

BRASIL TELECOM HOLDING CO
Form 6-K
December 08, 2005

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 6-K

**REPORT OF FOREIGN ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF THE
SECURITIES EXCHANGE ACT OF 1934**

THROUGH DECEMBER 07, 2005

(Commission File No. 1-14477)

BRASIL TELECOM PARTICIPAÇÕES S.A.
(Exact name of registrant as specified in its charter)

BRAZIL TELECOM HOLDING COMPANY
(Translation of Registrant's name into English)

**SIA Sul, Área de Serviços Públicos, Lote D, Bloco B
Brasília, D.F., 71.215-000
Federative Republic of Brazil**
(Address of Registrant's principal executive offices)

Indicate by check mark whether the registrant files or will file
annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K
in paper as permitted by Regulation S-T Rule 101(b)(1).

Indicate by check mark if the registrant is submitting the Form 6-K
in paper as permitted by Regulation S-T Rule 101(b)(7).

Indicate by check mark whether the registrant by furnishing the
information contained in this Form is also thereby furnishing the
information to the Commission pursuant to Rule 12g3-2(b) under
the Securities Exchange Act of 1934.

Yes No

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If "Yes" is marked, indicated below the file number assigned to the registrant in connection with Rule 12g3-2(b):

**FEDERAL PUBLIC SERVICE
SECURITIES AND EXCHANGE COMMISSION (CVM)
QUARTERLY INFORMATION
COMMERCIAL, INDUSTRIAL COMPANY AND OTHERS**

CORPORATION LAW

Period-ended: June 30, 2005

REGISTRATION AT THE CVM DOES NOT REQUIRE ANY EVALUATION OF THE COMPANY, BEING ITS DIRECTORS RESPONSIBLE FOR THE VERACITY OF THIS INFORMATION.

01.01 - IDENTIFICATION

| | | |
|-----------------------------|--|--|
| 1 - CVM CODE 01768-0 | 2 - COMPANY NAME BRASIL TELECOM PARTICIPAÇÕES S.A. | 3 - CNPJ - TAXPAYER REGISTER 02.570.688/0001-70 |
| 4 - NIRE 5.330.000.581-8 | | |

01.02 - ADDRESS OF COMPANY HEADQUARTERS

| | | | | |
|--|--------------------------------------|--------------------------------------|--------------------------------------|-----------------|
| 1 - FULL ADDRESS SIA/SUL - ASP LOTE D - BL B - 1º ANDAR | | 2 - DISTRICT SIA | | |
| 3 - ZIP CODE 71215-000 | 4 - MUNICIPALITY BRASILIA | | 5 - STATE DF | |
| 6 - AREA CODE 061 | 7 - TELEPHONE NUMBER 3415-1440 | 8 - TELEPHONE NUMBER 3415-1256 | 9 - TELEPHONE NUMBER 3415-1119 | 10 - TELEX - |
| 11 - AREA CODE 61 | 12 - FAX 3415-1133 | 13 - FAX 3415-1315 | 14 - FAX - | |
| 15 - E-MAIL ri@brasiltelecom.com.br | | | | |

01.03 - INVESTOR RELATIONS OFFICER (Address for correspondence to Company)

| | | | | |
|---|--------------------------------------|------------------------------|-------------------------------|-----------------|
| 1 - NAME MARCOS DE MAGALHÃES TOURINHO | | | | |
| 2 - FULL ADDRESS SIA/SUL - ASP - LOTE D- BL B 1º ANDAR | | | 3 - DISTRICT BRASÍLIA | |
| 4 - ZIP CODE 71215-000 | 5 - MUNICIPALITY BRASILIA | | 6 - STATE DF | |
| 7 - AREA CODE 061 | 8 - TELEPHONE NUMBER 3415-1140 | 9 - TELEPHONE NUMBER - | 10 - TELEPHONE NUMBER - | 11 - TELEX - |
| 12 - AREA CODE 061 | 13 - FAX 3415-1315 | 14 - FAX - | 15 - FAX - | |
| 15 - E-MAIL marcos.tourinho@brasiltelecom.com.br0 | | | | |

01.04 - REFERENCE / INDEPENDENT ACCOUNTANT

| CURRENT FISCAL YEAR | | CURRENT QUARTER | | | PRIOR QUARTER | | |
|--|------------|-----------------|------------------|------------|--|------------------|------------|
| 1 - BEGINNING | 2 - ENDING | 3 - QUARTER | 4 - BEGINNING | 5 - ENDING | 6 - QUARTER | 7 - BEGINNING | 8 - ENDING |
| 01/01/2005 | 12/31/2005 | 2 | 04/01/2005 | 06/30/2005 | 1 | 01/01/2005 | 03/31/2005 |
| 9 - INDEPENDENT ACCOUNTANT KPMG AUDITORES INDEPENDENTES | | | | | 10 - CVM CODE 00418-9 | | |
| 11 - NAME TECHNICAL RESPONSIBLE MANUEL FERNANDES RODRIGUES DE SOUSA | | | | | 12 - CPF TAXPAYER REGISTER 783.840.017-15 | | |

01.05 - COMPOSITION OF ISSUED CAPITAL

| 1 - QUANTITY OF SHARES (IN THOUSAND) | 2 - CURRENT QUARTER 06/30/2005 | 3 - PRIOR QUARTER 03/31/2005 | 4 - SAME QUARTER OF PRIOR YEAR 06/30/2004 |
|---|-----------------------------------|---------------------------------|---|
| ISSUED CAPITAL | | | |
| 1 - COMMON | 134,031,688 | 134,031,688 | 134,031,688 |
| 2 - PREFERRED | 229,937,526 | 229,937,526 | 226,007,753 |
| 3 - TOTAL | 363,969,214 | 363,969,214 | 360,039,441 |
| TREASURY SHARES | | | |
| 4 - COMMON | 1,480,800 | 1,480,800 | 1,480,800 |
| 5 - PREFERRED | 0 | 0 | 0 |
| 6 - TOTAL | 1,480,800 | 1,480,800 | 1,480,800 |

01.06 - COMPANY S CHARACTERISTICS

| |
|--|
| 1 - TYPE OF COMPANY INDUSTRIAL, COMMERCIAL COMPANIES AND OTHERS |
| 2 - SITUATION OPERATING |
| 3 - TYPE OF CONTROLLING INTEREST NATIONAL HOLDING |
| 4 - ACTIVITY CODE 113 TELECOMMUNICATION |
| 5 - MAIN ACTIVITY PROVIDING SWITCHED FIXED TELEPHONE SERVICE (STFC) |
| 6 - TYPE OF CONSOLIDATED TOTAL |
| 7 - TYPE OF ACCOUNTANTS REPORT UNQUALIFIED |

01.07 - SUBSIDIARIES EXCLUDED FROM THE CONSOLIDATED FINANCIAL STATEMENT

| | | |
|----------|-------------------------------|----------|
| 1 - ITEM | 2 - CNPJ - TAXPAYERS REGISTER | 3 - NAME |
|----------|-------------------------------|----------|

01.08 - DIVIDENDS APPROVED AND/OR PAID DURING AND AFTER THE QUARTER

| 1 - ITEM | 2 - EVENT | 3 - APPROVAL | 4 - DIVIDEND | 5 - BEGINNING PAYMENT | 6 - TYPE OF SHARE | 7 - VALUE OF THE DIVIDEND PER SHARE |
|----------|-----------|--------------|------------------------------------|--------------------------|-------------------------|--|
| 01 | RCA | 04/20/2005 | Interest on Shareholders Equity | 05/16/2005 | Common | 0.0005079059 |
| 02 | RCA | 04/20/2005 | Interest on Shareholders Equity | 05/16/2005 | Preferred | 0.0005079059 |

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| | | | | | | |
|----|-----|------------|----------|------------|-----------|--------------|
| 03 | AGO | 04/29/2005 | Dividend | 05/16/2005 | Common | 0.0001206523 |
| 04 | AGO | 04/29/2005 | Dividend | 05/16/2005 | Preferred | 0.0001206523 |
| 05 | AGO | 04/29/2005 | Dividend | 05/23/2005 | Common | 0.0008276127 |
| 06 | AGO | 04/29/2005 | Dividend | 05/23/2005 | Preferred | 0.0008276127 |

01.09 - ISSUED CAPITAL AND CHANGES IN CURRENT YEAR

| 1 - ITEM | 2 - DATE OF CHANGE | 3 - CAPITAL STOCK (In R\$ thousands) | 4 - VALUE OF CHANGE (In R\$ thousands) | 5 - ORIGIN OF ALTERATION | 6 - QUANTITY OF ISSUED SHARES (In R\$ thousands) | 7 - SHARE PRICE ON ISSUANCE DATE (In R\$) |
|----------|--------------------|--------------------------------------|--|--------------------------|--|---|
| 01 | 03/29/2005 | 2,596,272 | 28,032 | Capital Reserve | 3,929,773 | 0.0182600000 |

01.10 - INVESTOR RELATIONS OFFICER

| | |
|------------------------|---------------|
| 1 - DATE 07/29/2005 | 2 - SIGNATURE |
|------------------------|---------------|

02.01 - BALANCE SHEET - ASSETS (IN THOUSANDS OF REAIS)

| 1 - CODE | 2 - DESCRIPTION | 3 06/30/2005 | 4 03/31/2005 |
|---------------|--------------------------------------|--------------|--------------|
| 1 | TOTAL ASSETS | 6,349,724 | 6,784,879 |
| 1.01 | CURRENT ASSETS | 681,858 | 1,012,411 |
| 1.01.01 | CASH AND CASH EQUIVALENTS | 595,594 | 949,135 |
| 1.01.02 | CREDITS | 0 | 0 |
| 1.01.03 | INVENTORIES | 0 | 0 |
| 1.01.04 | OTHER | 86,264 | 63,276 |
| 1.01.04.01 | DEFERRED AND RECOVERABLE TAXES | 78,081 | 56,089 |
| 1.01.04.02 | RECEIVABLES DIVIDENDS | 0 | 0 |
| 1.01.04.03 | OTHER ASSETS | 8,183 | 7,187 |
| 1.02 | LONG-TERM ASSETS | 1,429,523 | 1,404,406 |
| 1.02.01 | OTHER CREDITS | 0 | 0 |
| 1.02.02 | INTERCOMPANY RECEIVABLES | 1,040,342 | 1,005,801 |
| 1.02.02.01 | FROM ASSOCIATED COMPANIES | 0 | 0 |
| 1.02.02.02 | FROM SUBSIDIARIES | 1,040,342 | 1,005,801 |
| 1.02.02.02.01 | LOANS AND FINANCING | 1,040,342 | 1,005,801 |
| 1.02.02.02.02 | ADVANCES FOR FUTURE CAPITAL INCREASE | 0 | 0 |
| 1.02.02.03 | FROM OTHER RELATED PARTIES | 0 | 0 |
| 1.02.03 | OTHER | 389,181 | 398,605 |
| 1.02.03.01 | LOANS AND FINANCING | 106,320 | 116,200 |
| 1.02.03.02 | DEFERRED AND RECOVERABLE TAXES | 266,525 | 280,585 |
| 1.02.03.03 | INCOME SECURITIES | 0 | 0 |
| 1.02.03.04 | JUDICIAL DEPOSITS | 15,271 | 163 |
| 1.02.03.05 | INVENTORIES | 0 | 0 |
| 1.02.03.06 | OTHER ASSETS | 1,065 | 1,657 |
| 1.03 | PERMANENT ASSETS | 4,238,343 | 4,368,062 |
| 1.03.01 | INVESTMENTS | 4,236,995 | 4,366,730 |
| 1.03.01.01 | ASSOCIATED COMPANIES | 0 | 0 |
| 1.03.01.02 | SUBSIDIARIES | 4,228,944 | 4,358,200 |
| 1.03.01.03 | OTHER INVESTMENTS | 8,051 | 8,530 |
| 1.03.02 | PROPERTY, PLANT AND EQUIPMENT | 1,274 | 1,251 |
| 1.03.03 | DEFERRED CHARGES | 74 | 81 |

02.02 - BALANCE SHEET - LIABILITIES (IN THOUSANDS OF REAIS)

| 1 - CODE | 2 - DESCRIPTION | 3 06/30/2005 | 4 03/31/2005 |
|------------|--|--------------|--------------|
| 2 | TOTAL LIABILITIES | 6,349,724 | 6,784,879 |
| 2.01 | CURRENT LIABILITIES | 298,431 | 307,152 |
| 2.01.01 | LOANS AND FINANCING | 92 | 161 |
| 2.01.02 | DEBENTURES | 217,056 | 203,811 |
| 2.01.03 | SUPPLIERS | 493 | 365 |
| 2.01.04 | TAXES, DUTIES AND CONTRIBUTIONS | 28,631 | 26,473 |
| 2.01.04.01 | INDIRECT TAXES | 2,814 | 3,328 |
| 2.01.04.02 | TAXES ON INCOME | 25,817 | 23,145 |
| 2.01.05 | DIVIDENDS PAYABLE | 50,206 | 71,638 |
| 2.01.06 | PROVISIONS | 0 | 0 |
| 2.01.07 | RELATED PARTY DEBTS | 0 | 0 |
| 2.01.08 | OTHER | 1,953 | 4,704 |
| 2.01.08.01 | PAYROLL AND SOCIAL CHARGES | 513 | 1,594 |
| 2.01.08.02 | CONSIGNMENTS IN FAVOR OF THIRD PARTIES | 113 | 111 |
| 2.01.08.03 | EMPLOYEE PROFIT SHARING | 1,322 | 2,252 |
| 2.01.08.04 | OTHER LIABILITIES | 5 | 747 |
| 2.02 | LONG-TERM LIABILITIES | 308,591 | 297,455 |
| 2.02.01 | LOANS AND FINANCING | 138 | 196 |
| 2.02.02 | DEBENTURES | 263,764 | 261,456 |
| 2.02.03 | PROVISIONS | 4,057 | 3,900 |
| 2.02.03.1 | PROVISIONS FOR CONTINGENCIES | 4,057 | 3,900 |
| 2.02.04 | RELATED PARTY DEBTS | 0 | 0 |
| 2.02.05 | OTHER | 40,632 | 31,903 |
| 2.02.05.01 | PAYROLL AND SOCIAL CHARGES | 0 | 0 |
| 2.02.05.02 | SUPPLIERS | 0 | 0 |
| 2.02.05.03 | INDIRECT TAXES | 14,924 | 0 |
| 2.02.05.04 | TAXES ON INCOME | 25,708 | 31,903 |
| 2.03 | DEFERRED INCOME | 0 | 0 |
| 2.05 | SHAREHOLDERS EQUITY | 5,742,702 | 6,180,272 |
| 2.05.01 | CAPITAL | 2,596,272 | 2,596,272 |
| 2.05.02 | CAPITAL RESERVES | 309,178 | 309,178 |
| 2.05.03 | REVALUATION RESERVES | 0 | 0 |
| 2.05.03.01 | COMPANY ASSETS | 0 | 0 |
| 2.05.03.02 | SUBSIDIARIES/ASSOCIATED COMPANIES | 0 | 0 |
| 2.05.04 | PROFIT RESERVES | 879,550 | 879,550 |
| 2.05.04.01 | LEGAL | 208,487 | 208,487 |
| 2.05.04.02 | STATUTORY | 0 | 0 |
| 2.05.04.03 | CONTINGENCIES | 0 | 0 |
| 2.05.04.04 | REALIZABLE PROFITS RESERVES | 671,063 | 671,063 |
| 2.05.04.05 | PROFIT RETENTION | 0 | 0 |

02.02 - BALANCE SHEET - LIABILITIES (IN THOUSANDS OF REAIS)

| 1 - CODE | 2 - DESCRIPTION | 3 06/30/2005 | 4 03/31/2005 |
|------------|--|--------------|--------------|
| 2.05.04.06 | SPECIAL RESERVE FOR UNDISTRIBUTED DIVIDENDS | 0 | 0 |
| 2.05.04.07 | OTHER PROFIT RESERVES | 0 | 0 |
| 2.05.05 | RETAINED EARNINGS | 1,957,702 | 2,395,272 |

03.01 - STATEMENT OF INCOME (IN THOUSANDS OF REAIS)

| 1 - CODE | 2 DESCRIPTION | 3 04/01/2005 TO 06/30/2005 | 4 - 01/01/2005 TO 06/30/2005 | 5 - 04/01/2004 TO 06/30/2004 | 6 - 01/01/2004 TO 06/30/2004 |
|------------|--|----------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| 3.01 | GROSS REVENUE FROM SALES AND SERVICES | 0 | 0 | 0 | 0 |
| 3.02 | DEDUCTIONS FROM GROSS REVENUE | 0 | 0 | 0 | 0 |
| 3.03 | NET REVENUE FROM SALES AND SERVICES | 0 | 0 | 0 | 0 |
| 3.04 | COST OF SALES | 0 | 0 | 0 | 0 |
| 3.05 | GROSS PROFIT | 0 | 0 | 0 | 0 |
| 3.06 | OPERATING INCOME/EXPENSES | (150,778) | (86,341) | 74,735 | 126,360 |
| 3.06.01 | SELLING EXPENSES | 0 | 0 | 0 | 0 |
| 3.06.02 | GENERAL AND ADMINISTRATIVE EXPENSES | (6,240) | (13,283) | (3,003) | (8,623) |
| 3.06.03 | FINANCIAL | (176,560) | (105,489) | 53,206 | 25,095 |
| 3.06.03.01 | FINANCIAL INCOME | 90,963 | 180,975 | 83,000 | 164,531 |
| 3.06.03.02 | FINANCIAL EXPENSES | (267,523) | (286,464) | (29,794) | (139,436) |
| 3.06.04 | OTHER OPERATING INCOME | 1,055 | 2,053 | 3,034 | 3,167 |
| 3.06.05 | OTHER OPERATING EXPENSES | (860) | (2,007) | (572) | (3,189) |
| 3.06.06 | EQUITY GAIN (LOSS) | 31,827 | 32,385 | 22,070 | 109,910 |
| 3.07 | OPERATING INCOME | (150,778) | (86,341) | 74,735 | 126,360 |
| 3.08 | NON-OPERATING INCOME | 273 | 1,976 | 3,865 | (7,420) |
| 3.08.01 | REVENUES | 295 | 1,998 | 0 | 0 |
| 3.08.02 | EXPENSES | (22) | (22) | 3,865 | (7,420) |
| 3.09 | INCOME (LOSS) BEFORE TAXES AND MINORITY INTERESTS | (150,505) | (84,365) | 78,600 | 118,940 |
| 3.10 | PROVISION FOR INCOME AND SOCIAL CONTRIBUTION TAXES | 6,982 | (14,943) | (17,763) | (58,880) |
| 3.11 | DEFERRED INCOME TAX | 0 | 0 | 0 | 0 |
| 3.12 | STATUTORY INTERESTS/ CONTRIBUTIONS | 0 | 0 | (2,061) | (2,809) |
| 3.12.01 | INTERESTS | 0 | 0 | (2,061) | (2,809) |

03.01 - QUARTERLY STATEMENT OF INCOME (IN THOUSANDS OF REAIS)

| 1 - CODE | 2 DESCRIPTION | 3 04/01/2005 TO 06/30/2005 | 4 - 01/01/2005 TO 06/30/2005 | 5 - 04/01/2004 TO 06/30/2004 | 6 - 01/01/2004 TO 06/30/2004 |
|----------|---|----------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| 3.12.02 | CONTRIBUTIONS | 0 | 0 | 0 | 0 |
| 3.13 | REVERSAL OF INTEREST ON SHAREHOLDERS EQUITY | 216,600 | 216,600 | 0 | 75,000 |
| 3.15 | INCOME/LOSS FOR THE PERIOD | 73,077 | 117,292 | 58,776 | 132,251 |
| | NUMBER OF SHARES, EX-TREASURY (THOUSAND) | 362,488,414 | 362,488,414 | 358,558,641 | 358,558,641 |
| | EARNINGS PER SHARE | 0.00020 | 0.00032 | 0.00016 | 0.00037 |
| | LOSS PER SHARE | | | | |

04.01-NOTES TO THE QUARTERLY REPORT

NOTES TO THE FINANCIAL STATEMENTS

Quarter ended June 30, 2005

(In thousands of Reais)

1. OPERATIONS

Brasil Telecom Participações S.A. (Company) is a joint-stock publicly-held company, established in accordance with Article 189 of Law 9472/97 - General Telecommunications Law, as part of the TELEBRÁS spin-off process. The spin-off protocol and justification was approved in the Shareholders Meeting of May 22, 1998.

The Company has as corporate purpose to exercise the control of explored companies of fixed telephony public services in the Region II of the General Concession Plan (PGO) approved by the Decree 2,534, as of April 2, 1998. This control is exercised by means of Brasil Telecom S.A., which is a concessionary responsible for the Switched Fixed Telephone Service (STFC) in the Region II of the PGO. Additionally, the Company may take part in the capital of other companies.

The Company is registered with the Brazilian Securities Commission (CVM) and the Securities and Exchange Commission (SEC) in the USA, and its shares are traded on the Brazilian Stock Exchange (BOVESPA), also composing Corporate Governance Level 1 and trades its ADRs on the New York Stock Exchange (NYSE).

The Company s control is exercised by SOLPART Participações S.A. (SOLPART), corresponding, on the balance sheet date, to 51.00% of the voting capital and 18.78% of the total capital.

Direct subsidiaries

a. Brasil Telecom S.A.

Brasil Telecom S.A. is a concessionary responsible for the Switched Fixed Telephone Service (STFC) in Region II of the General Concessions Plan, covering the Brazilian states of Acre, Rondônia, Mato Grosso, Mato Grosso do Sul, Tocantins, Goiás, Paraná, Santa Catarina and Rio Grande do Sul and the Federal District. The Company has rendered STFC (local and long distance calls) since July 1998 in an area of 2,859,375 square kilometers, which corresponds to 34% of the Brazilian territory.

With the recognition of the prior fulfillment in advance of the obligations for universalization stated in the General Plan of Universalization Goals (PGMU), required for December 31, 2003, the National Telecommunications Agency - ANATEL, on January 19, 2004, issued for Brasil Telecom S.A. authorizations to exploit STFC in the following service modalities: (i) Local and Domestic Long Distance calls in Regions I and III and Sectors 20, 22 and 25 of Region II of the General Concession Plan (PGO); and (ii) International Long Distance calls in Regions I, II of III of PGO. As a result of these authorizations the Company began to exploit the Domestic and International Long Distance services in all regions I, II and III, as from January 22, 2004. In the case of Local Service in the new regions and sectors of the PGO, the service started being offered as from January 19, 2005.

Information related with the quality and universal service targets of the STFC are available to interested parties on ANATEL s homepage (www.anatel.gov.br).

b. Nova Tarrafa Participações and Nova Tarrafa Inc.

The Company also holds the control of Nova Tarrafa Participações Ltda. (NTP) and Nova Tarrafa Inc. (NTI). The corporate purpose of these subsidiaries is the stake in the capital of Internet Group (Cayman) Limited (IG Cayman), which provides Internet access. On November 24, 2004, the company IG Cayman started taking part in the control of the Company, with the acquisition of stakes by Brasil Telecom Subsea Cable Systems (Bermuda) Ltd., an indirectly controlled company.

The stake of NTP and NTI in IG Cayman on the balance sheet date represented 9.25% and 0.16%, respectively.

Indirect subsidiaries

The subsidiary Brasil Telecom S.A. holds, on the other hand, the control of the following companies:

a. 14 Brasil Telecom Celular S.A.

The 14 Brasil Telecom Celular S.A. (BrT Celular) is a wholly owned subsidiary incorporated in December 2002, to provide the Personal Mobile Service (SMP), with authorization to attend the same coverage area where the Company operates with STFC. During the fourth quarter of 2004, BrT Celular concluded its implementation process, surpassing the pre-operating stage to the beginning of its commercial operations.

b. BrT Serviços de Internet S.A.

BrT Serviços de Internet S.A. (BrTI) is a wholly-owned subsidiary providing internet services and correlated activities, which started its operations at the beginning of 2002.

During the second quarter of 2003, BrTI obtained control of the following companies:

(i) BrT Cabos Submarinos Group

This group of companies operates through a system of submarine fiber optics cables, with connection points in the United States, Bermuda Islands, Venezuela and Brazil, allowing data traffic through packages of integrated services, offered to local and international corporate customers. It is comprised by the following companies:

- Brasil Telecom Cabos Submarinos do Brasil (Holding) Ltda. (BrT CSH).
- Brasil Telecom Cabos Submarinos do Brasil Ltda, (BrT CS Ltda,): in this partnership BrTI exercises direct control and total control jointly with BrT CSH.
- Brasil Telecom Subsea Cable Systems (Bermudas) Ltd.: company incorporated in the Bermudas, by BrTI, in the second quarter of 2003. This company, on the other hand, holds the total shares of Brasil Telecom of America Inc. and Brasil Telecom de Venezuela, S.A.

In November 2004, Brasil Telecom S.A. started being its parent company, when it paid capital inputs which guaranteed a 74.16% ownership interest. The rest of the ownership interest belongs to BrTI.

IG Companies

BrT SCS Bermuda acquired on November 24, 2004 stakes which grant it the control of the company Internet Group (Cayman) Limited (IG Cayman), company incorporated in the Cayman Islands, with a total ownership interest of 63.2% as of March 31. IG Cayman is a holding company which holds, in turn, the control of the companies Internet Group do Brasil Ltda. (IG Brasil) and Central de Serviços Internet Ltda. (CSI), both established in Brazil.

The beginning of IG Companies' activities took place in January 2000 and its operation is based on providing dial up access to the Internet, inclusively, its mobile internet portal related to mobile telephony in Brazil. They also render services of value added of broadband access to its portal and web page hosting and other services in the Internet market.

(ii) iBest Group

iBest Companies have their operations concentrated in providing dial up connection to the Internet, sale of advertising space for divulcation in its portal and value-added service with the availability of its Internet access accelerator.

BrTI acquired the iBest Group in June 2003, which is composed of the following companies: (i) iBest Holding Corporation, incorporated in Cayman Islands, and Freelance S.A., established in Brazil.

c. MTH Ventures do Brasil Ltda.

On May 13, 2004, the Company acquired 80.1% of the voting capital of MTH, which in turn, holds 100% of the capital of Brasil Telecom Comunicação Multimídia Ltda. (BrT Multimídia), former MetroRED Telecomunicações Ltda, (MetroRED).

A BrT Multimídia is service provider for a private telecommunications network through optical fiber digital networks in São Paulo, Rio de Janeiro and Belo Horizonte and long distance network connecting these major metropolitan commercial centers. It also has an Internet Solutions center in São Paulo, which offers co-location, hosting and other value added services.

d. Vant Telecomunicações S.A. (VANT):

On May 13, 2004, the Company began to hold the totality of social capital of VANT when it acquired the remaining 80.1% .

VANT is a service provider for corporate network services founded in October 1999. Initially focused on a TCP/IP network, VANT operates throughout Brazil, and is present in the main Brazilian state capitals, offering a portfolio of voice and data products.

e. Other Service Provider Companies

The Company acquired at the end of 2004 the companies Santa Bárbara dos Pampas S.A., Santa Bárbara dos Pinhais S.A., Santa Bárbara do Cerrado S.A. and Santa Bárbara do Pantanal S.A. These companies, which were not operating on the balance sheet date, aim at rendering services in general comprising, among others, the management activities of real states or assets.

2. PRESENTATION OF FINANCIAL STATEMENTS

Preparation Criteria

The financial statements have been prepared in accordance with accounting practices adopted in Brazil, in accordance with Brazilian corporation law, rules of the Brazilian Securities Commission (CVM) and rules applicable to Switched Fixed Telecommunications Services (STFC) concessionaires.

As the Company is registered with the Securities and Exchange Commission (SEC), it is subject to its standards, and should annually prepare financial statements and other information by using criteria that comply with that entity's requirements. For complying with these requirements and aiming at meeting the market's information needs, the

Company adopts, as a principle, the practice of publishing information in both markets in their respective languages.

The notes to the financial statements are presented in thousands of reais, unless demonstrated otherwise in each note. According to each situation, the notes to the financial statements present information related with the Company and the consolidated financial statements, identified as PARENT COMPANY and CONSOLIDATED, respectively. When the information is common to both situations, it is indicated as PARENT COMPANY AND CONSOLIDATED.

The accounting estimates were based on objective and subjective factors, based on management's judgment to determine the appropriate amount to be recorded in the financial statements. Significant elements subject to these estimates and assumptions include the residual amount of the fixed assets, provision for doubtful accounts, inventories and deferred income tax assets, provision for contingencies, valuation of derivative instruments, and assets and liabilities related to benefits for employees. The settlement of transactions involving these estimates may result in significant different amounts due to the inherent imprecision of the process of determining these amounts. Management reviews its estimates and assumptions at least quarterly.

Consolidated Financial Statements

The consolidation was made in accordance with CVM Instruction 247/96 and includes the Company and its subsidiaries mentioned in Note 1.

Some of the main consolidation procedures are:

- Elimination of intercompany balances, as well as revenue and expenses of transactions among them;
- Elimination of the investor's shareholdings, reserves and accumulated results in the investees; and
- Segregation of the portions of shareholders' equity and result of minority shareholders, indicated in the specific items.

The reconciliation between the Parent Company net income and the consolidated figures is as follows:

| | NET INCOME | | SHAREHOLDERS' EQUITY | |
|--|----------------|----------------|----------------------|------------------|
| | 06/30/05 | 06/30/04 | 06/30/05 | 03/31/05 |
| PARENT COMPANY | 117,292 | 132,251 | 5,742,702 | 6,180,272 |
| Entries recorded directly in the shareholders' equity of the Subsidiary | | | | |
| Time-Barred Dividends, Donations and Others | (4,905) | (8,582) | | |
| Interest capitalized in Subsidiary | 1,746 | 1,746 | (5,821) | (6,694) |
| CONSOLIDATED | 114,133 | 125,415 | 5,736,881 | 6,173,578 |

Statements of Cash Flows

The Company presents as supplemental information, along with note 17, the statement of cash flows, prepared under the indirect method, in accordance with Accounting Rules and Procedures - NPC 20 of the Brazilian Institute of Accountants - IBRACON.

Report per Segment

The Company presents, supplementary to note 41, the report per business segment. A segment is an identifiable component of the company, destined for service rendering (business segment), or provision of products and services

which are subject to different risks and compensations different from those other segments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

The criteria mentioned in this note refer to the practices adopted by the Company and its subsidiaries which are reflected in the consolidated balance sheet.

a. Cash and Cash Equivalents: Cash equivalents are short-term, high-liquidity investments, with immediate mature. They are recorded at cost, plus income earned to the balance sheet date, not exceeding market value. The investment fund quotas are valued by the quota value on this same date.

b. Trade Accounts Receivable: Receivables from users of telecommunications services are recorded at the amount of the tariff in effect on the date the service is rendered. Unbilled services provided to customers at the balance sheet date are also included in trade accounts receivable. Receivables resulting from sales of cell phones and accessories are recorded by the amount of sales made, at the moment in which the goods are delivered and accepted by the customer. The criterion adopted for making the provision for doubtful accounts takes into account the calculation of the actual percentage losses incurred on each range of accounts receivable. The historic percentages are applied to the current ranges of accounts receivable, also including accounts coming due and the portion yet to be billed, thus composing the amount that could become a future loss, which is recorded as a provision.

c. Inventories: Stated at average acquisition cost, not exceeding replacement cost. Inventories are segregated into inventories for plant expansion, maintenance and also goods inventories for resale, mainly composed by cell phones, accessories and electronic cards - chips. The inventories to be used in expansion are classified in property, plant and equipment (construction in progress), and inventories to be used in maintenance are classified as current and long-term assets, in accordance with the period in which they will be used, and the resale inventories are classified as current assets. Obsolete inventories are recorded as allowance for losses. About cell phones and accessories, the subsidiary BrT Celular records the adjustments for the trading prices held as of the balance sheet date, in the cases in which the acquisitions presented higher values.

Composition of inventories is stated in Note 19.

d. Investments: Investments in subsidiaries are valued using the equity method. Goodwill is calculated based on the expectation of future results and its amortization is based on the expected realization/timing over a forecasted period of not more than ten years. Other investments are recorded at cost less allowance for losses, when applicable. The investments resulting from income tax incentives are recognized at the date of investment, and result in shares of companies with tax incentives or investment fund quotas. In the period between the investment date and receipt of shares or quotas, they remain recognized in long-term assets. The Company adopts the criterion of using the maximum percentage of tax allocation. These investments are periodically valued at cost or market prices, when the latter is lower, and allowances for losses are recorded if required.

e. Property, Plant and Equipment: Stated at cost of acquisition and/or construction, less accumulated depreciation. Financial charges for financing assets and construction in progress are capitalized.

The costs incurred, when they represent improvements (increase in installed capacity or useful life) are capitalized. Maintenance and repair are charged to the profit and losses accounts, on an accrual basis.

Depreciation is calculated under the straight-line method. Depreciation rates used are based on expected useful lives of the assets and in accordance with the standards of the Public Telecommunications Service. The main rates used are set forth in Note 26.

f. Deferred Charges: Segregated between deferred charges on amortization and formation. Their breakdown is shown in Note 27. Amortization is calculated using the straight-line method, for the period of five years, in accordance with the legislation in force. When benefits are not expected from an asset, it is written off against non operating income.

g. Income Tax and Social Contribution on Income: Income tax and social contribution of legal entity are accounted for on an accrual basis. These taxes levied on temporary differences, tax losses and the negative social contribution base are recorded under assets or liabilities, as applicable, according to the assumption of realization or future demand.

h. Loans and Financing: Updated to the balance sheet date for monetary or exchange variations and interest incurred to the balance sheet date. Equal restatement is applied to the guarantee contracts to hedge the debt.

i. Provision for Contingencies: Recognized based on management's risk assessment and measured based on economic grounds and legal counselors' opinions on the lawsuits and other contingency factors known as of the balance sheet date. The basis and nature of the provisions are described in Note 7.

j. Revenue Recognition: Revenues from services rendered are accounted for on an accrual basis. Local and long distance calls are charged based on time measurement according to the legislation in force. Revenues from sales of payphone cards (Public Use Telephony - TUP), cell phones and accessories are recorded upon sale. For prepaid services subject to mobile telephony, the revenue is recognized in accordance with the utilization of services. A non-recognized revenue is recognized if there is a significant uncertainty in its realization.

k. Recognition of Expenses: Expenses are recognized on an accrual basis, considering their relation with revenue realization. Expenses related to other periods are deferred.

l. Financial Income (Expense), Net: Financial income comprises interest earned on overdue accounts receivable from services, gains on financial investments and hedges. Financial expenses comprise interest incurred and other charges on loans, financing and other financial transactions.

Interest on Shareholders' Equity is included in the financial expenses balance; for financial statement presentation purposes, the amounts are reversed to profit and loss accounts and reclassified as a deduction of retained earnings, in the shareholders' equity.

m. Research and Development: Costs for research and development are recorded as expenses when incurred, except for expenses with projects subject to the generation of future revenue, which are recorded under deferred assets and amortized over a five-year period from the beginning of the operations.

n. Benefits to Employees: Private pension plans and other retirement benefits sponsored by the Company and its subsidiaries for their employees are managed by three Institutions. Contributions are determined on an actuarial basis, when applicable, and accounted for on an accrual basis. As of December 31, 2001, the subsidiary Brasil Telecom S.A. recorded its actuarial deficit on the balance sheet date against shareholders' equity, net of its tax effects. As from 2002, as new actuarial revaluation show the necessity for adjustments to the provision, they are recognized in the profit and loss accounts.

Complementary information on private pension plans is described in Note 6.

o. Profit Sharing: The provisions for employee and directors' profit sharing are recognized on an accrual basis. The calculation of the amount, which is paid in the subsequent year after the provision is recognized, is based on the target program established with the labor union, in accordance with Law 10,101/00 and the Company's bylaws.

p. Earnings per thousand shares: Calculated based on the number of outstanding shares on the balance sheet date, which comprises the total number of shares issued net of treasury stock.

4. RELATED-PARTY TRANSACTIONS

Related party transactions refer to existing operations carried out by the Company with its Brasil Telecom S.A., Nova Tarrafa Participações Ltda. and Nova Tarrafa Inc subsidiaries.

Operations between related parties and the Company are carried out under normal prices and market conditions. The main transactions are:

Brasil Telecom S.A.

Dividends/Interest on Shareholders Equity: Out of the Interest on Shareholders Equity credited by the Subsidiary for the quarter, the amount of R\$161,344 (R\$157,283 in the same period in 2004) was destined for the Company.

This amount was fully paid on May 16, 2005, net of the withheld tax installment, so no asset of such nature existed on the balance sheet date.

Loans with Subsidiary: Asset balance arises from the spin-off of Telebrás and is indexed to exchange variation, plus interest of 1.75% per year, amounting to R\$62,515 (R\$70,606 on March 31, 2005). The financial loss recognized against the income for the quarter, due to the reduction in the exchange rate, was R\$7,537 (R\$7,275 of financial gain in 2004).

Debentures: On January 27, 2001, the subsidiary issued 1,300 private debentures non-convertible or exchangeable for any type of share, at the unit price of R\$1,000, totaling R\$1,300,000, for the purpose of financing part of its investment program. All these debentures were acquired by the Company. The nominal value of these debentures will be paid in two installments equivalent to 30% and 40% with maturities on July 27, 2005 and July 27, 2006, respectively. The debenture remuneration is equivalent to 100% of CDI, received semiannually. The balance of this asset is R\$977,827 (R\$935,195 on March 31, 2005), and the yield recognized in the income statement for the quarter represents R\$79,945 (R\$98,649 in 2004).

Expenses and Accounts Receivable: arising from transactions related to the use of installations and logistic support. The balance receivable is R\$2,149 (R\$386 on March 31, 2005) and the amounts recorded in the income statement for the quarter comprise operating expenses of R\$1,797 (R\$1,407 in 2004).

5. MARKET VALUE OF FINANCIAL ASSETS AND LIABILITIES (FINANCIAL INSTRUMENTS) AND RISK ANALYSIS

The Company and its subsidiary assessed the book value of its assets and liabilities as compared to market or realizable values (fair value), based on information available and valuation methodologies applicable to each case. The interpretation of market data regarding the choice of methodologies requires considerable judgment and determination of estimates to achieve an amount considered adequate for each case. Accordingly, the estimates presented may not necessarily indicate the amounts, which can be obtained in the current market. The use of different assumptions for calculation of market value or fair value may have material effect on the obtained amounts. The selection of assets and liabilities presented in this note was made based on their materiality. Instruments whose values approximates their fair values, and risk assessment is not significant are not mentioned.

In accordance with their natures, the financial instruments may involve known or unknown risks; the potential of such risks is important for the best judgment. Thus, there may be risks with or without guarantees, depending on

circumstantial or legal aspects. Among the principal market risk factors which can affect the Company's and subsidiaries' business are the following:

a. Credit Risk

The majority of the services provided by the subsidiary Brasil Telecom S.A. are related to the Concession Agreement, and a significant portion of these services is subject to the determination of tariffs by the regulatory agency. The credit policy, in case of telecommunications public services, is subject to legal standards established by the concession authority. The risk exists since the subsidiary may incur losses arising from the difficulty in receiving amounts billed to its customers. In the quarter, the Company's default was 2.65% of the gross revenue (3.09% in 2004). By means of internal controls, the level of accounts receivable is constantly monitored, thus limiting the risk of past due accounts by cutting the access to the service (out phone traffic) if the bill is overdue for over 30 days. Exceptions are made for telephone services, which should be maintained for national security or defense.

Concerning mobile telephony, credit risk in cell phones sales and in service rendering in the postpaid category postpaid is minimized with the adoption of a credit pre-analysis of eligible customers. Still in relation to postpaid service, whose client base at the end of the quarter was 26.5% (32.1% on March 31, 2005), the receivable accounts are also monitored in order to limit default and to cut the access to the service (out of phone traffic) if the bill is overdue for over fifteen days.

b. Exchange Rate Risk

Assets

The Company has loan agreements in foreign currency, and, therefore, subject to exchange rate fluctuation. The assets exposed to exchange rate risk are as follows:

| | PARENT COMPANY | | CONSOLIDATED | |
|---------------------------------|----------------|----------------|----------------|----------------|
| | Book Value | | Book Value | |
| | 06/30/05 | 03/31/05 | 06/30/05 | 03/31/05 |
| Assets | | | | |
| Loan agreements with subsidiary | 62,515 | 70,606 | - | - |
| Loans and financing | 106,320 | 116,200 | 106,320 | 116,200 |
| Total | 168,835 | 186,806 | 106,320 | 116,200 |
| Long-term | 168,835 | 186,806 | 106,320 | 116,200 |

The loans receivable in dollars were transferred to the Company at the time of the split off of Telebrás. Due to their original characteristics, no financing is available on the market under similar conditions, which led to the presentation of the book value only.

Liabilities

The Company and the subsidiary Brasil Telecom S.A. has loans and financing contracted in foreign currency. The risk related to these liabilities arises from possible exchange rate fluctuations, which may increase these liabilities balances. Loans subject to this risk represent approximately 25.3% (27.2% on March 31, 2005) of the total liabilities of borrowings and consolidated financing, minus the contracted hedge balances. In order to minimize this kind of risk, the Company enters into exchange hedge agreements with financial institutions. Out of the installment of the debt consolidated in foreign currency, 68.8% is protected against exchange variation. Unrealized positive or negative

effects of these operations are recorded in the profit and loss accounts as gain or loss. To the quarter, consolidated net losses totaled R\$ 173,719 (net gains of R\$ 28,142 in 2004).

Net exposure as per book and market values, at the exchange rate prevailing on the balance sheet date, is as follows:

| | PARENT COMPANY | | | |
|---------------------|-----------------------|-------------------------|-----------------------|-------------------------|
| | 06/30/05 | | 03/31/05 | |
| | Book Value | Market Value | Book Value | Market Value |
| Liabilities | | | | |
| Loans and Financing | 230 | 230 | 357 | 357 |
| Total | 230 | 230 | 357 | 357 |
| Current | 92 | 92 | 161 | 161 |
| Long Term | 138 | 138 | 196 | 196 |

| | CONSOLIDATED | | | |
|---------------------|-----------------------|-------------------------|-----------------------|-------------------------|
| | 06/30/05 | | 03/31/05 | |
| | Book Value | Market Value | Book Value | Market Value |
| Liabilities | | | | |
| Loans and Financing | 1,050,695 | 1,079,155 | 1,196,119 | 1,242,685 |
| Hedge Contracts | 236,198 | 216,161 | 128,832 | 97,700 |
| Total | 1,286,893 | 1,295,316 | 1,324,951 | 1,340,385 |
| Current | 61,658 | 65,092 | 52,025 | 52,413 |
| Long Term | 1,225,235 | 1,230,224 | 1,272,926 | 1,287,972 |

The method used for calculation of market value (fair value) of loans and financing in foreign currency and hedge instruments was future cash flows associated to each contracted instruments, minus the market rates in force on the balance sheet date.

c. Interest Rate Risk

Assets

The private debentures issued by subsidiary Brasil Telecom S.A were fully subscribed by the Company. For the Consolidated there are loans paid by the rates mentioned below, as well as income securities (CDB's) invested with Banco de Brasília S.A., relating to the guarantee to tax incentive granted by the Federal District Government, whose program is called Program for the Sustainable and Economic Development Promotion of the Federal District PRO-DF, and the compensation of these securities is equivalent to 95% of the SELIC rate.

| | PARENT COMPANY | | CONSOLIDATED | |
|-------------------------------------|------------------------------|-----------------|------------------------------|-----------------|
| | Book and Market Value | | Book and Market Value | |
| | 06/30/05 | 03/31/05 | 06/30/05 | 03/31/05 |
| Assets | | | | |
| Loans (including Debentures) | | | | |

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| | | | | |
|---|----------------|----------------|---------------|---------------|
| Debentures subject to CDI | 977,827 | 935,195 | - | - |
| Loans subject to CDI, IGP-M and Column 27 (FGV) | - | - | 10,968 | 10,937 |
| Income Securities: | | | | |
| Subject to the SELIC Rate | - | - | 1,684 | - |
| Total | 977,827 | 935,195 | 12,652 | 10,937 |
| Current | - | - | 2,756 | 2,683 |
| Long-term | 977,827 | 935,195 | 9,896 | 8,254 |

The book values are equal to market values since the current conditions for contracting this type of financial instrument are similar to those in which they come from or do not have parameters for quotation or contracting.

The sum of the Company's debentures, loans and financing concentrated in the subsidiary represents 90.7% (89.6% on March 31, 2005) of this type of assets.

Liabilities

In 2000, the Company issued private debentures convertible into preferred shares. This liability was contracted at the interest rate subject to TJLP. The risk subject to this liability arises from possible increase in this rate.

The subsidiary Brasil Telecom S.A. has loans and financing contracted in local currency subject to interest rates subject to indexing units (TJLP, UMBNDES, CDI etc.). The risk inherent in these liabilities arises from possible variations in these rates. The Parent Company has contracted derivative contracts to hedge 35.3% (39.9% on March 31, 2005) of the liabilities subject to the UMBNDES rate, using exchange rate swap contracts. However, the other market rates are continually monitored to evaluate the need to contract derivatives to protect against the risk of volatility of these rates. The Company also issued non-convertible private and public debentures. These liabilities were contracted at interest rates tied to the CDI, and the risk linked with this liability is the result of the possible increase in the rate.

The aforementioned liabilities at the balance sheet date are as follows:

PARENT COMPANY

| | 06/30/05 | | 03/31/05 | |
|--|----------------|----------------|----------------|----------------|
| | Book Value | Market Value | Book Value | Market Value |
| Liabilities | | | | |
| Loans subject to TJLP (including Debentures) | 480,820 | 473,788 | 465,267 | 457,190 |
| Total | 480,820 | 473,788 | 465,267 | 457,190 |
| Current | 217,056 | 213,881 | 203,811 | 200,273 |
| Long-term | 263,764 | 259,907 | 261,456 | 256,917 |

CONSOLIDATED

| | 06/30/05 | | 03/31/05 | |
|--------------------|------------|--------------|------------|--------------|
| | Book Value | Market Value | Book Value | Market Value |
| Liabilities | | | | |

| | | | | |
|--|------------------|------------------|------------------|------------------|
| Loans subject to TJLP (including Debentures) | 2,307,361 | 2,406,054 | 2,384,938 | 2,488,283 |
| Loans subject to UMBNDES | 219,820 | 224,116 | 264,173 | 269,997 |
| Hedge on loans indexed to UMBNDES | 44,193 | 34,764 | 35,924 | 15,483 |
| CDI | 546,150 | 544,300 | 520,428 | 516,252 |
| Loans subject to IGPM | 11,877 | 11,877 | 14,022 | 14,022 |
| Loans subject to IGP/DI | 11,928 | 11,928 | 5,657 | 5,657 |
| Other loans | 13,054 | 13,054 | 14,359 | 14,359 |
| Total | 3,154,383 | 3,246,093 | 3,239,501 | 3,324,053 |
| Current | 848,630 | 877,950 | 773,106 | 793,460 |
| Long-term | 2,305,753 | 2,368,143 | 2,466,395 | 2,530,593 |

Book and market values are equivalent because the current contractual conditions for these types of financial instruments are similar to those in which they were originated or they did not present parameters for quotation or contraction.

d. Risk of Not Linking Monetary Restatement Indexes to Accounts Receivable

Loan and financing rates contracted by subsidiary Brasil Telecom S.A. are not subject to amounts of accounts receivable. Telephony tariff adjustments do not necessarily follow increases in local interest rates which affect the subsidiary's debts. Consequently, a risk arises from this lack of linking.

e. Contingency Risks

Contingency risks are assessed according to loss hypotheses, as probable, possible or remote. Contingencies considered as probable risk are recorded in liabilities. Details on this risk are presented in Note 7.

f. Risks Related to Investments

The Company has investments, which are valued using the equity method and stated at acquisition cost. Brasil Telecom S.A., the Nova Tarrafa Participações Ltda. and the Nova Tarrafa Inc. are subsidiaries, the investments of which are carried under the equity method.

Investments valued at cost are immaterial in relation to total assets. The risks related to them would not cause significant impacts to the Company's if losses were to occur on these investments.

In the balance sheet date the investments were represented as follows:

| | 06/30/05 | | 03/31/05 | |
|-------------------------------|------------------|------------------|------------------|------------------|
| | Book Value | Market Value | Book Value | Market Value |
| Investments | 4,236,995 | 5,081,810 | 4,366,730 | 4,594,430 |
| Equity in subsidiaries | 4,228,944 | 5,073,759 | 4,358,200 | 4,585,900 |
| Listed in Stock Exchange | 4,191,217 | 5,036,032 | 4,318,973 | 4,546,673 |
| Not Listed in Stock Exchange | 37,727 | 37,727 | 39,227 | 39,227 |
| Other investments | 8,051 | 8,051 | 8,530 | 8,530 |

The investment quoted on the stock exchange refers to the interest in Brasil Telecom S.A., and its market value valued based on the market quotations in trading between minority shareholders.

g. Temporary Cash Investment Risks

The Company has several temporary cash investments in exclusive financial investment funds (FIFs), whose assets are constituted by post-fixed federal securities, pre-fixed and exchange rates indexed to CDI, through the spread of these securities or future contracts indexed to the exchange rate of the Futures and Commodities Exchange - BM&F, federal public securities (NBC-E) referred to commercial dollar variation plus exchange coupon, in own portfolio, guarantee by US Treasury Bonds, in own portfolio of Bank Deposit Certificates (CDB) issued by domestic financial institutions and in own portfolio of Deposit Certificates (CD) issued by foreign financial institutions. Investments in treasury bonds, in the exchange fund and in deposit certificates are subject to exchange rate risk and the investments in CDB are subject to the credit risk of the issuing financial institution. The Company maintains financial investments in the amount of R\$ 595,351 (R\$ 948,959 on March 31, 2005). Earnings accrued up to the balance sheet date are accountably recognized as financial revenue and represent R\$ 74,173 (R\$ 39,671 in 2004). The amounts attributed to the consolidated statements are the following: financial investments in the amount of R\$ 2,309,905 (R\$ 2,731,519 on March 31, 2005) and earnings accrued in the amount of R\$ 207,210 (R\$ 145,393 in 2004).

h. Risk Related to Rules

New Concession Agreements

On June 20, 2003, ANATEL ratified the Resolution 341, which forecasts new types of concession agreements, in force as from January 1, 2006 up to 2025. The new kind of concession agreement forecasts changes in how tariffs are adjusted, such as the General Price Index - Internal Supply (IGP-DI), would no more be used to set forth the tariff adjustments based on the annual inflation rate. Consequently, the Company's operations and competitive position can be affected by these changes.

Superposition of Licenses

Since the receipt of the certification of compliance with the 2003 goals by ANATEL, the subsidiary Brasil Telecom S.A. began to render domestic and international fixed telephony services, as well as mobile telephony services, the latter through its subsidiary 14 Brasil Telecom Celular S.A. If Telecom Itália International N.V. (TII) acquired an indirect controlling stake in Brasil Telecom S.A., this company and TIM Brasil Serviços e Participações S.A. (TIM) could be considered affiliates as provided for by the Brazilian telecommunications law, and the capacity to provide domestic and international fixed telephony services, as well as mobile telephony services, in the same regions as TIM would be under the risk to be ended by ANATEL. On January 16, 2004, ANATEL issued an Act establishing a 18 month period in which TII could reacquire a controlling stake in the Company, as long as TII does not participate or vote in any matters related to the superposition of services offered by Brasil Telecom S.A. and TIM, such as domestic and international long distance call services and mobile telephony services. If, after this 18 month period, whose term starts when TII returns to the Company's controlling block, Brasil Telecom S.A. and Telecom Itália do not enter into an agreement which solves the superposition, ANATEL will have the right to impose sanctions to all and any involved party.

Depending on Anatel's final decision, these sanctions could have a unfavorable material effect in the business and operations of Brasil Telecom S.A. and consequently in the Company's.

On April 28, 2005, TII and TIM and Brasil Telecom S.A. and BrT Celular executed an instrument called Merger Agreement and a related Protocol. Among others, this operation enables that the superposition of licenses and regulatory authorization with TIM are solved, withdrawing sanctions and penalties that could be imposed by ANATEL. The operation is the purpose of various injunctions. Whether the merger described above takes place or

not, there is a possibility that some or all assets related to the mobile segment (see note 41) may lose value, as a consequence of the superposition of operations or sanctions of ANATEL. At the moment it is not possible to know what will be the result of these injunctions.

6. BENEFITS TO EMPLOYEES

The benefits described in this note are offered to the employees of the Company, its subsidiary Brasil Telecom S.A. and its wholly-owned subsidiary. These companies are better described together, and can be referred to as Brasil Telecom (group) and for the purpose of the pension scheme cited in this note, are also denominated Sponsor .

a. Private Pension Plan

Brasil Telecom (group) sponsors private pension schemes related with retirement for its employees and assisted members, and in the case of the latter, medical assistance in some cases. These plans are managed by the following foundations: (i) Fundação 14 de Previdência Privada (Fundação 14); (ii) Fundação BrTPREV (FBrTPREV), former CRT, a company merged by the Company on 12/28/00; and (iii) Fundação SISTEL de Seguridade Social (SISTEL), which originated from certain companies of the former Telebrás System.

The bylaws stipulate approval of the supplementary pension policy and the joint liability attributed to the defined benefit plans is subject to the acts signed with the foundations, with the consent of the National Supplementary Pension Plan Superintendence PREVIC, previously represented by the Supplementary Pensions Department - SPC, where applicable to the specific plans.

The sponsored plans are valued by independent actuaries on the balance sheet date and, in the case of the defined benefit plans described in this explanatory note, immediate recognition of the actuarial gains and losses is adopted. The full liabilities are provided for plans showing deficits. This measure has been applied since the 2001 financial year, when the regulations of CVM Ruling 371/00 were adopted. In cases that show positive actuarial situations, no assets are recorded due to the legal impossibility of reimbursing the surpluses.

Below the characteristics of the supplementary pension plans sponsored are described.

FUNDAÇÃO 14

Since the split of the only pension plan managed by SISTEL, PBS, in January 2000, the evolution tendency for a new stage was already estimated. Such stage would result in an own and independent management model for TCSPREV pension plan, by means of a specific entity to manage and to operate them, and this fact has become more and more evident throughout the years. This tendency also occurred in the main SISTEL pension plan sponsoring companies, which created their respective supplementary pension plan foundations. In this scenario, Fundação 14 de Previdência Privada was created in 2004, with the purpose of taking over the management and operation of the TCSPREV pension plan, which started as from March 10, 2005, whose process was backed by the segment s specific legislation and properly approved by the National Supplementary Pension Plan Superintendence PREVIC.

In accordance with the Transfer Agreement entered into between Fundação Sistel de Seguridade Social and Fundação 14 de Previdência Privada, SISTEL, by means of the Management Agreement, it will provide management and operation services of TCSPREV and PAMEC-BrT plans to Fundação 14, after the transferring of these plans, which took place on March 10, 2005, for a period of up to 18 months, while Fundação 14 organizes itself to take over the management and operation services of its plans.

Plans

TCSPREV (Defined Contribution, Settled Benefit and Defined Benefit)

This defined contribution and settled benefit plan was introduced on 2/28/00. On 12/31/01, all the pension plans sponsored by the Company with SISTEL were merged, being exceptionally and provisionally approved by the Supplementary Pension Department - SPC, due to the need for adjustments to the regulations. Thus, TCSPREV is constituted of defined contribution groups with settled and defined benefits. The plans that were merged into the TCSPREV were the PBS-TCS, PBT-BrT, Convênio de Administração BrT, and the Termo de Relação Contratual Atípica, and the conditions established in the original plans were maintained. In March 2003 this plan was suspended to employees who wanted to be included in the supplementary pension plans sponsored by the Company, but it was reopened in February 2005. TCSPREV currently assists to around 55.7% of the staff.

PAMEC-BrT Health Care Plan for Supplementary Pension Beneficiaries (Defined Benefit)

Destined for health care of retirees and pensioners subject to Grupo PBT-BrT, which was merged to TCSPREV on 12/31/01.

Contributions Established for the Plans

TCSPREV

Contributions to this plan, by group of participants, are established based on actuarial studies prepared by independent actuaries according to regulations in force in Brazil, using the capitalization system to determine the costs. Currently contributions are made by the participants and the sponsor only for the internal groups PBS-TCS (defined benefit) and TCSPREV (defined contribution). In the TCSPREV group, the contributions are credited in individual accounts of each participant, equally by the employee and the Company, and the basic contribution percentages vary between 3% and 8% of the participant's salary, according to age. Participants have the option to contribute voluntarily or sporadically to the plan above the basic contribution, but without equal payments from the Company. In the case of the PBS-TCS group, the sponsor's contribution in the quarter was 12% of the payroll of the participants; while the employees' contribution varies according to the age, service time and salary. An entry fee may also be payable depending on the age of entering the plan. The sponsors are responsible for the cost of all administrative expenses and risk benefits. In the quarter, contributions by the sponsor to the TCSPREV group represented, on average, 6.51% of the payroll of the plan participants. For employees, the average was 5.89%.

The contribution by the company in the quarter totaled R\$ 7,431 (R\$ 7,275 in 2004).

PAMEC-BrT

The contribution for this plan was fully paid in July 1998, through a single payment. New contributions are limited to future necessity to cover expenses, if that occurs.

FUNDAÇÃO SISTEL DE SEGURIDADE SOCIAL (SISTEL)

The supplementary pension plan which remains under SISTEL's management comes from the period before the Telebrás Spin-off and assists participants who had the status of beneficiaries in January 2000 (PBS-A). SISTEL also manages the PAMA/PAMA-PCE pension plan, formed by participants assisted by the PBS-A Plan, the PBS's plans segregated by sponsor in January 2000 and PBS-TCS Internal Group, merged to the TCSPREV plan in December 2001.

Plans

PBS-A (Defined Benefit)

Maintained jointly with other sponsors subject to the provision of telecommunications services and destined for participants that had the status of beneficiaries on January 31, 2000.

PAMA - Health Care Plan for Retired Employees/ PCE - Special Coverage Plan (Defined Contribution)

Maintained jointly with other sponsors subject to the provision of telecommunications services and destined for participants that had the status of beneficiaries on January 31, 2000, and also for the beneficiaries of the PBS-TCS Group, incorporated into the TCSPREV on December 31, 2001 and beneficiaries of the plans of definite benefits PBS of other sponsors of the SISTEL. According to a legal/actuarial appraisal, the sponsor's liability is exclusively limited to future contributions. During 2004, an optional migration of retirees and pensioners of PAMA took place for new coverage conditions (PCE). The participants who opted for the migration began to contribute to PCE.

Contributions Established for the Plans

PBS-A

Contributions may occur in case of accumulated deficit. On 12/31/04, the actuarial appraisal date, the plan presented a surplus.

PAMA/PCE

This plan is sponsored with contributions of 1.5% on payroll of active participants subject to PBS plans, segregated and sponsored by several SISTEL sponsors. In the case of Brasil Telecom, the PBS-TCS was incorporated into the TCSPREV plan on 12/31/01, and began to constitute an internal group of the plan. Contributions by retirees and pensioners who migrated to PCE are also carried out.

Contributions to PAMA, in the part attributed to the Sponsor, in the quarter totaled R\$ 55 (R\$ 57 in 2004).

FUNDAÇÃO BrTPREV

The main purpose of the Company sponsoring BrTPREV is to maintain the supplementary retirement, pension and other provisions in addition to those provided by the official social security system to participants. The actuarial system for determining the plan's cost and contributions is collective capitalization, valued annually by an independent actuary.

Plans

BrTPREV

Defined contribution and settled benefits in October 2002 plan to provide supplementary social security benefits in addition to those of the official social security and that initially assisted only employees subject to the Subsidiary Rio Grande do Sul. This pension plan has remained open to new employees of the Company and its subsidiaries from March 2003 to February 2005, when its offering was interrupted. Nowadays, this plan attended to around 40.0% of the staff.

Founder - Brasil Telecom and Alternativo - Brasil Telecom

Defined contribution and settled benefits plan to provide supplementary social security benefits in addition to those of the official social security, now closed to the entry of new participants. Nowadays, there are 0.6% of the staff.

Contributions Established for the Plans

BrTPREV

The contributions to this plan are established based on actuarial studies prepared by independent actuaries according to the regulations in force in Brazil, using the capitalization system to determine the costs. Contributions are credited in individual accounts of each participant, the employee's and Company's contributions being equal, the basic percentage contribution varying between 3% and 8% of the participation salary, according to age. Participants have the option to contribute voluntarily or sporadically to the plan above the basic contribution, but without equal payments from the Company, which is responsible for the costing of all administrative expenses and risk benefits. In

the quarter contributions by the sponsor represented on average 6.23% of the payroll of the plan participants, whilst the average employee contribution was 5.44% . In the quarter the Company s contributions were R\$4,454 (R\$2,525 in 2004).

Founder – Brasil Telecom and Alternative - Brasil Telecom

The regular contribution by the sponsor in the quarter was an average of 4.09% on the payroll of plan participants, who contributed at variable rates according to age, service time and salary; the average rate was 4.09% . With the Alternative-Brasil Telecom, the participants also pay an entry fee depending on the age of entering the plan.

The usual contributions of the Company in the quarter were R\$8 (R\$9 in 2004).

The technical reserve corresponding to the current value of the Company s supplementary contribution must be amortized, due to the actuarial deficit of the plans managed by FBrTPREV, within the maximum established period of 20 years as from January 2002, according to Circular 66/SPC/GAB/COA from the Supplementary Pensions Department dated January 25, 2002. Of the maximum period established, 16 years and six months still remain for complete settlement. The amortizing contributions in the quarter were R\$49,722 (R\$49,238 in 2004).

b. Stock Option Plan for Management and Employees

The Extraordinary Shareholders Meeting from the subsidiary Brasil Telecom S.A. held on April 28, 2000, approved the general plan to grant stock purchase options to officers and employees of the Company and its subsidiaries. The plan authorizes a maximum limit of 10% of the shares of each kind of Company stock. Shares derived from exercising options guarantee the beneficiaries the same rights granted to other Company shareholders. The administration of this plan was entrusted to a management committee appointed by the Board of Directors, which decided only to grant preferred stock options. The plan is divided into two separate programs:

Program A

This program is granted as an extension of the performance objectives established by the Board of Directors for a five-year period. Up to June 30, 2005, no stock had been granted.

Program B

The price of exercising is established by the management committee based on the market price of 1000 shares at the date of the grant of option and will be monetarily restated by the IGP-M between the date of signing the contracts and the payment date.

The right to exercise the option is given in the following way and within the following periods:

| | First Grant | | Second Grant | | Third Grant | |
|-----|-------------|---------------|--------------|---------------|-------------|---------------|
| | From | End of period | From | End of period | From | End of period |
| 33% | 01/01/04 | 12/31/08 | 12/19/05 | 12/31/10 | 12/21/05 | 12/31/11 |
| 33% | 01/01/05 | 12/31/08 | 12/19/06 | 12/31/10 | 12/21/06 | 12/31/11 |
| 34% | 01/01/06 | 12/31/08 | 12/19/07 | 12/31/10 | 12/21/07 | 12/31/11 |

The acquisition periods can be anticipated as a result of the occurrence of events or special conditions established in the option contract.

The information related with the general plan to grant stock options is summarized below:

| | 03/31/05 | |
|--------------------------|------------------------------------|----------------------------|
| | Preferred stock options (thousand) | Average exercise price R\$ |
| Balance as of 03/31/2005 | 1,415,119 | 13.00 |
| Balance as of 06/30/2005 | 1,415,119 | 13.00 |

There has been no grant of options for purchase of stocks exercised in the quarter and the representative ness of the balance of the options before the total outstanding stocks for the Company Brasil Telecom S.A. is 0.26% (0.26% on March 31, 2005).

Considering the hypothesis that the options will be fully exercised, the opportunity cost of the premiums of the respective options, calculated by the Black&Scholes method, for the Company would be R\$780 (R\$622 in 2004).

c. Other Benefits to Employees

Other benefits are granted to employees, such as: health care/dental care, meal allowance, group life insurance, occupational accident allowance, sickness allowance, transportation allowance, and other.

7. PROVISIONS FOR CONTINGENCIES

Brasil Telecom (group) and its subsidiaries periodically performs an assessment of its contingency risks, and also reviews its lawsuits taking into consideration the legal, economic, tributary and accounting aspects. The assessment of these risks aims to classifying them according to the chances of unfavorable outcome among the alternatives of probable, possible or remote, taking into account, as applicable, the opinion of the legal counselors.

For those contingencies, which the risks are classified as probable, provisions are recognized. Contingencies classified as possible or remote are discussed in this note. In certain situations, due to legal requirements or precautionary measures, judicial deposits are made to guarantee the continuity of the cases in litigation. These lawsuits are in progress in various courts, including administrative, lower, and higher courts.

Labor Claims

The provision for labor claims includes an estimate by the Company's management, supported by the opinion of its legal counselors, of the probable losses related to lawsuits filed by former employees of the Company, and of service providers.

Tax Suits

The provision for tax contingencies refers principally to matters related to tax collections due to differences in interpretation of the tax legislation by Brasil Telecom (group) counselors and the tax authorities.

Civil Suits

The provision for civil contingencies refers to cases related to contractual adjustments arising from Federal Government economic plans, and other cases.

Classification by Risk LevelContingencies with a Probable Risk

Contingencies classified as having a probable risk of loss, for which provisions are recorded under liabilities, have the following balances:

| Nature | PARENT COMPANY | | CONSOLIDATED | |
|--------------|----------------|--------------|----------------|----------------|
| | 06/30/05 | 03/31/05 | 06/30/05 | 03/31/05 |
| Labor | - | - | 426,174 | 419,259 |
| Tax | 3,408 | 3,273 | 96,413 | 103,604 |
| Civil | 649 | 627 | 217,076 | 217,371 |
| Total | 4,057 | 3,900 | 739,663 | 740,234 |
| Current | - | - | 297,000 | 312,800 |
| Long-term | 4,057 | 3,900 | 442,663 | 427,434 |

Labor

In the current fiscal year an increase in the provision for labor contingencies in the amount of R\$11,953 was verified in the quarter. This variance is caused by recognition of monetary restatements and effects of the reassessment of contingent risks that determine the additional recognition for the provision in the amount of R\$47,368, new additions amounting to R\$ 9,819 and decrease due to the payments which amounted to R\$ 45,234.

The main objects that affect the provisions for labor claims are the following:

- (i) Additional Remuneration - related to the claim for payment of additional remuneration for hazardous activities, based on Law 7369/85, regulated by Decree 93412/86, due to the supposed risk of contact by the employee with the electric power system;
- (ii) Salary Differences and Consequences - related, mainly, to requests for salary increases due to supposedly unfulfilled union negotiations. They are related to the repercussion of the salary increase supposedly due on the others sums calculated based on the employees' salaries;
- (iii) Career Plan - related to the request for application of the career and salaries plan for employees of the Brasil Telecom S.A. Santa Catarina Branch (formerly Telesc), with promotions for seniority and merit, supposedly not granted by formerly Telesc;
- (iv) Joint Responsibility - related to the request to ascribe responsibility to the subsidiary, made by outsourced personnel, due to supposed nonobservance of their labor rights by their real employers;
- (v) Overtime - refers to the salary and additional payment plea due to labor supposedly performed beyond the contracted work time;
- (vi) Reintegration - plea due to supposed inobservance of employee's special condition, guaranteeing the impossibility of rescission of labor contract without cause; and
- (vii) Request for the regulation application which established the payment of the incident percentage on the Company's income, attributed to the Santa Catarina Branch.

Tax

In the quarter there was a reduction for the Consolidated of R\$ 16,289, represented by the entry of new shares at the amount of R\$ 3,750, monetary restatements of R\$ 7,396, a decrease of R\$ 25,214 by reassessment of contingent risks and monetary restatement at the amount of R\$ 2,221.

The main lawsuits provided for are as follows:

- (i) Social Security related to the non-collection of incident social security in the payment made to cooperatives, as well as the breakdown of the contribution's salary;
- (ii) Federal Revenue Department - Incorrect compensation of tax losses; and
- (iii) CPMF - Non-collection of the contribution on financial activities in the year of 1999.

Civil

In the quarter, there was a net increase of R\$ 1,774 for the Consolidated, resulting from the reassessment of contingent risks and monetary restatement at the amount of R\$ 16,011, as well as new suits totaling R\$ 21,500 and payments at the amount of R\$ 35,737.

The lawsuits provided are the following:

- (i) Review of contractual conditions - Lawsuit where a company which supplies equipment filed legal action against the subsidiary Brasil Telecom S.A., asking for a review of contractual conditions due to economic stabilization plans;
- (ii) Contracts of Financial Participation - It has been signed with TJ/RS the position related to the incorrect procedure previously adopted by the former CRT, current Rio Grande do Sul Branch, owned by the subsidiary Brasil Telecom S.A., in the processes related to the compliance with the rule issued by the Ministry of Communications; and
- (iii) Other lawsuits - related to various ongoing lawsuits such as indemnification for pain and suffering and material damages to consumers, indemnification for contractual rescission, indemnification for accidents, as well as lawsuits that are in Special Civil Courts whose claims, separately, do not exceed forty minimum salaries.

Contingencies with a Possible Risk

The position of contingencies with risk level considered to be possible, and therefore not recorded in the accounts, is the following:

| Nature | PARENT COMPANY | | CONSOLIDATED | |
|--------|----------------|----------|--------------|-----------|
| | 06/30/05 | 03/31/05 | 06/30/05 | 03/31/05 |
| Labor | - | - | 607,477 | 616,010 |
| Tax | 19,870 | 15,976 | 1,465,357 | 1,425,297 |

| | | | | |
|--------------|---------------|---------------|------------------|------------------|
| Civil | - | - | 1,318,713 | 1,146,098 |
| Total | 19,870 | 15,976 | 3,391,547 | 3,187,405 |

Labor

The main objects that comprise the possible losses of a labor nature are related to additional remuneration for hazardous activities, promotions and joint/subsidiary responsibility, the evaluation of which processes by the legal assessors resulted in a level of risk of loss evaluated only as possible. In addition to the subjects cited, the request for remunerative consideration for hours of work supposedly exceeding the normal agreed workload of hours also contributed to the amount mentioned.

Tax

The increase which took place in the quarter for the Consolidated, of R\$ 213,648 refers to the entrance of new contingencies at the amount of R\$ 61,065, reevaluation of risk degree and amounts totaling R\$ 36,531 and monetary restatements of R\$ 116,052.

The main lawsuits considered as possible loss are presented as follows:

- (i) Notices of INSS, with defenses in headquarters or courts, examining the value composition in the contribution salary owed by the company and that the Company's legal advisors do not believe there is an incidence of social security contribution;
- (ii) Federal Taxes - notices due to supposed lack of collection;
- (iii) Public civil suits questioning the supposed transfer of PIS and COFINS to the final consumers;
- (iv) ICMS - On international calls;
- (v) ICMS - Differential of rate in interstate acquisitions;
- (vi) ICMS - Exploitation of credits related to the acquisition of fixed assets for use and consumption;
- (vii) ISS (Service Tax) - Not collected and/or under-collected; and
- (viii) Withholding tax (IRRF) - Operations related to hedge for covering debts.

Civil

The increase occurred in the Consolidated in the quarter was of R\$ 312,379 and is represented, mainly, by the increment of R\$ 319,483 related in its majority to shares resulting from the capitalization process, for which a higher number of shares in the capital stock in relation to what was issued is demanded, as well as corresponding demanded dividends. The other reducing variation of R\$ 7,104 is comprised, basically, of monetary restatements and revaluations of values of existing causes.

The main lawsuits are presented as follows:

- (i) They are attributed to Brasil Telecom S.A. and refer to retributions in shares resulting from PCT, in which the plaintiffs intend the retribution in shares related to agreements arising from the Common Telephony Program (PCT);
- (ii) Lawsuits of a consumerist nature;
- (iii) Contractual - Lawsuits related to the claim for a percentage resulting from the Real Plan, to be applied in a contract for rendering of services, review of conversion of installments in URV and later in real, related to the supply of equipment and rendering of services; and
- (iv) Customer service points - Public civil lawsuits arising from the closing of customer attendance points.

Contingencies with a Remote Risk

In addition to the claims mentioned, there are also contingencies considered to be of a remote risk to the amount of R\$ 54,219 (R\$ 52,069 on March 31, 2005) for Company and R\$ 1,772,733 (R\$ 1,655,485 on March 31, 2005) for Consolidated.

Letters of Guarantee

The Company has contracts for letters of guarantees signed with financial institutions, as a complementary guarantee for lawsuits in provisory execution, in the amount of R\$ 13,740 (R\$ 13,740 on March 31, 2005). These guarantees are contracted for an undetermined period and the compensation is 0.65% p.a. to 1.20% p.a., representing an average rate of 0.87% p.a. For consolidated effects, the letters of guarantee with this purpose represent R\$ 471,726 (R\$ 398,253 on 03/31/05), compensated at interest which vary from 0.50% to 2.00%, with average compensation equivalent to 0.92% p.a.

The judicial deposits related with contingencies and contested taxes (suspended demand) are described in Note 23.

8. SHAREHOLDERS EQUITY

a. Share Capital

The Company is authorized to increase its capital by means of a resolution of the Board of Directors to a total limit of 700,000,000,000 (seven hundred billion) common or preferred shares, observing the legal limit of 2/3 (two thirds) for the issue of new preferred shares without voting rights.

By means of a resolution of the General Shareholders Meeting or the Board of Directors, the Company's capital can be increased by the capitalization of retained earnings or prior reserves allocated by the General Shareholders Meeting. Under these conditions, the capitalization can be effected without modifying the number of shares.

The capital is represented by common and preferred stocks, with no par value, and it is not mandatory to maintain the proportion between the shares in the case of capital increases.

By means of a resolution of the General Shareholders Meeting or the Board of Directors, the preemptive right for the issue of shares, subscription bonuses or debentures convertible into shares can be excluded, in the cases stipulated in article 172 of Corporation Law.

The preferred shares do not have voting rights, except in the cases specified in the sole paragraph of articles 11 and 14 of the bylaws, but are assured priority in receiving the minimum non-cumulative dividend of 6% per annum, calculated on the amount resulting from dividing the capital by the total number of the Company's shares or 3% per annum, calculated on the amount resulting from dividing the net book shareholders' equity by the total number of the Company's shares, whichever is greater.

Subscribed and paid-up capital as of the balance sheet date is R\$ 2,596,272 (R\$ 2,596,272 as of March 31, 2005) represented by shares without par value as follows:

| Type of Shares | In thousands of shares | | | | | |
|----------------|------------------------|--------------------|------------------|------------------|--------------------|--------------------|
| | Total of Shares | | Treasury Stock | | Outstanding Shares | |
| | 06/30/05 | 03/31/05 | 06/30/05 | 03/31/05 | 06/30/05 | 03/31/05 |
| Common | 134,031,688 | 134,031,688 | 1,480,800 | 1,480,800 | 132,550,888 | 132,550,888 |
| Preferred | 229,937,526 | 229,937,526 | - | - | 229,937,526 | 229,937,526 |
| Total | 363,969,214 | 363,969,214 | 1,480,800 | 1,480,800 | 362,488,414 | 362,488,414 |

| | 06/30/05 | 03/31/05 |
|---|--------------|--------------|
| Net Equity per thousand Outstanding Shares (R\$) | 15.84 | 17.05 |

b. Treasury Stock

In the determination of the calculation of net equity per thousand shares the common shares held in treasury are maintained, which are originated from the following repurchasing program during the years 2002 and 2004.

On September 13, 2004 the Company's Board of Directors approved the proposals to repurchase preferred and common stock issued by the Company, for holding in treasury or cancellation or subsequent sale, under the following terms and conditions: (i) the retained earnings account represented the origin of the funds invested in purchasing the stock; (ii) the authorized quantity for the repurchase of Company stock for holding in treasury was limited to 10% of common and preferred shares outstanding in the market; and (iii) the period determined for the acquisition was 365 days, in accordance with CVM Instruction 390/03.

The exchange of the treasury shares is presented as follows:

| | 06/30/05 | | 03/31/05 | |
|--------------------------------|---------------------------|--------|---------------------------|--------|
| | Common shares (thousands) | Amount | Common shares (thousands) | Amount |
| Opening balance in the quarter | 1,480,800 | 20,846 | 1,480,800 | 20,846 |
| Closing balance in the quarter | 1,480,800 | 20,846 | 1,480,800 | 20,846 |

| Unit historical cost in the acquisition of treasury stock (R\$) | 06/30/05 | 03/31/05 |
|---|----------|----------|
| Average | 14.08 | 14.08 |
| Minimum | 12.40 | 12.40 |
| Maximum | 17.00 | 17.00 |

The unit cost of acquisition considers the totality of stock repurchase program.

There were no disposals of these purchased common shares up to the end of the quarter.

Market value of treasury stock

The market value of treasury shares at the balance sheet date was the following:

| | 06/30/05 | 03/31/05 |
|--|---------------|---------------|
| Number of common shares held in treasury (thousand shares) | 1,480,800 | 1,480,800 |
| Quote per lot of thousand shares on BOVESPA (R\$) | 25.68 | 26.00 |
| Market value | 38,027 | 38,501 |

The Company maintains the balance of treasury stock in a separate account. For presentation purposes, the value of the treasury stock is deducted from the reserves that gave rise to it, and is presented as follows:

| | 06/30/05 | 03/31/05 |
|---------------------------------------|------------------|------------------|
| Book Value | 1,978,548 | 2,416,118 |
| Treasury Stock | (20,846) | (20,846) |
| Balance, Net of Treasury Stock | 1,957,702 | 2,395,272 |

c. Capital Reserves

Capital reserves are recognized in accordance with the following practices:

Goodwill Reserve in the Subscription of Shares: results from the difference between the amount paid on subscription, and the portion allocated to capital.

Other Capital Reserves: formed by the contra entry of the funds invested in income tax incentives.

d. Profit Reserves

The profit reserves are recognized in accordance with the following practices:

Legal Reserve: allocation of five percent of the annual net income, up to twenty percent of paid-up capital or thirty percent of capital plus capital reserves. The Legal Reserve is only used to increase capital, or to offset losses.

Unrealized Profit Reserve: recognized in the year in which the amount of the mandatory dividend, calculated in accordance with the statutory provisions or with article 202 of Law 6,404/76, exceeds the realized portion of net income. The reserve can offset losses in subsequent years or, when realized, comprise the calculation of net income adjusted for dividend payments. According to the restatement required by Law 10,303/01, the income recorded under the unrealized profit reserve as from 2002 financial year should be considered at the value of the dividend postponed. However the unrealized profit reserve formed under the previous regulations, when realized, will continue to form part of the calculation base for the dividends, this case of unrealized profit reserves existed in the Company.

Retained Earnings: Comprises the remaining balances of net income, adjusted according to the terms of article 202 of Law 6,404/76, or by the recording of adjustments from prior years, if applicable.

e. Dividends and Interest on Shareholders Equity

The dividends are calculated in the end of the financial year. Mandatory minimum dividends are calculated in accordance with article 202 of Law 6,404/76, and the preferred or priority dividends are calculated in accordance with the Company bylaws.

As a result of a resolution by the Board of Directors, the Company may pay or credit, as dividends, interest on shareholders equity (JSCP), under the terms of article 9, paragraph 7, of Law number 9,249, dated December 26, 1995. The interests paid or credited will be offset against the minimum statutory dividend, in accordance with article 44 from social statute.

The Company's Annual General Meeting, held on April 29, 2005, resolved on the additional dividend payment on the account of retained earnings, in the amount of R\$ 300,000, which was made available to shareholders for payment as from May 23, 2005. The additional amount comprised all the types of shares, proportionally to the respective stakes in the Company's capital stock.

9. OPERATING REVENUE FROM TELECOMMUNICATIONS SERVICES

| | CONSOLIDATED | |
|---|---------------------|------------------|
| | 06/30/05 | 06/30/04 |
| Fixed Telephonic Service | | |
| Local Service | 3,463,826 | 3,294,793 |
| Activation fees | 14,759 | 18,481 |
| Basic subscription | 1,697,146 | 1,477,201 |
| Measured service charges | 671,921 | 685,883 |
| Fixed to mobile calls - VC1 | 1,041,365 | 1,064,697 |
| Rent | 743 | 768 |
| Other | 37,892 | 47,763 |
| Long Distance Services | 1,533,732 | 1,176,065 |
| Intra-Sectorial Fixed | 500,990 | 528,430 |
| Intra-Regional Fixed (Inter Sectorial) | 200,525 | 186,258 |
| Inter-Regional Fixed | 148,396 | 73,540 |
| Fixed to mobile calls VC2 and VC3 | 652,094 | 375,307 |
| International | 31,727 | 12,530 |
| Interconnection | 339,963 | 370,579 |
| Fixed x Fixed | 210,125 | 241,343 |
| Mobile x Fixed | 129,838 | 129,236 |
| Lease of Means | 143,626 | 118,518 |
| Public Telephone | 210,992 | 227,238 |
| Supplementary, Intelligent Network and Advanced Telephony Services | 230,103 | 203,169 |
| Other | 19,039 | 13,818 |

| | | |
|---|--------------------|--------------------|
| Total of Fixed Telephonic Service | 5,941,281 | 5,404,180 |
| Mobile Telephonic Service | | |
| Telephony | 183,580 | - |
| Subscription | 78,871 | - |
| Application | 87,258 | - |
| Roaming | 602 | - |
| Interconnection | 15,302 | - |
| Other Services | 1,547 | - |
| Sale of Goods | 114,127 | - |
| Cell Phones | 106,457 | - |
| Electronic Cards - Brasil Chip, Accessories and Other Goods | 7,670 | - |
| Total of Mobile Telephone Service | 297,707 | - |
| Data Communication Services and Others | | |
| Data Communication | 686,208 | 475,759 |
| Other Main Activities Services | 185,980 | 66,311 |
| Total of Data Communication Services and Others | 872,188 | 542,070 |
| Gross Operating Revenue | 7,111,176 | 5,946,250 |
| Deductions from Gross Revenue | (2,140,672) | (1,708,355) |
| Taxes on Gross Revenue | (2,018,620) | (1,649,326) |
| Other Deductions on Gross Revenue | (122,052) | (59,029) |
| Net Operating Revenue | 4,970,504 | 4,237,895 |

10. COST OF SERVICES RENDERED AND GOODS SOLD

The costs incurred in the generation of services rendered and goods sold are as follows:

| | CONSOLIDATED | |
|-------------------------------|---------------------|-----------------|
| | 06/30/05 | 06/30/04 |
| Interconnection | (1,176,812) | (1,041,580) |
| Depreciation and Amortization | (1,140,859) | (1,080,043) |
| Third-Party Services | (390,540) | (312,909) |
| Rent, Leasing and Insurance | (202,564) | (97,128) |
| Goods Sold | (139,017) | - |
| Personnel | (76,148) | (57,829) |

| | | |
|------------------|--------------------|--------------------|
| FISTEL | (36,585) | (6,606) |
| Materials | (35,094) | (44,857) |
| Connection Means | (29,783) | (77,834) |
| Other | (3,736) | (3,596) |
| Total | (3,231,138) | (2,722,382) |

11. COMMERCIALIZATION OF SERVICES

The expenses related to commercialization activities are detailed according to the following nature:

| | CONSOLIDATED | |
|--|---------------------|------------------|
| | 06/30/05 | 06/30/04 |
| Third-Party Services | (406,971) | (203,127) |
| Losses on Accounts Receivable ⁽¹⁾ | (188,111) | (182,971) |
| Personnel | (122,741) | (63,461) |
| Material | (16,076) | (884) |
| Depreciation and Amortization | (8,100) | (2,801) |
| Rent, Leasing and Insurance | (3,435) | (2,194) |
| Other | (313) | (336) |
| Total | (745,747) | (455,774) |

(1) Includes Provision for Loan Losses

12. GENERAL AND ADMINISTRATIVE EXPENSES

The expenses related to administrative activities, which include the information technology expenses are detailed according to the following nature:

| | PARENT COMPANY | | CONSOLIDATED | |
|-------------------------------|---------------------------|-----------------|---------------------|------------------|
| | 06/30/05 | 06/30/04 | 06/30/05 | 06/30/04 |
| Third-Party Services | (6,289) | (4,215) | (354,334) | (255,163) |
| Depreciation and Amortization | (200) | (1,077) | (138,160) | (98,711) |
| Personnel | (4,124) | (2,371) | (113,396) | (75,480) |
| Rent, Leasing and Insurance | (2,620) | (921) | (22,149) | (20,552) |
| Material | (40) | (34) | (7,612) | (2,113) |
| Other | (10) | (5) | (982) | (2,052) |
| Total | (13,283) | (8,623) | (636,633) | (454,071) |

13. OTHER OPERATING INCOME (EXPENSES)

The remaining income and expenses attributed to operational activities are shown as follows:

| | PARENT COMPANY | | CONSOLIDATED | |
|--|---------------------------|-----------------|---------------------|-----------------|
| | 06/30/05 | 06/30/04 | 06/30/05 | 06/30/04 |
| | | | | |

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| | | | | |
|--|-----------|-------------|-----------------|---------------|
| Recovered Taxes and Expenses | 787 | 2,976 | 51,121 | 31,972 |
| Fines | (6) | - | 44,353 | 37,100 |
| Technical and Administrative Expenses | 1,266 | 190 | 25,650 | 31,935 |
| Operational Infrastructure Rent and other | - | - | 24,520 | 14,286 |
| Provision/Reversal of Other Provisions | - | - | 737 | 15,661 |
| Contingences Provision | (679) | (350) | (80,630) | (62,591) |
| Amortization of goodwill on investment acquisition | (939) | (939) | (50,238) | (16,476) |
| Taxes (Other than on Gross Revenue, Income and Social Contributions Taxes) | (181) | (39) | (34,228) | (21,229) |
| Provision for Actuarial Liability of Pension Funds | - | - | (7,796) | (3,647) |
| Labor Indemnifications and Other | - | - | (6,136) | (32) |
| Donations and Sponsorships | - | - | (4,346) | (6,182) |
| Court Fees | - | - | (3,431) | (1,805) |
| Loss on Write-off of Maintenance/Resale Inventories | - | - | (246) | (537) |
| Write-off of Prepayments and Other Credits | - | (1,653) | - | (1,653) |
| Other Expenses Revenue/Expenses | (202) | (207) | (1,775) | (6,514) |
| Total | 46 | (22) | (42,445) | 10,288 |

14. FINANCIAL INCOME (EXPENSES), NET

| | PARENT COMPANY | | CONSOLIDATED | |
|------------------------------------|------------------|------------------|------------------|------------------|
| | 06/30/05 | 06/30/04 | 06/30/05 | 06/30/04 |
| Financial Income | 180,975 | 164,531 | 531,829 | 329,271 |
| Local Currency | 180,387 | 155,659 | 320,103 | 269,862 |
| On Rights in Foreign Currency | 588 | 8,872 | 211,726 | 59,409 |
| Financial Expenses | (286,464) | (139,436) | (942,383) | (667,535) |
| Local Currency | (48,631) | (63,192) | (344,387) | (409,171) |
| On Liabilities in Foreign Currency | (21,233) | (1,244) | (302,640) | (102,547) |
| Interest on Shareholders Equity | (216,600) | (75,000) | (295,356) | (155,817) |
| Total | (105,489) | 25,095 | (410,554) | (338,264) |

The Interest on Shareholders Equity was reversed in the statement of income and deducted from retained earnings, in shareholders equity, in accordance with CVM Resolution 207/96.

15. NON-OPERATING INCOME (EXPENSES), NET

| | PARENT COMPANY | | CONSOLIDATED | |
|---|----------------|-----------|--------------|-----------|
| | 06/30/05 | 06/30/04 | 06/30/05 | 06/30/04 |
| Amortization of Goodwill in the Merger (CVM Instruction 319/99) | - | (105,526) | (94,664) | (200,190) |

| | | | | |
|--|--------------|----------------|-----------------|------------------|
| Reversal of Provision for Maintenance of Integrity of | | | | |
| Shareholders Equity (CVM Instruction 349/01) | - | 105,526 | 94,664 | 200,190 |
| Amortization of Goodwill in the Merger | - | - | (65,911) | (62,007) |
| Result on the Write-off of Fixed and Deferred Assets | 22 | - | (11,310) | (61,116) |
| Provision/Reversal for Investment Losses | 225 | (13) | (1,061) | (13,613) |
| Provision/Reversal for Realization Amount and Fixed Asset Losses | - | - | 6,169 | 114 |
| Investment Gain (Loss) | 1,729 | (7,407) | 1,729 | (7,407) |
| Other Non-operating Income (Expenses) | - | - | (205) | (594) |
| Total | 1,976 | (7,420) | (70,589) | (144,623) |

16. INCOME TAX AND SOCIAL CONTRIBUTION ON EARNINGS

Income tax and social contribution on earnings are booked on accrual basis, being temporary differences deferred. The provision for income and social contribution taxes recognized in the income statement are as follows:

| | PARENT COMPANY | | CONSOLIDATED | |
|---|-------------------|----------------|------------------|----------------|
| | 06/30/05 | 06/30/04 | 06/30/05 | 06/30/04 |
| Income Before Taxes and after Profit Sharing | (84,365) | 116,131 | (166,602) | 103,390 |
| Income of Subsidiaries which are Not Subject to Income Tax and Social Contribution | - | - | 32,242 | 19,670 |
| Total Taxable Income | (84,365) | 116,131 | (134,360) | 123,060 |
| Income Tax - Legal Entity | | | | |
| Expense Related to Income Tax (10%+15%=25%) | 21,091 | (29,033) | 33,590 | (30,765) |
| Permanent Additions | (33,839) | (14,391) | (46,132) | (39,316) |
| Amortization of Goodwill | (235) | (235) | (22,884) | (20,209) |
| Equity Accounting | (33,390) | (11,843) | - | - |
| Non-operating Equity Accounting | - | (1,852) | (1) | (2,044) |
| Exchange Variation on Investments | (76) | - | (14,012) | (192) |
| Investment Loss | - | - | - | (12,899) |
| Other additions | (138) | (461) | (9,235) | (3,972) |
| Permanent Exclusions | 1,717 | - | 14,786 | 8,404 |
| Equity Accounting | 1,659 | - | - | - |
| Exchange Variation on Investments | - | - | 3,146 | 2,629 |
| Dividends of Investments Valuated by Acquisition Cost/ Prescribed Dividends | - | - | 382 | 90 |
| Federal Tax Recoverable | - | - | 3,956 | 4,567 |

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| | | | | |
|--|-----------------|-----------------|--------------|-----------------|
| Other exclusions | 58 | - | 7,302 | 1,118 |
| Compensation of Tax Losses | - | - | 1,227 | - |
| Other | 11 | 12 | 377 | 1,204 |
| Effect of Income Tax on the Statement of Income | (11,020) | (43,412) | 3,848 | (60,473) |
| Social Contribution on Net Income | | | | |
| Expense Related to Social Contribution Tax (9%) | 7,593 | (10,452) | 12,092 | (11,075) |
| Permanent Additions | (12,134) | (5,016) | (15,935) | (13,161) |
| Amortization of Goodwill | (85) | (85) | (8,238) | (7,275) |
| Equity Accounting | (12,020) | (4,264) | - | - |
| Non-operating Equity Accounting | - | (667) | - | (736) |
| Exchange Variation on Investments | (27) | - | (5,044) | (69) |
| Investment Loss | - | - | - | (4,643) |
| Other additions | (2) | - | (2,653) | (438) |
| Permanent Exclusions | 618 | - | 5,255 | 2,995 |
| Equity Accounting | 442 | - | - | - |
| Exchange Variation on Investments | - | - | 1,133 | 946 |
| Dividends of Investments Valuated by Acquisition Cost/ Prescribed | | | | |
| Dividends | - | - | 138 | 32 |
| Federal Tax Recoverable | - | - | 1,424 | 1,644 |
| Other exclusions | 176 | - | 2,560 | 373 |
| Compensation of Negative Calculation Basis | - | - | 442 | - |
| Other | - | - | - | 318 |
| Effect of Social Contribution in Tax Statement of Income | (3,923) | (15,468) | 1,854 | (20,923) |
| Income and Social Contribution Tax Expense in Statement of Income | (14,943) | (58,880) | 5,702 | (81,396) |

17. CASH AND CASH EQUIVALENTS

| | PARENT COMPANY | | CONSOLIDATED | |
|----------------------------|----------------|----------------|------------------|------------------|
| | 06/30/05 | 03/31/05 | 06/30/05 | 03/31/05 |
| Cash | 17 | 17 | 5,389 | 6,775 |
| Bank Accounts | 226 | 159 | 56,285 | 63,976 |
| Temporary cash investments | 595,351 | 948,959 | 2,309,905 | 2,731,519 |
| Total | 595,594 | 949,135 | 2,371,579 | 2,802,270 |

Temporary cash investments represent amounts invested in exclusive portfolios managed by financial institutions, and refer to federal bonds with average yield equivalent to interbank deposit rates (DI CETIP - CDI), in federal bonds (NBC-E), subject to commercial dollar variation plus 4.51% p.a. coupon, investment funds in foreign currency, which

yields the exchange rate variation plus interest of 3.63% p.a. to 5.38% p.a., in Deposit Certificates issued by financial institutions abroad and in Bank Deposit Certificates issued by prime financial institutions with average profitability equivalent to DI CETIP (CDI).

The breakdown of temporary cash investment portfolio is presented below, on the balance sheet date:

PARENT COMPANY

| 06/30/05 | | | | | | |
|---|--------------------------------|--|---------------|--------------------------|-------------|----------------|
| Financial Institution | Investments Nature | | | Rectifier | | Total |
| | Treasury Financial Bills (LFT) | National Treasury Bills (LTN) - with Swap coverage | Over Selic | Provision for Income Tax | Liabilities | |
| Exclusive Funds | | | | | | |
| Banco do Brasil | 144,677 | 57,224 | - | (1,077) | (20) | 200,804 |
| Bradesco | 38,954 | 28,269 | 11,854 | (355) | (6) | 78,716 |
| Citigroup | 21,420 | 183,873 | - | (1,103) | (36) | 204,154 |
| Safra | 105,853 | 4,626 | 1,688 | (502) | 12 | 111,677 |
| Total of Exclusive Funds | 310,904 | 273,992 | 13,542 | (3,037) | (50) | 595,351 |
| Total of Temporary Cash Investment | 310,904 | 273,992 | 13,542 | (3,037) | (50) | 595,351 |

CONSOLIDATED

| 06/30/05 | | | | | | |
|---------------------------------|--------------------------------|--|-------------------|---------------|---------------|---------------|
| Financial Institution | Investments Nature | | | | | |
| | Treasury Financial Bills (LFT) | National Treasury Bills (LTN) - with Swap coverage | US Treasury Bonds | NBC-E | Over Selic | NTN-D |
| Exclusive Funds | | | | | | |
| ABN Amro | 86,207 | 125,371 | - | - | 9,451 | - |
| Banco do Brasil | 272,487 | 76,299 | - | - | 2,009 | 35,352 |
| Bradesco | 38,954 | 28,269 | - | - | 11,854 | - |
| CEF | 53,639 | 38,010 | - | - | 8,311 | - |
| Citigroup | 23,848 | 204,719 | - | - | - | - |
| Itaú | 202,477 | 23,483 | - | - | - | - |
| Safra | 134,216 | 91,298 | - | - | 3,131 | - |
| Santander | 128,230 | 55,175 | - | 24,916 | 289 | 18,398 |
| Unibanco | 216,184 | 36,242 | - | - | - | - |
| Total of Exclusive Funds | 1,156,242 | 678,866 | - | 24,916 | 35,045 | 53,750 |
| Other Investments | - | - | 285,658 | - | - | - |

| | | | | | | |
|---|------------------|----------------|----------------|---------------|---------------|---------------|
| Total of Temporary Cash Investment | 1,156,242 | 678,866 | 285,658 | 24,916 | 35,045 | 53,750 |
|---|------------------|----------------|----------------|---------------|---------------|---------------|

CONSOLIDATED

| Financial Institution | 06/30/05 | | | | Total |
|---|---|-----------------------------------|---------------------------------|--------------------|------------------|
| | Investments Nature | | Rectifier | | |
| | Open Investment Funds (Fixed Income) | Bank Deposits Certificates | Provision for Income Tax | Liabilities | |
| Exclusive Funds | | | | | |
| ABN Amro | - | - | (1,106) | (22) | 219,901 |
| Banco do Brasil | 11 | - | (1,494) | (24) | 384,640 |
| Bradesco | - | - | (355) | (6) | 78,716 |
| CEF | - | - | (440) | (15) | 99,505 |
| Citigroup | - | - | (1,210) | (40) | 227,317 |
| Itaú | - | - | (971) | (17) | 224,972 |
| Safra | - | - | (973) | 12 | 227,684 |
| Santander | - | - | (1,142) | (29) | 225,837 |
| Unibanco | - | - | (1,062) | (17) | 251,347 |
| Total of Exclusive Funds | 11 | - | (8,753) | (158) | 1,939,919 |
| Other Investments | 37,679 | 46,649 | - | - | 369,986 |
| Total of Temporary Cash Investment | 37,690 | 46,649 | (8,753) | (158) | 2,309,905 |

Liabilities from exclusive funds are restricted to the payment of services rendered by the asset management, attributed to investment operations, such as custody, audit and other expenses rates, not existing relevant financial liabilities, as well as Company's assets to guarantee those liabilities. The funds' creditors do not have funds against the Company's general credit.

Cash Flow Statement

| | PARENT COMPANY | | CONSOLIDATED | |
|--|-----------------------|-----------------|---------------------|------------------|
| | 06/30/05 | 06/30/04 | 06/30/05 | 06/30/04 |
| Operations | | | | |
| Net Income for the Period | 117,292 | 132,251 | 114,133 | 125,415 |
| Minority Interest | - | - | 20,323 | 52,396 |
| Income Items that do not affect cash flow | 40,045 | (60,368) | 2,286,713 | 2,162,962 |
| Depreciation and Amortization | 1,139 | 2,016 | 1,403,269 | 1,260,039 |
| Losses on Accounts Receivable from Services | - | - | 163,551 | 189,250 |
| Provision for Doubtful Accounts | - | - | 24,560 | 877 |

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| | | | | |
|---|------------------|------------------|--------------------|------------------|
| Provision for Contingences | 679 | 350 | 80,630 | 76,798 |
| Deferred Taxes | 30,032 | 2,319 | 352,032 | 234,430 |
| Income from Write-off of Permanent Assets | (247) | 14 | 10,036 | 62,259 |
| Financial Charges | 42,556 | 37,436 | 254,364 | 341,651 |
| Equity Accounting | (32,385) | (109,910) | - | - |
| Investment gain/loss | (1,729) | 7,407 | (1,729) | (2,342) |
| Changes in Assets and Liabilities | 322,469 | 163,004 | (947,361) | (714,856) |
| Cash Flow from Operations | 479,806 | 234,887 | 1,473,808 | 1,625,917 |
| Financing | | | | |
| Dividends/Interest on Equity paid during the Period | (689,150) | (187,587) | (871,588) | (254,877) |
| Loans and Financing | (22,839) | (31,120) | (488,805) | 188,490 |
| Loans obtained | - | - | 11,719 | 1,168,567 |
| Loans paid | (120) | - | (276,132) | (755,546) |
| Interest paid | (22,719) | (31,120) | (224,392) | (224,531) |
| Additions of Shareholders Equity | - | - | 4,905 | 8,582 |
| Acquisition of own shares | - | - | (62,272) | - |
| Other cash flow from financing | 1,729 | - | 34,151 | (1,698) |
| Cash Flow from Financing | (710,260) | (218,707) | (1,383,609) | (59,503) |

| | | | | |
|---|----------------|---------------|------------------|--------------------|
| Investments | | | | |
| Financial Investments (including Debentures) | (1,007) | 28,398 | 1,984 | (4) |
| Providers of Investments | 194 | 211 | (232,643) | 50,974 |
| Income obtained from the sale of Permanent Assets | 34 | - | 1,340 | 3,763 |
| Investments in Permanent Assets | (1,956) | (133) | (715,894) | (1,066,890) |
| Investments | (1,956) | (133) | (715,894) | (896,013) |
| Investments for Acquisition of New Companies | - | - | - | (170,877) |
| Acquisition Value | - | - | - | (174,542) |
| Aggregated Cash and Cash Equivalents | - | - | - | 3,665 |
| Other cash flow from investments | - | (6) | - | (4,634) |
| Cash Flow from Investments | (2,735) | 28,470 | (945,213) | (1,016,791) |

| | | | | |
|---------------------------------|------------------|---------------|------------------|----------------|
| Cash Flow for the Period | (233,189) | 44,650 | (855,014) | 549,623 |
|---------------------------------|------------------|---------------|------------------|----------------|

| | | | | |
|---|------------------|---------------|------------------|----------------|
| Cash and Cash Equivalents | | | | |
| Closing Balance | 595,594 | 535,541 | 2,371,579 | 2,506,279 |
| Opening Balance (on December 31) | 828,783 | 490,891 | 3,226,593 | 1,956,656 |
| Changes in Cash and Cash Equivalents | (233,189) | 44,650 | (855,014) | 549,623 |

18. TRADE ACCOUNTS RECEIVABLE

The amounts related to accounts receivable are as follows:

| | CONSOLIDATED | |
|--|------------------|------------------|
| | 06/30/05 | 03/31/05 |
| Billed Amounts | 1,476,145 | 1,463,396 |
| Unbilled Amounts | 968,806 | 928,567 |
| Sales of Goods | 72,043 | 64,842 |
| Subtotal | 2,516,994 | 2,456,805 |
| Allowance for Doubtful Accounts | (266,765) | (269,976) |
| Services Rendered | (262,349) | (266,538) |
| Sales of Goods | (4,416) | (3,438) |
| Total | 2,250,229 | 2,186,829 |
| Current | 1,635,384 | 1,554,100 |
| Past Due | | |
| 01 to 30 Days | 393,236 | 386,248 |
| 31 to 60 Days | 145,929 | 156,203 |
| 61 to 90 Days | 89,069 | 106,580 |
| 91 to 120 Days | 67,673 | 67,984 |
| Over 120 Days | 185,703 | 185,690 |

19. INVENTORIES

The maintenance and resale inventories, to which provisions for losses or adjustments at the forecast in which they must be realized are constituted, are composed as follows:

| | CONSOLIDATED | |
|---|---------------|----------------|
| | 06/30/05 | 03/31/05 |
| Inventories for Resale (Cell Phones and Accessories) | 118,692 | 189,208 |
| Maintenance Inventories | 14,083 | 14,029 |
| Provision for the Adjustment to the Realization Value | (52,246) | (58,615) |
| Provision for Probable Losses | (7,064) | (7,095) |
| Total | 73,465 | 137,527 |

20. LOANS AND FINANCING - ASSETS

| | PARENT COMPANY | | CONSOLIDATED | |
|--------------------------|------------------|------------------|----------------|----------------|
| | 06/30/05 | 03/31/05 | 06/30/05 | 03/31/05 |
| Loans | | | | |
| Loans to Subsidiary | 62,515 | 70,606 | - | - |
| Loans | 106,320 | 116,200 | 117,288 | 127,137 |
| Financing | | | | |
| Debentures of Subsidiary | 977,827 | 935,195 | - | - |
| Total | 1,146,662 | 1,122,001 | 117,288 | 127,137 |
| Current | - | - | 2,756 | 2,683 |
| Long-term | 1,146,662 | 1,122,001 | 114,532 | 124,454 |

The loans and financing account includes the amount of R\$106,320 (R\$116,200 on March 31, 2005), related to the assets transferred to Brasil Telecom Participações S.A. in the TELEBRÁS spin-off process, referring to liabilities of Telebrasília Celular S.A. and Telegoiás Celular S.A. through a repass of funds for financing their expansions. These amounts are subject to exchange variation plus interest between 11.55% p.a., and the semiannual Libor rate plus 1% or 1.5% per year. These loans are being challenged in the courts by the holding company of the aforementioned mobile cellular operators, and therefore are not being received. According to the opinion of the Company's legal counselors, there are no expectations of loss in relation to these receivables.

The income related to the restatement of the charges on these loans receivable is being deferred for tax purposes, and the corresponding deferred income and social contribution taxes are recognized.

The amounts related to loans and debentures receivable from the Subsidiary, with maturity less than a year, in the amount of R\$ 465,170 (R\$ 423,217 on March 31, 2005), are being presented in the long-term assets, in accordance with the article 179, under the Corporate Law.

21. DEFERRED AND RECOVERABLE TAXES

Deferred taxes related to income tax - legal entity and social contribution on earnings

| | PARENT COMPANY | | CONSOLIDATED | |
|---|-------------------|--------------|----------------|----------------|
| | 06/30/05 | 03/31/05 | 06/30/05 | 03/31/05 |
| Legal Entity Income Tax | | | | |
| Deferred Income Tax, on: | | | | |
| Tax Losses | - | - | 151,635 | 99,565 |
| Provision for contingencies | 1,014 | 975 | 177,819 | 176,961 |
| Provision for pension plan actuarial insufficiency coverage | - | - | 123,640 | 124,535 |
| Allowance for doubtful accounts | - | - | 66,213 | 66,987 |
| ICMS - 69/98 Agreement | - | - | 58,363 | 54,554 |
| Goodwill on CRT acquisition | - | - | 19,722 | 31,555 |
| Provision for COFINS/CPMF/INSS suspended collection | 3,731 | - | 18,187 | 16,545 |
| Provision for employee profit sharing | 199 | 440 | 5,537 | 8,538 |
| Unrealized revenue | - | - | 40,737 | 2,536 |
| Loss due to Exchange Fluctuation - Swap/AFAC | - | - | 2,205 | 11,182 |
| Other Provisions | 6 | 5 | 18,363 | 29,276 |
| Subtotal | 4,950 | 1,420 | 682,421 | 622,634 |
| Social Contribution on Income | | | | |
| Deferred Social Contribution on: | | | | |
| Negative calculation basis | - | - | 54,673 | 35,903 |
| Provision for contingencies | 365 | 351 | 64,015 | 63,706 |
| Provision for pension plan actuarial insufficiency coverage | - | - | 44,510 | 44,833 |
| Allowance for doubtful accounts | - | - | 23,837 | 24,115 |
| Goodwill on CRT acquisition | - | - | 7,100 | 11,360 |
| Provision for employee profit sharing | 119 | 203 | 2,309 | 3,386 |

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| | | | | |
|--|--------------|--------------|----------------|----------------|
| Unrealized revenue | - | - | 794 | 913 |
| Loss due to Exchange Fluctuation - Swap/AFAC | - | - | 14,665 | 4,025 |
| Other Provisions | 2 | 2 | 7,587 | 11,517 |
| Subtotal | 486 | 556 | 219,490 | 199,758 |
| Total | 5,436 | 1,976 | 901,911 | 821,992 |
| Current | 1,705 | 1,976 | 308,769 | 308,374 |
| Long-term | 3,731 | - | 593,142 | 513,618 |

The periods during, which the deferred tax assets corresponding to income tax and social contribution on net income (CSLL) are expected to be realized, are shown below, which are derived from temporary differences between book income according on the accrual basis and taxable income. The realization periods are based on a technical study using forecast future taxable income, generated in financial years when the temporary differences will become deductible expenses for tax purposes. This asset is maintained according to the requirements of CVM Instruction 371/02, being a technical study annually, when the closing of the fiscal year, submitted to approval of the Executive Board, Board of Directors as well as the fiscal council.

| | PARENT COMPANY | CONSOLIDATED |
|--------------|---------------------------|---------------------|
| 2005 | 795 | 168,525 |
| 2006 | 1,657 | 212,455 |
| 2007 | 746 | 77,875 |
| 2008 | 746 | 93,004 |
| 2009 | 746 | 109,676 |
| 2010 to 2012 | 746 | 147,459 |
| 2013 to 2014 | - | 18,583 |
| After 2014 | - | 74,334 |
| Total | 5,436 | 901,911 |
| Current | 1,705 | 308,769 |
| Long-term | 3,731 | 593,142 |

The recoverable amount foreseen after the year 2014 is a result of a provision to cover an actuarial insufficiency of the pension plan, which is being settled by Brasil Telecom S.A. according to the maximum period established by the Supplementary Pensions Department (SPC), which is 16 years and 6 months. Despite the time limit stipulated by the SPC and according to the estimated future taxable income, the subsidiary presents conditions to fully offset the deferred taxes in a period lower than ten years, if it opts to fully anticipate the payment of the debt. Tax credits in the amount of R\$174,381, attributed to the Consolidation were not recorded, due to the history of losses or uncertainties of future taxable income in VANT, BrT, Multimidia, BrT CSH, BrT CS Ltda., CSI and IG Brasil, indirect subsidiaries.

Other Tax Carryforwards

It is comprised of Federal withholding taxes and payments made, calculated based on legal estimates, which will be offset against future tax obligations. The ICMS recoverable arises, for the most part, from credits recorded in the acquisition of fixed assets, whose compensation with ICMS payable may occur in up to 48 months, according to Complementary Law 102/00.

| | |
|---------------------------|---------------------|
| PARENT COMPANY | CONSOLIDATED |
|---------------------------|---------------------|

| | 06/30/05 | 03/31/05 | 06/30/05 | 03/31/05 |
|-----------------------------------|----------------|----------------|------------------|------------------|
| Income Tax - Legal Entity | 321,645 | 319,788 | 506,622 | 434,510 |
| ICMS | - | - | 436,480 | 482,943 |
| PIS and COFINS | 493 | 473 | 101,589 | 106,459 |
| Social Contribution on Net Income | 17,024 | 14,428 | 43,541 | 30,476 |
| FUST | - | - | 29,246 | 28,356 |
| Other | 8 | 9 | 5,795 | 5,733 |
| Total | 339,170 | 334,698 | 1,123,273 | 1,088,477 |
| Current | 76,376 | 54,113 | 568,013 | 527,954 |
| Long-term | 262,794 | 280,585 | 555,260 | 560,523 |

22. INCOME SECURITIES

Represented by bank deposit certificates (CDB) of Banco de Brasília S.A. BRB, compensated with 95% of the SELIC rate, maintained by Brasil Telecom S.A. and 14 Brasil Telecom Celular S.A., in guarantee of the financing obtained through the Economic and Sustainable Development Promotion Program of the Federal District PRÓ-DF. These long-term income securities, which add up to R\$ 1,684 relating to the Consolidated, will be maintained during the period of utilization and amortization of the financing (liabilities), whose first payment of the grace period is estimated for 2019, with settlement in 180 monthly and successive installments. This asset may be used for the settlement of the final installments of the referred financing.

23. JUDICIAL DEPOSITS

Balances of judicial deposits related with contingencies and contested taxes (suspended demand):

| Nature of Related Liabilities | PARENT COMPANY | | CONSOLIDATED | |
|---------------------------------------|-------------------|------------|----------------|----------------|
| | 06/30/05 | 03/31/05 | 06/30/05 | 03/31/05 |
| Labor | - | - | 379,514 | 338,041 |
| Tax | 15,271 | 163 | 322,755 | 290,642 |
| Challenged Taxes ICMS 68/98 Agreement | - | - | 233,457 | 218,279 |
| Other | 15,271 | 163 | 89,298 | 72,363 |
| Civil | - | - | 31,676 | 23,780 |
| Total | 15,271 | 163 | 733,945 | 652,463 |
| Current | - | - | 153,277 | 142,535 |
| Long-term | 15,271 | 163 | 580,668 | 509,928 |

24. OTHER ASSETS

| | PARENT COMPANY | | CONSOLIDATED | |
|--|-------------------|----------|--------------|----------|
| | 06/30/05 | 03/31/05 | 06/30/05 | 03/31/05 |
| Advances to Employees | 91 | 46 | 39,102 | 27,367 |
| Advances to Suppliers | 77 | 75 | 33,625 | 46,127 |
| Receivables from Other Telecom Companies | - | - | 19,909 | 54,840 |

| | | | | |
|---------------------------------------|--------------|--------------|----------------|----------------|
| Contractual Guarantees and Retentions | - | - | 2,343 | 17,486 |
| Prepaid Expenses | 6,923 | 7,588 | 106,954 | 113,447 |
| Tax Incentives | - | - | 14,473 | 14,473 |
| Compulsory Deposits | - | - | 1,750 | 1,750 |
| Receivables from Sale of Assets | - | - | 175 | 176 |
| Assets for Sale | - | - | 276 | 276 |
| Other | 2,157 | 1,135 | 12,886 | 14,120 |
| Total | 9,248 | 8,844 | 231,493 | 290,062 |
| Current | 8,183 | 7,187 | 146,426 | 200,995 |
| Long-term | 1,065 | 1,657 | 85,067 | 89,067 |

25. INVESTMENTS

| | PARENT COMPANY | | CONSOLIDATED | |
|---|-------------------|------------------|----------------|----------------|
| | 06/30/05 | 03/31/05 | 06/30/05 | 03/31/05 |
| Investments Valued using the Equity Method | 4,228,923 | 4,358,179 | - | - |
| Brasil Telecom S.A. | 4,191,217 | 4,318,973 | - | - |
| Nova Tarrafa Participações Ltda. | 35,556 | 36,665 | - | - |
| Nova Tarrafa Inc. | 2,150 | 2,541 | - | - |
| Advances for Future Capital Increase | 21 | 21 | - | - |
| Nova Tarrafa Participações Ltda. | 21 | 21 | - | - |
| Goodwill on Acquisition of Investments | 783 | 1,252 | 367,750 | 419,821 |
| CRT | 783 | 1,252 | 783 | 1,252 |
| IG Cayman | - | - | 215,553 | 254,506 |
| MTH Ventures do Brasil | - | - | 84,614 | 90,132 |
| IBEST Group | - | - | 61,157 | 67,818 |
| BRT Cabos Submarinos Group | - | - | 5,643 | 6,113 |
| Investments Valued using the Acquisition Cost | 6,910 | 6,910 | 46,059 | 46,059 |
| Tax Incentives (Net of Allowance for Losses) | 358 | 368 | 23,870 | 23,516 |
| Other Investments | - | - | 389 | 389 |
| Total | 4,236,995 | 4,366,730 | 438,068 | 489,785 |

Advances for future capital increase in favor of the subsidiaries were considered in the investments appraisal, for the allocated investments are only awaiting for the formalization of the corporate acts of these companies, so that the respective capital increases in favor of the Company can be made.

Investments valued using the equity method: comprise the Company's ownership interest in its subsidiaries Brasil Telecom S.A., Nova Tarrafa Participações Ltda., and Nova Tarrafa Inc., the principal data of which are as follow:

| | BT S.A. | NTP (Ltda.) | NTI |
|----------------------|-----------|-------------|-------|
| Shareholder's Equity | 6,231,367 | 35,556 | 2,150 |
| Capital | 3,435,788 | 32,625 | 2,357 |

| | | | |
|--|-----------------|------------|----------|
| Book Value Per Share / Sharequota (R\$) | 0.012 | 1.09 | 2,143.57 |
| Net Income (Loss) in the Quarter | 45,073 | (2,323) | (199) |
| Number of Shares/Sharequotas held by Company | | | |
| Common Shares | 247,276,380,758 | - | 1,003 |
| Preferred Shares | 116,685,184,225 | - | - |
| Sharequotas | - | 32,624,928 | - |
| Ownership % in Subsidiary s Capital ⁽¹⁾ | | | |
| In Total Capital | 67.19% | 99.99% | 100% |
| In Voting Capital | 99.07% | 99.99% | 100% |

(1) It considers the outstanding capital stock.

The following valued compose the Equity Method:

| | OPERATING | | NON-OPERATING | |
|----------------------------------|---------------|----------------|---------------|----------------|
| | 06/30/05 | 06/30/04 | 06/30/05 | 06/30/04 |
| Brasil Telecom S.A. | 35,211 | 109,696 | 1,729 | (7,407) |
| Nova Tarrafa Inc. | (503) | 219 | - | - |
| Nova Tarrafa Participações Ltda. | (2,323) | (5) | - | - |
| Total | 32,385 | 109,910 | 1,729 | (7,407) |

Investments valued using the acquisition cost: ownership interest obtained by converting into shares or capital quotas the tax incentive investments in regional FINOR/FINAM funds, or those investments based on the Law of Incentive to Information Technology Companies, or the Audiovisual Law. The amount is predominantly composed of shares of other telecommunications companies located in the regions covered by the regional incentives.

Tax incentives: arise from investments in FINOR/FINAM and Audiovisual funds, originated in the investment of allowable portions of income tax due.

Other investments: are related to collected cultural assets.

26. PROPERTY, PLANT AND EQUIPMENT

| Nature | PARENT COMPANY | | | | 03/31/05 |
|------------------------|---------------------------|---------------|--------------------------|----------------|----------------|
| | 06/30/05 | | | | |
| | Annual depreciation rates | Cost | Accumulated depreciation | Net book value | Net book value |
| Assets for General Use | 5% - 20% | 53,402 | (52,217) | 1,185 | 1,158 |
| Other Assets | 20% ⁽¹⁾ | 3,926 | (3,837) | 89 | 93 |
| Total | | 57,328 | (56,054) | 1,274 | 1,251 |

| Nature | CONSOLIDATED | | | | 03/31/05 |
|--------|---------------------|------|--------------------------|----------------|----------------|
| | 06/30/05 | | | | |
| | Annual depreciation | Cost | Accumulated depreciation | Net book value | Net book value |

| | rates | | | | |
|-----------------------------------|----------------------|-------------------|---------------------|------------------|------------------|
| Construction in Progress | - | 630,503 | - | 630,503 | 526,764 |
| Public Switching Equipment | 20% | 4,990,871 | (4,466,466) | 524,405 | 575,797 |
| Equipments and Transmission Means | 17.6% ⁽¹⁾ | 11,090,214 | (7,778,799) | 3,311,415 | 3,501,703 |
| Terminals | 20% | 478,181 | (433,373) | 44,808 | 50,483 |
| Data Communication Equipment | 20% | 1,454,117 | (705,361) | 748,756 | 750,308 |
| Buildings | 4% | 906,930 | (488,524) | 418,406 | 417,608 |
| Infrastructure | 9.1% ⁽¹⁾ | 3,572,954 | (1,949,111) | 1,623,843 | 1,653,219 |
| Assets for general use | 18.2% ⁽¹⁾ | 960,543 | (606,148) | 354,395 | 363,955 |
| Land | - | 88,233 | - | 88,233 | 86,058 |
| Other Assets | 20% ⁽¹⁾ | 1,002,466 | (427,999) | 574,467 | 592,572 |
| Total | | 25,175,012 | (16,855,781) | 8,319,231 | 8,518,467 |

(1) Annual average weighted rate.

According to the STFC concession contracts, the subsidiary's assets (Brasil Telecom S.A.) that are indispensable to providing the service, and qualified as reversible assets at the time of expiry of the concession will automatically revert to ANATEL, the subsidiary being entitled to the right to the compensation stipulated in the legislation and the corresponding contracts.

Rent Expenses

The Company rents properties, posts, access through third-party land areas (roads), equipment and connection means, formalized through several contracts, which mature on different dates. Some of these contracts are intrinsically related to the provision of services and are long-term agreements. Total rent expenses related to such contracts amount to R\$2 (R\$ 42 in 2004) for the Company and R\$ 132,074 (R\$ 109,649 in 2004) for the consolidated.

Leasing

The Company and the subsidiary Brasil Telecom S.A. have lease contracts for information technology equipment. This type of leasing is also used for aircraft to be used by the Company and the subsidiary in consortium with other companies, where the participation is 15.6% for the Company and 54.4% for the subsidiary. Leasing expenses recorded amounted to R\$ 662 for the Company and R\$ 5,861 (R\$ 10,048 in 2004) for the consolidated.

Insurance *(not revised by independent auditors)*

An insurance policy program is maintained for covering reversible assets and loss of profits as established in the Concession Contract with the government. Insurance expenses in the quarter were R\$1,957 (R\$ 879 in 2004) for the Company and R\$ 8,342 (R\$ 5,947 in 2004) for the consolidated.

The assets, responsibilities and interests covered by insurance are the following:

| Type | Cover | Amount insured | |
|-----------------|--|----------------|------------|
| | | 06/30/05 | 03/31/05 |
| Operating risks | Buildings, machinery and equipment, installations, call centers, towers, infrastructure and information technology | 11,908,048 | 11,894,152 |

| | | | |
|------------------------|---|-----------|-----------|
| | equipment | | |
| Loss of profit | Fixed expenses and net income | 8,163,247 | 8,163,247 |
| Contractual guarantees | Compliance with contractual obligations | 214,142 | 214,142 |
| Civil liabilities | Telephony service operations | 12,000 | 12,000 |

Insurance policies are also in force for third party liability and officers liability, the amount insured being the equivalent of US\$ 30,000,000.00 (thirty million US dollars).

There is no contractual civil liability insurance to cover clients in the case of claims or judicial suits, or optional third party liability for third party claims involving Company vehicles.

27. DEFERRED CHARGES

| | PARENT COMPANY | | CONSOLIDATED | |
|-------------------------|----------------|--------------------------|----------------|----------------|
| | 06/30/05 | | 03/31/05 | |
| | Cost | Accumulated Amortization | Net book Value | Net book Value |
| Data Processing Systems | 148 | (74) | 74 | 81 |
| Total | 148 | (74) | 74 | 81 |

| | CONSOLIDATED | | | |
|---------------------------------------|------------------|--------------------------|----------------|----------------|
| | 06/30/05 | | 03/31/05 | |
| | Cost | Accumulated Amortization | Net book Value | Net book Value |
| Data processing Systems | 820,885 | (258,200) | 562,685 | 568,201 |
| Installation and Reorganization Costs | 339,412 | (123,704) | 215,708 | 231,792 |
| Goodwill on CRT Merger | 650,742 | (592,914) | 57,828 | 89,086 |
| Other | 15,573 | (7,871) | 7,702 | 8,100 |
| Total | 1,826,612 | (982,689) | 843,923 | 897,179 |

Out of the goodwill amount, R\$ 51,673 (R\$ 82,676 on 03/31/05) was originated in the merger of CRT into the subsidiary Brasil Telecom S.A and the amortization is being carried out over five years, based on the expected future profitability of the acquired investment.

28. PAYROLL AND RELATED CHARGES

| | PARENT COMPANY | | CONSOLIDATED | |
|---------------------------|----------------|----------|--------------|----------|
| | 06/30/05 | 03/31/05 | 06/30/05 | 03/31/05 |
| Salaries and Compensation | 38 | 16 | 1,970 | 4,113 |
| Payroll Charges | 442 | 650 | 84,614 | 69,337 |
| Benefits | 33 | 928 | 5,421 | 4,665 |

| | | | | |
|--------------|------------|--------------|---------------|---------------|
| Other | - | - | 7,459 | 7,644 |
| Total | 513 | 1,594 | 99,464 | 85,749 |
| Current | 513 | 1,594 | 94,630 | 80,925 |
| Long-term | - | - | 4,834 | 4,834 |

29. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

| | PARENT COMPANY | | CONSOLIDATED | |
|--------------------------|-------------------|------------|------------------|------------------|
| | 06/30/05 | 03/31/05 | 06/30/05 | 03/31/05 |
| Trade Accounts Payable | 493 | 365 | 1,534,261 | 1,521,580 |
| Third-party Consignments | 113 | 111 | 85,659 | 102,496 |
| Total | 606 | 476 | 1,619,920 | 1,624,076 |
| Current | 606 | 476 | 1,608,974 | 1,617,495 |
| Long-term | - | - | 10,946 | 6,581 |

The amounts recorded under long-term are derived from liabilities to remunerate the third party network, the settlement of which depends on verification between the operators, such as the reconciliation of traffic.

30. INDIRECT TAXES

| | PARENT COMPANY | | CONSOLIDATED | |
|--|-------------------|--------------|------------------|------------------|
| | 06/30/05 | 03/31/05 | 06/30/05 | 03/31/05 |
| ICMS (State VAT) | 68 | 68 | 1,162,064 | 1,187,643 |
| Taxes on Operating Revenues (PIS and COFINS) | 17,665 | 3,255 | 146,535 | 134,408 |
| Other | 5 | 5 | 22,705 | 22,934 |
| Total | 17,738 | 3,328 | 1,331,304 | 1,344,985 |
| Current | 2,814 | 3,328 | 680,460 | 726,027 |
| Long-term | 14,924 | - | 650,844 | 618,958 |

The Company paid PIS and COFINS taxes in installments, through the Special Payment in Installments (PAES), whose balance is restated by the long-term interest rate (TJLP) at R\$ 41,796 (R\$ 42,223 on March 31, 2005), to be paid in installments for the remaining 96 months.

The long-term portion refers to ICMS (State VAT) on the 69/98 Agreement, which is being challenged in court, and is being deposited in escrow. It also includes the ICMS deferral, based on incentives by the government of the State of Paraná.

31. TAXES ON INCOME

| | PARENT COMPANY | | CONSOLIDATED | |
|--|-------------------|----------|--------------|----------|
| | 06/30/05 | 03/31/05 | 06/30/05 | 03/31/05 |

| Income Tax - Legal Entity | | | | |
|---|---------------|---------------|----------------|----------------|
| Payables Due | 38,970 | 40,555 | 150,944 | 110,626 |
| Suspended Liabilities | - | - | - | 25,223 |
| Law 8,200/91 Special Monetary Restatement | - | - | 7,949 | 8,341 |
| Subtotal | 38,970 | 40,555 | 158,893 | 144,190 |
| Social Contribution on Income | | | | |
| Payables Due | 12,555 | 14,493 | 49,805 | 37,643 |
| Law 8,200/91 Special Monetary Restatement | - | - | 2,862 | 3,003 |
| Subtotal | 12,555 | 14,493 | 52,667 | 40,646 |
| Total | 51,525 | 55,048 | 211,560 | 184,836 |
| Current | 25,817 | 23,145 | 175,570 | 111,629 |
| Long-term | 25,708 | 31,903 | 35,990 | 73,207 |

32. DIVIDENDS/INTEREST ON SHAREHOLDERS EQUITY AND EMPLOYEE PROFIT SHARING

| | PARENT COMPANY | | CONSOLIDATED | |
|---|---------------------------|-----------------|---------------------|-----------------|
| | 06/30/05 | 03/31/05 | 06/30/05 | 03/31/05 |
| Controlling Shareholders | - | 8,247 | - | 8,247 |
| Dividends/Interest on Shareholders Equity | - | 8,247 | - | 8,247 |
| Minority Shareholders | 50,206 | 63,391 | 100,640 | 104,903 |
| Dividends/Interest on Shareholders Equity | - | 35,014 | - | 35,014 |
| Dividends/Interest on Shareholders Equity Made Available and Not Required | 50,206 | 28,377 | 100,640 | 69,889 |
| Total Shareholders | 50,206 | 71,638 | 100,640 | 113,150 |
| Employees and Management Profit Sharing | 1,322 | 2,252 | 32,559 | 39,044 |
| Total | 51,528 | 73,890 | 133,199 | 152,194 |

33. LOANS AND FINANCING (INCLUDING DEBENTURES)

| | PARENT COMPANY | | CONSOLIDATED | |
|------------------|---------------------------|-----------------|---------------------|------------------|
| | 06/30/05 | 03/31/05 | 06/30/05 | 03/31/05 |
| Loans | - | - | 23,386 | 26,529 |
| Financing | 381,943 | 382,069 | 3,945,672 | 4,103,837 |
| Accrued Interest | 99,107 | 83,555 | 472,218 | 434,086 |
| Total | 481,050 | 465,624 | 4,441,276 | 4,564,452 |
| Current | 217,148 | 203,972 | 910,288 | 825,131 |
| Long-term | 263,902 | 261,652 | 3,530,988 | 3,739,321 |

Financing

| | PARENT COMPANY | | CONSOLIDATED | |
|------------------------|-------------------|----------------|------------------|------------------|
| | 06/30/05 | 03/31/05 | 06/30/05 | 03/31/05 |
| BNDES | - | - | 2,090,553 | 2,219,769 |
| Financial Institutions | - | - | 1,295,896 | 1,326,879 |
| Debentures | 480,820 | 465,267 | 1,026,970 | 985,695 |
| Suppliers | 230 | 357 | 4,471 | 5,580 |
| Total | 481,050 | 465,624 | 4,417,890 | 4,537,923 |

Financing denominated in local currency: bear fixed interest rates of 2.47% p.a. and 14% p.a. resulting in an average weighted rate of 8.5% p.a. and variable interest based on TJLP (Long-term interest rates) plus 3.85% p.a. to 6.5% p.a., UMBNDES (unit of the National Social and Economic Development Bank) plus 3.85% p.a. to 6.5% p.a., 100% of CDI, CDI + 1.0%, and General Market Price Index (IGP-M) plus 12% p.a. resulting, these variable interest, in an average weighted rate of 15.2% p.a..

Financing denominated in foreign currency: bear fixed interest rates of 1.75% to 9.38%, resulting in an average rate of 8.9% p.a. and variable interest rates of LIBOR plus 0.5% to 4.0% p.a. over the LIBOR, 1.92% p.a. over YEN LIBOR, resulting, these variable interest, in a weighted average rate of 2.4% p.a. The LIBOR and YEN LIBOR rates on March 31, 2005, for semiannual payments were 3.71% p.a. and 0.0663% p.a., respectively.

Debentures

Parent Company: In 2000, the Company issued debentures convertible into preferred shares and the purpose of the funds was financing part of the investment program of subsidiary Brasil Telecom S.A. The restated balance of the debentures, amounting to R\$480,820, will be amortized in two installments, maturing in July in years 2005 and 2006. The debentures yield TJLP plus 4% p.a., payable semiannually. The portion of the interest attributed to TJLP variation exceeding 6% p.a., will be capitalized to the debentures balance.

Subsidiary Brasil Telecom S.A.: third public issue of 50,000 non-convertible debentures without renegotiation clause, with a unit face value of R\$10, totaling R\$500,000, issued on July 5, 2004. The restated balance of these debentures is R\$ 546,150, with maturity on July 5, 2009. Yield corresponds to an interest rate of 100% of the CDI plus 1% p.a., payable half-yearly.

Loans

| | CONSOLIDATED | |
|------------------------|---------------|---------------|
| | 06/30/05 | 03/31/05 |
| Loans - Other | 23,386 | 26,529 |
| Total Long-Term | 23,386 | 26,529 |

The amount recorded as Other Loans, of R\$ 23,386 (R\$ 26,529 on March 31, 2005), refers to VANT's debt with the former parent company. Such liability is due on December 31, 2015, restated only by the US dollar exchange variation.

Repayment Schedule

The long-term portion is scheduled to be paid as follows:

| | PARENT COMPANY | | CONSOLIDATED | |
|--------------|-------------------|----------------|------------------|------------------|
| | 06/30/05 | 03/31/05 | 06/30/05 | 03/31/05 |
| 2006 | 263,850 | 261,591 | 649,959 | 820,454 |
| 2007 | 52 | 61 | 805,034 | 791,494 |
| 2008 | - | - | 390,254 | 384,613 |
| 2009 | - | - | 795,795 | 791,631 |
| 2010 | - | - | 292,063 | 288,331 |
| 2011 | - | - | 97,905 | 96,401 |
| After 2012 | - | - | 499,978 | 566,397 |
| Total | 263,902 | 261,652 | 3,530,988 | 3,739,321 |

Currency/index debt composition

| Restated by | PARENT COMPANY | | CONSOLIDATED | |
|---------------------------------------|-------------------|----------------|------------------|------------------|
| | 06/30/05 | 03/31/05 | 06/30/05 | 03/31/05 |
| TJLP (Long-term interest rate) | 480,820 | 465,267 | 2,307,361 | 2,384,938 |
| US DOLLARS | 230 | 357 | 588,819 | 657,123 |
| YENS | - | - | 461,876 | 538,996 |
| CDI | - | - | 546,150 | 520,428 |
| UMBNDDES (BNDES Basket of Currencies) | - | - | 219,820 | 264,173 |
| Hedge in YENS | - | - | 227,783 | 121,553 |
| UMBNDDES HEDGE | - | - | 44,193 | 35,924 |
| IGP/DI | - | - | 11,928 | 5,657 |
| IGPM | - | - | 11,877 | 14,022 |
| US DOLLARS HEDGE | - | - | 8,415 | 7,279 |
| Other | - | - | 13,054 | 14,359 |
| Total | 481,050 | 465,624 | 4,441,276 | 4,564,452 |

Guarantees

The financing contracted by the Subsidiary is guaranteed by collateral of credit rights derived from the provision of telephone services and the Company's guarantee.

For consolidated loans and financing the subsidiary has hedge contracts on 68.8% of its dollar-denominated and yen loans and financing with third parties and 35.3% of the debt in UMBNDES (basket of currencies) with the BNDES, to protect against significant fluctuations in the quotations of these debt restatement factors. The gains and losses on these contracts are recognized on the accrual basis.

34. LICENSES TO EXPLOIT SERVICES

| | CONSOLIDATED | |
|-------------------------|--------------|----------|
| | 06/30/05 | 03/31/05 |
| Personal Mobile Service | 313,045 | 304,557 |

| | | |
|----------------------|----------------|----------------|
| Other Authorizations | 11,979 | 11,619 |
| Total | 325,024 | 316,176 |
| Current | 46,815 | 45,560 |
| Long-term | 278,209 | 270,616 |

Represented by the terms signed in 2002 and 2004 by the subsidiary 14 Brasil Telecom Celular S.A. totally subsidiary by Brasil Telecom S.A. with ANATEL, to offer SMP Services for the next fifteen years in the same area of operation where the subsidiary has a concession for fixed telephony. Of the contracted value, 10% was paid at the time of signing the contract, and the remaining balance was fully recognized in the BrT Celular's liabilities to be paid in six equal, consecutive annual installments, with maturities foreseen for the years 2005 to 2010 and 2007 to 2012, depending on the date the terms were signed. The remaining balance is adjusted by the variation of IGP-DI, plus 1% per month.

The amount of other authorizations belongs to VANT, referring to the authorization granted to the use of radiofrequency blocks associated to the exploration of multimedia communication service, obtained from ANATEL. The debit balance, with a variation of the IGP-DI, plus 1% a month, will be paid in six equal, consecutive and annual installments, counted as from April 2006.

35. PROVISIONS FOR PENSION PLANS

Liability formed by Brasil Telecom S.A. due to the actuarial deficit of the social security plans managed by FBrTPREV, appraised by independent actuaries at the end of each fiscal year and in agreement with Deliberation CVM 371/00. On the liabilities registered are recognized the inflation effects based on the fluctuation of INPC, bear fixed interest rates of 6% p. a., according to accrual basis. These recorded charges in income during the quarter were of R\$ 35,040, plus R\$ 3,683 inherent to management costs, and R\$ 4,113 related to non-actuarial provisions recognized in FBrTPREV's liability.

The amount paid to FBrTPREV in the quarter totaled R\$ 49,722 (R\$ 45,591 in 2004) and refer to amortizing contributions and administrative costs.

| | CONSOLIDATED | |
|-------------------------|---------------------|-----------------|
| | 06/30/05 | 03/31/05 |
| FBrTPREV - Plan BrTPREV | 494,560 | 498,141 |
| Total | 494,560 | 498,141 |
| Current | 29,973 | 26,192 |
| Long-term | 464,587 | 471,949 |

The funds for sponsored supplementary pensions are detailed in Note 6.

36. DEFERRED INCOME

There are contracts with Brasil Telecom S.A. and its subsidiaries related to the cession of telecommunications means, for which the customers made advances aimed at obtaining benefits in the future, forecast for realization in the following periods:

| | CONSOLIDATED | |
|--|---------------------|-----------------|
| | 06/30/05 | 03/31/05 |
| | | |

| | | |
|--------------|---------------|---------------|
| 2005 | 13,126 | 18,751 |
| 2006 | 7,225 | 5,816 |
| 2007 | 6,960 | 5,816 |
| 2008 | 6,960 | 5,816 |
| 2009 | 6,960 | 5,816 |
| 2010 | 6,960 | 5,816 |
| 2011 | 6,509 | 5,365 |
| After 2012 | 35,264 | 34,903 |
| Total | 89,964 | 88,099 |

37. OTHER LIABILITIES

| | PARENT COMPANY | | CONSOLIDATED | |
|---|-------------------|------------|----------------|----------------|
| | 06/30/05 | 03/31/05 | 06/30/05 | 03/31/05 |
| CPMF Suspended Collection | - | - | 25,911 | 25,327 |
| Liabilities for Acquisition of Tax Credits | - | - | 24,344 | 23,288 |
| Self-Financing Funds | - | - | 24,143 | 24,143 |
| Prepayments | - | - | 13,150 | 7,243 |
| Bank Transfer and Duplicate Receipts in Process | - | - | 8,202 | 8,981 |
| Liabilities with other Telecom Companies | - | - | 6,313 | 6,765 |
| Self-Financing Installment Reimbursement - PCT | - | - | 1,576 | 2,006 |
| Other Taxes Payable | - | - | 111 | 250 |
| Other | 5 | 747 | 6,651 | 7,276 |
| Total | 5 | 747 | 110,401 | 105,279 |
| Current | 5 | 747 | 83,025 | 76,246 |
| Long-term | - | - | 27,376 | 29,033 |

Self-financing funds

They correspond to the credits of financial participation, paid by engaged subscribers, for acquisition of the right of use of switched fixed phone service, still under the elapsed self-financing modality. It happened that, as the shareholders of the subsidiary Brasil Telecom S.A. - Rio Grande do Sul Branch (former CRT) had fully subscribed the capital increase made to repay in shares the credits for financial participation, on shares remained to be delivered to the engaged subscribers. Part of these engaged subscribers, who did not accept the Public Offering by the Company for devolution of the referred credits in money, as established in article 171, paragraph 2, of Law 6,404/76, are awaiting resolution of the ongoing lawsuit, filed by the Public Prosecution Service and Others, aiming at reimbursement in shares.

Self-financing Installment Reimbursement - PCT

This refers to the payment, either in cash or as offset installments in invoices for services, to prospective subscribers of the Community Telephony Plan - PCT, to compensate the original obligation of repayment in shares. In these cases

settlements were agreed or there are judicial rulings.

38. FUNDS FOR CAPITALIZATION

Self-financing funds

The expansion plans (self-financing) were the means by which the telecommunications companies financed network investments. With the issue of Administrative Rule 261/97 by the Ministry of Communications, this mechanism for raising funds was eliminated, and the existing consolidated amount of R\$ 7,974 (R\$ 7,974 on March 31, 2005) is derived from plans sold prior to the issue of the Administrative Rule, the corresponding assets to which are already incorporated in the Company's fixed assets through the Community Telephone Plant - PCT. For reimbursement in shares, it is necessary to await the judicial ruling on the suits brought by the interested parties.

39. EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION - EBITDA

The consolidated EBITDA, reconciled with the operating income, is as follows:

| | CONSOLIDATED | |
|---|---------------------|------------------|
| | 06/30/05 | 03/31/05 |
| Operating Income | (96,013) | 277,692 |
| Financial Expenses, Net | 410,554 | 338,264 |
| Depreciation | 1,287,120 | 1,181,556 |
| Amortization of Goodwill/Negative Goodwill in Acquisition of Investments ⁽¹⁾ | 50,238 | 16,476 |
| EBITDA | 1,651,899 | 1,813,988 |
| Net Operating Revenue | 4,970,504 | 4,237,895 |
| EBITDA Margin | 33.2% | 42.8% |

(1) It does not include the amortization of special goodwill of incorporation registered in account of the deferred asset, in the permanent assets, whose amortization expense composes the non-operating income.

40. COMMITMENTS

Services Rendered due to Acquisition of Assets

BrT SCS Bermuda acquired fixed assets from an already existing company. Together with the assets of underwater cables acquired, it assumed the obligation of providing data traffic services, initially contracted with the company that sold the assets, which was a beneficiary of the financial resources of the respective advances. The time remaining for the providing of such assumed services is around nineteen years.

Financing

On July 19, 2004, the BNDES approved a financing amounting to R\$ 1,267,593 billion to Brasil Telecom S.A., which will be used for investments in the fixed telephony plan and operational improvements to comply with the targets set in the General Plan of Universalization Targets - PGMU and in the General Plan of Quality Targets - PGMQ. The financing will be directly provided by the BNDES for a total period of six and a half years, with a grace period of one and a half years. The cost of the financing will be the long-term interest rate (TJLP) plus 5.5% p.a. for 80% of the total financing and a basket of currencies plus 5.5% p.a. for the remaining 20%. Out of the amount approved, the funding of R\$ 741,640 has already been made up to the balance sheet date, complemented on July 15, 2005. The balance to complete the amount approved is estimated to be raised until 2006.

41. INFORMATION BY BUSINESS SEGMENT CONSOLIDATED

Information by segments is presented in relation to the Company and its subsidiaries' businesses, which was identified based on its performance and management structure, as well as the internal management information.

The operations carried out among the business segments presented were based on conditions equivalent to the market.

The income by segment, as well as the equity items presented, takes into consideration the items directly attributable to the segment, also taking into account those which can be allocated in reasonable basis.

| | 06/30/05 | | | | | |
|---|--|------------------|------------------|-------------------|----------------------------|--------------------|
| | Fixed Telephony and Data Communication | Mobile Telephony | Internet | Holding Companies | Elimination among Segments | Consolidated |
| Gross Operating Revenue | 6,805,423 | 393,506 | 284,226 | - | (371,979) | 7,111,176 |
| Deductions from Gross Revenue | (1,996,823) | (110,684) | (33,179) | - | 14 | (2,140,672) |
| Net Operating Revenue | 4,808,600 | 282,822 | 251,047 | - | (371,965) | 4,970,504 |
| Cost of Services Rendered and Goods Sold | (2,950,925) | (415,005) | (168,064) | - | 302,856 | (3,231,138) |
| Gross Income | 1,857,675 | (132,183) | 82,983 | - | (69,109) | 1,739,366 |
| Operating Expenses, Net | (1,110,314) | (285,597) | (84,134) | (16,542) | 71,762 | (1,424,825) |
| Sale of Services | (564,927) | (217,286) | (55,824) | - | 92,290 | (745,747) |
| General and Administrative Expenses | (538,393) | (58,836) | (32,272) | (13,283) | 6,151 | (636,633) |
| Other Operating Revenues, Net | (6,994) | (9,475) | 3,962 | (3,259) | (26,679) | (42,445) |
| Operating Income (Loss) Before Financial Revenues (Expenses) and Equity Accounting Results | 747,361 | (417,780) | (1,151) | (16,542) | 2,653 | 314,541 |
| Net Income (Loss) for the Period | 67,252 | (290,001) | 39,364 | 114,772 | 182,746 | 114,133 |
| Trade Accounts Receivable | 2,180,111 | 178,824 | 52,516 | - | (161,222) | 2,250,229 |
| Inventories | 5,090 | 68,384 | - | - | (9) | 73,465 |
| Fixed Assets, Net | 7,058,440 | 1,203,432 | 64,905 | 1,274 | (8,820) | 8,319,231 |

| | 06/30/05 | | | | |
|--|---------------------|----------|-------------------|-------------------|--------------|
| | Fixed Telephony and | Internet | Holding Companies | Elimination among | Consolidated |
| | | | | | |

| | Data Communication | | | Segments | |
|--|-----------------------|----------|---------|-----------|-------------|
| Gross Operating Revenue | 5,947,050 | 129,444 | - | (130,244) | 5,946,250 |
| Deductions from Gross Revenue | (1,687,834) | (20,521) | - | - | (1,708,355) |
| Net Operating Revenue | 4,259,216 | 108,923 | - | (130,244) | 4,237,895 |
| Cost of Services Rendered and Goods Sold | (2,707,774) | (78,685) | - | 64,077 | (2,722,382) |
| Gross Income | 1,551,442 | 30,238 | - | (66,167) | 1,515,513 |
| Operating Expenses, Net | (928,381) | (31,338) | (8,651) | 68,813 | (899,557) |
| Sale of Services | (517,099) | (11,593) | - | 72,918 | (455,774) |
| General and Administrative Expenses | (442,740) | (5,278) | (8,623) | 2,570 | (454,071) |
| Other Operating Revenues (Expenses) | 31,458 | (14,467) | (28) | (6,675) | 10,288 |
| Operating Income (Loss) Before Financial Revenues (Expenses) and Equity Accounting Results | 623,061 | (1,100) | (8,651) | 2,646 | 615,956 |
| Net Income (Loss) for the Period | 139,490 | 9,553 | 132,246 | (155,874) | 125,415 |

| | 03/31/05 | | | | | |
|---------------------------|--|------------------|----------|-------------------|----------------------------|--------------|
| | Fixed Telephony and Data Communication | Mobile Telephony | Internet | Holding Companies | Elimination among Segments | Consolidated |
| Trade Accounts Receivable | 2,150,692 | 128,419 | 45,941 | - | (138,223) | 2,186,829 |
| Inventories | 5,554 | 131,973 | - | - | - | 137,527 |
| Fixed Assets, Net | 7,294,973 | 1,166,327 | 66,059 | 1,251 | (10,143) | 8,518,467 |

42. MATERIAL FACTS AND NOTICE

Material Facts

Below there are the material facts and notice published after the filing of the Quarterly Information as of the first quarter of 2005. These publications are related to disputes which comprise Solpart's shareholders concerning the Solpart's shareholding structure and management of entities which hold a stake in the Company and Opportunity Zain S.A. Solpart is a company that integrates the controlling corporate structure of the Company and Brasil Telecom S.A.'s structure, indirectly. The conclusion of the disputes may result in changes in the Board of Directors and Board of Executive Officers of these companies. However, these disputes do not produce effects that may alter these quarterly financial statements.

I Material Fact as of May 10, 2005:

In compliance with the terms set forth in Article 157 of Law 6,404/76 and in CVM Instruction 358/02, **Brasil Telecom Participações S.A.** and **Brasil Telecom S.A.** (Brasil Telecom) announce that, per request of *Investidores*

Institucionais Fundo de Investimentos em Ações, Judge Alexander Macedo of the 8th Business Court of the Capital District of Rio de Janeiro, upon consideration of Judicial Proceeding 2005.001.051.781 -7, ordered the following:

I hereby GRANT THE PRELIMINARY INJUNCTION, AS REQUESTED ON ITEMS (I) AND (II) OF THE INITIAL PETITION, WHICH SHALL HAVE EFFECT UNTIL HEARINGS DESIGNATED HEREAFTER TAKE PLACE TO (i) suspend the validity of all acts, whether corporate or contractual, or of any other nature, that seek or have an effect on, directly or indirectly, the implementation of the merger or sale under any agreement of BTC by TIM BRASIL or by any other legal entity of the Telecom Italia Group; (ii) prohibit the accomplishment of any extraordinary managerial act, including but limited to the disposal or sale of any kind, to any party, of any asset of Brasil Telecom and BTC, so as to maintain undamaged its operations, identity, license, and value, without the prior consent and pronouncement of the controlling shareholders.

I hereby impose the penalty of a daily fine, in case of violation of terms set forth herein, on defendants Opportunity Fund and Opportunity Lógica, on defendants that are members of the Telecom Italia Group and on the members of its Board of Directors and Senior Management, in the order of R\$20,000,000.00 (twenty million reais), for the violation of any of the dispositions aforementioned, with no loss to the adoption of other measures for the return of the status quo ante.

I hereby designate a special hearing to be held on May 24, 2005, at 3:30 p.m., to be attended by all involved parties or their respective attorneys-in-fact, with powers to transact.

Brasil Telecom is taking all legal measures to present its reasoning before the court and revoke the preliminary injunction, taking into consideration the major benefits that the transaction would bring to its operations.

Brasília, Brazil, May 10, 2005.

Carla Cico
Investor Relations Officer
Brasil Telecom S.A.

Paulo Pedrão Rio Branco
Investor Relations Officer
Brasil Telecom Participações S.A.

II Material Fact as of May 16, 2005:

In compliance with the terms set forth in Article 157 of Law 6,404/76 and in CVM Instruction 358/02, **Brasil Telecom Participações S.A.** and **Brasil Telecom S.A.** (Brasil Telecom) announce that, per request of *Fundação Vale do Rio Doce de Seguridade Social - Valia*, Judge Alexander Macedo of the 8th Business Court of Rio de Janeiro, upon consideration of Judicial Proceeding 2005.001.055962 -9, ordered the following:

I hereby GRANT THE INJUNCTION, AS REQUESTED ON ITEMS (I) AND (II) OF THE INITIAL COMPLAINT, that is, to suspend the Board of Directors meetings of Brasil Telecom Participações S.A. and Brasil Telecom S.A., scheduled for May 12, 2005, prohibiting its opening and consummation, as well as any other Board of Directors meetings of the companies that include on their respective agendas the approval of the merger agreement or contracts deriving from it, including indemnification agreements for executives, before a General Meeting of Shareholders of Brasil Telecom Participações S.A. is held, ensuring the political rights of preferred shareholders.

I hereby notify defendants that the consummation of any of the aforementioned meetings shall be deemed as noncompliance with judicial order, without prejudice to imposing a fine of R\$50,000,000.00 (fifty million reais), for the violation of any of the instructions aforementioned.

Brasil Telecom is taking all legal measures to present its reasoning before the court and revoke the preliminary injunction, taking into consideration the major benefits that the transaction would bring to its activities.

Brasília, Brazil, May 16, 2005.

Carla Cico

Investor Relations Officer
Brasil Telecom S.A.

Paulo Pedrão Rio Branco

Investor Relations Officer
Brasil Telecom Participações S.A.

III Material Fact as of May 16, 2005 (only from the Company):

Brasil Telecom Participações S.A. (BTP) announces that it was informed by Opportunity Prime Investment Services Ltd. that, as a result of agreed adjustments, the latter is committed to sell, directly or indirectly, 9,857,000,000 (nine billion, eight hundred and fifty-seven million) BTP nominative common shares to Telecom Italia S.p.A. in a period not to exceed 24 (twenty four) months starting from April 28, 2005.

The aforementioned transaction is subject to a number of conditions to closing.

Brasília, Brazil, May 16, 2005.

Paulo Pedrão Rio Branco

Investor Relations Officer
Brasil Telecom Participações S.A.

IV Notice as of June 1, 2005:

Brasil Telecom Participações S.A. and Brasil Telecom S.A. (conjunctly Brasil Telecom) reproduce below the Material Fact published by Citigroup Venture Capital International Brazil, L.P. on June 01, 2005 in the following newspapers: (i) Valor Econômico, (ii) Correio Braziliense, (iii) Jornal de Brasília, and (iv) Diário Mercantil.

In compliance with CVM/SEP/GEA-2 Written Notice 225/05, dated May 27, 2005, and the terms of CVM Instruction 358, dated January 3, 2002, International Equity Investments, Inc. (IEII), as the sole shareholder and limited partner of Citigroup Venture Capital International Brazil, L.P. (the CVC Fund), Investidores Institucionais Fundo de Investimento em Ações (the National Fund), Caixa de Previdência dos Funcionários do Banco do Brasil Previ, Fundação dos Economistas Federais Funcef e Fundação Petrobras de Seguridade Social Petros (the preceding three conjunctly denominated the Pension Funds), in view of the publication of press releases announcing the existence of contractual adjustments entered into by the aforementioned entities, clarifies and informs the market as follows:

In March 2005, IEII and the CVC Fund, represented by its current manager, Citigroup Venture Capital International Brazil LLC, entered into certain agreements with the National Fund and the Pension Funds, including the Shareholders Agreement of Opportunity Zain S.A. (Zain or the Company), as announced in the material fact published on 03.11.05 (collectively, the Agreements).

The Agreements establish that the CVC Fund and the National Fund, with combined shareholdings of around 90% of the voting and total capital of Zain, will conjunctly perform the corporate control of such Company and Invitel S.A. (Invitel), a company controlled by Zain with about 68% of its voting and total capital, and in which the Pension Funds and other non-publicly held pension entities hold nearly the totality of the remaining voting and total capital. The Agreements also establish that the parties are to attempt to disinvest, under identical terms, conjunctly and in an organized manner, their shareholdings in Zain and Invitel, companies which control, among other companies, Brasil Telecom Participações S.A. (BTP), Brasil Telecom S.A. (BT) and 14 Brasil Telecom Celular S.A. (BTC).

In the context of the execution of the Agreements, the Pension Funds signed the Put Option on Shares Issued by Opportunity Zain S.A. Agreement, granting the CVC Fund a put option on its Zain shares, which may be exercised in a limited period of time, but not before November 2007. If and when the CVC Fund exercises its put option, a right

conditioned to the occurrence of future and uncertain events, some of which are out of the control of the CVC Fund, the National Fund and the Pension Funds, the exercise price is to be set to R\$1,045,941,692.43, adjusted by the variation of the IGP-DI Index + 5% p.a.. The fulfillment of the conditions to the exercise of such put option granted by the Pension Funds does not depend or is tied to the occurrence of any operation or business involving, directly or indirectly, property or other assets owned by Zain, Invitel or any of their controlled companies, among which, BTP, BT and BTC.

This announcement is merely for information purposes and under no circumstances reflects a judgment, opinion or approval by Brasil Telecom about the agreements referred to in the above Material Fact.

Brasília, Brazil, June 01, 2005.

Carla Cico
Investor Relations Officer
Brasil Telecom S.A.

Paulo Pedrão Rio Branco
Investor Relations Officer
Brasil Telecom Participações S.A.

V Material Fact as of June 3, 2005:

In compliance with CVM Instruction 358/02, **Brasil Telecom S.A.** and **Brasil Telecom Participações S.A.** announce that the companies were informed of the following:

Citigroup Venture Capital International Brazil, L.P. (CVC Fund) informs that the District Judge of the United States District Court of the Southern District of New York, on the record of the action brought by International Equity Investments, Inc., Citigroup Venture Capital International Brazil, LLC and the CVC Fund (Plaintiffs) against Opportunity Equity Partners and Mr. Daniel Valente Dantas (Defendants), granted, on June 02, 2005, a preliminary injunction determining that the Defendants, the officers, agents, servants, employees, and attorneys of each of the Defendants, and those persons in active concert or participation with either of the Defendants who receive actual notice of this order by personal service or otherwise, are enjoined and restrained, pending the determination of the abovementioned action, from:

(i) executing, enforcing, consummating, performing any obligation under, or otherwise giving effect to the following Agreements (as defined in the text of the Order): Cellular Acquisition Agreement and accompanying Protocol; the Second Amendment to the Solpart Shareholders Agreement , the Solpart Master Agreement , the settlement agreement between Telecom Italia, on the one hand, and Techold and Timepart, on the other, and the related Private Agreement Instrument and Transaction submitted in the original Portuguese as Exhibits H and I, respectively, of the May 17, 2005 Hibshoosh Declaration ; and in English translation as Exhibits D and E, respectively, of the June 1, 2005 Hibshoosh Declaration ;

(ii) entering into any transaction or any agreement that is not in the ordinary course of business (including any amendment to the Solpart Shareholders Agreement or any other shareholders agreement) involving any entity in which the CVC Fund has a direct or indirect interest;

(iii) taking any action in furtherance of the foregoing.

Brasília, Brazil, June 03, 2005.

Carla Cico
Investor Relations Officer
Brasil Telecom S.A.

Paulo Pedrão Rio Branco
Investor Relations Officer
Brasil Telecom Participações S.A.

VI Material Fact as of July 26, 2005 (only from the Company):

Brasil Telecom Participações S.A. (Company), in compliance with Article 157 of Brazilian Corporate Law 6,404/76 and Instruction 358/2002 from Brazilian Securities and Exchange Commission (CVM Comissão de Valores Mobiliários), informs to its shareholders and to the capital markets in general that, on July 26, 2005, was filed before the Brazilian Securities and Exchange Commission, the São Paulo Stock Exchange (BOVESPA: Bolsa de Valores de São Paulo) and the Securities and Exchange Commission, on a single document, Notice to Shareholders and Notice of Cancellation of Extraordinary General Meeting Call, which is transcribed below:

**NOTICE TO SHAREHOLDERS
AND
NOTICE OF CANCELLATION OF EXTRAORDINARY GENERAL MEETING CALL**

The shareholders of Brasil Telecom Participações S.A. (Company) are hereby informed that the Extraordinary General Meeting, which would be held on July 27, 2005, at 9 a.m., was cancelled.

The decision to cancel the Extraordinary General Meeting scheduled for July 27, 2005 is based on the following facts and understandings:

(i) Telecom Italia International N.V.'s notice received by the Company on July 26, 2005, through which such company, shareholder of Solpart Participações S.A. (Solpart), who is controlling shareholder of the Company:

(a) Informs that the vote instruction resulting from the prior shareholders' meeting of Invitel S.A. (Invitel), held on July 22, 2005, based on Invitel's Shareholders Agreement, amended and consolidated on May 4, 1999, ratified by resolution of a prior shareholders' meeting of Invitel, held on July 25, 2005, at 3 p.m., would not respect the rights guaranteed by the shareholders' agreement of Solpart, amended and consolidated on August 27, 2002;

(b) Alerts that (i) the Chairman of the Board of Directors of the Company, as the President of the General Meeting (Article 16 of the Company's bylaws), can not accept any vote issued in disregard of the dispositions provided for in the shareholders' agreement, as established on Law 6,404/76, Article 118, paragraph 8th, and (ii) such vote will be considered null and without any effect;

(c) Mentions that Caixa de Previdência dos Funcionários do Banco do Brasil - Previ and its sponsor, Banco do Brasil S.A. itself, hold, directly or indirectly, a controlling stake at Brasil Telecom S.A. (BrT) and Telemar Norte Leste S.A., according to charges pressed before Anatel by Solpart, situation that would have been aggravated by the celebration of the Shareholders' Agreement, on March 9, 2005, among Citigroup Venture Capital International Brasil L.P., Investidores Institucionais Fundo de Investimento em Ações, Previ and other pension funds, which significantly increases the level of interference of its signatories, including Previ, on BrT's management;

(d) Alerts that the fact mentioned on letter (c) above violates Law 9,427/97 (General Telecommunications Law) and other applicable legal dispositions, which could lead BrT to incur in severe penalties, including the termination of its concession;

(ii) Invitel's Shareholders Agreement and Solpart's Shareholders Agreement are filed at the Company's headquarters, and, therefore, shall be observed by the Company's management, pursuant to Article 118 of Law 6,404/76;

(iii) The existence of conflicting vote instructions addressed to Solpart creates an enormous uncertainty regarding the conduct Solpart and the General Meeting Chairman shall adopt;

(iv) The administrator's fiduciary duties, in light of the current situation, requires him to act cautiously, being mandatory, when necessary, the preservation of the legal security related to any material facts that affect the

Company;

(v) The maintenance of the General Meeting, in spite of those divergences, would create an extremely unstable situation to the Company and the resolutions would undoubtedly be questioned by any party that feels adversely affected; and

(v) Such instability would affect the Company, its shareholders and the capital markets as a whole. Moreover, it is important to stress out that 81% of the Company's total capital is pulverized within the market, which means that the minority shareholders are, possibly, the ones to suffer the greater losses related to the Company's control dispute.

The Company will publish, on July 27, 2005, Material Fact regarding this notice cancellation and the reasons that motivated such notice.

Brasília DF, July 26, 2005

Luis Octavio Carvalho da Motta Veiga
Chairman of the Board of Directors

VII Material Fact as of July 27, 2005 (only from the Company):

Brasil Telecom Participações S.A. (BTP or the Company) (BOVESPA: BRTP3/BRTP4; NYSE: BRP), in compliance with Article 157 of Brazilian Corporate Law 6,404/76 and Instruction 358/2002 issued by the Brazilian Securities and Exchange Commission (*CVM Comissão de Valores Mobiliários*), informs its shareholders and the capital markets in general that the Extraordinary Shareholders Meeting convened to be held on July 27th, 2005 was not consummated due to a judicial decision granted by the Second Federal Court of Florianópolis, Judicial Section of Santa Catarina, upon consideration of the Popular Action no. 2005.72.00.00.7938 -1 (the Judicial Decision of the Second Federal Court of Florianópolis-SC), which, among other orders, expressly canceled the convened Extraordinary Shareholders Meeting.

As previously informed to the Company's shareholders and the capital markets in general, through a Notice to Shareholders and Notice of Cancellation of Extraordinary Shareholders Meeting published in the Official Gazette of the Federal Executive and also in the Brazilian newspapers named *Valor Econômico* and *Correio Braziliense* on July 27th, 2005, the Extraordinary Shareholders Meeting above mentioned had already been cancelled due to the reasons addressed in the Notice to Shareholders and Notice of Cancellation of Extraordinary Shareholders Meeting filed on July 26th, 2005 before the Brazilian Securities and Exchange Commission, São Paulo Stock Exchange (BOVESPA Bolsa de Valores de São Paulo) and the SEC - Securities and Exchange Commission.

Nevertheless, in spite of the cancellation of the Extraordinary Shareholders Meeting and the orders set forth in the Judicial Decision of the Second Federal Court of Florianópolis/SC, the shareholders Fundação Petrobrás de Seguridade Social Petros, Caixa de Previdência dos Funcionários do Banco do Brasil PREVI, Citigroup Venture Capital International Brazil, L.P., Invitel S.A. and Fabio de Oliveira Moser, holders of, approximately, 8.1% of the Company's voting capital, and the entities Investidores Institucionais FIA, Zain Participações S.A., without any participation of BTP or any other shareholder of the Company, prepared and filed at the Company's headquarters a document entitled extraordinary shareholders meeting minutes in which such shareholders, without respect to the Article 16 of the Company's By-laws and Article 125 of the Brazilian Corporate Law, would have decided upon the matters pertaining to the agenda of the canceled Extraordinary Shareholders Meeting.

Brasília, July 27, 2005

Humberto José Rocha Braz
Chief Executive Officer

Brasil Telecom Participações S.A

VIII - Material Fact as of July 28, 2005 (only from the Company)

Brasil Telecom Participações S.A. (BTP or the Company) (BOVESPA: BRTP3/BRTP4; NYSE: BRP), in compliance with Article 157 of Brazilian Corporate Law 6,404/76 and Instruction 358/2002 issued by the Brazilian Securities and Exchange Commission (*CVM Comissão de Valores Mobiliários*), informs its shareholders and the capital markets in general that a court order issued on July 28, 2005, by The Honorable Vice-Chief Justice of the Superior Court of Justice, Mr. Sálvio de Figueiredo Teixeira, interim president of the Superior Court of Justice, confirmed the illegality of BTP's Extraordinary General Meeting, held on July 27, 2005, at 9 a.m., conducted in violation of the preliminary injunction issued by the 2nd Federal Court of Florianópolis, Case 2005.72.00.00.7938 -1, which was in force at the time, and, therefore, ordered the suspension of all judicial suits that deal with the matter, until the merit judgment of the Jurisdiction Conflict, regarding the 4th Federal Court of Brasília DF is finalized.

The above mentioned court order is absolutely clear in stating that the judicial decision granted by the 2nd Federal Court of Santa Catarina was not revoked, but only suspended in respect to its future effects, until final judgment, reason for which such Extraordinary General Meeting, held on July 27, 2005 is void and, therefore, has no effect whatsoever.

A partial transcription of the court order issued by The Honorable Vice-Chief Justice Mr. Sálvio de Figueiredo Teixeira can be read below:

With effect, one can conclude that the judicial suit filed before the Federal Court of Florianópolis may reflect on the issue of the change of share and administrative control of BrT. Therefore, in order to make effective the performance of the judicial injunction issued by the Presidency of this Court, it is mandatory to suspend all legal suits in course until judgment of the conflict is rendered. Nevertheless, it is impracticable to grant the revocation request of the above mentioned preliminary injunction, since such action, should it be the case, must be required and decided by the Judge who is, at the end, deemed to have jurisdiction over the matter

Brasília, July 28th, 2005

Humberto José Rocha Braz

Chief Executive Officer

Brasil Telecom Participações S.A

43. SUBSEQUENT EVENTS

Release of Installment of a Financing Contracted with the National Bank for Economic and Social Development (BNDES)

On July 15, 2005, BNDES released to Brasil Telecom S.A. the amount of R\$ 252,016, related to another installment of the investment contracted with that entity. More details on this operation are included in note 40.

Acquisition of Shares in IG Cayman

According to the decisions made at the meetings of the Board of Directors of Brasil Telecom Participações S.A. (Company) and Brasil Telecom S.A. held on December 18, 2003, and under the same conditions of those of the put options mentioned in the Material Fact of November 24, 2004, on July 26, 2005 Brasil Telecom Subsea Cable Systems (Bermuda) Ltd. (BrT SCS Bermuda), a Company's subsidiary, acquired 3,750,500 Class A Common Shares and 6,249,848 Class B Common Shares in Internet Group Limited (IG Cayman), a fruit of the exercise of the put

option granted within the scope of the offers to the shareholders: Global Investments and Consulting Inc., Opportunity Fund and Vicência Participações Ltda.

These shares represent 25.6% of the total capital of IG Cayman, and they were acquired at the total price of US\$ 27.851 million. With the acquisition of these shares, BrT SCS Bermuda now holds together with BTP 98.2% of the total capital of IG Cayman.

05.01 - COMMENTS ON THE COMPANY S PERFORMANCE IN THE QUARTER

See Comments on the Consolidated Performance in the Quarter.

06.01 - CONSOLIDATED BALANCE SHEET - ASSETS (IN THOUSANDS OF REAIS)

| 1 - CODE | 2 - DESCRIPTION | 3 06/30/2005 | 4 03/31/2005 |
|------------|-----------------------------------|-----------------|-----------------|
| 1 | TOTAL ASSETS | 17,406,089 | 18,012,188 |
| 1.01 | CURRENT ASSETS | 5,874,514 | 6,309,167 |
| 1.01.01 | CASH AND CASH EQUIVALENTS | 2,371,579 | 2,802,270 |
| 1.01.02 | CREDITS | 2,250,229 | 2,186,829 |
| 1.01.02.01 | ACCOUNTS RECEIVABLE FROM SERVICES | 2,250,229 | 2,186,829 |
| 1.01.03 | INVENTORIES | 73,465 | 137,527 |
| 1.01.04 | OTHER | 1,179,241 | 1,182,541 |
| 1.01.04.01 | LOANS AND FINANCING | 2,756 | 2,683 |
| 1.01.04.02 | DEFERRED AND RECOVERABLE TAXES | 876,782 | 836,328 |
| 1.01.04.03 | JUDICIAL DEPOSITS | 153,277 | 142,535 |
| 1.01.04.04 | DIVIDENDS RECEIVABLE | 0 | 0 |
| 1.01.04.05 | OTHER ASSETS | 146,426 | 200,995 |
| 1.02 | LONG-TERM ASSETS | 1,930,353 | 1,797,590 |
| 1.02.01 | OTHER CREDITS | 0 | 0 |
| 1.02.02 | INTERCOMPANY RECEIVABLES | 0 | 0 |
| 1.02.02.01 | FROM ASSOCIATED COMPANIES | 0 | 0 |
| 1.02.02.02 | FROM SUBSIDIARIES | 0 | 0 |
| 1.02.02.03 | FROM OTHER RELATED PARTIES | 0 | 0 |
| 1.02.03 | OTHER | 1,930,353 | 1,797,590 |
| 1.02.03.01 | LOANS AND FINANCING | 114,532 | 124,454 |
| 1.02.03.02 | DEFERRED AND RECOVERABLE TAXES | 1,148,402 | 1,074,141 |
| 1.02.03.03 | INCOME SECURITIES | 1,684 | 0 |
| 1.02.03.04 | JUDICIAL DEPOSITS | 580,668 | 509,928 |
| 1.02.03.05 | INVENTORIES | 0 | 0 |
| 1.02.03.06 | OTHER ASSETS | 85,067 | 89,067 |
| 1.03 | PERMANENT ASSETS | 9,601,222 | 9,905,431 |
| 1.03.01 | INVESTMENTS | 438,068 | 489,785 |
| 1.03.01.01 | ASSOCIATED COMPANIES | 4 | 4 |
| 1.03.01.02 | SUBSIDIARIES | 0 | 0 |
| 1.03.01.03 | OTHER INVESTMENTS | 438,064 | 489,781 |
| 1.03.02 | PROPERTY, PLANT AND EQUIPMENT | 8,319,231 | 8,518,467 |
| 1.03.03 | DEFERRED CHARGES | 843,923 | 897,179 |

06.02 - CONSOLIDATED BALANCE SHEET - LIABILITIES (IN THOUSANDS OF REAIS)

| 1 - CODE | 2 - DESCRIPTION | 3 06/30/2005 | 4 03/31/2005 |
|------------|---|--------------|--------------|
| 2 | TOTAL LIABILITIES | 17,406,089 | 18,012,188 |
| 2.01 | CURRENT LIABILITIES | 4,059,934 | 3,974,199 |
| 2.01.01 | LOANS AND FINANCING | 647,082 | 600,892 |
| 2.01.02 | DEBENTURES | 263,206 | 224,239 |
| 2.01.03 | SUPPLIERS | 1,523,315 | 1,514,999 |
| 2.01.04 | TAXES, DUTIES AND CONTRIBUTIONS | 856,030 | 837,656 |
| 2.01.04.01 | INDIRECT TAXES | 680,460 | 726,027 |
| 2.01.04.02 | TAXES ON INCOME | 175,570 | 111,629 |
| 2.01.05 | DIVIDENDS PAYABLE | 100,640 | 113,150 |
| 2.01.06 | PROVISIONS | 326,973 | 338,992 |
| 2.01.06.01 | PROVISION FOR CONTINGENCIES | 297,000 | 312,800 |
| 2.01.06.02 | PROVISION FOR PENSION PLAN | 29,973 | 26,192 |
| 2.01.07 | RELATED PARTY DEBTS | 0 | 0 |
| 2.01.08 | OTHER | 342,688 | 344,271 |
| 2.01.08.01 | PAYROLL AND SOCIAL CHARGES | 94,630 | 80,925 |
| 2.01.08.02 | CONSIGNMENTS IN FAVOR OF THIRD PARTIES | 85,659 | 102,496 |
| 2.01.08.03 | EMPLOYEE PROFIT SHARING | 32,559 | 39,044 |
| 2.01.08.04 | LICENSE FOR OPERATING TELECOMS SERVICES | 46,815 | 45,560 |
| 2.01.08.05 | OTHER LIABILITIES | 83,025 | 76,246 |
| 2.02 | LONG-TERM LIABILITIES | 5,454,411 | 5,649,907 |
| 2.02.01 | LOANS AND FINANCING | 2,767,224 | 2,977,865 |
| 2.02.02 | DEBENTURES | 763,764 | 761,456 |
| 2.02.03 | PROVISIONS | 907,250 | 899,383 |
| 2.02.03.01 | PROVISION FOR CONTINGENCIES | 442,663 | 427,434 |
| 2.02.03.02 | PROVISION FOR PENSION PLAN | 464,587 | 471,949 |
| 2.02.04 | RELATED PARTY DEBTS | 0 | 0 |
| 2.02.05 | OTHER | 1,016,173 | 1,011,203 |
| 2.02.05.01 | PAYROLL AND SOCIAL CHARGES | 4,834 | 4,834 |
| 2.02.05.02 | SUPPLIERS OF MATERIALS AND SERVICES | 10,946 | 6,581 |
| 2.02.05.03 | INDIRECT TAXES | 650,844 | 618,958 |
| 2.02.05.04 | TAXES ON INCOME | 35,990 | 73,207 |
| 2.02.05.05 | LICENSE FOR OPERATING TELECOMS SERVICES | 278,209 | 270,616 |
| 2.02.05.06 | OTHER LIABILITIES | 27,376 | 29,033 |
| 2.02.05.07 | FUND FOR CAPITALIZATION | 7,974 | 7,974 |
| 2.03 | DEFERRED INCOME | 89,964 | 88,099 |
| 2.04 | MINORITY INTERESTS | 2,064,899 | 2,126,405 |
| 2.05 | SHAREHOLDERS EQUITY | 5,736,881 | 6,173,578 |
| 2.05.01 | CAPITAL | 2,596,272 | 2,596,272 |

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| | | | |
|---------|----------------------|---------|---------|
| 2.05.02 | CAPITAL RESERVES | 309,178 | 309,178 |
| 2.05.03 | REVALUATION RESERVES | 0 | 0 |

06.02 - CONSOLIDATED BALANCE SHEET - LIABILITIES (IN THOUSANDS OF REAIS)

| 1 - CODE | 2 - ACCOUNT DESCRIPTION | 3 06/30/2005 | 4 03/31/2005 |
|------------|---|-----------------|-----------------|
| 2.05.03.01 | COMPANY ASSETS | 0 | 0 |
| 2.05.03.02 | SUBSIDIARIES/ASSOCIATED COMPANIES | 0 | 0 |
| 2.05.04 | PROFIT RESERVES | 879,550 | 879,550 |
| 2.05.04.01 | LEGAL | 208,487 | 208,487 |
| 2.05.04.02 | STATUTORY | 0 | 0 |
| 2.05.04.03 | CONTINGENCIES | 0 | 0 |
| 2.05.04.04 | REALIZABLE PROFITS RESERVES | 671,063 | 671,063 |
| 2.05.04.05 | PROFIT RETENTION | 0 | 0 |
| 2.05.04.06 | SPECIAL RESERVE FOR UNDISTRIBUTED DIVIDENDS | 0 | 0 |
| 2.05.04.07 | OTHER PROFIT RESERVES | 0 | 0 |
| 2.05.05 | RETAINED EARNINGS | 1,951,881 | 2,388,578 |

07.01 - CONSOLIDATED STATEMENT OF INCOME (IN THOUSANDS OF REAIS)

| 1 - CODE | 2 - DESCRIPTION | 3 04/01/2006 TO 06/30/2005 | 4 - 01/01/2005 TO 06/30/2005 | 5 - 04/01/2004 TO 06/30/2004 | 6 - 01/01/2004 TO 06/30/2004 |
|------------|--|----------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| 3.01 | GROSS REVENUE FROM SALES AND SERVICES | 3,642,445 | 7,111,176 | 3,037,406 | 5,946,250 |
| 3.02 | DEDUCTIONS FROM GROSS REVENUE | (1,119,517) | (2,140,672) | (874,806) | (1,708,355) |
| 3.03 | NET REVENUE FROM SALES AND SERVICES | 2,522,928 | 4,970,504 | 2,162,600 | 4,237,895 |
| 3.04 | COST OF SALES | (1,645,432) | (3,231,138) | (1,386,447) | (2,722,382) |
| 3.05 | GROSS PROFIT | 877,496 | 1,739,366 | 776,153 | 1,515,513 |
| 3.06 | OPERATING INCOME/EXPENSES | (1,074,132) | (1,835,379) | (540,311) | (1,237,821) |
| 3.06.01 | SELLING EXPENSES | (374,998) | (745,747) | (234,301) | (455,774) |
| 3.06.02 | GENERAL AND ADMINISTRATIVE EXPENSES | (327,058) | (636,633) | (223,639) | (454,071) |
| 3.06.03 | FINANCIAL | (358,368) | (410,554) | (86,700) | (338,264) |
| 3.06.03.01 | FINANCIAL INCOME | 336,707 | 531,829 | 199,285 | 329,271 |
| 3.06.03.02 | FINANCIAL EXPENSES | (695,075) | (942,383) | (285,985) | (667,535) |
| 3.06.04 | OTHER OPERATING INCOME | 85,696 | 168,123 | (110,900) | 238,963 |
| 3.06.05 | OTHER OPERATING EXPENSES | (99,404) | (210,568) | 115,229 | (228,675) |
| 3.06.06 | EQUITY GAIN (LOSS) | 0 | 0 | 0 | 0 |
| 3.07 | OPERATING INCOME | (196,636) | (96,013) | 235,842 | 277,692 |
| 3.08 | NON-OPERATING INCOME | (36,734) | (70,589) | (93,097) | (144,623) |
| 3.08.01 | REVENUES | 8,661 | 25,022 | 9,567 | 16,102 |
| 3.08.02 | EXPENSES | (45,395) | (95,611) | (102,664) | (160,725) |
| 3.09 | INCOME (LOSS) BEFORE TAXES AND INTERESTS | (233,370) | (166,602) | 142,745 | 133,069 |
| 3.10 | PROVISION FOR INCOME TAX AND SOCIAL CONTRIBUTION | 25,773 | 5,702 | (67,459) | (81,396) |
| 3.11 | DEFERRED INCOME TAX | 0 | 0 | 0 | 0 |
| 3.12 | INTERESTS/STATUTORY CONTRIBUTIONS | 0 | 0 | (16,809) | (29,679) |
| 3.12.01 | INTERESTS | 0 | 0 | (16,809) | (29,679) |

07.01 - CONSOLIDATED STATEMENT OF INCOME (IN THOUSANDS OF REAIS)

| 1 - CODE | 2 - DESCRIPTION | 3 04/01/2005 TO 06/30/2005 | 4 - 01/01/2005 TO 06/30/2005 | 5 - 04/01/2004 TO 06/30/2004 | 6 - 01/01/2004 TO 06/30/2004 |
|----------|--|----------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| 3.12.02 | CONTRIBUTIONS | 0 | 0 | 0 | 0 |
| 3.13 | REVERSAL OF INTEREST ON SHAREHOLDERS EQUITY | 295.356 | 295.356 | 39 | 155.817 |
| 3.14 | MINORITY INTERESTS | (18,714) | (20,323) | (7,449) | (52,396) |
| 3.15 | INCOME/LOSS FOR THE PERIOD | 69,045 | 114,133 | 51,067 | 125,415 |
| | NUMBER OF SHARES, EX-TREASURY (THOUSAND) | 362,488,414 | 362,488,414 | 358,558,641 | 358,558,641 |
| | EARNINGS PER SHARE | 0.00019 | 0.00031 | 0.00014 | 0.00035 |
| | LOSS PER SHARE | | | | |

08.01 - COMMENTS ON THE CONSOLIDATED PERFORMANCE IN THE QUARTER**PERFORMANCE REPORT 2nd QUARTER 2005**

The performance report presents the consolidated figures of Brasil Telecom Participações S.A. and its subsidiaries, as mentioned in Note 1 in these quarterly information.

OPERATING PERFORMANCE (Not revised by independent auditors)**Fixed Telephony****Plant**

| Operating Data | 2Q05 | 1Q05 | 2Q05/1Q05 (%) |
|---|---------------|---------------|------------------|
| Lines Installed (Thousand) | 10,807 | 10,778 | 0.3 |
| Additional Lines Installed (Thousand) | 29 | 41 | (30.2) |
| Lines In Service - LES (Thousand) | 9,540 | 9,512 | 0.3 |
| - Residential | 6,299 | 6,380 | (1.3) |
| - Non-Residential | 1,449 | 1,440 | 0.6 |
| - Public Telephones - TUP | 296 | 296 | (0.2) |
| - Prepaid | 314 | 311 | 1.0 |
| - Hybrid Terminals | 557 | 465 | 19.6 |
| - Other (Includes PABX) | 625 | 620 | 0.9 |
| Additional Lines In Service (Thousand) | 28 | 9 | 201.2 |
| Average Lines In Service - LMES (Thousand) | 9,526 | 9,508 | 0.2 |
| LES/100 Inhabitants | 22.4 | 22.4 | 0.0 |
| TUP/1,000 Inhabitants | 6.9 | 7.0 | (0.5) |
| TUP/100 Lines Installed | 2.7 | 2.7 | (0.4) |
| Utilization Rate (In Service/Installed) | 88.3% | 88.3% | 0.0 p.p. |
| Digitalization Rate | 99.6% | 99.3% | 0.3 p.p. |

Fixed Plant

In the 2Q05, Brasil Telecom installed 28.7 thousand lines, ending the quarter with 10.8 million terminals.

The plant in service totaled 9.5 million lines in the 2Q05, result of a net addition of 27.7 thousand lines in the quarter. Following the segmentation strategy of the client base, with a view at improving profitability and preventing default, we continue to encourage migration of customers from economic plans to the hybrid plan, what caused a 19.6% increase in these terminals in the quarter.

Traffic

| Operating Data | 2Q05 | 1Q05 | 2Q05/1Q05 (%) |
|----------------------------------|-------|-------|------------------|
| Exceeding Local Pulses (Million) | 2,473 | 2,305 | 7.3 |
| Long Distance Minutes (Million) | 1,339 | 1,334 | 0.4 |
| Inter-network Minutes (Million) | 1,122 | 1,089 | 3.0 |
| Exceeding Pulses/LMES/Month | 86.5 | 80.8 | 7.1 |
| Long Distance Minutes/LMES/Month | 46.9 | 46.8 | 0.2 |
| Fixed-Mobile Minutes/LMES/Month | 39.3 | 38.2 | 2.8 |

Exceeding Local Pulses **The recovery of local traffic was noticed in the 2Q05, which added up to 2.5 billion exceeding pulses, representing a 7.3% growth compared to 1Q05.**

Long-Distance Traffic **In the 2Q05, the LD traffic increased by 0.4% compared to the 1Q05, influenced mainly by the growth in the inter-regional long distance traffic.**

LD Market Share **Brasil Telecom closes the 2Q05 well positioned in the long-distance market, having reached a 54.8% share in the inter-regional segment and a 31.2% share in the international segment** (quarterly average). This result reflects the success of our marketing campaigns focused on Mother's Day and Valentine's Day and the Brasil Telecom brand in the Region.

In the 2Q05, the quarterly average of **Brasil Telecom's LDN (domestic long-distance) market share increased by 1.2 p.p. in the intra-regional segment** compared to the previous quarter, reaching 84.1%. Brasil Telecom reached a 91.4% market share **in the intra-sector segment, representing a 0.4 p.p. increase compared to the previous quarter.**

Inter-network Traffic **The inter-network traffic had a 3.0% increase compared to the 1Q05, due mainly to the increase of the mobile plant in the Region, which reached 22.9 million mobile accesses, surpassing by 9.5% the plant in the previous quarter.**

Mobile Telephony

| Operating Data | 2Q05 | 1Q05 | 2Q05/1Q05 (%) |
|------------------------|------------------|------------------|------------------|
| Customers | 1,345,155 | 1,003,658 | 34.0 |
| Postpaid | 356,574 | 322,486 | 10.6 |
| Prepaid | 988,581 | 681,172 | 45.1 |
| Gross Additions | 407,216 | 405,616 | 0.4 |
| Postpaid | 47,307 | 122,801 | (61.5) |
| Prepaid | 359,909 | 282,815 | 27.3 |

| | | | |
|---|---------------|---------------|------------------|
| Cancellations | 65,719 | 24,253 | 171.0 |
| Postpaid | 13,219 | 6,031 | 119.2 |
| Prepaid | 52,500 | 18,222 | 188.1 |
| Annual Churn | 22.4% | 11.9% | 10.5 p.p. |
| Postpaid | 15.6% | 11.9% | 6.4 p.p. |
| Prepaid | 25.5% | 11.9% | 11.9 p.p. |
| Market Share | 6% | 11.9% | 1.1 p.p. |
| Assisted Locations | 766 | 626 | 22.4 |
| Base Stations (ERBs) | 1,881 | 1,695 | 11.0 |
| Commutation and Control Centers (CCCs) | 6 | 6 | 0.0 |
| Collaborators | 937 | 918 | 2.1 |

Mobile Plant **Brasil Telecom GSM exceed all expectation by conquering, in less than nine months of operation, 1.35 million access in service. At the end of the 2Q05, Brasil Telecom GSM s client portfolio was 34.0% higher than the one in the 1Q05.**

Customer Base Mix **The mobile plant at the end of the 2Q05 was composed of 356.6 thousand postpaid plan subscribers, representing 26.5% of the customer base, above the market average. This share reflects the presence of the Brasil Telecom brand in the corporate segment and the perception on the account of customers of the convergence benefits.**

Coverage **During the 2T05, Brasil Telecom GSM increased its coverage area to 766 locations, making the service available in 140 new places. Currently, the coverage reaches 85.3% of the population of the Region.**

Our competitors are operating in the Region from 2 to 10 years, and it is important to point out that in some states our coverage is the same as our main competitor.

New Products and Services **During the 2T05, interoperability agreements were entered into with all the main mobile operators in Brazil for the exchange of SMS (short text messages), enabling the data revenue expansion.**

Market Share **At the end of the 2Q05, Brasil Telecom GSM reached a 6% market share in its operating area.**

DATA

Broad band

ADSL Accesses **The continues and aggressive growth in the data communication plant made the Company reach 747.4 thousand broad band accesses in service at the end of the 2Q05.**

I n t e r n e t Providers

BrTurbo **BrTurbo consolidated its position in the Region II, reaching 398.7 thousand customers at the end of the 2Q05, a 19.4% increase compared to the 1Q05.**

iG and iBest

iG and iBest have been reaching positive results in their commercial strategy of offering higher value-added products. At the end of the 2Q05, iG and iBest counted on 206.9 thousand paid product customers, a 4.7% increase compared to the 2Q05. Besides, **iG and iBest are jointly positioned as leaders in the dial-up market in the Regions I, II and III.**

At the end of the 2Q05, Brasil Telecom's internet providers counted on 537.4 thousand broad band customers.

FINANCIAL PERFORMANCE

Revenues

Local Service **The local service gross revenue, minus VC-1 revenue, reached R\$ 1,226.8 million in the 2Q05, 2.6% higher than the one recorded in the 2Q05, reflecting basically the traffic recovery.**

Activation fee gross revenue totaled R\$ 7.1 million in the 2Q05, 7.8% lower than the one recorded in the 1Q05, due to the reduction in the number of lines in service in the quarter. In the 2Q05, there were 373.4 thousand lines in service, against 378.5 thousand in the 1Q05.

Basic signature gross revenue added up to R\$ 866.3 million in the quarter, a 4.3% increase compared to the R\$ 830.8 million recorded in the 1Q05.

Gross revenue from service measured totaled R\$ 334.2 million in the 2Q05, a 1% reduction compared to previous quarter. In spite of the traffic recovery in the quarter, which increased by 7.3% compared to the 1Q05, the drop in revenue from service measured was influenced by the reclassification of R\$ 22 million to the basic subscription line.

Public Telephony **Public telephony revenue reached R\$ 124.1 million in the 2Q05, surpassing by 42.7% the revenue obtained in the 1Q05.** This variation is related to the interruption of Brasil Virtual Cel, service in which calls originated from public phones destined for cell phones were transported by the mobile network of Brasil Telecom GSM. Thus, in the 1Q05 the revenue of TUP calls to cell phones, at the amount of R\$ 42.6 million, was accounted as revenue of Brasil Telecom GSM and in the 2Q05 it was registered in public telephony.

Long Distance **Gross revenue from LD calls, minus inter-network revenue, amounted to R\$ 445.6 million in the 2Q05, representing a 3.6% increase compared to the previous quarter and a 6.5% growth compared to the 2Q04.**

Inter-network **Gross revenue from inter-network calls reached R\$ 866.7 million in the 2Q05, a 4.1% increase compared to the previous quarter, due to a 3.0% growth in the fixed-mobile traffic and to the 7.99% adjustment to the VC-1 fee, which was imposed as from June 12, 2005.**

Interconnection **Interconnection gross revenue in the 2Q05 was R\$ 175.3 million, a 6.5% increase compared to the previous quarter.**

Data Communication **In the 2Q05, gross revenue from data communication and other services added up to R\$ 451.6 million, a 7.4% increase compared to the previous quarter, pointing out the growth of network formation services (VPN, Vetor, Interlan) and the 19.5% expansion in ADSL accesses in service.**

One year ago, data communication gross revenue represented 9.6% of the total revenue, while **in the 2Q05 the segment started representing 12.4% of the total gross revenue.**

Mobile Telephony In the 2Q05, mobile telephony gross revenue totaled R\$ 150.7 million, of which R\$ 84.0 million referred to services and R\$ 66.7 million to handset and accessory sales. The customer base mix quality (26.5% postpaid) made the revenue coming from franchisees represent 52.7% of Brasil Telecom GSM's services revenue.

Fixed Telephony Average Revenue Per User - ARPU Fixed telephony ARPU (net revenue/LMES/month) recorded in the 2Q05 was R\$ 84.6, against R\$ 83.2 in the 1Q05.

Mobile Telephony ARPU Total mobile telephony ARPU recorded in the 2Q05 was R\$ 27.5. ARPU referring to postpaid accesses was R\$ 49.5 and ARPU related to prepaid accesses was R\$ 18.5.

**C o s t s a n d
Expenses**

**C o s t s a n d
Operating Expenses** Operating costs and expenses totaled R\$ 2,361.2 million in the 2Q05, against R\$ 2,294.8 million in the previous quarter.

Cash cost (operating costs and expenses excluding depreciation, amortization, provisions, losses and others) was R\$ 1,476.6 million in the 2Q05, against R\$ 1,362.1 million in the 1Q05, an increase of 8.4% regarding the previous quarter. The items that more influenced this performance were: subcontracted services (+9.4%) and materials (+51.6%).

**N u m b e r o f
Employees** At the end of the 2Q05, 5,724 Employees worked in Brasil Telecom's fixed telephony segment, against 5,690 in the previous quarter.

Brasil Telecom GSM ended the 2Q05 with 937 Employees, against 918 in the 1Q05.

Personnel Personnel costs and expenses reached R\$ 159.1 million, an increase of 3.9% compared to the previous quarter. Around R\$ 16.4 million are equivalent to profit sharing.

Subcontracted services Costs and expenses with subcontracted services, excluding interconnection and advertising & marketing, totaled R\$ 538.5 million in the 2Q05, surpassing by 9.4% costs and expenses in the previous quarter. This variation is explained by:

- Telecommunications assets maintenance
- Call center
- Intermediation

Interconnection Interconnection costs totaled R\$ 600.7 million in the 2Q05, a 4.3% growth compared to the previous quarter due to (i) the 4.5% VU-M adjustment as from June 12, 2005, which resulted in agreements entered into between STFC and SMP providers for local calls from fixed phone to mobile phone, (ii) the 3.0% increase in the inter-network traffic and (iii) the interruption of Brasil Virtual Cel.

| | |
|--|--|
| Advertising and Marketing | Advertising and marketing expenses totaled R\$ 59.2 million in the 2Q05 , a 4.6% reduction compared to the previous period. |
| Accounts Receivable Losses (PCCR)/Operating Gross Revenue (ROB) | The PCCR/ROB ratio in the 2Q05 was 2.3% , against 3.0% in the 1Q05. Accounts receivable losses totaled R\$ 83.2 million in the 2Q05, a 20.7% reduction compared to the previous quarter. |
| Accounts Receivable | Deducting provision for doubtful accounts in the amount of R\$ 266.8 million, Brasil Telecom's net accounts receivable totaled R\$ 2,250.2 million at the end of the 2Q05. |
| Provisions for Contingencies | In the 2Q05, provisions for contingencies totaled R\$ 44.8 million , a R\$ 5.1 million increase compared to the 2Q04. |
| Material | Material costs and expenses totaled R\$ 119.2 million in the 2Q05 , a 51.6% increase compared to the previous quarter. This performance is mainly due to higher costs with handsets and accessories in Brasil Telecom GSM, which amounted to R\$ 86.9 million in the 2Q05, against R\$ 58.7 million in the previous quarter, in view of celebration dates, when retailers try to maintain their inventories high. |
| <u>EBITDA</u> | |
| EBITDA of R\$ 827.6 million | Brasil Telecom's consolidated EBITDA was R\$ 827.6 million in the 2Q05 , a 0.4% increase compared to the previous quarter. |
| | Consolidated EBITDA Margin reached 32.8% in the 2Q05 , mainly affected by higher interconnection costs and subsidies granted by Brasil Telecom GSM on Mother's Day and Valentine's Day, dates in which competitors adopted an aggressive policy in the sale of handsets. |
| | Fixed telephony EBITDA Margin reached 40.2% in the 2Q05. |
| EBITDA/LMES/month | In the 2Q05, EBITDA/LMES/month reached R\$ 29.0 , stable compared to the 1Q05. |
| <u>Financial Result</u> | |
| Financial Result | In the 2Q05, Brasil Telecom Participações reported a negative consolidated net financial result of R\$ 358.4 million , which included R\$ 295.4 million of interest on shareholder's equity. Excluding interest on shareholder's equity, the financial result referring to the 2Q05 totaled expenses R\$ 63.0 million, 20.8% higher than the one recorded in the 1Q05. |
| <u>Non-operating Result</u> | |
| Amortization of | |

Reconstituted Goodwill In the 2Q05, Brasil Telecom amortized R\$ 31.0 million in reconstituted goodwill regarding the acquisition of CRT (with no impact on cash flow and dividends distribution), accounted for as non-operating expenses.

Indebtedness

Total Debt At the end of June 2005, Brasil Telecom's consolidated total debt was of R\$ 4,441.3 million, 2.7% lower than the amount reported at the end of March 2005.

Net Debt The net debt totaled R\$ 2,069.7 million, a 17.5% raise compared to March 2005, basically explained by the R\$ 430.7 million reduction in the Company's cash.

Long-term debt In June 2005, 79.5% of the total debt was allocated in the long term, against 72.1% in June 2004, reflecting the success of the Company's debt improvement strategy, which has the following amortization schedule:

Accumulated Cost of Debt Brasil Telecom's consolidated debt had an accumulated cost of 10.5% p.a. in 2005, or 57.6% of CDI.

Financial Leverage As of June 30, 2005, Brasil Telecom's financial leverage, represented by the ratio of its net debt to shareholders' equity, was equal to 36.1%, against 28.5% in March 2005.

Investments

| Investments in Permanent Assets | R\$ Million | | |
|--|--------------|--------------|----------------|
| | 2Q05 | 1Q05 | 2Q05/1Q05 (%) |
| Network Expansion | 195.3 | 65.0 | 200.5 |
| - Conventional Telephony | 81.0 | 16.5 | 390.6 |
| - Transmission Backbone | 15.8 | 3.9 | 307.5 |
| - Data Network | 88.9 | 42.0 | 111.3 |
| - Intelligent Network | 4.7 | 0.4 | 1,155.1 |
| - Network Management Systems | 1.6 | - | N.A. |
| - Other Investments in Network Expansion | 3.3 | 2.2 | 52.4 |
| Network Operation | 58.1 | 58.3 | (0.3) |
| Public Telephony | 0.7 | 1.2 | (43.7) |
| Information Technology | 37.9 | 19.7 | 92.7 |
| Expansion Personnel | 21.6 | 21.0 | 2.9 |
| Others | 37.3 | 26.6 | 40.4 |
| Subtotal | 350.9 | 191.8 | 83.0 |
| Expansion Financial Expenses | 1.7 | 4.6 | (63.1). |
| Total - fixed telephony | 352.6 | 196.4 | 79.6 |

R\$ Million

| | | | |
|---------------------------------|--------------|--------------|-------------|
| BrT Celular | 87.4 | 85.9 | 1.7 |
| Total - mobile telephony | 87.4 | 85.9 | 1.7 |
| Total Investment | 440.0 | 282.3 | 55.9 |

Investments in Permanent Assets **Brasil Telecom investments totaled R\$ 440.0 million in the 2Q05.** Investments in fixed telephony was R\$ 352.6 million, while R\$ 87.4 million were invested in mobile telephony.

09.01 - INVESTMENTS IN SUBSIDIARIES AND/OR ASSOCIATED COMPANIES

| 1 - ITEM | 2 - NAME OF SUBSIDIARY/ASSOCIATED COMPANIES | 3 - CNPJ - TAXPAYER REGISTER | 4 - CLASSIFICATION | 5 - OWNERSHIP% IN SUBSIDIARY S | 6 - SHAREHOLDING EQUITY % IN PARENT COMPANY |
|---------------------|---|--|--------------------|--|---|
| 7 - TYPE OF COMPANY | | 8 - NUMBER OF SHARES IN CURRENT QUARTER (THOUSAND) | | 9 - NUMBER OF SHARES IN PRIOR QUARTER (THOUSAND) | |

| | | | | | |
|---|---------------------|--------------------|----------------------------------|-------------|-------------|
| 01 | BRASIL TELECOM S.A. | 76.535.764/0001-43 | SUBSIDIARY PUBLICLY HELD COMPANY | 67.19 | 72.98 |
| COMMERCIAL, INDUSTRIAL COMPANY AND OTHERS | | | | 363,961,565 | 359,793,799 |

| | | | | | |
|---|----------------------------------|--------------------|--------------------------------------|--------|--------|
| 02 | NOVA TARRAFA PARTICIPAÇÕES LTDA. | 03.001.341/0001-70 | SUBSIDIARY NON-PUBLICLY HELD COMPANY | 99.99 | 0.62 |
| COMMERCIAL, INDUSTRIAL COMPANY AND OTHERS | | | | 32,625 | 32,625 |

| | | | | | |
|---|-------------------|-----|--------------------------------------|--------|------|
| 03 | NOVA TARRAFA INC. | ./- | SUBSIDIARY NON-PUBLICLY HELD COMPANY | 100.00 | 0.04 |
| COMMERCIAL, INDUSTRIAL COMPANY AND OTHERS | | | | 1 | 1 |

16.01 - OTHER INFORMATION WHICH THE COMPANY UNDERSTANDS RELEVANT

In compliance with the Corporate Governance Differentiated Practices Rules, the Company discloses the additional information below, related to its shareholders' compositions:

1. OUTSTANDING SHARES

As of 06/30/2005

In units of shares

| Shareholder | Common Shares | % | Preferred Shares | % | Total | % |
|---|------------------------|---------------|------------------------|---------------|------------------------|---------------|
| Direct and Indirect - Parent Management | 81,145,572,182 | 60.54 | 16,932,383,489 | 7.36 | 98,077,955,671 | 26.95 |
| Board of Directors | 35,265 | 0.00 | 52,577 | 0.00 | 87,842 | 0.00 |
| Directors | 5,513 | 0.00 | 2,030,663 | 0.00 | 2,036,176 | 0.00 |
| Fiscal Board | 13,694 | 0.00 | 13,696 | 0.00 | 27,390 | 0.00 |
| Treasury Stock | 1,480,800,000 | 1.11 | - | - | 1,480,800,000 | 0.41 |
| Other Shareholders | 51,405,261,549 | 38.35 | 213,003,045,259 | 92.64 | 264,408,306,808 | 72.64 |
| Total | 134,031,688,203 | 100.00 | 229,937,525,684 | 100.00 | 363,969,213,887 | 100.00 |
| Outstanding Shares in the Market | 51,405,316,021 | 38.35 | 213,005,142,195 | 92.64 | 264,410,458,216 | 72.65 |

As of 07/05/2004 ⁽¹⁾

In units of shares

| Shareholder | Common Shares | % | Preferred Shares | % | Total | % |
|---|------------------------|---------------|------------------------|---------------|------------------------|---------------|
| Direct and Indirect - Parent Management | 83,457,846,421 | 62.27 | 13,287,866,608 | 5.88 | 96,745,713,029 | 26.87 |
| Board of Directors | 35,265 | 0.00 | 52,566 | 0.00 | 87,831 | 0.00 |
| Directors | 5,513 | 0.00 | 2,030,663 | 0.00 | 2,036,176 | 0.00 |
| Fiscal Board | 8,926 | 0.00 | 8,930 | 0.00 | 17,856 | 0.00 |
| Treasury Stock | 1,480,800,000 | 1.10 | - | - | 1,480,800,000 | 0.41 |
| Other Shareholders | 49,092,992,078 | 36.63 | 212,717,794,213 | 94.12 | 261,810,786,291 | 72.72 |
| Total | 134,031,688,203 | 100.00 | 226,007,752,980 | 100.00 | 360,039,441,183 | 100.00 |
| Outstanding Shares in the Market | 49,093,041,782 | 36.63 | 212,719,886,372 | 94.12 | 261,812,928,154 | 72.72 |

(1) Information not reviewed by independent auditors.

2. SHAREHOLDERS HOLDING MORE THAN 5% OF THE VOTING CAPITAL (AS OF 06/30/2005)

The shareholders, who directly or indirectly, hold more than 5% of the voting capital of the Company, are as follows:

In thousands of shares

| Name | General Taxpayers Register | Citizenship | Common Shares | % | Preferred Shares | % | Total shares | % |
|----------------------------|----------------------------|-------------|---------------|-------|------------------|------|--------------|-------|
| Solpart Participações S.A. | 02.607.736-0001/58 | Brazilian | 68,356,161 | 51.00 | 0 | 0.00 | 68,356,161 | 18.78 |
| Previ | 33.754.482-0001/24 | Brazilian | 6,895,682 | 5.14 | 7,840,963 | 3.41 | 14,736,645 | 4.05 |
| Treasury Stock | - | - | 1,480,800 | 1.10 | - | - | 1,480,800 | 0.41 |

| | | | | | | | | |
|-------|---|---|-------------|--------|-------------|--------|-------------|--------|
| Other | - | - | 57,299,045 | 42.76 | 222,096,563 | 96.59 | 279,395,608 | 76.76 |
| Total | - | - | 134,031,688 | 100.00 | 229,937,526 | 100.00 | 363,969,214 | 100.00 |

Distribution of the Capital from Parent to Individual Level**Solpart Participações S.A.****In units of share**

| Name | General Taxpayers Register | Citizenship | Common Shares | % | Preferred Shares | % | Total shares | % |
|-----------------------------------|----------------------------|-------------|---------------|--------|------------------|---|---------------|--------|
| Timepart Participações Ltda. | 02.338.536-0001/47 | Brazilian | 509,991 | 0.02 | - | - | 509,991 | 0.02 |
| Techold Participações S.A. | 02.605.028-0001/88 | Brazilian | 1,318,229,988 | 61.98 | - | - | 1,318,229,988 | 61.98 |
| Telecom Italia International N.V. | - | Italian | 808,259,998 | 38.00 | - | - | 808,259,998 | 38.00 |
| Other | - | - | 23 | 0.00 | - | - | 23 | 0.00 |
| Total | - | - | 2,127,000,000 | 100.00 | - | - | 2,127,000,000 | 100.00 |

Timepart Participações Ltda.**In units of quotas**

| Name | General Taxpayers Register | Citizenship | Quotas | % |
|----------------------------|----------------------------|-------------|---------|--------|
| Privtel Investimentos S.A. | 02.620.949-0001/10 | Brazilian | 208,830 | 33.10 |
| Teleunion S.A. | 02.605.026-0001/99 | Brazilian | 213,340 | 33.80 |
| Telecom Holding S.A. | 02.621.133-0001/00 | Brazilian | 208,830 | 33.10 |
| Total | - | - | 631,000 | 100.00 |

Privtel Investimentos S.A.**In units of shares**

| Name | General Taxpayers Register | Citizenship | Common Shares | % | Preferred Shares | % | Total shares | % |
|-----------------------|----------------------------|-------------|---------------|--------|------------------|---|--------------|--------|
| Eduardo Cintra Santos | 064.858.395-34 | Brazilian | 19,998 | 99.99 | - | - | 19,998 | 99.99 |
| Other | - | - | 2 | 0.01 | - | - | 2 | 0.01 |
| Total | - | - | 20,000 | 100.00 | - | - | 20,000 | 100.00 |

Teleunion S.A.**In units of shares**

| Name | General Taxpayers Register | Citizenship | Common Shares | % | Preferred Shares | % | Total shares | % |
|--|----------------------------|-------------|---------------|--------|------------------|---|--------------|--------|
| Luiz Raymundo Tourinho Dantas (estate) | 000.479.025-15 | Brazilian | 19,998 | 99.99 | - | - | 19,998 | 99.99 |
| Other | - | - | 2 | 0.01 | - | - | 2 | 0.01 |
| Total | - | - | 20,000 | 100.00 | - | - | 20,000 | 100.00 |

Telecom Holding S.A.**In units of shares**

| Name | General Taxpayers Register | Citizenship | Common Shares | % | Preferred Shares | % | Total shares | % |
|---------------------------------|----------------------------|-------------|---------------|--------|------------------|---|--------------|--------|
| Woog Family Limited Partnership | - | American | 19,997 | 99.98 | - | - | 19,997 | 99.98 |
| Other | - | - | 3 | 0.02 | - | - | 3 | 0.02 |
| Total | - | - | 20,000 | 100.00 | - | - | 20,000 | 100.00 |

Techold Participações S.A.**In units of shares**

| Name | General Taxpayers Register | Citizenship | Common Shares | % | Preferred Shares | % | Total shares | % |
|--------------|----------------------------|-------------|---------------|--------|------------------|--------|---------------|--------|
| Invitel S.A. | 02.465.782-0001/60 | Brazilian | 1,050,065,875 | 100.00 | 341,898,149 | 100.00 | 1,391,964,024 | 100.00 |
| Other | - | - | 3 | 0.00 | - | - | 3 | 0.00 |
| Total | - | - | 1,050,065,878 | 100.00 | 341,898,149 | 100.00 | 1,391,964,027 | 100.00 |

Invitel S.A.**In units of shares**

| Name | General Taxpayers Register | Citizenship | Common Shares | % | Preferred Shares | % | Total shares | % |
|---|----------------------------|----------------|---------------|-------|------------------|---|--------------|-------|
| Fundação 14 de Previdência Privada | 00.493.916-0001/20 | Brazilian | 92,713,711 | 6.66 | - | - | 92,713,711 | 6.66 |
| Telos - Fund. Embratel de Segurid. | 42.465.310-0001/21 | Brazilian | 33,106,348 | 2.38 | - | - | 33,106,348 | 2.38 |
| Funcef - Fund. dos Economiários | 00.436.923-0001/90 | Brazilian | 531,262 | 0.04 | - | - | 531,262 | 0.04 |
| Petros - Fund. Petrobrás Segurid. | 34.053.942-0001/50 | Brazilian | 52,408,792 | 3.77 | - | - | 52,408,792 | 3.77 |
| Previ - Caixa Prev. Func. B. Brasil | 33.754.482-0001/24 | Brazilian | 268,029,485 | 19.27 | - | - | 268,029,485 | 19.27 |
| Opportunity Zain S.A. | 02.363.918-0001/20 | Brazilian | 943,531,894 | 67.82 | - | - | 943,531,894 | 67.82 |
| Citigroup Venture Capital International | | Cayman | | | | | | |
| Brazil LP | - | Islands | 284,043 | 0.02 | - | - | 284,043 | 0.02 |
| Investidores Institucionais FIA | 01.909.558-0001/57 | Brazilian | 393,670 | 0.02 | - | - | 393,670 | 0.02 |
| Opportunity Fund | - | Virgin Islands | 69,587 | 0.01 | - | - | 69,587 | 0.01 |
| Opportunity Investimentos Ltda. | 03.605.085-0001/20 | Brazilian | 14 | 0.00 | - | - | 14 | 0.00 |
| Priv FIA | 02.559.662-0001/21 | Brazilian | 35,417 | 0.005 | - | - | 35,417 | 0.005 |
| Tele FIA | 02.597.072-0001/93 | Brazilian | 35,417 | 0.005 | - | - | 35,417 | 0.005 |
| Verônica Valente Dantas | 262.853.205-00 | Brazilian | 1 | 0.00 | - | - | 1 | 0.00 |
| Maria Amália Delfim de Melo Coutrim | 654.298.507-72 | Brazilian | 1 | 0.00 | - | - | 1 | 0.00 |

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| | | | | | | | | |
|---------------------------|----------------|-----------|---------------|--------|---|---|---------------|--------|
| Lenin Florentino de Faria | 203.561.374-49 | Brazilian | 3 | 0.00 | - | - | 3 | 0.00 |
| Fabio de Oliveira Moser | 777.109.677-87 | Brazilian | 1 | 0.00 | - | - | 1 | 0.00 |
| Total | - | - | 1,391,139,646 | 100.00 | - | - | 1,391,139,646 | 100.00 |

Opportunity Zain S.A.

In units of shares

| Name | General Taxpayers Register | Citizenship | Common Shares | % | Preferred Shares | % | Total shares | % |
|--|----------------------------|----------------|---------------|--------|------------------|---|---------------|--------|
| Investidores Institucionais FIA | 01.909.558-0001/57 | Brazilian | 506,011,807 | 45.45 | - | - | 506,011,807 | 45.45 |
| Citigroup Venture Capital International Brazil LP | - | Cayman Islands | 468,734,558 | 42.10 | - | - | 468,734,558 | 42.10 |
| Opportunity Fund | - | Virgin Islands | 108,497,504 | 9.75 | - | - | 108,497,504 | 9.75 |
| Priv FIA | 02.559.662-0001/21 | Brazilian | 26,562,425 | 2.39 | - | - | 26,562,425 | 2.39 |
| Opportunity Lógica Rio Consultoria e Participações Ltda | 01.909.405-0001/00 | Brazilian | 3,475,631 | 0.31 | - | - | 3,475,631 | 0.31 |
| Tele FIA | 02.597.072-0001/93 | Brazilian | 9,065 | 0.00 | - | - | 9,065 | 0.00 |
| Opportunity Equity Partners Administradora de Recursos Ltda. | 01.909.405-0001/00 | Brazilian | 2 | 0.00 | - | - | 2 | 0.00 |
| Opportunity Investimentos Ltda. | 03.605.085-0001/20 | Brazilian | 15 | 0.00 | - | - | 15 | 0.00 |
| Verônica Valente Dantas | 262.853.205-00 | Brazilian | 603 | 0.00 | - | - | 603 | 0.00 |
| Maria Amália Delfim de Melo Coutrim | 654.298.507-72 | Brazilian | 90 | 0.00 | - | - | 90 | 0.00 |
| Danielle Silbergleid Ninio | 016.744.087-06 | Brazilian | 2 | 0.00 | - | - | 2 | 0.00 |
| Daniel Valente Dantas | 063.917.105-20 | Brazilian | 2 | 0.00 | - | - | 2 | 0.00 |
| Eduardo Penido Monteiro | 094.323.965-68 | Brazilian | 431 | 0.00 | - | - | 431 | 0.00 |
| Ricardo Wiering de Barros | 806.663.027-15 | Brazilian | 2 | 0.00 | - | - | 2 | 0.00 |
| Pedro Paulo Elejalde de Campos | 264.776.450-68 | Brazilian | 2 | 0.00 | - | - | 2 | 0.00 |
| Renato Carvalho do Nascimento | 633.578.366-53 | Brazilian | 2 | 0.00 | - | - | 2 | 0.00 |
| Sergio Spinelli | 111.888.088-93 | Brazilian | 1 | 0.00 | - | - | 1 | 0.00 |
| Kevin Michael Altit | 842.326.847-00 | Brazilian | 1 | 0.00 | - | - | 1 | 0.00 |
| Total | - | - | 1,113,292,143 | 100.00 | - | - | 1,113,292,143 | 100.00 |

17.01 REPORT OF INDEPENDENT ACCOUNTANTS ON SPECIAL REVIEW

(A translation of the original report in Portuguese as filed with the Brazilian Securities Commission - CVM containing quarterly financial information prepared in accordance with accounting practices adopted in Brazil and the regulations issued by the CVM)

The Shareholders and Board of Directors
Brasil Telecom Participações S.A.
Brasília - DF

We have reviewed the quarterly financial information of Brasil Telecom Participações S.A. for the quarter ended on June 30, 2005, comprising the balance sheet and the consolidated balance sheet of the Company and its subsidiaries, the statement of income and the consolidated statement of income, the management report and other relevant information, prepared in accordance with accounting practices adopted in Brazil.

Our review was performed in accordance with auditing standards established by the Brazilian Institute of Independent Auditors - IBRACON and the Federal Council of Accountancy, which comprised mainly: (a) inquiries and discussion with management responsible for the accounting, financial and operational areas of the Company and its subsidiaries regarding the criteria adopted in the preparation of the quarterly information; and (b) review of post-balance sheet information and events, which may have a material effect on the financial and operational position of the Company and its subsidiaries.

Based on our special review, we are not aware of any material changes that should be made to the aforementioned quarterly information for it to be in accordance with accounting practices adopted in Brazil and the regulations issued by the CVM, specifically applicable to mandatory quarterly financial information.

Our special review was performed for the purpose of issuing a special review report on the mandatory quarterly financial information. The statement of cash flow represents supplementary information to those statements and is presented to provide additional analysis. This supplementary information was submitted to the same review procedures applied to the quarterly financial information, and, based on our special review, is adequately presented in all material respects, in relation to the quarterly financial information taken as a whole.

As disclosed in the Note 5(h), on April 28, 2005, an agreement foreseeing the merger of the indirect subsidiary 14 Brasil Telecom Celular S.A. into Tim Brasil Serviços e Participações S.A was entered into. This agreement has been the purpose of various judicial injunctions and, at this moment, it is not possible to forecast possible effects in the financial statements of the Company and its subsidiaries, resulting from the completion of this agreement.

July 29, 2005

KPMG Auditores Independentes
CRC-SP-14.428/O -6-F-DF

Manuel Fernandes Rodrigues de Sousa
Accountant CRC-RJ-052.428/O - S -DF

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: December 07, 2005

BRASIL TELECOM PARTICIPAÇÕES S.A.

By: /s/ Charles Laganá Putz

Name: Charles Laganá Putz
Title: Chief Financial
Officer
