

# 1<sup>st</sup> Quarter 2007

## Earnings Release



Rio de Janeiro, RJ, Brazil, April 24, 2007

Embratel Participações S.A. (Embratel Participações or Embrapar") (NYSE: EMT; BOVESPA: EBTP4, EBTP3) holds 99.0 percent of Empresa Brasileira de Telecomunicações S.A. ("Embratel"), 100.0 percent of Telmex do Brasil Ltda. ("TdB") and 39.9 percent of Net Serviços S.A. ("Net").

(All financial figures are in Reals and based on consolidated financial statements of Embrapar)

### 1. Highlights

- In the first quarter, net revenues rose 3.8 percent year-over-year totaling R\$2,115 million.
- Telco ratio dropped to 38.7 percent in the first quarter of 2007 compared with 41.3 percent in the first quarter of 2006, and cost of services and goods sold decreased 2.0 percent quarter-over-quarter.
- EBITDA was R\$535 million in the first quarter, an increase of 12.9 percent compared with the fourth quarter of 2006 of R\$474 million (this amount is calculated excluding the non recurring items).
- Operating income (EBIT) was R\$230 million in the first quarter.
- Total net income in the first quarter was R\$132 million.
- At March 31, 2007, net debt totaled R\$1,870 million.
- Total capital expenditures in the first quarter of 2007 were R\$218 million.

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Exhibit 1 R\$ million	1Q06	4Q06	1Q07	% Var YoY	% Var QoQ
Net revenues	2,036.9	2,081.8	2,114.9	3.8%	1.6%
EBITDA	527.7	153.5	534.9	1.4%	248.5%
<i>EBITDA margin</i>	25.9%	7.4%	25.3%	-0.6 pp	17.9 pp
Operating income (EBIT)	240.8	(61.9)	229.7	-4.6%	na
<i>EBIT margin</i>	11.8%	-3.0%	10.9%	-1.0 pp	13.8 pp
Net income/(loss)	127.9	170.5	131.8	3.0%	-22.7%
Earnings/(losses) per 1000 shares (R\$)	0.13	0.17	0.13	2.9%	-22.7%
End of period shares outstanding (1000)	987,723,787	988,758,654	988,758,654	0.1%	0.0%

pp - percentage point; na - not applicable

## 2. Net Revenues

In the first quarter of 2007, total net revenues were R\$2,115 million, an increase of 3.8 percent (R\$78 million) compared with the first quarter of 2006. The increase in revenues resulted mainly from a 36.6 percent (R\$75 million) increase in local revenues. Long distance voice revenues currently represent 55.3 percent of total revenues compared with 59.0 percent a year ago.

Compared with the fourth quarter of 2006, total net revenues rose 1.6 percent (R\$33 million) driven by 18.6 percent (R\$44 million) increase in local revenues. Data communications were flat compared with the fourth quarter 2006.

## 3. Domestic Long Distance

Exhibit 2	1Q06	4Q06	1Q07	% Var YoY	% Var QoQ
Domestic long distance revenue (R\$ million)	1,055.8	1,067.1	1,041.2	-1.4%	-2.4%
Domestic long distance traffic (million minutes)	3,442.4	3,900.8	3,572.2	3.8%	-8.4%

In the first quarter of 2007, domestic long distance traffic totaled 3,572 million minutes, a gain of 3.8 percent compared with the first quarter of 2006. Compared with the fourth quarter of 2006, domestic long distance traffic decreased 8.4 percent.

Domestic long distance revenues were R\$1,041 million, a 1.4 percent (R\$15 million) decrease compared with the first quarter of 2006. The decline in wholesale traffic accounted for most of the decrease, partially offset by growth in corporate advanced voice services. Compared with the fourth quarter of 2006, domestic long distance revenues presented a 2.4 percent (R\$26 million) decrease mainly due to the impact of the summer season.

## 4. International Long Distance

Exhibit 3	1Q06	4Q06	1Q07	% Var YoY	% Var QoQ
International long distance revenue (R\$ million)	146.1	123.3	128.0	-12.4%	3.8%
International long distance traffic (million minutes)	508.5	501.8	483.4	-4.9%	-3.7%

International long distance traffic totaled 483 million minutes, down 4.9 percent compared with the year-ago quarter. Compared with the fourth quarter of 2006, international long distance traffic decreased 3.7 percent.

Year-over-year, first quarter international long distance revenues fell 12.4 percent (R\$18 million) to R\$128 million due to the decline in outbound traffic. Compared with the fourth quarter of 2006, international long distance revenues increased 3.8 percent (R\$5 million) mainly due to increases in mobile originated calls and income revenues.

### 5. Data Communications

Exhibit 4 Thousands	1Q06	4Q06	1Q07	% Var YoY	% Var QoQ
64 Kbps line equivalents (*)	1,788.9	2,243.9	2,313.4	29.3%	3.1%

(\*) Include internet ports and data circuits

In the first quarter of 2007, 69 thousand 64kbits line equivalents were added. At the end of March 2007, Embratel had 2,313 thousand 64kbit line equivalents providing data services to business customers. Year-over-year, 64kbit line equivalents in service increased 29.3 percent.

Exhibit 5 R\$ million	1Q06	4Q06	1Q07	% Var YoY	% Var QoQ
Net data communications	553.6	569.8	568.2	2.6%	-0.3%

Embratel's first quarter data communications revenues were R\$568 million, a year-over-year increase of 2.6 percent (R\$15 million). The main reasons for this growth were the increases in Primesys and Internet services revenues.

### 6. Local Services

Exhibit 6 R\$ million	1Q06	4Q06	1Q07	% Var YoY	% Var QoQ
Local services	206.3	237.7	281.8	36.6%	18.6%

Revenues from local services rose 36.6 percent to R\$282 million compared with last year's first quarter primarily due to increases in the corporate and residential markets. Handset sales also contributed to this growth. Compared with the fourth quarter of 2006, local revenues rose 18.6 percent (R\$44 million).

Livre (former Vésper local service) increased its customer base to 1,017 thousand subscribers, reflecting a quarter over quarter increase of 8.2 percent.

Net Fone via Embratel connected subscriber base ended the first quarter with 257 thousand 4 hundred subscribers, an increase of 41.5 percent compared with the fourth quarter of 2006.

## 7. Cost and Expenses

Exhibit 7 R\$ million	1Q06	4Q06	1Q07	% Var YoY	% Var QoQ
<b>Net revenues</b>	<b>2,036.9</b>	<b>2,081.8</b>	<b>2,114.9</b>	<b>3.8%</b>	<b>1.6%</b>
<b>Costs and expenses</b>					
Costs of services (With interconnection & facilities)	(1,094.6)	(1,101.0)	(1,078.9)	-1.4%	-2.0%
Selling expenses	(276.7)	(340.8)	(323.1)	16.8%	-5.2%
G&A expenses	(161.7)	(162.6)	(156.6)	-3.2%	-3.7%
Other operating income/(expense)	23.7	(323.9)	(21.5)	na	-93.4%
<b>EBITDA</b>	<b>527.7</b>	<b>153.5</b>	<b>534.9</b>	<b>1.4%</b>	<b>248.5%</b>
<i>EBITDA margin</i>	25.9%	7.4%	25.3%	-0.6 pp	17.9 pp
Equity Income/Loss	(17.1)	66.1	(23.1)	0.4	nm
Depreciation and amortization	(269.8)	(281.5)	(282.1)	4.6%	0.2%
<b>Operating income (EBIT)</b>	<b>240.8</b>	<b>(61.9)</b>	<b>229.7</b>	<b>-4.6%</b>	<b>na</b>
Financial income, monetary and exchange variation	32.9	626.3	31.5	-4.1%	-95.0%
Financial expense, monetary and exchange variation	(49.9)	(382.0)	(37.6)	-24.7%	-90.2%
Other non-operating income/(expense)	(6.7)	106.6	0.3	nm	-99.7%
<b>Net income/(loss) before tax and minority interest</b>	<b>217.1</b>	<b>288.9</b>	<b>223.9</b>	<b>3.2%</b>	<b>-22.5%</b>
Income tax and social contribution	(75.1)	(105.2)	(82.5)	9.8%	-21.6%
Minority interest	(14.0)	(13.2)	(9.6)	-31.1%	-26.8%
<b>Net income/(loss)</b>	<b>127.9</b>	<b>170.5</b>	<b>131.8</b>	<b>3.0%</b>	<b>-22.7%</b>

pp - percentage point; na - not applicable

## Cost of Services and Goods Sold

Cost of services and goods sold were R\$1,079 million, a decrease of 1.4 percent (R\$16 million) compared with the first quarter of 2006. Telco ratio dropped to 38.7 percent of net revenues compared with 41.3 percent in the first quarter of 2006, mainly due to local interconnection and the time modulation regulatory decrease.

Compared with the fourth quarter of 2006, cost of services and goods sold also declined by 2.0 percent (R\$ 22 million) due to the reduction in third-party services and other expenses.

## Selling Expenses

Selling expenses were R\$323 million in the first quarter of 2007, an increase of 16.8 percent compared with the first quarter 2006, mainly due to the allowance for doubtful accounts. Compared with the fourth quarter of 2006, selling expenses dropped as a percentage of net revenues mainly due to the decrease in third-party services, which declined 15.8 percent.

## General and Administrative Expenses

General & administrative expenses were R\$157 million, decreasing 3.2 percent compared with the first quarter of 2006, mainly due to the reduction in third-party services expenses.

Compared with the fourth quarter of 2006, general and administrative expenses declined 3.7 percent mainly due to the decrease in tax expenses.

## Other Operating Income and Expense, net

In the first quarter of 2007, other operating expense was R\$22 million, a -1.0 percent of net revenues.

## 8. EBITDA, EBIT and Net Income

In the first quarter of 2007, EBITDA reached R\$535 million, an increase of 1.4 percent (R\$7 million) compared to the first quarter of 2006 and of 249 percent (R\$381 million) compared with the fourth quarter of 2006, respectively. The EBITDA margin reached 25.3 percent, an increase of 7.4 percent quarter-over-quarter.

Operating income (EBIT) was R\$230 million in the first quarter, declining 4.6 percent compared with the first quarter of 2006. Compared with the fourth quarter of 2006, EBIT rose more than three times due to non-recurring contingency items registered in the fourth quarter of 2006.

Net income was R\$132 million in the first quarter of 2007 a year-over-year increase of 3.0 percent.

### 9. Financial Position

Exhibit 8 Currency Exposure Profile	Dec 31, 2006				Mar 31, 2007			
	Amounts in R\$ million	%	Average Cost of Debt	Maturity	Amounts in R\$ million	%	Average Cost of Debt	Maturity
Hedged and reals short term debt	357.8	46.5%	75.37% CDI	up to 1.0 year	768.7	98.0%	61.11% CDI	up to 1.0 year
Unhedged short term debt	411.6	53.5%	US\$ + 6.25%	up to 1.0 year	15.8	2.0%	US\$ + 6.07%	up to 1.0 year
<b>Total short term debt</b>	<b>769.4</b>	<b>29.0%</b>			<b>784.4</b>	<b>29.8%</b>		
Hedged and reals long term debt	203.4	10.8%	69.67% CDI	up to 7.0 years	589.4	31.9%	54.85% CDI	up to 6.8 years
Unhedged long term debt	1,678.8	89.2%	US\$ + 7.50%	up to 6.4 years	1,260.0	68.1%	US\$ + 6.40%	up to 6.2 years
<b>Total long term debt</b>	<b>1,882.2</b>	<b>71.0%</b>			<b>1,849.4</b>	<b>70.2%</b>		
Hedged and reals total debt	561.2	21.2%	73.31% CDI	up to 7.0 years	1,358.0	51.6%	58.40% CDI	up to 6.8 years
Unhedged total debt	2,090.4	78.8%	US\$ + 7.25%	up to 6.4 years	1,275.7	48.4%	US\$ + 6.40%	up to 6.2 years
<b>Total debt</b>	<b>2,651.6</b>	<b>100.0%</b>	<b>US\$ + 5.73%</b>	<b>up to 7.0 years</b>	<b>2,633.8</b>	<b>100.0%</b>	<b>US\$ + 3.39%</b>	<b>up to 6.8 years</b>

At March 31, the cash position was R\$764 million. Embratel ended the quarter with a total outstanding debt of R\$2,634 million and net debt of R\$1,870 million.

Short-term debt (accrued interest, short-term debt and current maturity long-term debt in the next 12 months) was R\$784 million.

### 10. Capex

Exhibit 9 R\$ million	1Q07	%
Access, Infrastructure and Local Services	70.5	32.4%
Network Infrastructure	59.3	27.2%
Data and Internet Service	54.6	25.0%
Star One	15.7	7.2%
Other investments	17.8	8.2%
<b>Total Capex</b>	<b>217.9</b>	<b>100.0%</b>

Total capital expenditures in the first quarter of 2007 were R\$218 million.

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*Embratel Participações S.A. is the holding company of Embratel, a leading integrated telecommunications provider offering solutions to business and services to residential customers all over Brazil. Service offerings include: outsourcing, high-speed data communications, Internet, corporate networks, advanced voice and international, domestic and local telephony. Embratel operates a proprietary state-of-the-art network with country wide coverage and presence in Brazil's main metropolitan areas. It also controls*

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*Telmex do Brasil, a corporate business telecommunications provider and has a 39.9 percent economic interest in Net Serviços, Brazil's leading pay TV operator.*

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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 to 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.

### (Exhibits: 10 - Income Statement, 11 - Balance Sheet, 12 - Cash Flow Statement)

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Exhibit 10 Embratel Participações SA Consolidated Income Statement - Corporate Law R\$ millions	Quarter ending						%	
	Mar 31, 06	%	Dec 31, 06	%	Mar 31, 07	%	YoY	QoQ
<b>Revenues</b>								
<b>Gross revenues</b>	<b>2,789.0</b>		<b>2,836.7</b>		<b>2,974.0</b>		<b>3.0%</b>	<b>1.3%</b>
Taxes & other deductions	(752.0)		(754.9)		(750.1)		0.9%	0.5%
<b>Net revenues</b>	<b>2,036.9</b>	<b>100.0%</b>	<b>2,081.8</b>	<b>100.0%</b>	<b>2,114.9</b>	<b>100.0%</b>	<b>3.8%</b>	<b>1.6%</b>
<b>Net voice revenues</b>	<b>1,201.9</b>	<b>59.0%</b>	<b>1,190.4</b>	<b>57.2%</b>	<b>1,169.2</b>	<b>55.3%</b>	<b>-2.7%</b>	<b>-1.0%</b>
Domestic long distance	1,055.8	51.8%	1,067.1	51.3%	1,041.2	49.2%	-1.4%	-2.4%
International long distance	146.1	7.2%	123.3	5.9%	128.0	6.1%	-12.4%	3.8%
<b>Net data communications</b>	<b>553.6</b>	<b>27.2%</b>	<b>569.8</b>	<b>27.4%</b>	<b>568.2</b>	<b>26.9%</b>	<b>2.6%</b>	<b>-0.3%</b>
Data & internet	469.2	24.0%	513.3	24.7%	514.5	24.3%	5.2%	0.2%
Wholesale	64.5	3.2%	56.5	2.7%	53.7	2.5%	-16.7%	-4.9%
<b>Local services</b>	<b>206.3</b>	<b>10.1%</b>	<b>237.7</b>	<b>11.4%</b>	<b>281.8</b>	<b>13.3%</b>	<b>36.6%</b>	<b>18.6%</b>
<b>Other services</b>	<b>75.1</b>	<b>3.7%</b>	<b>83.9</b>	<b>4.0%</b>	<b>95.7</b>	<b>4.5%</b>	<b>27.5%</b>	<b>14.0%</b>
<b>Net revenues</b>	<b>2,036.9</b>	<b>100.0%</b>	<b>2,081.8</b>	<b>100.0%</b>	<b>2,114.9</b>	<b>100.0%</b>	<b>3.8%</b>	<b>1.6%</b>
<b>Cost of services and goods sold</b>	<b>(1,094.6)</b>	<b>-53.7%</b>	<b>(1,101.0)</b>	<b>-52.9%</b>	<b>(1,078.9)</b>	<b>-51.0%</b>	<b>-2.4%</b>	<b>-2.0%</b>
Interconnection & facilities	(841.9)	-41.3%	(822.1)	-39.5%	(818.6)	-38.7%	-2.8%	-0.4%
Personnel	(69.5)	-3.4%	(71.6)	-3.4%	(71.1)	-3.4%	2.3%	-0.6%
Third-party services	(80.9)	-4.0%	(95.3)	-4.6%	(83.0)	-3.9%	2.7%	-12.8%
Other	(102.2)	-5.0%	(112.1)	-5.4%	(106.1)	-5.0%	2.8%	-5.3%
<b>Selling expenses</b>	<b>(276.7)</b>	<b>-13.6%</b>	<b>(340.8)</b>	<b>-16.4%</b>	<b>(323.1)</b>	<b>-15.3%</b>	<b>16.8%</b>	<b>-5.2%</b>
Personnel	(66.1)	-3.2%	(75.7)	-3.6%	(75.9)	-3.6%	14.7%	0.3%
Third-party services	(103.8)	-5.1%	(129.0)	-6.2%	(108.6)	-5.1%	-4.6%	-15.8%
Allowance for doubtful accounts	(105.1)	-5.2%	(133.0)	-6.4%	(137.3)	-6.5%	30.6%	2.6%
Other	(1.6)	-0.1%	(2.2)	-0.1%	(1.4)	-0.1%	-13.8%	-38.6%
<b>GR&amp;A expenses</b>	<b>(161.7)</b>	<b>-7.9%</b>	<b>(162.6)</b>	<b>-7.8%</b>	<b>(156.6)</b>	<b>-7.4%</b>	<b>-3.2%</b>	<b>-3.7%</b>
Personnel	(36.7)	-1.8%	(43.5)	-2.1%	(39.5)	-1.9%	-7.6%	-9.2%
Employee profit sharing	(14.7)	-0.7%	(9.3)	-0.4%	(15.1)	-0.7%	2.6%	62.8%
Third-party services	(88.1)	-4.3%	(84.0)	-4.1%	(82.2)	-3.9%	-6.7%	-2.9%
Taxes	(9.7)	-0.5%	(14.6)	-0.7%	(9.7)	-0.5%	0.4%	-33.3%
Other	(12.5)	-0.6%	(10.7)	-0.5%	(10.0)	-0.5%	-19.7%	-5.9%
<b>Other operating income/(expense)</b>	<b>23.7</b>	<b>1.2%</b>	<b>(323.9)</b>	<b>-15.6%</b>	<b>(21.5)</b>	<b>-1.0%</b>	<b>na</b>	<b>-93.4%</b>
<b>EBITDA</b>	<b>527.7</b>	<b>25.9%</b>	<b>153.5</b>	<b>7.4%</b>	<b>534.9</b>	<b>25.3%</b>	<b>1.4%</b>	<b>248.5%</b>
Equity Income/Loss	(17.1)	-0.8%	66.1	3.2%	(23.1)	-1.1%	35.2%	nm
Depreciation and amortization	(269.8)	-13.2%	(281.5)	-13.5%	(282.1)	-13.3%	-4.6%	0.2%
<b>Operating income (EBIT)</b>	<b>240.8</b>	<b>11.8%</b>	<b>(61.9)</b>	<b>-3.0%</b>	<b>229.7</b>	<b>10.9%</b>	<b>-4.6%</b>	<b>na</b>
<b>Financial income, monetary and exchange variation</b>	<b>32.9</b>	<b>1.6%</b>	<b>626.3</b>	<b>30.1%</b>	<b>31.5</b>	<b>1.5%</b>	<b>-4.1%</b>	<b>-95.0%</b>
Financial income	42.1	2.1%	443.2	21.3%	35.9	1.7%	-14.6%	-91.9%
Monetary and exchange variation (income)	(9.2)	-0.5%	183.1	8.8%	(4.4)	-0.2%	-52.3%	na
<b>Financial expense, monetary and exchange variation</b>	<b>(49.9)</b>	<b>-2.5%</b>	<b>(382.0)</b>	<b>-18.4%</b>	<b>(37.6)</b>	<b>-1.8%</b>	<b>-24.7%</b>	<b>-90.2%</b>
Financial expense	(45.7)	-2.2%	(38.0)	-1.8%	(63.0)	-3.0%	37.9%	-7.5%
Monetary and exchange variation (expense)	(4.3)	-0.2%	(314.0)	-15.1%	25.4	1.2%	nm	nm
<b>Other non-operating income/(expense)</b>	<b>(6.7)</b>	<b>-0.3%</b>	<b>106.6</b>	<b>5.1%</b>	<b>0.3</b>	<b>0.0%</b>	<b>nm</b>	<b>-99.7%</b>
<b>Net income/(loss) before tax and minority interest</b>	<b>217.1</b>	<b>10.7%</b>	<b>288.9</b>	<b>13.9%</b>	<b>229.9</b>	<b>10.6%</b>	<b>3.2%</b>	<b>-22.5%</b>
Income tax and social contribution	(75.1)	-3.7%	(105.2)	-5.1%	(82.5)	-3.9%	9.8%	-21.6%
Minority interest	(14.0)	-0.7%	(13.2)	-0.6%	(9.6)	-0.5%	-31.1%	-26.6%
<b>Net income/(loss)</b>	<b>127.9</b>	<b>6.3%</b>	<b>170.5</b>	<b>8.2%</b>	<b>131.8</b>	<b>6.2%</b>	<b>3.0%</b>	<b>-22.7%</b>
End of period shares outstanding (billions)	987.7		988.8		988.8			
Earnings/(losses) per 1000 shares (R\$)	0.13		0.17		0.13			

pp - percentage point; na - not applicable

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Exhibit 11 Embratel Participações SA Consolidated Balance Sheet - Corporate Law R\$ million	Quarter ending		
	Mar 31, 06	Dec 31, 06	Mar 31, 07
<b>Assets</b>			
Cash and cash equivalents and short-term investments	570.7	637.2	764.3
Accounts receivable	1,640.2	1,944.5	1,818.1
Inventories	12.7	12.0	8.7
Deferred and recoverable taxes (current)	431.6	495.3	411.6
Other current assets	196.9	209.5	194.6
<b>Current assets</b>	<b>2,852.0</b>	<b>3,298.4</b>	<b>3,197.3</b>
Deferred and recoverable taxes	1,072.3	1,632.8	1,656.9
Legal deposits	96.4	105.9	100.0
Other non-current assets	52.3	67.1	98.4
<b>Long-term assets</b>	<b>1,221.0</b>	<b>1,805.8</b>	<b>1,865.2</b>
Investments	908.7	1,399.2	1,404.4
Property, plant & equipment	6,846.3	7,242.9	7,205.5
Intangibles	453.5	370.9	339.3
Deferred fixed assets	131.1	109.7	99.6
<b>Permanent assets</b>	<b>8,339.7</b>	<b>9,122.7</b>	<b>9,048.9</b>
<b>Noncurrent assets</b>	<b>9,560.6</b>	<b>10,928.5</b>	<b>10,914.1</b>
<b>Total assets</b>	<b>12,412.6</b>	<b>14,226.9</b>	<b>14,111.5</b>
<b>Liabilities and shareholders' equity</b>			
Short term debt and current portion of long term debt	310.4	769.4	794.4
Accounts payable and accrued expenses	841.0	1,099.7	962.2
Taxes and contributions (current)	524.3	619.7	640.5
Dividends	177.4	161.1	161.1
Personnel, charges and social benefits	66.9	69.6	77.9
Employee profit sharing provision	16.9	50.9	12.0
Provision for contingencies	621.8	1,238.2	1,187.9
Actuarial liabilities - Telos	44.2	40.5	37.7
Other current liabilities	122.8	105.0	94.2
<b>Current liabilities</b>	<b>2,725.5</b>	<b>4,154.2</b>	<b>3,947.9</b>
Long term debt	1,324.4	1,882.2	1,849.4
Actuarial liabilities - Telos	398.1	406.4	413.1
Taxes and contributions	28.6	43.3	43.1
Other non-current liabilities	36.2	18.5	17.0
<b>Non-current liabilities</b>	<b>1,787.3</b>	<b>2,350.5</b>	<b>2,322.6</b>
<b>Deferred income</b>	<b>185.6</b>	<b>188.0</b>	<b>185.2</b>
<b>Minority interest position</b>	<b>220.8</b>	<b>203.4</b>	<b>193.1</b>
Paid-in capital	5,074.0	5,074.0	5,074.0
Income reserves	2,302.2	2,255.9	2,255.9
Treasury stock	(11.7)	-	-
Retained earnings	127.8	-	131.8
<b>Shareholders' equity</b>	<b>7,493.3</b>	<b>7,330.9</b>	<b>7,462.7</b>
<b>Total liabilities and shareholders' equity</b>	<b>12,412.6</b>	<b>14,226.9</b>	<b>14,111.5</b>
Total borrowed funds	1,634.8	2,651.6	2,633.8
Net debt	1,064.1	2,014.4	1,869.5
Net debt / Shareholder's equity	0.14	0.27	0.25
Total debt / Trailing EBITDA (last 4 quarters)	0.9	2.3	2.3
Net debt / Trailing EBITDA (last 4 quarters)	0.6	1.7	1.6
Trailing EBITDA / Financial expense (does not include monetary and exchange variation)	6.3	4.9	4.6
Trailing EBITDA / Net financial expense (including monetary and exchange variation)	12.8	rm	rm

Exhibit 12 Embratel Participações SA Consolidated Statement of Cash Flow - Corporate Law R\$ millions	Quarter ending	
	4Q06	1Q07
Cash provided by operating activities		
Net income/(loss) - cash flow	170,5	131,8
Depreciation/amortization	281,5	282,1
Exchange and monetary (gains)/losses	(37,6)	(105,2)
Swap hedge effects	23,9	39,3
Minority Interest - cash flow	13,2	9,6
Loss/(gain) on permanent asset disposal	3,2	7,0
Equity Income/loss	(66,1)	23,1
Other operating activities	(1,5)	-
Changes in current and noncurrent assets and liabilities	(262,6)	(28,2)
<b>Net cash provided by operating activities</b>	<b>124,5</b>	<b>359,5</b>
Cash flow from investing activities		
Additions to investments/goodwill	(131,5)	(28,3)
Additions to property, plant and equipment	(402,2)	(217,9)
<b>Net cash used in investing activities</b>	<b>(533,7)</b>	<b>(246,2)</b>
Cash flow from financing activities		
Loans obtained and repaid	409,9	43,5
Swap hedge settlement	(19,2)	(9,7)
Dividends and interest on capital paid	(36,2)	-
Capital increase/decrease	-	(20,0)
Other financing activities	5,7	-
<b>Net cash used in financing activities</b>	<b>360,2</b>	<b>13,8</b>
Increase in cash and cash equivalents	(48,9)	127,1
Cash and cash equivalents at beginning of period	686,1	637,2
Cash and cash equivalents at end of period	637,2	764,3