



Bear Stearns

September 2004

Forward Looking Statement

"The information contained in 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 statements regarding the Company's business, financial, regulatory environment, strategy, trends and other 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 acquisitions and the integration thereof, risks associated with the international nature of our business, including currency risk and 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."

Agenda



- Quarterly performance overview
- Overall strategic objectives
- Initial focus
- New management and strengthened corporate governance

Quarterly Performance Overview

Financial Highlights



R\$million 2Q03 3Q03 4Q03 1Q04 2Q04

Operating Performance

Net Revenues	1,666	1,795	1,874	1,893	1,807
EBITDA	391	553	482	448	347
EBITDA Margin	24%	31%	26%	24%	19%

Financial Indicators

Cash & Cash Equivalents	662	625	1,719	1,077	969
Total Debt	4,116	3,977	4,591	4,126	4,121
Net Debt	3,454	3,291	2,871	3,050	3,153
Net Debt/EBITDA	2.2x	2.0x	1.6x	1.6x	1.7x
EBITDA/Financial Expense	3.0x	3.4x	3.5x	3.3x	3.0x

Quarterly Performance Overview

- Top line growth due to local services and mobile long distance calls carrier selection in July 2003
- EBITDA growth
 - due to revenue growth, reduction in bad debt and in interconnection as a percentage of total revenues
 - however, impacted by non-recurring items in 2Q04 (retention, provision reversal and recoveries) and reclassification in 3Q03
- Debt levels and coverage maintained
- 2Q04 margin reduction:
 - Revenues: market share loss in basic voice, conservative SMP revenue recognition
 - Costs: higher VUM, handset costs, SMP interconnection on unbilled revenues

Overall Strategic Objectives

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- Enhance and diversify revenues
 - Retain and regain long distance voice targeted customer base (residential and corporate)
 - Grow data business faster through enhanced service portfolio
 - Increase corporate customer wallet-share
 - Expand local services to business and residential customers

- Optimize and increase cash flow generation
 - Develop on-net capabilities to reduce costs
 - Invest to enhance returns

- Create solid financial base for future growth

Initial Focus

Initial Focus



- Improve internal control and processes
 - Integrate, simplify and improve billing and collections systems and processes
 - Integrate and improve client capex systems
 - Improve interconnection platforms to reduce cost
 - Integrate systems platforms

- Reduce cost
 - Work on various fronts including the regulatory to reduce access costs in Brazil – the highest in Latin America
 - Reduce interconnection costs by increasing network reach and inner city routes (fiber, copper and radio)
 - Introduce austerity and efficiency culture
 - Continue to fight for further reduction in the number of local areas – Brazil currently has 5,600; Mexico has 350 local areas

Initial Focus



- Focused customer and commercial strategies
 - consumer segment
 - * Segmented approach to the customer base
 - * Value propositions and simple clear offers to customers
 - * Local service offers and, overtime, integrated broadband offerings
 - * Use bills for targeted marketing
 - corporate market
 - * Increase wallet – share
 - * Enhanced data portfolio
 - * Full-blown fixed line offering (local and long distance)
 - * Continue to foster outsourcing as a growing revenue stream

Initial Focus (cont.)

- Accelerate local services entry
 - On-net access alternatives
 - * Trunk lines - corporate market
 - * Copper networks and NGN networks - corporate, SME and high-end residential markets
 - * Vésper - Residential low-end, SOHO and small business markets
 - Third-party network alternative
 - * cable networks - small business and high-end residential
 - * Optimize last mile availability through operational agreements with related parties
- Enhance customer support centers (call centers)
 - Maximize use for active marketing
 - Develop revenue stream aiming at self sufficiency
 - Maintain use for collection efforts
- Strengthen the company's financial position
 - Prepay debt through lower cost new financing
 - Eliminate restrictive covenants

Management and Corporate Governance



➤ New management team

- Balanced mix of local and foreign/in-house and outside expertise
- Senior Carso/Telmex General Director
- Control functions (billing, collections, accounting, internal auditing and procurement under Mexican management)

➤ Strengthened corporate governance

- Embratel to remain stand-alone publicly traded entity
- New board with several non-management members
- Newly created audit committee
- Establish world class corporate governance policies and practices



Embratel
Participações S.A.