

BRASIL TELECOM SA
Form SC TO-C
April 28, 2008

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE TO

(Rule 14d-100)

TENDER OFFER STATEMENT UNDER SECTION 14(d)(1) OR 13(e)(1)

OF THE SECURITIES EXCHANGE ACT OF 1934

BRASIL TELECOM S.A

(Name of subject company (Issuer))

TELEMAR NORTE LESTE S.A

(Names of Filing Persons (Offerors))

Preferred Shares, no par value, and American

10553M101

Depository Shares

(CUSIP number of preferred shares)

(Title of classes of securities)

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(Name, address, and telephone number of person authorized to receive notices and communications on behalf of Filing Persons)

CALCULATION OF FILING FEE

Transaction Valuation*

Amount of Filing Fee*

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Not applicable*

Not applicable*

* A filing fee is not required in connection with this filing as it relates solely to preliminary communications made before the commencement of a tender offer.

.. Check the box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

Amount Previously Paid: N/A Filing Party: N/A
Form of Registration No.: N/A Date Filed: N/A

x Check the box if the filing relates solely to preliminary communications made before the commencement of the tender offer. Check the appropriate boxes below to designate any transactions to which the statement relates:

x third party tender offer subject to Rule 14d-1

.. issuer tender offer subject to Rule 13e-4

.. going private transaction subject to Rule 13e-3

.. amendment to Schedule 13D under Rule 13d-2

Check the following box if the filing is a final amendment reporting the results of the tender offer: ..

Acquisition of Brasil
Telecom by Telemar Norte
Leste
(TMAR)
April 28, 2008

1

Additional Information and Where to Find It

This presentation is for informational purposes only and is not an offer to purchase or a solicitation of an offer to sell any share

Telecom

Participações

S.A.

(BRTP)

or

Brasil
Telecom
S.A.
(BRTO).

The
proposed
tender
offers
for
the
outstanding
common
shares
and
a
portion
of
the
preferred
shares
of
B RTP
and
B RTO
described
in
this
presentation
have
not
commenced.

Any offer to purchase or the solicitation of an offer to sell (1) any preferred shares of B RTP, including the preferred shares und

B RTP s
American
Depositary
Receipts,
(2)
any
preferred
shares
of
B RTO,
including
the
preferred
shares
underlying
B RTO s
American
Depositary

Receipts,
or
(3)
common
shares
of
BRTP
or
BRTO
will
be
made
only
pursuant
to
offers
to
purchase
and
related
materials
that
Telemar
Norte
Leste
S.A.
(TMAR)
intends
to
file
with
the
U.S.
Securities
and
Exchange
Commission
(the
Commission)
upon
commencement
of
these
offers.
TMAR urges shareholders who are eligible to participate in any of these tender offers to carefully read the offers to purchase and related materials relating to the offer or offers in which they are eligible to participate when they become available
and
prior
to

TMAR.

This presentation is also being made in respect of (1) the proposed merger (incorporação) of BRTP with and into BRTO, and (2) the proposed merger (incorporação) of BRTO with and into TMAR. In connection with the proposed merger of BRTP with and into TMAR, TMAR plans to cause BRTO to file with the Commission (1) a registration statement on Form F-4, containing a prospectus which will be mailed to the shareholders of BRTP, and (2) other documents regarding this proposed merger. In connection with the proposed merger of BRTO with and into TMAR, TMAR plans to file with the Commission (1) a registration statement on Form F-4, containing a prospectus which will be mailed to the shareholders of BRTO, and (2) other documents regarding the proposed merger. TMAR urges investors and security holders to carefully read the relevant prospectus and other relevant materials when they become available as they will be important information about the proposed mergers.

Investors and security holders will be able to obtain the documents filed with the Commission regarding the proposed mergers, when available, free of charge on the Commission's website at www.sec.gov or from TMAR.

Agenda

2

Restructuring of Telemar Participações

3

Rationale of the Acquisition

5

Proposed Transaction

3

Ownership Restructuring -
Telemar Participações

*

Oi employees

pension fund. ** Pension funds: Previ, Petros, Funcef, FASS and Telos

Current

Ownership

Total

FASS

Fundação Atlântico*

3

Subtotal

BNDESPAR

4
 FIAGO**
 5
 ALUTRENS
 6
 ASSECA
 7
 LEXPART
 8
 2
 1
 LF TELECOM
 AG TELECOM
 % ONs
 100.00
 4.00
 24.55
 25.00
 19.90
 10.00
 10.275
 10.275
 10.275
 10.275
 AG TELECOM
 1
 LF TELECOM
 2
 FASS
 Fundação Atlântico*
 3
 Subtotal
 BNDESPAR
 4
 Post Restructuring
 Ownership
 Total
 PREVI
 5
 PETROS
 6
 FUNCEF
 7
 19.34
 19.34
 11.50
 50.18
 % ONs
 100.00
 16.86

12.96
10.00
10.00

4	
Agenda	
4	
Restructuring of Telemar Participações	
Rationale of the Acquisition	
Proposed Transaction	
3	
5	
17	

5

110

Source:

Companies

press releases; Company analysis.

Objective: To create a multinational telecom company, with Latin America coverage and over 110 million clients

Oi (TMAR)

BrasilTelecom(BrT)

Oi + Brasil Telecom

+

=

Brazil

Abroad

Total

Current

Million, Dec/07

Fixed-Line

Services

Mobile

Services

Broadband

Pay-TV

3.1

0.0

6

1.5

1.6

31.8

13.9

45.7

All segments

In 5 years

Million

38

22

30

8

12

Oi

BrT

Oi+BrT

Number of Clients

14.2

16.0

8.0

4.3

22.2

20.3

6

*

% not significant (<1%).

The acquisition will have no significant effect on fixed-line market concentration

Local Fixed

ILD

Mobile

NLD

inter-

regional

Corporate data

NLD
intra-
regional

88%
*%

Brazil

88%
*%

86%

86%

57%

1%

58%

*%

64%

64%

79%

*%

79%

*%

86%

86%

39%

1%

40%

*%

37%

37%

29%

0%

29%

0%

13%

13%

37%

2%

39%

4%

43%

47%

Creation of new national players

Region I

Brazil

Region II

National presence (Oi and BrT)

7
14.8
8.6
17.6
12.5
11.2
9.2
0.5
2.8

12.8
1.4
Em-
bratel
Net
Telesp
Vivo
20.5
29.3
Oi
BrT
Claro
Current
Announced
Acquisitions
41.5
TIM
154.3
50.0
17.6
11.2
31.3
0.5
84.4
1.4
Brazilian
Group
Spanish
Group
Mexican
Group
America
Movill
Telmex
Telefo-
nica
81.3
29.3
Oi
BrT
240.1
TI
Global
Brazil
Source:
Companies
financial statements.
With
the
acquisition

of
BrT,
Ois
size
would
be
comparable
to
that
of
its
competitors
in
Brazil
Net Revenues in 2007
R\$ billion
Net revenues in 2007
R\$ billion
Current
Announced
Acquisitions
Brazilian
Group
Spanish
Group
Mexican
Group
Telemig
Amaz.
Telemig
Amazônia

8
Backbone
Oi
+ BRT
In
the
market
for
domestic

corporate
networks,
there
will
finally
be
a
player
with
domestic
backbone
comparable
to
that
of
Embratel
Embratel

23 state capitals

Covers all 30 most populated cities
Oi

18 state capitals

26 of 30 most populated cities
Brasil Telecom

12 state capitals

17 of 30 most populated cities

23 state capitals

29 of the 30 most
populated cities

TOTAL
Oi +BRT
Backbone
Embratel
Hispamar
Satellite
+
Venezuela
USA
French
Guiana
Uruguai
Argentina
USA

Africa &
Portugal
+ 4 satellites

9

In terms of mobile network, the acquisition of BrT places Oi

as

the

4

largest

player

with

national

coverage,
with
current
market share of 17.9% in Brazil and significant growth opportunities

Market

Share

25.8%

25.0%

56.7%

Vivo

+

TIM

+

27.7%

3.2%

30.9%

=

+

13.2%

3.5%

1.2%

17.9%

=

+

Position

as of

december

31, 2007

th

10
Telecom
is
a
scale
business
due
to
rapid

technological
changes
and
its
capital-intensive
nature,
and
consolidations
are
a
natural
trend

Source:

FCC, US Department of Justice, companies, Company analysis

1998

1999

2000

2005

2006

1997

Focus

Local

Local

Local

Local

Local

LD, data

Local

LD, data

Mergers and Acquisitions

Local

Local

Local

LD, data

LD

11

(1) Countries where the four companies work as incumbents; (2) Finland does not have only one incumbent, but the company Sonera

holds the largest market share in the country.

Source: Ovum, Morgan Stanley, companies, Company analysis

The need for scale has also driven an intense consolidation movement in the European Market

Germany

Croatia

Hungary

Macedonia

Montenegro

Slovakia

Deutsche

Telekom

Spain

Czech Republic

Italy

Telefónica

France

Poland

France

Telecom

Presence

of

the

European

major

incumbents

Sweden

Finland

Estonia

Lithuania

TeliaSonera

Deutsche

Telekom

Telefónica

France

Telecom

TeliaSonera

2

1

12
In
the
technological
environment,
content
becomes
independent
of
the
distribution
network
via
convergence,
thus
enabling
the
offering
of
integrated packages of services and benefiting the consumer

Original
Scenario
Convergent
Scenario
Fixed/Mobile
telecom
Broadband
Cable TV
Convergent
Network
Service
package

Access limited
to the
subscribers of
a specific
service

Access to all
services on
any device
Voice (Fixed
and Mobile)
Video
Data
Consumer
Service/
product
Device
Distribution
Content
Voice (Fixed
and Mobile)
Video
Data
Fixed and
Mobile
ADSL
Cable, DTH
and MMDS

Many
providers for
each user

One-stop-
shop

13
45
122
59
38
40
78
226

The strategy of Oi's main direct competitors in Brazil also contemplates growth via consolidation
Spanish Group

Accesses
million
2001
2007
Countries where the
Spanish Group was
present as of 2001

New markets

Spanish Group

Market Value

EUR billion

2001

2007

Spain

57

154

Mexican Group

Accesses

million

68

110

31

9

40

178

2001

2007

Mexico

New markets

Mexican Group

Market Value

MEX billion

2001

2007

143

28

Source: Company site and

Company

analysis

14
13.9
9.0
22.9
The
merger
between
Oi
and
BrT
creates
a
company
that
will
be

the
30
th
largest telecom operator worldwide
1 Market
Values
of
the
operating
companies
(TMAR
and
BRTO)
as
of
03/31/08;
considering USD PTAX of the same day (R\$1.7491)
2 Market Values as of 03/31/08
3 Market Value obtained by the simple sum of Oi+BrT
values
Source: Morgan Stanley, companies
website and Company analysis
Oi and BrT -
Market Value and Global
Telecom Ranking
US\$ billion
Largest telecom operators by Market
Value
Position in Global Ranking
Oi
BrT
39
th
48
th
30
th
Before
After
12.6
PLDT
43
9.0
BrT
48
9.1
Advanced
Info
Service
47

14.4
TELUS Corp
38
9.9
Telekom
Austria
46
11.5
Telekom
Malaysia
45
12.4
Telesp
44
13.6
Portugal Telecom
41
13.9
KT Corp
40
14.6
OTE Hellenic
37
18.2
Turkcell
34
18.8
Swisscom
32
19.9
PT Telekomunikasi
30
24.1
Bouygues
29
26.7
Rogers
Com
27
28.2
China Unicom
26
13.9
Oi
39
13.6
TPSA
42
29.0
BCE Inc.

25
24.1
Chunghwa
28
19.3
China Netcom
31
18.4
Sprint
Nextel
33
16.1
Belgacom
35
15.9
SK Telecom
36

Company
(US\$ bi)
101.2
Verizon
6
30.5
KDDI
24
32.8
KPN
21
32.9
MTN Group
20
34.1
Telenor
19
37.4
Telmex
17
38.2
Bharti
15
45.8
Singapore
Telecom
13
51.7
Telstra
Corporation
12
67.7

NTT DoCoMo
9
34.6
TeliaSonera
18
31.6
Vimpelcom
22
31.0
Mobile TeleSystems
23
159.4
Vodafone
3
139.4
Telefonica
4
110.7
America Movil
5
97.2
France
Telecom
7
77.1
Deutsche
Telekom
7
62.6
NTT
10
53.6
China Telecom
11
41.9
Telecom Italia
14
37.4
BT Group
plc
16
2
1

AT&T
China Mobile
Company
226.0
330.3
(US\$ bi)

Oi + BrT

3

1

2

15

In summary, the combination of Oi and BrT is positive to all stakeholders (society, government, shareholders and resulting company)

Irrelevant impact
on market concentration;

Creation
of
another
competitor

with
national
coverage;

Significant
efficiencies
in
the
value
chain;
and

The arguments that supported the imposition of legal
impediments to the combination are no longer valid

16	
Agenda	
16	
Restructuring of Telemar Participações	
3	
Rationale of the Acquisition	
5	
Proposed Transaction	
17	

Simplified Structure of the Acquisition of Brasil
Telecom

TMAR contracts a Commission Agent to purchase Invitel
Step 1

TMAR acquires Invitel
Step 5

Merger
(Incorporação)
of
Invitel
into
Brasil
Telecom
Participações
Step 7

Merger
(Incorporação)
of
Brasil
Telecom
Participações
into
Brasil
Telecom
Step 8
Regulatory approval
(ANATEL and CADE)

Brasil
Telecom
share
exchange
(Incorporação
de
Ações)
into
TMAR
Step 9

TMAR
makes
a
voluntary
tender
offer
for

1/3
of
the
free-float
of
preferred
shares
of
Brasil
Telecom
Participações
and
Brasil
Telecom: BRTP4 (R\$30.47) and BRTO4 (R\$23.42)
Step 3

Commission
Agent
transfers
the
right
to
purchase
Invitel
share
to
TMAR
Step 4

TMAR releases Material Fact with details of the operation
Step 2

TMAR
makes
the
tag-along
tender
offer
for
common
shares
held
by
Brasil
Telecom
Participações
and
Brasil
Telecom
minority

shareholders: BRTP3 (R\$57.85) and BRTO3 (R\$54.31)

Step 6

18

Additional information about mergers, voluntary tender offers and tag-along tender offers

NOTE: BRTP3/4: Brasil Telecom Participações ON/PN; BRTO3/4: Brasil Telecom S.A. ON/PN; TMAR3/5: Telemar Norte L prices (VWAP) for

each
of
the
class
of
shares
on
the
Bovespa,
for
90
days
ending
April
23,
2008.
TMAR3
and
TMAR5
adjusted
by
extraordinary
dividends
of
R\$15.5494
and
R\$17.1045 respectively
Source: Economática
Average Prices
Exchange Ratios
Step 8
Step 9
Tender Offer Prices
Tag-along tender offer
BRTP3:
R\$ 57.85
BRTO3:
R\$ 54.31
BRTP3
1.2200534
BRTO3
0.4137146
TMAR3
BRTP4
0.1729971
BRTO3
0.4137146
TMAR3
0.9106649
BRTO4

0.2530852

TMAR5

Direct

Relations BRP

vs

Oi

(TMAR)

B RTP

BRTO

Oi

(TMAR)

Ratios

Ratios

Voluntary tender offer:

BRTP4:

R\$ 30.47

BRTO4:

R\$ 23.42

BRTP3:

R\$ 48.6234

BRTP4:

R\$ 22.9818

BRTO3:

R\$ 39.8535

BRTO4:

R\$ 17.6654

TMAR3:

R\$ 96.3309

TMAR5:

R\$ 69.8002

0.5047539

0.0715714

0.2304758

1

19

Value of the Controlling Price: Market based

The value of BrT control acquisition should be analyzed through the comparison of the price paid per share with the controlling price implicit in the market

Price paid for the controlling BRTP3 share (ON)

Hypothesis (a): BRTP3 Prices on April 23, 2008

Implicit premium for the controlling shares:

+25% (art. 254-A of Law 6,404

of December 15, 1976)

80% Tag-along

Implicit price for the controlling BRTP3 shares (R\$50.50/0.80)

Premium of the acquisition price as compared to the implicit controlling
BRTP3 shares in the market

Hypothesis (b): 90-day average of BRTP3 prices, ended April 23, 2008

Implicit premium for the controlling BRTP3 shares: +25% (art. 254-A of
Law 6,404 of December 15, 1976)

80% Tag-along

Implicit price for the controlling BRTP3 shares (R\$48.62/0.80)

Premium of the acquisition price as compared to the implicit controlling
BRTP3 shares in the market

R\$72.31

R\$50.50

R\$63.13

+14.5%

R\$48.62

R\$60.78

+19.0%

20
Evolution of Corporate Structure
Current Situation
Transition Situation
(ANATEL approval)
Situation after
Acquisitions and Mergers
Telemar Norte
Leste
S.A. (TMAR)

Techold
B RTP
BRTO
BrT GSM
Telemar Norte
Leste
S.A. (TMAR)
BRTO
100%
100%
TmarPart
Telemar Norte
Leste
S.A. (TMAR)
TNLP (TNE)
TNLP (TNE)
TmarPart
TmarPart
TNLP (TNE)
BrT GSM

21
Q & A

22

This presentation contains forward-looking statements. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements and involve inherent risks and uncertainties.

These statements are based on current plans, estimates and projections, and therefore

you should not place undue reliance on them. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events

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-

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RJ

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