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## **TELE NORDESTE PARTICIPAÇÕES S.A. ANNOUNCES YEAR-END AND FOURTH QUARTER 1998 RESULTS**

Brasília, Brazil (March 25, 1999) – Tele Nordeste Celular Participações S.A. (NYSE: TND) (“Tele Nordeste,” or “The Company”), the holding company controlling the operating companies serving Band A cellular telecommunication customers in the states of Piauí, Ceará, Rio Grande do Norte, Paraíba, Pernambuco and Alagoas, announced today year-end 1998 as well as 4th quarter 1998 results in accordance with Brazilian GAAP. The translation to US dollars has been presented solely for the convenience of the reader. This translation should not be perceived as representations that the reais amounts actually represent such US dollar amounts or could be or could have been converted to US dollars at the rate indicated. The US dollar amounts have been translated from reais at the commercial selling rate published by the Central Bank of Brazil at December 31, 1998, which was R\$1.21 to US\$1.00.

#### **Financial Developments**

Tele Nordeste’s net income for the year was R\$104.2 million (US\$86.1 million) or R\$0.31 (US\$0.26) per thousand shares, R\$35.7 million (US\$29.5 million) for the 4th quarter. Consolidated net operating revenues for the year totaled R\$469.6 million (US\$388.1 million), R\$123.0 million (US\$101.6 million) in the 4th quarter. The consolidated EBITDA and EBIT for the year were R\$235 million (US\$194.2 million) and R\$189 million (US\$156.2 million) respectively, representing 49% and 39% of net operating revenues.

Tele Nordeste’s management is proposing the distribution of annual dividends equivalent to 25% of the adjusted net income, after deducting 5% (R\$5.2 million – US\$4.3 million) for the legal reserve for provisions. This represents total dividends of R\$24.9 million, or R\$0.074 per thousand shares, part of which will be paid as interest on equity, as allowed by Brazilian legislation. In accordance with the Company’s by-laws, R\$87.1 million (US\$72.0 million) is being transferred from retained earnings to a statutory reserve.

The approval and payment date of the above mentioned dividend payment will be determined at Tele Nordeste’s annual Shareholders’ Meeting to be held in April.

## Select Consolidated Financial Data

The table below summarizes the consolidated revenues and cost of goods sold and service rendered for the 4th quarter 1998 and for the year (in thousands of reais)

	<b>4<sup>th</sup> Quarter, 1998</b>	<b>Full Year 1998</b>
Revenue		
- Usage charges	85,004	314,475
- Monthly subscription payments	25,864	124,176
- Activation fees	2,075	9,067
- Network usage charges	33,986	131,584
- Sale of goods and other revenue	8,680	11,617
Subtotal	155,322	590,919
- Value added and other indirect taxes	(32,237)	(121,255)
Net Operating Revenue	123,085	469,664
Cost of goods and services		
- Depreciation and amortization	(12,635)	(45,715)
- Personnel	(910)	(2,846)
- Material and services	(22,068)	(69,658)
- Others:		
- Fixed-line network expenses	--	--
- Leases and insurance	(14,225)	(61,480)
- Fistel tax and other	(2,620)	(9,970)
	(52,458)	(189,669)
Gross profit	70,627	279,995

Below are the most significant statistics for 1998 affecting operating revenues, compared with the corresponding 1997 statistics:

	<b>Full Year</b>	
	<b>1998</b>	<b>1997</b>
Subscribers at December 31 (in thousands)	614	465
Growth from prior year-end	32.1%	38.7%
Estimated population of region (in millions)	25,8	25,8
Regional penetration (Tele Nordeste only)	2.4%	1.8%
Average monthly incoming minutes of use per subscriber	130	91.7
Average monthly outgoing minutes of use per subscriber	111	102.0

In addition, for 1998 the average revenue per user (ARPU), net of taxes, was R\$ 70.41 per month.

In the 4th quarter 1998, Tele Nordeste's subsidiaries started selling handsets to their customers, offering lower prices through the negotiation of large orders with manufacturers. The total sales for the year amounted to R\$6.6 million (US\$5.5 million). The cost of the handsets sold is included in Material and Services, under Cost of Goods and Services. Also during the 4<sup>th</sup> quarter 1998, the operating subsidiaries waived activation fees, in a special marketing effort to increase their customer base.

Depreciation and amortization in the 4th quarter already reflect investments made during the year.

The total consolidated operating expenses of R\$130.4 million (US\$ 107.8 million) include interest on capital of R\$31.4 million (US\$ 26.0 million) and the write-off of bad debt, totaling R\$35 million (US\$ 28.9 million) for the year. Bad debt, which represents 7.1% of gross revenues, includes accounts that remained unpaid since 1994 and were not provisioned for before the creation of the operating companies. Management believes that this expense will be reduced in the future.

### **Development of Tele Nordeste Celular**

Tele Nordeste and its subsidiaries resulted from the restructuring of the Telebrás system, which took place between January and May 1998. The subsidiaries were created on January 5, 1998, as Band A operators in the states of Piauí, Ceará, Rio Grande do Norte, Paraíba, Pernambuco and Alagoas, each resulting from the spin off of the telephone operator in each state. Tele Nordeste was created on May 22, 1998, through the transfer of certain Telebrás assets and liabilities, including the shares in Tele Nordeste's subsidiaries, as follows (in percentage of each class of shares and total capital):

<u>Subsidiary</u>	<u>State</u>	<u>Common</u>	<u>Preferred</u>	<u>Total</u>
Telepisa Celular	Piauí	97.8761	69.0392	78.4751
Teleceará Celular	Ceará	85.2802	76.1767	79.3080
Telern Celular	R.G.do Norte	92.5718	67.5704	75.4192
Telpe Celular	Paraíba	95.0804	60.9292	71.4990
Telpe Celular	Pernambuco	95.0601	63.7236	77.2199
Telasa Celular	Alagoas	97.3883	64.1331	77.6030

Tele Nordeste's unconsolidated and consolidated financial statements for prior years were calculated on a pro-forma basis. Therefore, comparable financial data for previous years is not available.

### **Concession Agreements and Regulatory Agency**

On November 4, 1997, the Federal Government granted Tele Nordeste's subsidiaries concessions to provide Band A cellular telecommunications services. These concession agreements can be renewed for consecutive 15-year periods by paying fees for the right to provide cellular telecommunications service and use the associated radio frequencies.

The subsidiaries' business, including the services they can provide and the maximum rates they can charge, is regulated by Agência Nacional de Telecomunicações – ANATEL, the Brazilian Telecommunications Regulatory Agency, in accordance with Law 9,472 of July 16, 1997 and corresponding regulations.

### **The Privatization of Tele Nordeste Celular**

Tele Nordeste was privatized by the Brazilian Government on July 29, 1998. The acquiring consortium, comprised of Bitel Participações S.A. and UGB Participações S.A., became the new controlling shareholder of Tele Nordeste. Bitel is part of the Telecom Italia group of companies and UGB is a partnership between the Globo and the Bradesco groups, both Brazilian organizations.

After the privatization of Tele Nordeste, the new controlling shareholders as well as management redefined the strategies of its operating subsidiaries. In this regard, Tele Nordeste started a restructuring process aimed at improving service levels, productivity and efficiency. In this process, and with the help of international consultants, the Company has taken steps to centralize its administrative functions, begin the digitalization of its network (TDMA system), and

initiate new marketing objectives. Tele Nordeste's main goal is to remain the market leader in terms of number of subscribers, quality, coverage and service in all regions where its subsidiaries operate.

### **Competition**

The Band B operator, BCP Nordeste S.A. (formerly BSE S.A.), started its operations in the region during the second half of the year with a fully digitalized network and smaller coverage. We estimate that Tele Nordeste's market share at the end of 1998 was approximately 83%. Penetration in the region at the end of 1998 is estimated at 2.9%, compared to the penetration within the country of approximately 4.3% (6.8 million subscribers).

In 1998, the subsidiary companies introduced a new mobile telephone service under the digital TDMA system in the main cities of the region. Together, the operators expanded their client base by a total of 149,000 subscribers, with the addition of 210,000 subscribers and the disconnection of 61,000 subscribers. The population in this region totals 25.8 million inhabitants and coverage of cellular mobile telephone service in the region is 67%.

### **The Region**

The region covered by Tele Nordeste has an area of 635,490 square kilometers, representing approximately 7.4% of the total area in Brazil. The region includes 24 metropolitan areas with population in excess of 100,000 people, including the cities of Teresina, Fortaleza, Natal, João Pessoa, Recife and Maceió.

The relevant states where Tele Nordeste operates are as follows:

State	Population (in millions)	% of Brazil's population	% of Brazil's GDP	Per capita income (in Reais)
Piauí	2.7	1.7	0.7	1,868.0
Ceará	7.0	4.4	2.5	2,813.3
Rio Grande do Norte	1.6	1.6	1.0	2,013.0
Paraíba	3.3	2.1	1.1	2,398.5
Pernambuco	7.5	4.5	2.7	2,652.7
Alagoas	2.7	1.7	0.8	2,296.0
Total	25.8	16.1	8.8	2,340.3

### **Balance Sheet**

The total debt of the subsidiaries at December 31, 1998, was R\$116.4 million (US\$96.2 million). Of this total, R\$97.6 million (US\$ 80.7 million) was denominated in US dollars, with R\$56.4 million (US\$ 46.6 million) maturing in 1999. There was no hedging mechanism in place as of December 31, 1998.

The bad-debt provisions of the subsidiaries represented 17% of trade accounts receivable at the balance sheet date.

### **Capital Expenditures**

Tele Nordeste and its subsidiaries' priorities include increasing network capacity and coverage as well as improving the overall quality of their networks and services.

During 1998, consolidated investments of approximately R\$ 167 million (US\$ 138.0 million) were made as part of the Company's service expansion and modernization program, including the partial digitalization of the network. Additionally, the subsidiary companies will focus on improving their quality of service, the implementation of alternative marketing plans, and the introduction of new services, continuously adapting to customer needs. Also, investments will be made in information systems, for the purposes of improving productivity and obtaining greater management control.

### **Operating Companies' Services**

The operating companies have met the goals set by Anatel with respect to quality and performance.

During 1998, Tele Nordeste's operating companies eliminated the pent-up demand in their respective regions. Customer care service was extended to 24 hours-a-day, 7-days-a-week and the number of agents and dealers was increased. Also, additional services were launched including call forwarding and voice mail, among others.

### **Other Relevant Information**

#### ***Human Resources***

The number of Tele Nordeste's employees at year end totaled 932, including full-time, trainees and part-time employees, which represents a 208.6% increase in the number of employees since the beginning of the Company's operation. This growth was due to the absorption of activities that were previously carried out by the fixed line telephone companies in each state.

#### ***Pension Plan and Retirement Benefits***

The subsidiaries sponsor private defined pension plans that are administered by Fundação Telebrás de Seguridade Social – SISTEL. The amount of retired employees' supplementary pensions are adjusted at the same time active employees of SISTEL sponsors receive pay raises (at the same average rate.) In addition to the supplementary pension benefit, the plan provides medical assistance and life insurance for retired employees and their dependents at shared cost.

#### ***Year 2000 Problem***

Tele Nordeste's subsidiaries use computer systems provided by the fixed line carriers from which they originated. These fixed line carriers reported that their systems should be Year 2000 compliant by June 30, 1999.

Tele Nordeste's management is finalizing approval of various system projects aimed at replacing the computer systems currently provided by the fixed line carriers. The new systems will be purchased from international companies, who have reported that they are fully year 2000 compliant. If necessary, Tele Nordeste and its subsidiaries will absorb the operation of the current systems until the new systems are fully operational. The cost incurred to resolve the Year 2000 Problem has been absorbed by the fixed line carriers.

#### ***Research and Development***

The Company and its subsidiaries cooperate with Telecommunications (is this what it's called now) Research and Development Center (CPqD) which, upon the Telebrás System reorganization, became a non-profit organization run by all of the telephone operating companies in Brazil. Therefore the subsidiary companies have full access to the telecommunications

software programs developed by the Center and to services such as equipment tests, consulting and training.

### **Events Subsequent to December 31, 1998**

#### ***Exchange Rate***

In January 1999 the Brazilian Government changed its exchange rate policy and allowed the exchange rate to float in a free market. As a result, the real has devalued by 53% since December 31, 1998. The Company is not able to determine whether the exchange rate will remain at current levels.

Some of the Tele Nordeste subsidiaries have US dollar denominated debt, totaling US\$80 million as of December 31, 1998. To date, the exchange variation on this debt has amounted to R\$51.2 million, resulting in an expense allotted to the Company's consolidated net equity, after taxes and minority interest, of R\$26.2million.

#### ***Controlling Shareholders***

In January 1999 UGB Participações S.A. agreed to sell its stake in Tele Nordeste to Bitel Participações S.A. The sale and purchase agreement was approved by Anatel and, when the sale is finalized, Bitel will become the holder of 51.8% of the common shares of Tele Nordeste. Bitel is part of the Telecom Italia group of companies.

#### ***New Brand Name***

In March 1999, Tele Nordeste unified the brand name of the subsidiaries, by adopting "TIM" as the new brand name throughout the region, thus replacing Banda A, Telasa Celular, Telpa Celular, Telpa Celular, Telern Celular, Teleceará Celular and Telepisa Celular. The TIM brand name will be promoted to convey a superior quality of Technology, Innovation and Mobility as well as benefit from the support of its controlling shareholder, Telecom Italia Mobile.

In order to receive a copy of Tele Nordeste's Notes to the Financial Statements, please call the Company's contacts found on page 1.

**--TABLES WILL FOLLOW--**