limited, a large part of which, relates to client growth.

4 - Financial Terms proposed by the Administration

For the purpose of financial valuations, and previously authorized by the Board, Management hired and independent evaluator, bank ABN AMRO Real S.A. (ABN AMRO), that evaluated the 3 companies in reference (Embrapar, Atlantis e Latam), using the "Discounted Cash Flow" model applied to their respective operational assets. Such method consists in projecting of the future results and cash flows of the company, and discounting the net present value by the companies' respective cost of capital. As is common practice, such valuations consider the companies as independent entities, valuing each of them without considering any future synergies. Such valuation is annexed.

Through the variation of the main parameters used in the discounted cash flow (discount rate and growth at perpetuity), the Valuation presents value ranges for each company. From these value, exchange ratio ranges for the exchange of Latam x Embrapar and Atlantis x Embrapar shares/quotas are derived. Management proposes the use of mid range values (market practice) for the exchange ratio, that being: 180,3875 shares of Embrapar for each one of 851 million shares of Latam and 30,0398 shares of Embrapar for each one of the 1,25 billion quotas of Atlantis. Using such mid-points, the companies are valued at R\$4,623 billion, R\$938 million and R\$230 million, respectively for Embrapar, Latam e Atlantis, (pgs. 47, 61 e 72 of the Valuation). A ratification by this Board of such proposal would result, at the end of the proposed transaction, on the issue of 191 billion ordinary shares of Embrapar, raising the total amount of the company's outstanding shares from 758 billion to 949 billion, while Embrapars Capital Stock would increase from approximately R\$4.1 billion to R\$5.1 billion.

We present in the annex the letter from ABN AMRO and Citigroup Global Markets, Inc. (Citigroup) who were previously consulted about the terms proposed above, and both were of the opinion that the exchange ratio proposed by Management to the Board were fair, from a financial point, of view for the shareholders of Embrapar.

5 - Conclusion

In summary, we believe, based on the arguments presented above, that the conclusion of the transaction of acquisition and merger described herein will be beneficial to the company and its shareholders, not only because of the already mentioned immediate financial impact (increase and diversification of revenues, cost reduction through increased network reach, etc.), but also through the transformation of Embrapar as the sole vehicle for Telmex to invest in the Brazilian telecommunications market.

The choice of an independent evaluator with recognized expertise (ABN AMRO), together with the acknowledgement by ABN AMRO and, additionally, by Citigroup, that the terms proposed represent fair treatment from a financial point of view for the shareholders of Embrapar, permit that this Board approves the transaction under the terms proposed.

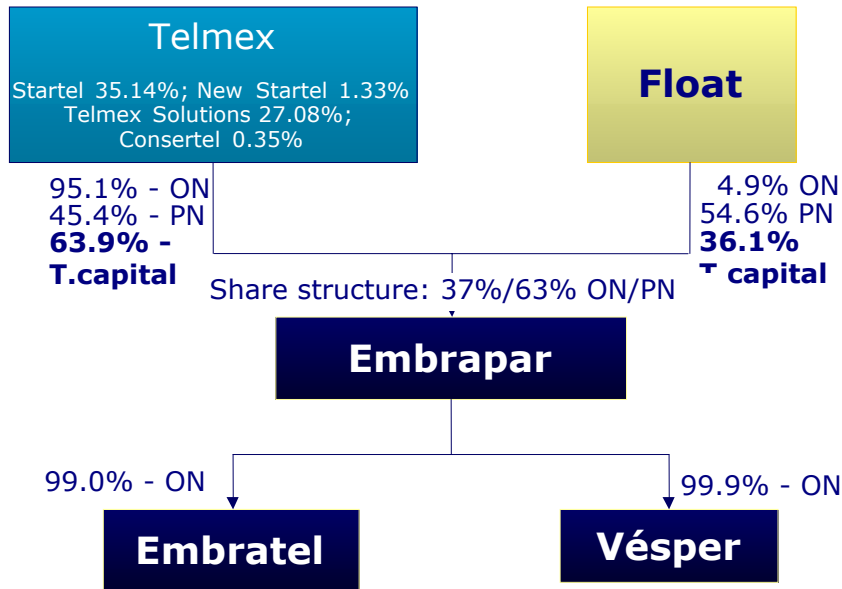
Sincerely,

CARLOS HENRIQUE MOREIRA

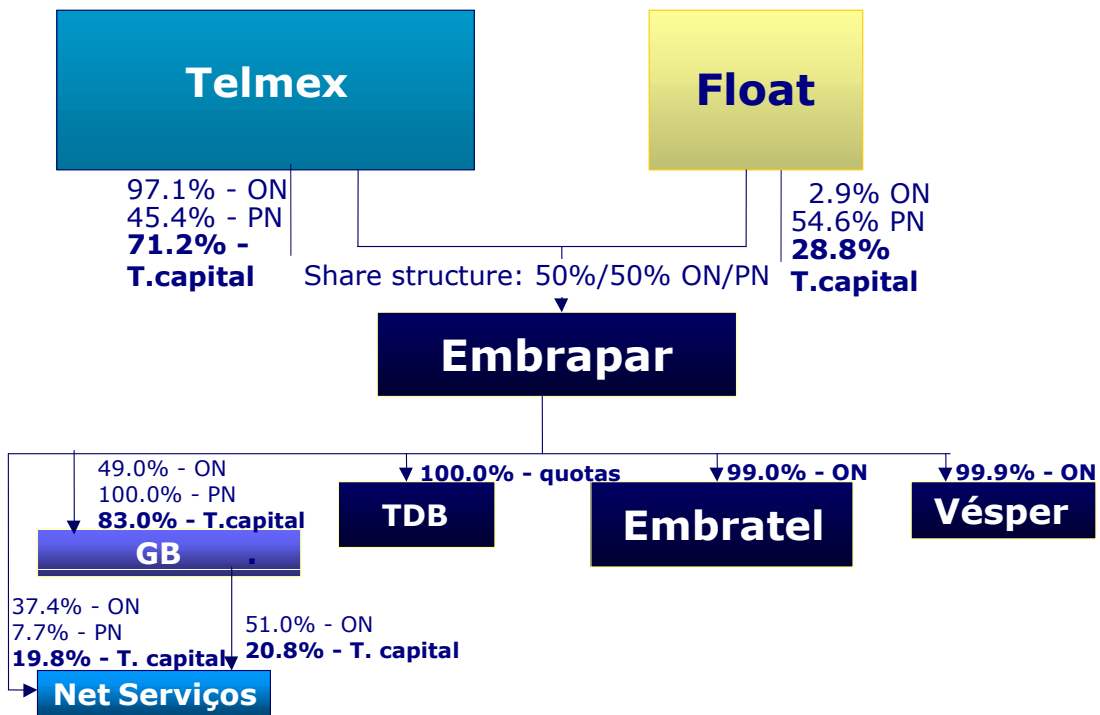
ISAAC BERENSZTEJN

Annex I: Organizational structure before and after the proposed acquisitions.

EMBRAPAR BEFORE THE PROPOSED ACQUISITION



EMBRAPAR AFTER THE PROPOSED ACQUISITION





**MANAGEMENT PROPOSAL TO EMBRAPAR'S
THE BOARD OF DIRECTORS:**

**Ref.: Acquisition of 100% of Telmex do Brasil Ltda. and of a 37,1% participation in
NET Serviços de Comunicação S.A.**

Dear Members of the Board:

As an amendment to the document sent to Board Members this September 22, with the acquisition proposal, by merger, of Atlantis Holdings do Brasil Ltda. ("Atlantis") and Latam do Brasil Participações Ltda. ("Latam"), by Embratel Participações S.A. ("Embrapar"), of the total capital of Telmex do Brasil Ltda. ("TDB") and of a 37.1% participation in the capital of NET Serviços de Comunicação S.A. ("Net"), we clarify the following.

This amendment to the initial proposal results from discussions held by us with the controlling shareholder of Atlantis and Latam, the Latam Telecomunicaciones LLC ("Latam Telecom") with respect to the proposed transaction, during which there was questioning with respect to the exchange ratio of shares of the companies to be merged, for shares issued by Embrapar, specifically given that exchange ratio did not take into consideration, when determined, operating synergies resulting from the said merger.

Considering that Latam Telecom would not agree with the realization of the said mergers with such synergies not being considered and taking into account that the completion of the mentioned mergers are in the interest of Embrapar, for the reasons that were sufficiently exposed in the initial proposal, the company's management, based on studies made by Embrapar with regards to the synergies resulting from the realization of the mentioned mergers, studies which were only concluded after the elaboration of the valuation report of September 9, 2005, already delivered to the Members of the Board, decided to request ABN AMRO, who was hired to make the analysis so as studies to proceed to make the necessary valuations to enable the parties involved in the negotiations of the exchange ratio to include in their evaluation certain synergies.

In fulfilling the request made, ABN AMRO issued a new valuation report, which replaces the prior valuation ("Valuation"), contemplating the value of the synergies involved, in accordance with Annex I of this amendment.

The parties decided to take into account the value of the synergies and established that those value would be absorbed on equal basis, between the two companies to be merged and Embrapar.



Consequently, the Valuation presents new value ranges for each company, which served as the basis for the parties to determine the exchange ratio for the exchange of shares between Latam and Embrapar and Atlantis and Embrapar currently being proposed, which were established using the mid-points of such ranges (common market practice), which are: 219.1087 shares of Embrapar for each one of the 851,231,412 shares of Latam and 35.1075 shares of Embrapar for each one of the 1,251,597,006 quotas of Atlantis. The ratification by this Board of such proposal would result, at the end of the proposed transaction, on the issue of 230 billion Embrapar ordinary shares, raising the total amount of the company's outstanding shares from 758 billion shares to 989 billion, while Embrapar's Capital Stock would continue to increase from approximately R\$4.1 billion to R\$5.1 billion.

ABN AMRO and Citigroup were consulted with respect to the above terms, proposed by Management for the approval of the Board, and both were of the opinion that the above exposed terms were fair, from a financial point of view, for the shareholders of Embrapar. Such opinions will be presented to the Board meeting which should occur tomorrow.

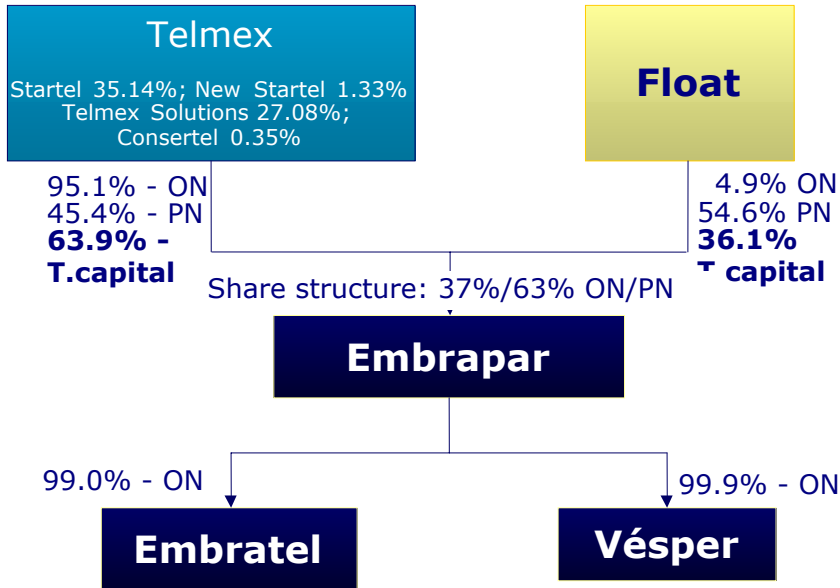
Rio de Janeiro, September 29, 2005

Carlos Henrique Moreira
President

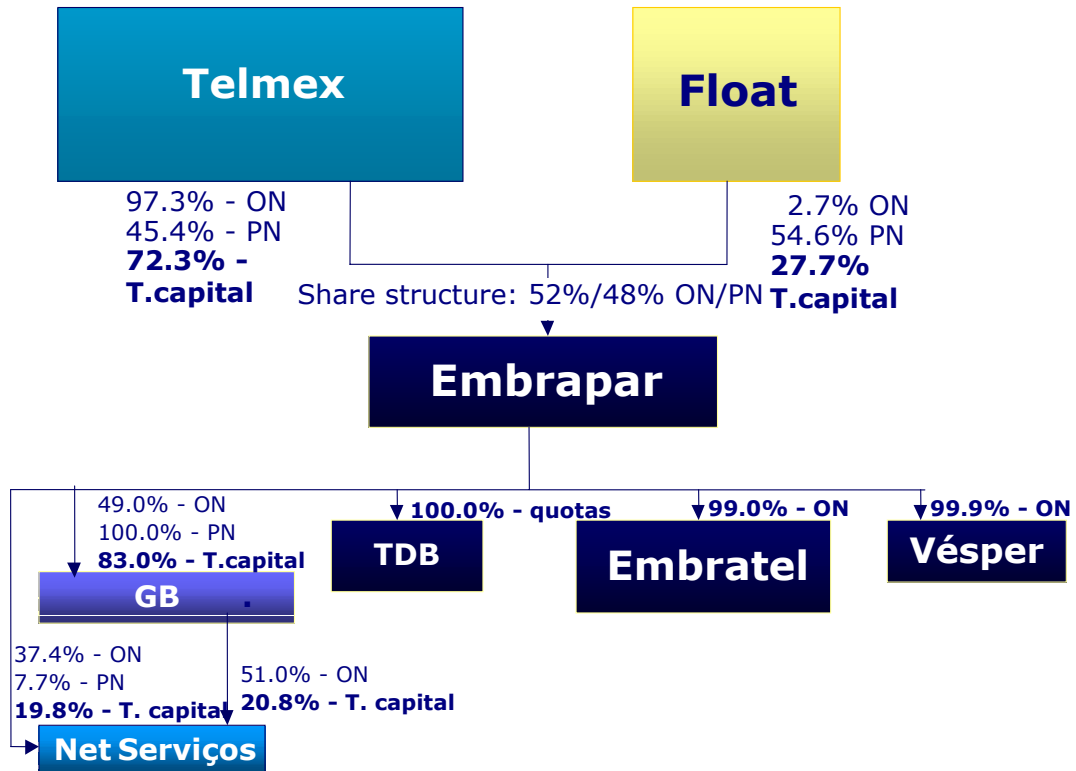


Annex I – Organizational structure before and after the proposed acquisitions

EMBRAPAR BEFORE THE PROPOSED ACQUISITION

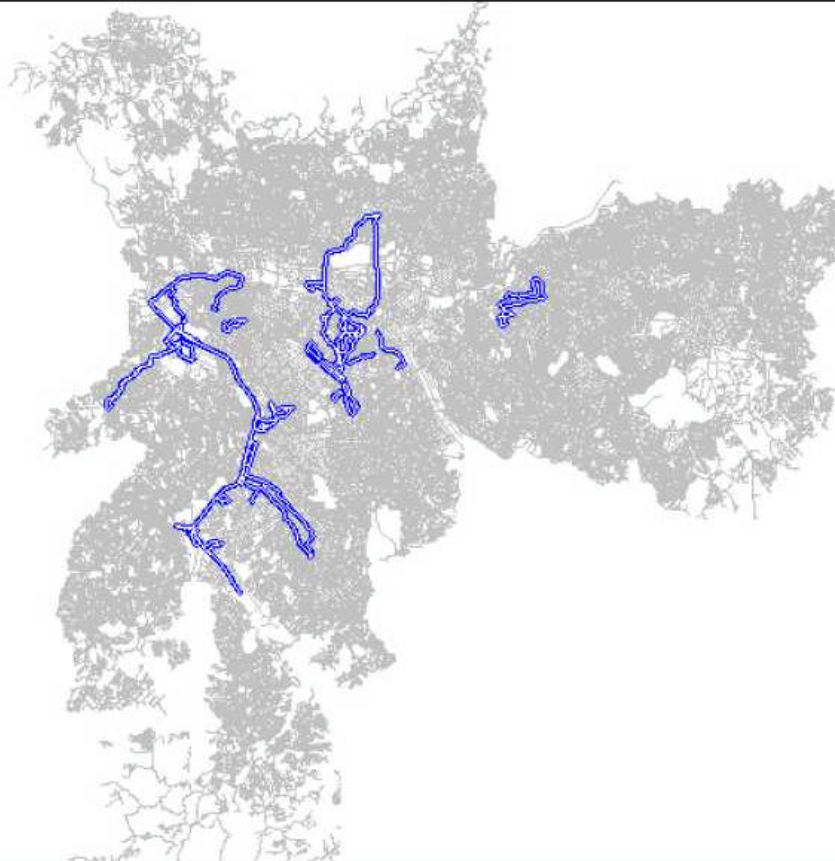


EMBRAPAR AFTER THE PROPOSED ACQUISITION
 (According to the proposal amendment of September 29, 2005)

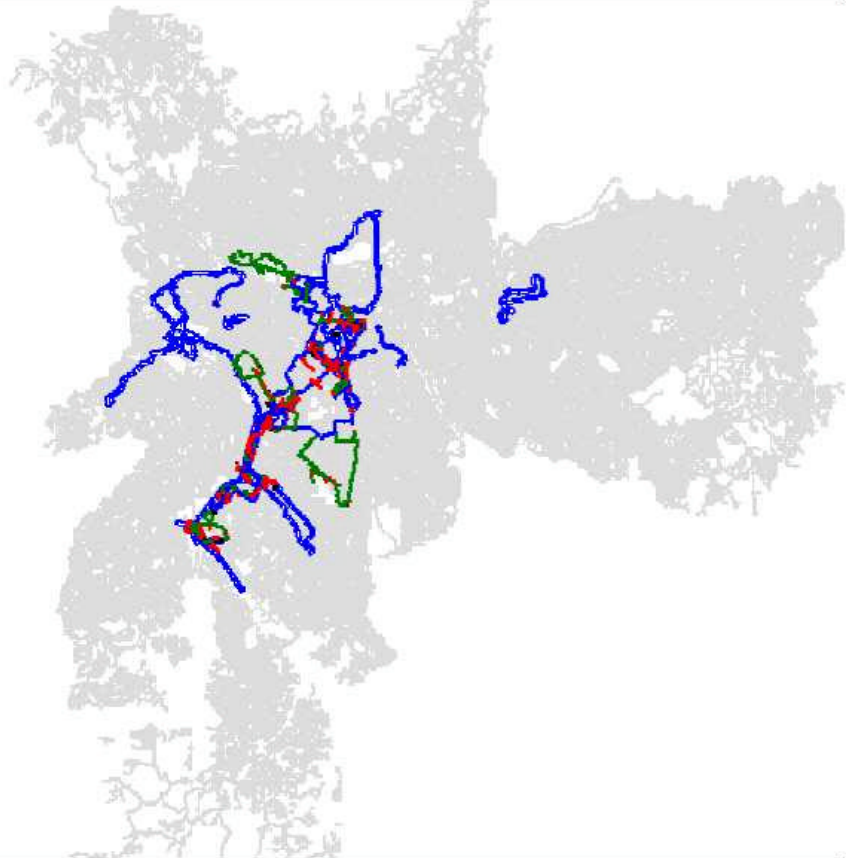


Annex II: Network diagram of Embratel's TDB and NET's São Paulo network

EMBRATEL's Network



EMBRATEL + TELMEX DO BRASIL's Network



EMBRATEL + TELMEX DO BRASIL + NET's Network

