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## TELE NORDESTE CELULAR PARTICIPAÇÕES S.A. ANNOUNCES FIRST QUARTER 1999 RESULTS

Recife, Brazil (May 17, 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 its results for the first quarter of 1999 in accordance with Brazilian GAAP. The translation to US dollars has been presented solely for the convenience of the reader. This conversion does not imply that reais amounts actually represent such US dollar amounts or may be converted to US dollars at the rate indicated. The US dollar amounts have been converted from reais at the commercial selling rate published by the Central Bank of Brazil at March 31, 1999, which was R\$1.72 to US\$1.00.

### Financial Highlights

Tele Nordeste’s net income for the first quarter of 1999 was R\$13.6 million (US\$7.9 million) or R\$0.04 (US\$0.02) per thousand shares, compared to R\$26.2 million (US\$15.2 million) for the first quarter 1998. Consolidated net operating revenues for the first quarter 1999 reached R\$141.7 million (US\$83.4 million), compared to R\$122.8 million (US\$71.4 million) for the first quarter 1998. The Company reported consolidated EBITDA of R\$63.8 million (US\$37.1 million) for the first quarter 1999, representing a 45.4% EBITDA margin over net operating revenues, compared to the R\$71.6 million EBITDA and 58.3% EBITDA margin reported for the first quarter of 1998. EBIT for the first quarter 1999 decreased to R\$35.5 million (US\$20.6 million) while EBIT margin dropped to 25.2% compared to EBIT of R\$61.1 million (US\$35.5 million) and 49.8% EBIT margin reported for the first quarter of 1998.

During the first quarter of 1999, some Tele Nordeste’s subsidiaries decided to defer the effect of the exchange rate devaluation on financing incurred during the first quarter of 1999. This kind of deferment was approved by the Presidential decree (Medida Provisória) n. 1.818 of March 25, 1999, and by CVM deliberation n. 294, of March 26, 1999, for amortization over a four year period. The effects of this change on consolidated net income for the first quarter of 1999

resulted in a reduction in financing expenses of R\$16.9 million (US\$9.8 million). Management may still decide on a full amortization within the current year.

At January 1, 1999, Tele Nordeste's subsidiaries adopted the maximum rates of depreciation for automatic switching and transmission equipment, established in the Normative Instruction SRF (The Brazilian Internal Revenue Service) n. 162, of December 31, 1998, in order to adequately reflect the life of these assets. This change resulted in an increase of R\$13.6 million in the depreciation charges for the first quarter of 1999 and in the reduction of consolidated net income of approximately R\$9.1 million. Despite this reduction in net income, it had a positive effect on cash generation.

The Ordinary Shareholders' Meeting held on April 28, 1999, approved the Company's payment of dividends for 1998 on June 28, 1999. At the Extraordinary Shareholders' Meeting that took place on the same day, changes in the Company's bylaws were approved and the Company's legal residence was changed from Brasília, Distrito Federal, to Recife, Pernambuco.

**Select Consolidated Financial Data (in thousands of Reais)**

	first quarter	
	1999	1998
Revenue		
- Usage charges	94,020	77,597
- Monthly subscription payments	31,815	48,668
- Activation fees	0	0
- Network usage charges	39,935	24,824
- Sale of goods and other revenue	12,809	3,826
Subtotal	178,579	154,915
- Value added and other indirect taxes	(38,045)	(32,112)
Net Operating Revenue	140,534	122,803

The net operating revenue for the first quarter of 1999 increased 14.4% when compared with the same quarter of the previous year. This is primarily due to the substantial increase in the number of subscribers, which reached 47.9% at March 31, 1999, when compared with the reported figure for the same period of the previous year, offsetting reductions in tariffs and special promotions.

Gross profit for the first quarter 1999 decreased 16.4%, primarily as a result of the change in certain depreciation rates, as explained below.

Net operating expenses increased 45.8% compared to the same quarter of the prior year, from R\$22.9 million in 1998, to R\$33.4 million in 1999. This increase in operating expenses resulted from marketing activities (non-existent in 1998) and from adequate staffing in the marketing and administrative departments, which was completed towards the end of 1998.

As previously mentioned, Tele Nordeste's subsidiaries decided to change the depreciation rates of some fixed assets, in accordance with the normative instruction 162, of December 31, 1998, from SRF (The Brazilian Internal Revenue Service); depreciation rates for switching and transmission equipment changed to 20% per annum (from 7.7% and 10%, respectively), resulting in an increase of R\$13.6 million (US\$9.1 million) on depreciation expenses and a decrease of R\$9.1 million (US\$ 5.3 million) in the consolidated net income for the first quarter of 1999.

Consolidated bad debt expenses for the first quarter of 1999 represented 3.5% of gross revenue.

## **Consolidated Statistics**

	<u>03.31.99</u>	<u>03.31.98</u>
Subscribers	689.739	466.405
Growth	47,9%	---
Estimated population of region (in millions)	25,8	25,8
Regional penetration (Tele Nordeste only)	2,68%	1,81%
Average monthly incoming minutes of use per subscriber	101	---
Average monthly outgoing minutes of use per subscriber	94	---

The average revenue per user (ARPU), net of taxes, for the first quarter of 1999 was R\$67.30 per month, compared to R\$84.40 per month for the first quarter of 1998.

## **Competition**

The Company estimates that its market share at the end of the first quarter of 1999 was approximately 81%. The penetration rate in the States the Company services, at the same date, was estimated at 3.3%, compared to Brazil's penetration rate of approximately 5.3% (8.4 million subscribers) at March 31, 1999.

During the first quarter 1999, the subsidiaries continued to increase the digitalization of their systems, reaching 30% network digitalization (TDMA system) at March 31, 1999. Together, the subsidiaries expanded their client base to 689,739 subscribers, with the addition of 94,015 new subscribers and the disconnection of 18,366 subscribers, mainly bad debtors. The coverage of cellular mobile telephone service in the region has been estimated at 67%.

## **Balance Sheet**

Consolidated debt at March 31, 1999, was R\$149.1 million (US\$86.7 million). Of this total, R\$131.5 million (US\$76.5 million) is denominated in US dollars, with R\$75.6 millions (US\$44.0 million) maturing in 1999. The exchange rate at March 31, 1999, which was used to convert the US dollar debt into reais, was R\$1.72 to US\$1.00. The exchange rate at May 17, 1999, is R\$1.67.

The subsidiaries' bad debt provision amounted to US\$15.3 million, representing 14.3% of their accounts receivable at March 31, 1999.

## **Capital Expenditures**

During the first three (3) months of 1999, Tele Nordeste and its subsidiaries invested R\$18.0 million (US\$10.5 million), mainly on network digitalization and the development of modern billing systems, customers service and the SAP R/3 management system.

## **Human Resources**

The number of employees at March 31, 1999 totaled 970, including full-time, interns and temporary employees. With the change of the Company's headquarters to Recife, Capital of the State of Pernambuco, 64 temporary employees have been hired as full-time employees by the holding company.

### **Controlling Shareholder**

On March 26, 1999, Bitel Participações S.A. acquired UGB Participações S.A.'s Tele Nordeste's shares and became the sole controlling shareholder of the company, holding 51.8% of the ordinary (voting) shares.

### **Recent Developments**

#### *Timmy Digital*

As part of the Company's strategy aimed towards increasing its consumer products and options, Tele Nordeste's subsidiaries launched a pre-paid plan, Timmy Digital, in April 1999.

\*\*\*\*\*Tables to Follow\*\*\*\*\*