

BRASIL TELECOM SA
Form 6-K
May 09, 2006

**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 MAY 9, 2006

(Commission File No. 1-15256)

BRASIL TELECOM S.A.

(Exact name of Registrant as specified in its Charter)

BRAZIL TELECOM 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):

BRASIL TELECOM REACHES 33.5% EBITDA MARGIN IN 1Q06

Brasília, May 08, 2006 - Brasil Telecom S.A. (BOVESPA: BRTO3/BRTO4; NYSE: BTM) announces its consolidated results for the first quarter of 2006 (1Q06). The Company's unaudited financial statements are presented in million of Reais, except when stated otherwise, and are in conformity with generally accepted accounting principles in Brazil.

HIGHLIGHTS

- 2,460.0 thousand **mobile accesses** in 1Q06, 11.2% and 145.1% higher than 4Q05 and 1Q05, respectively.
- The mix for **post-paid mobile accesses** reached **33.3%**, compared to 31.3% in 4Q05.
- 1,084.1 thousand **broadband accesses** in service in 1Q06, 6.9% and 73.4% superior than 4Q05 and 1Q05, respectively.
- **Data communications and other services revenue** totaled R\$538.4 million in 1Q06, 28.0% higher than 1Q05.
- Brasil Telecom's **CAPEX** in 1Q06 reached R\$214.6 million, against R\$782.8 million and R\$282.2 million in 4Q05 and 1Q05, respectively.
- **Gross revenue** amounted to R\$3,654.9 million in 1Q06, a 5.4% growth when compared to the same period in the previous year.
- **Operating costs and expenses** in 1Q06 totaled R\$2,316.3 million, a 3.1% reduction in comparison to 4Q05 (not considering extraordinary adjustments of the respective quarter).
- **Total debt** in 1Q06 amounted to R\$4,649.5 million, 5.3% inferior than in 4Q05.

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Brasil Telecom S.A. is a telecommunications company which provides fixed line telephony services in local, domestic long distance, international long distance, mobile telephony, public telephony, data communication, network and value added services in the states of Rondônia, Acre, Mato Grosso, Mato Grosso do Sul, Tocantins, Goiás, Santa Catarina, Paraná and Rio Grande do Sul, as well as in the Federal District. Its coverage area corresponds to 24% of the population (approximately 44 million inhabitants), 27% of the GDP (approximately R\$420 billion in 2003) and 33% of the Brazilian territory (about 2.8 million km²).

OPERATING PERFORMANCE

WIRELINE TELEPHONY

NETWORK

The utilization rate was stable throughout 1Q06, reaching 88.2% . Brasil Telecom has a technical reserve of approximately 1.3 million lines installed to serve immediately an increase in demand with no additional investments needed. **By the end of 1Q06, Brasil Telecom's plant had 10.8 million lines installed and 9.5 million lines in service** (Annex XV).

The hybrid terminal LigMix - reached an 8.7% stake regarding lines in service by the end of March, against 8.2% in December. The hybrid terminal is only offered in switching stations where there is idle capacity when the client's bad debt is confirmed, or through marketing campaigns directed to low income households.

TRAFFIC

In 1Q06, Brasil Telecom reached 2.3 billion billed pulses, a 4.2% reduction in comparison to 4Q05 (Annex XIV). Such reduction can be explained by seasonal effects once vacation and several holidays happen during first quarter and the weighted average of business days is inferior to the other quarters of the year. The growth of broadband accesses sold in the period and the migration from wireline traffic to mobile also contributed for such performance.

Brasil Telecom made in 1Q06 adjustments in exceeding pulses, which reflected in the booking of hired pulses from the plan Franquia Adicional, causing an increase in traffic since 1Q05. Such adjustment included the reclassification of the revenue incurring from the commercialization of the plan Franquia Adicional from subscription line to measured service.

Long distance traffic decreased 0.8% in comparison to 4Q05, thus Brasil Telecom **registered 1.4 billion minutes in 1Q06** (Annex XIV). Among the factors that explain such reduction are seasonal effects and greater competition.

At the end of March, Brasil Telecom reached a 61.3% market share in the interregional segment and a 34.9% market share in the international segment (quarterly average).

By the end of 1Q06, Brasil Telecom's quarterly average long distance market share reached 84.9% in the intra-regional segment, 2.0 p.p. superior than the 82.9% market share registered in 1Q05. In the interregional and international segments, Brasil Telecom achieved market share of 10.3 p.p. and 5.8 p.p., respectively, in 12 months.

PS: The market shares hereby presented refer to Brasil Telecom's concession area (Region II of the PGO - General Concession Plan), except when mentioned otherwise.

TARIFFS

On March 28, 2006, Anatel validated the maximum tariffs for the Basic Plans of the Public Switched Telephony Network (PSTN), Domestic Long Distance mode for the concessionaires of the PSTN for calls towards users of the Personal Mobile Service (SMP). The tariff readjustment of 7.99% for VC-2 and VC-3 calls became effective as of March 29, 2006.

MOBILE TELEPHONY

BrT Mobile reached 2,460 thousand mobile accesses in service (Annex XVIII), a net addition of 247.2 thousand accesses in the quarter. This figure represents 31.4% of the company's goal for December 2006. At the end of 1Q06, BrT Mobile's subscriber base was 11.2% higher than 4Q05 and in comparison with 1Q05, there was a 145.1% increase. BrT Mobile sold 1.9 million accesses in the last 12 months.

BrT Mobile net additions represented 40.1% of the total net additions in Region II during 1Q06, mainly due to the launch of the Novo Pula-Pula Controle , in which the client pays R\$34.90/month and can receive up to the same amount in bonus minutes according to the minutes incurring from incoming calls and the remodeling of the Pula-Pula Conta , in which the client pays a certain amount for a package of minutes (*franquia*) every other month, with the bonus minutes incurring from incoming calls being limited to the amount of minutes of the chosen package (*franquia*).

At the end of March, **our mobile operations had 820.2 thousand post-paid subscribers (representing 33.3% of our mobile customer base)**, which represented the best post-paid mix among the mobile operators present in Brazil, which discloses information.

During the 1Q06, BrT Mobile **reached 3,333 sale spots and maintained its coverage to 782 localities. Currently, its coverage reaches 86% of the Region's population.**

At the end of 1Q06, **BrT Mobile achieved a 9.4% market share** in its area of operations, compared to 4.8% in 1Q05. In the Mid-western and Northern regions, BrT Mobile reached 11.9% market share, surpassing the company which entered third in the market.

DATA

During 1Q06, **Brasil Telecom added 70.2 thousand accesses to its plant, amounting to 1,084.1 thousand broadband accesses in service by the end of March**, an increase of 6.9% and 73.4% in comparison to 4Q05 and 1Q05, respectively (Annex XV).

The residential market represented 93.7% of the total broadband accesses by the end of 1Q06, while the corporate market represented 6.3% .

By the end of March 2006, Brasil Telecom registered growth in the following data transmission services for the corporate market: (i) Dedicated IP, which is an internet access service with speeds up to 155 Mbps, (ii) *Serviço Plus*, which is a data transport service and (iii) IP Turbo, a symmetric access to the internet at 512 Kbps, without the need for an internet service provider.

INTERNET SERVICE PROVIDERS

Brasil Telecom is the leader in the Brazilian dial-up internet market, having generated nine billion minutes in 1Q06. Approximately 1 million subscribers pay for services, including broadband accesses and value added services.

iBest consolidated its position as the largest dial up ISP in Region II with a market share of approximately 52% by the end of 1Q06. iBest is present in more than 1,800 cities, has a subscriber base of approximately 11 million registered users and 1.5 million active users.

iG generated 4.6 billion minutes in 1Q06, which places it as leading traffic generator in Regions I and III. iG is present in more than 1,200 cities and has a subscriber base of 16.2 million registered users and 2.0 million active users. **iG's broadband subscriber base increased 16% in comparison to December 2005, reaching 209 thousand active clients by the end of 1Q06.**

BrTurbo reached 580 thousand clients on Region II by the end of 1Q06, 6% greater in comparison to 4Q05. Approximately 57% of Brasil Telecom's broadband accesses were BrTurbo subscribers.

At the end of March, **Brasil Telecom had 793 thousand broadband customers in Brazil.**

FINANCIAL PERFORMANCE

REVENUE

Gross revenue from local service reached R\$1,769.1 million in 1Q06, 2.8% lower than 4Q05's. The subscription and measured service revenues accounted for 70.6% and VC-1 calls accounted for 28.5% of the total revenue from local service (Annex IV). **In 1Q06, Brasil Telecom included revenues from VC-1 calls as local service revenues, reclassifying this account for the fiscal year of 2005.**

In the first quarter, gross revenue from subscription fees totaled R\$893.3 million, a 0.9% reduction in comparison to the R\$901.2 million achieved in 4Q05 due to the reduction of 17 thousand lines to the plant in service, as well as the increase of 42.6 thousand hybrid lines, which has a monthly subscription of R\$28.00, 27.4% lower than the basic subscription fee, in the Federal District). **It is important to mention the reclassification made by Brasil Telecom in 1Q06, in which it transfers subscription revenues incurring from the plan *Franquia Adicional* to measured service.**

Gross revenue from measured service totaled R\$355.6 million in the 1Q06, 5.9% inferior to the previous quarter, reflecting the seasonal effects of the period and the commercialization of ADSL accesses, which caused a 4.2% reduction in the exceeding pulses volume and a lower average tariff than the Basic Local plan practiced in the *Franquia Adicional* plan. In comparison to 1Q05, gross revenues from measured service increased 4.5% , due mainly to the 7.27% tariff readjustment in effect as of July 3, 2005.

Brasil Telecom made a reclassification on 1Q06 which transferred subscription revenues incurring from the plan *Franquia Adicional* to measured service. Therefore, Brasil Telecom reclassified revenues from the fiscal year 2005 in order to keep such revenues comparable. Local pulses were adjusted according to the same criteria.

Gross revenues with VC-1 calls reached R\$503.5 million in 1Q06, 3.2% inferior than 4Q05, reflecting a reduction in VC-1 traffic. Regarding VC-1 traffic, as of the second semester of 2005, we have been observing a trend for reduction, which reflects the aggressive promotional campaigns focused on mobile-mobile traffic. **In comparison to 1Q05, gross revenues with VC-1 calls were 2.4% inferior**, despite the 7.99% readjustment in effect as of July 12, 2005.

Gross revenue with public telephony reached R\$127.9 million in 1Q06, a 12.2% reduction in comparison with the revenue obtained in 4Q05 and 47.1% superior than the revenue in 1Q05. The variation in comparison to 4Q05 is mainly explained by an 8.4% reduction in sale of credit. **The increase in comparison to 1Q05 was influenced by the 7.37% credit card tariff readjustment and also by the launch of Brasil Virtual Cel**, which transferred R\$42.6 million from the public telephony revenue to BrT Mobile in 1Q05. Brasil Virtual Cel was suspended in April, 2005.

Gross revenue from LD calls reached R\$703.9 million in 1Q06, representing a reduction of 0.3% in comparison to 4Q05. This performance was influenced by a 0.8% reduction in LD traffic. In comparison to 1Q05, LD revenue was 6.8% inferior due to a 11.7% traffic reduction, compensated by a 2.94% tariff readjustment in effect as of July 3, 2005.

Interconnection revenue in 1Q06 amounted to R\$108.5 million, a 26.9% and 34.1% drop in comparison to 4Q05 and 1Q05, due to the reduction of Local Network Usage Rate (TU-RL). As of January 1, 2006, this tariff corresponds to 50% of the value of the local minute from the Basic Plan. TU-RL is now R\$0.03679, against R\$0.04548 in 4Q05.

In 1Q06, gross revenue from data communications and other services reached R\$538.4 million, a 2.6% reduction as compared to the previous quarter and a 28.0% increase in comparison to 1Q05. In comparison to the 4Q05, this performance reflects a R\$23.9 million reduction regarding revenue incurring from BrT internet service providers (iG and iBest) traffic encouragement, which had its contracts with other telecom operators renegotiated by the end of 2005. With the decrease in TU-RL, risk incurring from the interconnection regime was reduced, generating pressure on prices. On the other hand, the growth in network formation services (*DialNet, Serviço Plus, Dedicated IP*) and a 6.9% expansion in ADSL accesses in service are worth being noted.

In 1Q06, consolidated gross revenue from mobile telephony totaled R\$227.6 million, of which R\$173 million were related to services and R\$54.6 million to the sale of handsets and accessories. This performance represents a 9.8% reduction in comparison to 4Q05 and a 54.8% increase in comparison to 1Q05.

In comparison to 4Q05 and 1Q05, respectively, **gross revenues from services with mobile telephony in 1Q06 exceeded in 26.6% and 73.7%, respectively**, due to the increase in the subscriber base. Gross revenues from the sale of handsets and accessories decreased 52.8% in comparison to 4Q05 once the sales channels still register a surplus in inventories due to purchases made at the end of 2005.

The blended mobile ARPU in the 1Q06 was of R\$26.6 (Annex XVII). The post-paid ARPU was of R\$40.0 and the pre-paid ARPU was of R\$20.1. In comparison to 4Q05, the post-paid ARPU decreased 7.5% due to a greater participation of the *Plano Controle* in the post-paid mobile accesses.

Brasil Telecom's net revenue reached R\$2,476.9 million in 1Q06, 4.4% lower than the revenue registered in 4Q05 and 1.2% higher to the revenue registered in 1Q05 (Annex IV).

COSTS AND EXPENSES

In 1Q06, operating costs and expenses amounted to R\$2,316.3 million, compared to R\$2,948.7 million in 4Q05.

The main items that determined such performance were: provisions and losses (-61.8%), materials (-49.2%), marketing and advertising (-68.1%), and personnel (+17.1%) . (Annex V).

At the end of 1Q06, 5,420 employees worked in Brasil Telecom's wireline segment, against 5,803 employees in the previous quarter. **BrT Mobile ended 1Q06 with 735 employees,** against 1,069 in the 4Q05. By the end of March, Brasil Telecom had 6,155 employees, **a 10.4% reduction in comparison with December.**

Total personnel costs and expenses reached R\$189.2 million, a 17.1% increase as compared to the previous quarter explained by the severance expenses due to the reduction in the work force which amounted to R\$44.1 million. Furthermore, the costs and expenses with personnel were influenced by the Collective Labor Agreement in effect as of January 2006, which implicated an average salary readjustment of 6.0% .

Costs and expenses with subcontracted services, excluding interconnection costs and marketing and advertising expenses, **totaled R\$540.9 million in the 1Q06,** 10.8% inferior to the costs and expenses reported in the previous quarter. The variation of costs and expenses in the 1Q06 in comparison to the 4Q05 is explained by the following items:

- R\$28.3 million reduction with BrT Mobile's handsets **sales commissions expenses,** due to a 39.7% reduction in the volume of handsets commercialized in 1Q06, which generated smaller expenses with sales commissions than those registered in 4Q05;
- R\$4.3 million reduction with **consulting expenses;** and
- R\$5.0 million reduction in **call center services expenses.**

In 1Q06, interconnection costs amounted to R\$498.5 million, a 3.1% and 13.5% reduction in comparison to 4Q05 and 1Q05, respectively. Such performance reflects BrT Mobile's gain in scale, a 19.1% reduction in TU-RL and a change in the traffic profile, where VC-1 calls, which are large VU-M generators, are decreasing its participation to the total VC calls.

Advertising and marketing expenses amounted to R\$20.4 million in 1Q06, a 68.1% reduction in comparison to 4Q05, explained by seasonal effects in December, 2005, due to Christmas campaigns.

Losses from Accounts Receivable as a percentage of gross revenue in the 1Q06 were of 3.1%, against 4.1% in the 4Q05. Losses from accounts receivable totaled R\$112.8 million in the 1Q06, a 28.4% reduction in comparison to the previous quarter. In December, Brasil Telecom made additional provisions corresponding to R\$74 million, regarding Losses from Accounts Receivable subject to co-billing. If the extraordinary effect is disregarded, Losses from Accounts Receivable in 1Q06 would have surpassed in R\$29.4 million 4Q05's Losses from Accounts Receivable.

In the 1Q06, provisions for contingencies totaled R\$75.1 million, a reduction of R\$259.7 million as compared to the 4Q05, when extraordinary adjustments corresponding to R\$275 million were booked: (i) R\$198 million refer to probable risks of social security and labor legal proceedings, as well as administrative proceedings and (ii) R\$77 million refer to write-off of tax credits, in particular of the ICMS (*Value Added*) tax levied on supplies used in the maintenance of BrT's fixed telephone network and on electric energy consumption. **If the extraordinary adjustments are disregarded, the provisions for contingencies in 1Q06 would surpass by R\$15.3 million the previous quarter, reflecting corrections to legal proceedings in progress.**

Costs and expenses with materials totaled R\$83.9 million in 1Q06, a 49.2% reduction in comparison to 4Q05, explained mainly by a 39.7% reduction in the amount of mobile handsets sold in the quarter. **BrT Mobile's costs and expenses with materials amounted to R\$60.8 million, representing 72.6% of the total costs and expenses with materials registered by the Group.**

Other operating costs and expenses totaled R\$126.0 million in the 1Q06, a 53.8% reduction in comparison to 4Q05. In 4Q05, additional provisions were booked in the amount of R\$210 million, of which, R\$171 million refer to adjustments in the actuarial calculation of retirement plan obligations of Fundação BrT Prev (Fundação BrT), by virtue of the adjustment of its mortality table and R\$39.4 million were booked due to the decision rendered by Anatel, which alters the calculation basis of FUST (Fund for the Universalization of Telecommunications Services). **If the extraordinary effect is disregarded, other operating costs and expenses in 1Q06 would surpass in R\$63.5 million the previous quarter.** Such difference is a result of agreements made in 4Q05 with telecom operators, as well as bonuses received from suppliers due to the accomplishment of sales of mobile handsets goals in the same period. **In 1Q06, R\$17 million incurring from charges incurring from the extension of the concession contracts**, equivalent to 2% of the PSTN (Public Switched Telephone Network) revenue, every other year, free of taxes.

EBITDA

Brasil Telecom's consolidated EBITDA was of R\$830.3 million in the 1Q06 (Annex VII). **Consolidated EBITDA margin reached 33.5% in 1Q06.** In 4Q05, the adjusted EBITDA reached R\$874.9 million, representing an adjusted EBITDA margin of 33.8% (Annex VII).

BrT Mobile's EBITDA in 1Q06 reached negative R\$40.3 million, which represents a negative EBITDA margin of 18.1%. Although Brt Mobile's operation is still not mature, its performance in 1Q06 was well above the one registered in the previous quarter, due to the increase of its subscriber base, lower SAC (Subscriber Acquisition Cost) and lower sales commission and advertising/marketing costs and expenses.

NET EARNINGS

Net income totaled R\$5.0 million in 1Q06 (R\$0.0090/1,000 shares) (Annex I). Net income/ADR in the period was of US\$0.0125. In 1Q05, the Company registered a net income of R\$2.8 million, corresponding to R\$0.0050/1,000 shares, net income per ADR amounted to R\$0.0057.

INDEBTEDNESS

At the end of March, 2006, Brasil Telecom's consolidated total debt was of R\$4,649.5 million, 5.3% inferior than the amount registered at the end of December (Annex IX). **As of March, 67.2% of the total debt corresponded to long-term debt** (Annex X).

Brasil Telecom finished 1Q06 with R\$1,031.5 million in cash and equivalents, against R\$1,730.1 million in December. **Such variation is mainly due to the payment of Interest on Shareholders' Equity which amounted to R\$386.4 million on January 13, 2006 and the payment of R\$408.6 million to investment suppliers. The consolidated net debt corresponded to R\$3,618.1 million**, 13.8% superior to the net debt registered in December, 2005 (Annex IX).

On April 19, 2006, Brasil Telecom raised R\$30 million with Fundo Constitucional Centro-Oeste (FCO). Such resources are destined to fulfill goals established by Anatel in the Mid-western region. The total term for this funding is five years, with one year of grace period. The cost of this debt is equivalent to 14% p.a. and shall be paid quarterly during the grace period and monthly during the period of amortization of the principal.

At the end of March, 2006, the foreign-currency-denominated debt totaled R\$1,610.0 million, of which R\$562.7 million were denominated in US dollars, R\$283.4 million in currency basket and R\$763.9 million in Yens (Annex IX). On March 31, 2006, 58.2% of our debt affected by exchange rate variation was hedged against exchange rate risk. Of our total debt excluding hedge adjustments, 11.9% was exposed to exchange rate variations.

Brasil Telecom's consolidated debt had a year-to-date cost equivalent to **9.5% p.a., or 57.0% of the Domestic Interbank Rate**.

At the end of March 2006, Brasil Telecom's financial leverage ratio, represented by the ratio of its net debt to shareholders' equity, **was equal to 65.8%**, against 57.8% in the previous quarter.

CAPEX

Brasil Telecom's CAPEX totaled R\$214.6 million in the 1Q06, of which R\$209.4 million were invested in the fixed-line network and R\$5.2 million in the mobile network (Annex VIII). In comparison to 4Q05, total investments decreased 72.6%, although they are in line with the estimated CAPEX for 2006.

STOCK MARKET**Table 1: Stock Market Performance**

| | Closing Price | | Performance | |
|--|--------------------|---------|-----------------|-----------------|
| | as of Mar/31/06 | In 1Q06 | In 12 months | In 24 months |
| Common Shares (BRTO3) (in R\$/1,000 shares) | 19.00 | 8.6% | 49.8% | 68.9% |
| Preferred Shares (BRTO4) (in R\$/1,000 shares) | 10.20 | 1.5% | 2.7% | -7.9% |
| ADR (BTM) (in US\$/ADR) | 14.20 | 10.0% | 26.7% | 21.9% |
| Ibovespa (points) | 37,952 | 13.4% | 42.6% | 71.4% |
| Itel (points) | 971 | 2.0% | 13.0% | 8.6% |
| IGC (points) | 4,239 | 15.9% | 61.5% | 133.5% |
| Dow Jones (points) | 11,109 | 3.7% | 5.8% | 7.3% |

Table 2: Theoretical Portfolio Participation January / April

Ibovespa Itel IGC

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| | | | |
|-------|--------|--------|--------|
| BRTO3 | - | - | 0.013% |
| BRTO4 | 2.207% | 5.703% | 0.557% |

SHAREHOLDING STRUCTURE**Table 3: Shareholding Structure**

| Mar 2006 | Common Shares | % | Preferred Shares | % | Total | % |
|------------------------------|--------------------------|---------------|-----------------------------|---------------|------------------------|---------------|
| Brasil Telecom Participações | 247,276,380,758 | 99.1% | 116,685,184,225 | 38.2% | 363,961,564,983 | 65.5% |
| ADR | - | 0.0% | 19,913,199,000 | 6.5% | 19,913,199,000 | 3.6% |
| Treasury | - | 0.0% | 13,678,100,000 | 4.5% | 13,678,100,000 | 2.5% |
| Other | 2,320,668,784 | 0.9% | 155,424,748,064 | 50.8% | 157,745,416,848 | 28.4% |
| Total | 249,597,049,542 | 100.0% | 305,701,231,289 | 100.0% | 555,298,280,831 | 100.0% |

| Dec 2005 | Common Shares | % | Preferred Shares | % | Total | % |
|------------------------------|--------------------------|---------------|-----------------------------|---------------|------------------------|---------------|
| Brasil Telecom Participações | 247,276,380,758 | 99.1% | 116,685,184,225 | 38.2% | 363,961,564,983 | 65.5% |
| ADR | - | 0.0% | 19,159,197,000 | 6.3% | 19,159,197,000 | 3.5% |
| Treasury | - | 0.0% | 13,679,382,322 | 4.5% | 13,679,382,322 | 2.5% |
| Other | 2,320,668,784 | 0.9% | 156,177,467,742 | 51.1% | 158,498,136,526 | 28.5% |
| Total | 249,597,049,542 | 100.0% | 305,701,231,289 | 100.0% | 555,298,280,831 | 100.0% |

GENERAL SHAREHOLDERS MEETING

On April 28, 2006, at 10:00 a.m., Brasil Telecom S.A.'s shareholders held an Ordinary and Extraordinary General Shareholders Meeting to resolve the following matters:

Ordinary General Shareholders Meeting

- (1) Take the Managers Accounts, examine, discuss and vote the Financial Statements and the Management Report, related to the fiscal year ended on December 31, 2005;
- (2) Make a resolution on the proposal for the civil responsibility lawsuit, in compliance with Law 6,404/76;
- (3) Make a resolution regarding the destination for the net income of the fiscal year and the distribution of dividends;
- (4) Elect the effective and alternate members of the Fiscal Council, setting the individual remuneration of its members; and
- (5) Elect the effective and alternate members of the Board of Directors due to the vacancy of the aforementioned positions, to complete the mandates.

Extraordinary General Shareholders Meeting

- (1) Set the global amount for the compensation of the Company's Management;
- (2)

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Make a resolution on the proposal for the civil responsibility lawsuit, in compliance with Law 6,404/76, regarding the management's acts which happened in fiscal years previous to 2005;

- (3) Make a resolution regarding the Senior Management's proposal to increase the Company's authorized capital, pursuant to art. 6 of the By-Laws, rewriting the aforementioned article; and
- (4) Make a resolution regarding the review of the Company's By-Laws, related to the matters of articles 24, VIII and 35, according to the Management's proposals, as well as to authorize the consolidation of the By-Laws; and
- (5) Make a resolution on the Senior Management's proposal for the issuance of debentures.

All of the items above were approved by the present shareholders, noting that item 1 of the Ordinary General Shareholders Meeting was approved with express reservations (rejection) regarding the former management acts, relating to the period between January 1st and August 25, 2005.

For the Board of Directors, the following members were elected to complete the term of office: Mr. Ricardo Ferraz Torres, as effective member and Mr. Kevin Michael Altit as alternate member. Additionally, the holders of preferred shares with no voting rights with the right to elect, through a separate voting, an effective member and the respective alternate member, appointed Mr. Gregório Mancebo Rodrigues as an alternate member. The Company's Board of Directors now presents the formation according to table in the next page:

Effective

Sergio Spinelli Silva Junior (Chairman)
Pedro Paulo Elejalde de Campos
Elemér André Surányi
Ricardo Ferraz Torres
André Urani
Jorge Luiz Sarabanda da Silva Fagundes
Antonio Cardoso dos Santos

Alternate

Alberto Ribeiro Gúth
Kevin Michael Altit
Renato Carvalho do Nascimento
Adriana Duarte Chagastelles
Carmen Sylvia Motta Parkinson
Célia Beatriz Padovan Pacheco
Gregório Mancebo Rodriguez

For the Fiscal Council, the following members were elected: as effective members, Messrs. José Arthur Escodro, Carlos Alberto Caser, Roberto Henrique Gremler and as alternate members, Messrs. Hiram Bandeira Pagano Filho, Carlos Alberto Rosa and Bruno Oliva Girardi. Additionally, the holders of preferred shares with no voting rights with the right to elect, through a separate voting, an effective member and the respective alternate member, appointed Mr. Eduardo Grande Bittencourt as effective member and Mr. Francisco Sérgio Quintana da Rosa as the respective alternate member. The Company's Fiscal Council now presents the following formation:

Effective

José Arthur Escodro
Carlos Alberto Caser
Roberto Henrique Gremler
Eduarde Grande Bittencourt

Alternate

Hiram Bandeira Pagano Filho
Carlos Alberto Rosa
Bruno Oliva Girardi
Francisco Sérgio Quintana da Rosa

RECENT DEVELOPMENTS

Internet Toda Hora

In the first quarter of 2006, Brasil Telecom launched **Internet Toda Hora**, a dial-up internet access plan with download speeds of 56 Kbps which allows unlimited access to the internet without exceeding pulses being charged, for a monthly tariff of R\$29.90 (tax included). The associated ISPs supply an access number to its users, limiting the access to **Internet Toda Hora** subscribers. The launch of this products seeks to reach residential clients from classes C and D, clients who wish to control expenses related to dial-up internet access or clients who are not yet convinced of acquiring broadband access to the internet.

Once again, BrT is the first to test converging technology

Brasil Telecom successfully concluded new tests with converging handsets of fixed-mobile telephony. This time, BrT used SIP/Wi-Fi technology and UTStarcom handsets. Such tests consolidate the Company's strategy, since September 2004, when it concluded the first phase of tests with other converging mobile-fixed handsets, using Bluetooth class 1 technology.

The solution developed by Brasil Telecom for the converging handset uses both fixed and mobile network, depending on the physical position of the user. The mobile handset may be used from home or work, via fixed network. If the solution is in the company's PABX, the employees may, for instance, make calls among each other from the mobile handsets as if it were a branch, whenever they are within the companies facilities.

Cancellation of the Merger Agreement

On May 02, 2006, Brasil Telecom received a letter from TIM International N.V. (TIMINT) and TIM Brasil Serviços e Participações S.A. (TIMB), informing the cancellation of the Merger Agreement , which was celebrated on April 28, 2005, among Brasil Telecom, TIMINT and TIMB.

The Merger Agreement is subject to an arbitration which was filed by Brasil Telecom against TIMINT and TIMB, according to Material Fact disclosed on March 16, 2006.

COMING EVENTS

Conference Call and Webcast: 1Q06 Results

Connection number: (+1 973) 935-2408

Access Code: 7338359 or Brasil Telecom

Link: <http://www.brasiltelecom.com.br/ir/>

Date: May 09 (Thursday)

Time: 11:30 a.m. (New York time)

04:30 p.m. (London time)

12:30 p.m. (Brasília time)

FINANCIAL STATEMENTS

BRASIL TELECOM S.A.

Annex I: Consolidated Income Statement

| R\$ Million | 1Q05 | 4Q05 | 1Q06 | Δ Quarter | Δ 12 Months |
|---|------------------|------------------|------------------|---------------|--------------|
| GROSS REVENUES | 3,468.7 | 3,809.4 | 3,654.9 | -4.1% | 5.4% |
| Fixed Telephony | 2,901.1 | 3,004.3 | 2,888.9 | -3.8% | -0.4% |
| Local Service | 1,735.0 | 1,819.6 | 1,769.1 | -2.8% | 2.0% |
| Public Telephony | 86.9 | 145.6 | 127.9 | -12.2% | 47.1% |
| Long Distance Service | 755.1 | 706.1 | 703.9 | -0.3% | -6.8% |
| Interconnection | 164.6 | 148.4 | 108.5 | -26.9% | -34.1% |
| Lease of Means | 65.9 | 84.5 | 83.0 | -1.8% | 25.8% |
| Supplementary and Value Added Services | 83.1 | 90.3 | 86.2 | -4.6% | 3.7% |
| Other | 10.4 | 9.7 | 10.4 | 7.6% | 0.2% |
| Mobile Telephony | 147.0 | 252.4 | 227.6 | -9.8% | 54.8% |
| Data Transmission | 420.6 | 552.8 | 538.4 | -2.6% | 28.0% |
| Deductions | (1,021.2) | (1,217.5) | (1,178.0) | -3.2% | 15.4% |
| NET REVENUES | 2,447.6 | 2,591.9 | 2,476.9 | -4.4% | 1.2% |
| COSTS & OPERATING EXPENSES | (1,616.7) | (2,275.9) | (1,646.6) | -27.7% | 1.9% |
| Personnel | (151.1) | (161.6) | (189.2) | 17.1% | 25.1% |
| Materials | (78.6) | (164.9) | (83.9) | -49.2% | 6.7% |
| Subcontracted Services | (489.8) | (606.2) | (540.9) | -10.8% | 10.4% |
| Interconnection | (576.1) | (514.6) | (498.5) | -3.1% | -13.5% |
| Advertising and Marketing | (62.0) | (64.0) | (20.4) | -68.1% | -67.2% |
| Provisions and Losses | (140.2) | (492.2) | (187.9) | -61.8% | 34.0% |
| Other | (118.8) | (272.5) | (126.0) | -53.8% | 6.0% |
| EBITDA | 830.9 | 316.0 | 830.3 | 162.8% | -0.1% |
| Depreciation and Amortization | (670.5) | (672.8) | (669.6) | -0.5% | -0.1% |
| OPERATING PROFIT BEFORE FINANCIAL RESULT | 160.3 | (356.8) | 160.6 | N.A. | 0.2% |
| Financial Result | (123.1) | (625.1) | (126.4) | -79.8% | 2.7% |
| Financial Revenues | 144.1 | 53.6 | 71.4 | 33.2% | -50.4% |
| Financial Expenses | (267.2) | (292.3) | (197.8) | -32.3% | -26.0% |
| Interest on Shareholders' Equity | - | (386.4) | - | N.A. | N.A. |
| OPERATING PROFIT AFTER FINANCIAL RESULT | 37.2 | (981.9) | 34.2 | N.A. | -8.2% |
| Non-Operating Revenues (Expenses) | (35.6) | (40.3) | (2.7) | -93.4% | -92.5% |

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| | | | | | |
|--|------------|------------------|-------------|-------------|--------------|
| Goodwill Amortization - CRT Acquisition | (31.0) | (31.0) | - | N.A. | N.A. |
| Other | (4.6) | (9.3) | (2.7) | -71.3% | -41.4% |
| EARNINGS BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES | 1.7 | (1,022.2) | 31.5 | N.A. | N.A. |
| Income and Social Contribution Taxes | 2.3 | 373.6 | (25.6) | N.A. | N.A. |
| EARNINGS BEFORE PROFIT SHARING | 4.0 | (648.6) | 5.9 | N.A. | 48.4% |
| Minority Interest | (1.2) | (3.7) | (0.9) | -75.4% | -23.7% |
| EARNINGS BEFORE REVERSION OF INTEREST ON SHAREHOLDERS' EQUITY | 2.8 | (652.3) | 5.0 | N.A. | 79.0% |
| Reversion of Interest on Shareholders' Equity | - | 386.4 | - | N.A. | N.A. |
| NET EARNINGS (LOSSES) | 2.8 | (265.9) | 5.0 | N.A. | 79.0% |

Annex II: Consolidated Balance Sheet

| R\$ Million | Mar/05 | Dec/05 | Mar/06 |
|--|-----------------|-----------------|-----------------|
| CURRENT ASSETS | 5,298.6 | 5,271.7 | 4,626.4 |
| Cash and Equivalents | 1,853.1 | 1,730.1 | 1,031.5 |
| Accounts Receivables (Net) | 2,186.8 | 2,152.8 | 2,149.0 |
| Deferred and Recoverable Taxes | 780.2 | 1,122.6 | 1,049.0 |
| Other Recoverable Amounts | 268.6 | 117.2 | 228.8 |
| Inventory | 137.5 | 83.0 | 80.3 |
| Other | 72.3 | 66.0 | 87.8 |
| LONG TERM ASSETS | 1,395.5 | 1,438.3 | 2,003.7 |
| Loans and Financing | 8.3 | 5.2 | 3.3 |
| Deferred and Recoverable Taxes | 790.1 | 1,225.6 | 1,236.3 |
| Other | 597.2 | 207.5 | 764.0 |
| PERMANENT ASSETS | 9,874.6 | 9,397.5 | 8,926.1 |
| Investment (Net) | 450.1 | 390.5 | 355.6 |
| Property, Plant and Equipment (Net) | 8,527.4 | 8,225.0 | 7,765.8 |
| Property, Plant and Equipment (Gross) | 24,757.2 | 26,094.2 | 26,220.4 |
| Accumulated Depreciation | (16,229.9) | (17,869.3) | (18,454.5) |
| Deferred Assets (Net) | 897.1 | 782.1 | 804.7 |
| TOTAL ASSETS | 16,568.7 | 16,107.4 | 15,556.1 |
| CURRENT LIABILITIES | 4,092.1 | 5,363.3 | 4,627.7 |
| Loans and Financing | 1,044.4 | 1,489.4 | 1,522.8 |
| Suppliers | 1,514.6 | 1,786.3 | 1,377.0 |
| Taxes and Contributions | 811.4 | 975.7 | 895.9 |
| Dividends Payable | 41.5 | 441.0 | 88.5 |
| Provisions | 339.0 | 265.1 | 361.2 |
| Salaries and Benefits | 116.1 | 78.2 | 74.8 |
| Consignment for Third Parties | 102.4 | 154.7 | 116.2 |
| Authorization for Services Exploration | 45.6 | 55.5 | 74.8 |
| Other | 77.1 | 117.4 | 116.4 |
| LONG TERM LIABILITIES | 5,935.0 | 5,146.3 | 5,327.7 |
| Loans and Financing | 4,060.3 | 3,418.8 | 3,126.8 |
| Provisions | 895.5 | 1,112.7 | 1,336.1 |
| Taxes and Contributions | 685.6 | 330.6 | 572.6 |

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| | | | |
|--|-----------------|-----------------|-----------------|
| Authorization for Services Exploration | 270.6 | 252.3 | 259.6 |
| Other | 23.1 | 31.9 | 32.6 |
| DEFERRED INCOME | 88.1 | 84.6 | 82.7 |
| MINORITY INTEREST | 31.6 | 16.7 | 16.4 |
| SHAREHOLDERS' EQUITY | 6,421.9 | 5,496.6 | 5,501.6 |
| Capital Stock | 3,435.8 | 3,435.8 | 3,435.8 |
| Capital Reserves | 1,517.6 | 1,517.6 | 1,517.6 |
| Profit Reserves | 287.7 | 287.7 | 287.7 |
| Retained Earnings | 1,335.6 | 410.3 | 415.3 |
| Treasury Shares | (154.7) | (154.7) | (154.7) |
| TOTAL LIABILITIES | 16,568.7 | 16,107.4 | 15,556.1 |

Annex III: Cash Flow

| R\$ Million | 1Q05 | 4Q05 | 1Q06 | Δ Quarter | Δ 12 Meses |
|--|----------------|----------------|----------------|---------------|---------------|
| OPERATING ACTIVITIES | | | | | |
| (+) Net Income of the Period | 2.8 | (265.9) | 5.0 | N.A. | 78.9% |
| (+) Minority Participation | 1.2 | 3.7 | 0.9 | -75.4% | -23.7% |
| (+) Items with no Cash Effects | 1,240.8 | 1,822.8 | 1,207.1 | -33.8% | -2.7% |
| Depreciation and Amortization | 701.8 | 699.9 | 671.6 | -4.0% | -4.3% |
| Losses with Accounts Receivable from Services | 77.6 | 78.9 | 96.1 | 21.9% | 23.9% |
| Provision for Doubtful Accounts | 27.3 | 78.6 | 16.6 | -78.8% | -39.1% |
| Provision for Contingencies | 35.3 | 334.8 | 75.1 | -77.6% | 112.5% |
| Provision for Pension Funds | 5.5 | 172.3 | 7.2 | -95.8% | 31.8% |
| Deferred Taxes | 219.1 | 214.2 | 214.2 | 0.0% | -2.2% |
| Result from the Write-off of Permanent Assets | 6.7 | 12.2 | 0.9 | -93.0% | -87.2% |
| Financial Expenses | 183.4 | 224.3 | 125.4 | -44.1% | -31.6% |
| Other Expenses/Revenues with no Cash Effects | (10.3) | - | - | N.A. | N.A. |
| (-) Equity Changes | 478.8 | 800.1 | 613.5 | -23.3% | 28.1% |
| Clients' Accounts Receivable | 180.2 | (21.3) | 109.0 | N.A. | -39.5% |
| Inventories | (36.5) | 14.4 | (2.8) | N.A. | -92.4% |
| Court Deposits | (459.8) | (17.8) | 10.9 | N.A. | N.A. |
| Personnel, Charges and Social Benefits | (6.1) | 34.2 | 3.4 | -90.0% | N.A. |
| Accounts payable and Provisioned Expenses | 6.2 | (81.7) | 38.6 | N.A. | 520.5% |
| Taxes | 509.7 | 698.8 | 272.2 | -61.1% | -46.6% |
| Provision for Contingencies | 310.6 | 108.3 | 110.6 | 2.1% | -64.4% |
| Provision for Pension Funds | 25.4 | 24.3 | 34.2 | 40.8% | 34.4% |
| Other Assets and Liabilities' Accounts | (51.1) | 41.0 | 37.5 | -8.5% | N.A. |
| (=) Cash Flow from Operating Activities | 771.5 | 752.7 | 599.5 | -20.4% | -22.3% |
| INVESTMENT ACTIVITIES | | | | | |
| Financial Investments | (0.2) | 1.2 | (0.0) | N.A. | -92.9% |
| Investment Suppliers | (257.4) | 220.1 | (408.6) | N.A. | 58.8% |
| Funds from Sales of Permanent Assets | 0.5 | 0.4 | 0.1 | -71.2% | -73.9% |
| Investments in Permanent Assets | (268.6) | (773.7) | (214.6) | -72.3% | -20.1% |
| (=) Cash Flow from Investment Activities | (525.7) | (551.9) | (623.1) | 12.9% | 18.5% |
| FINANCING ACTIVITIES | | | | | |
| Dividends/Interests on Shareholders' Equity paid in the Period | (369.7) | (1.1) | (323.1) | N.A. | -12.6% |
| Loans and Financing | (358.6) | 56.9 | (368.5) | N.A. | 2.8% |
| Loans Obtained | 5.3 | 253.2 | 1.5 | -99.4% | -71.0% |
| Loans Paid | (147.0) | (136.3) | (165.5) | 21.5% | 12.6% |
| Interest Paid | (216.9) | (60.0) | (204.5) | 240.7% | -5.7% |
| Acquisition of Own Shares | (62.3) | - | 0.0 | N.A. | N.A. |
| Other Financing Flows | 0.1 | (16.0) | 16.6 | N.A. | 17701.1% |
| (=) Cash Flow from Financing Activities | (790.5) | 39.8 | (675.0) | N.A. | -14.6% |

| | | | | | |
|--|----------------|----------------|----------------|---------------|---------------|
| CASH FLOW OF THE PERIOD | (544.7) | 240.6 | (698.6) | N.A. | 28.3% |
| Cash and Cash Equivalents - current balance | 1,853.1 | 1,730.1 | 1,031.5 | -40.4% | -44.3% |
| Cash and Cash Equivalents - previous balance | 2,397.8 | 1,489.5 | 1,730.1 | 16.2% | -27.8% |
| Variation in Cash and Cash Equivalents | (544.7) | 240.6 | (698.6) | N.A. | 28.3% |
| | | | | | |
| OPERATING CASH FLOW | 771.5 | 752.7 | 599.5 | -20.4% | -22.3% |
| Investments on Permanent Assets (includes | | | | | |
| (-) Investment Suppliers) | (525.7) | (551.9) | (623.1) | 12.9% | 18.5% |
| (-) Interest Paid | (216.9) | (60.0) | (204.5) | 240.7% | -5.7% |
| | | | | | |
| (=) FREE CASH FLOW | 29.0 | 140.8 | (228.1) | N.A. | N.A. |

Annex IV: Consolidated Operating Gross Revenue

| R\$ Million | 1Q05 | 4Q05 | 1Q06 | Δ Quarter | Δ 12 Meses |
|---|----------------|----------------|----------------|---------------|---------------|
| GROSS REVENUES | 3,468.7 | 3,809.4 | 3,654.9 | -4.1% | 5.4% |
| FIXED TELEPHONY | 2,901.1 | 3,004.3 | 2,888.9 | -3.8% | -0.4% |
| Local Service | 1,735.0 | 1,819.6 | 1,769.1 | -2.8% | 2.0% |
| Activation | 7.8 | 3.7 | 4.2 | 11.7% | -46.1% |
| Subscription | 851.5 | 901.2 | 893.3 | -0.9% | 4.9% |
| Measured Service | 340.4 | 378.1 | 355.6 | -5.9% | 4.5% |
| Lease of Facilities | 0.4 | 0.4 | 0.3 | -24.2% | -9.9% |
| Other | 19.1 | 16.2 | 12.2 | -24.8% | -36.0% |
| VC-1 | 516.0 | 520.0 | 503.5 | -3.2% | -2.4% |
| Public Telephony | 86.9 | 145.6 | 127.9 | -12.2% | 47.1% |
| Long Distance Service | 755.1 | 706.1 | 703.9 | -0.3% | -6.8% |
| Intra-Sector | 347.4 | 315.1 | 312.2 | -0.9% | -10.1% |
| Intra-Region | 99.1 | 81.4 | 82.2 | 1.0% | -17.1% |
| Inter-Region | 70.1 | 73.1 | 69.8 | -4.5% | -0.5% |
| International / Borderline | 15.0 | 14.3 | 12.7 | -11.3% | -15.6% |
| VC-2 | 191.7 | 166.7 | 167.5 | 0.5% | -12.6% |
| <i>Fixed Origin</i> | 75.4 | 69.8 | 70.2 | 0.6% | -6.9% |
| <i>Mobile Origin</i> | 116.2 | 96.9 | 97.3 | 0.4% | -16.3% |
| VC-3 | 130.9 | 136.9 | 141.6 | 3.4% | 8.2% |
| <i>Fixed Origin</i> | 52.4 | 56.1 | 58.8 | 4.9% | 12.2% |
| <i>Mobile Origin</i> | 78.5 | 80.9 | 82.8 | 2.4% | 5.6% |
| Interconnection | 164.6 | 148.4 | 108.5 | -26.9% | -34.1% |
| <i>Fixed-Fixed</i> | 101.0 | 96.3 | 71.7 | -25.6% | -29.0% |
| <i>Mobile-Fixed</i> | 63.6 | 52.1 | 36.8 | -29.3% | -42.2% |
| Lease of Means | 65.9 | 84.5 | 83.0 | -1.8% | 25.8% |
| Supplementary and Value Added Services | 83.1 | 90.3 | 86.2 | -4.6% | 3.7% |
| Other | 10.4 | 9.7 | 10.4 | 7.6% | 0.2% |
| MOBILE TELEPHONY | 147.0 | 252.4 | 227.6 | -9.8% | 54.8% |
| Subscription | 34.6 | 45.2 | 57.8 | 28.0% | 67.2% |
| Utilization | 57.4 | 68.8 | 79.4 | 15.3% | 38.2% |
| Interconnection | 6.4 | 17.5 | 26.1 | 49.4% | 308.9% |
| Other Services | 1.2 | 5.0 | 9.6 | 90.8% | 691.4% |
| Merchandise Sales (Handsets and Accessories) | 47.4 | 115.8 | 54.6 | -52.8% | 15.3% |
| DATA COMMUNICATIONS AND OTHER | 420.6 | 552.8 | 538.4 | -2.6% | 28.0% |

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| | | | | | |
|---------------------|----------------|----------------|----------------|--------------|-------------|
| Fixed | 420.0 | 540.3 | 521.6 | -3.5% | 24.2% |
| Mobile | 0.6 | 12.4 | 16.8 | 35.6% | N.A. |
| Deductions | (1,021.2) | (1,217.5) | (1,178.0) | -3.2% | 15.4% |
| NET REVENUES | 2,447.6 | 2,591.9 | 2,476.9 | -4.4% | 1.2% |

Annex V: Consolidated Operating Costs and Expenses

| R\$ Million | 1Q05 | 4Q05 | 1Q06 | Δ Quarter | Δ 12 Meses |
|--|------------------|------------------|------------------|---------------|---------------|
| NET REVENUES | 2,447.6 | 2,591.9 | 2,476.9 | -4.4% | 1.2% |
| Costs | (1,587.0) | (1,654.1) | (1,569.3) | -5.1% | -1.1% |
| Personnel | (37.3) | (45.2) | (58.6) | 29.7% | 57.1% |
| Materials | (69.0) | (152.8) | (72.0) | -52.8% | 4.4% |
| Subcontracted Services | (770.2) | (741.4) | (721.9) | -2.6% | -6.3% |
| Interconnection | (576.1) | (514.6) | (498.5) | -3.1% | -13.5% |
| Other | (194.0) | (226.8) | (223.4) | -1.5% | 15.1% |
| Depreciation and Amortization | (572.0) | (569.6) | (570.2) | 0.1% | -0.3% |
| Other | (138.6) | (145.1) | (146.5) | 1.0% | 5.7% |
| GROSS PROFIT | 860.5 | 937.8 | 907.6 | -3.2% | 5.5% |
| Sales Expenses | (265.8) | (344.6) | (261.6) | -24.1% | -1.6% |
| Personnel | (60.9) | (65.6) | (73.3) | 11.7% | 20.3% |
| Materials | (7.7) | (8.5) | (6.8) | -19.5% | -11.1% |
| Subcontracted Services | (190.4) | (264.5) | (168.2) | -36.4% | -11.6% |
| Advertising and Marketing | (62.0) | (64.0) | (20.4) | -68.1% | -67.2% |
| Other | (128.3) | (200.6) | (147.8) | -26.3% | 15.2% |
| Depreciation and Amortization | (4.0) | (4.1) | (4.1) | -0.9% | 3.9% |
| Other | (2.9) | (1.9) | (9.2) | 398.0% | 213.6% |
| General and Administrative Expenses | (193.8) | (187.3) | (202.0) | 7.9% | 4.2% |
| Personnel | (42.0) | (41.9) | (50.5) | 20.5% | 20.3% |
| Materials | (1.3) | (3.3) | (4.5) | 36.3% | 236.8% |
| Subcontracted Services | (136.2) | (132.3) | (137.8) | 4.2% | 1.2% |
| Depreciation and Amortization | (9.5) | (6.5) | (6.0) | -7.7% | -36.6% |
| Other | (4.9) | (3.3) | (3.1) | -3.6% | -35.5% |
| Information Technology | (109.8) | (129.9) | (115.9) | -10.7% | 5.6% |
| Personnel | (10.9) | (8.8) | (6.7) | -24.0% | -38.6% |
| Materials | (0.6) | (0.4) | (0.5) | 26.2% | -18.0% |
| Subcontracted Services | (31.2) | (46.5) | (31.8) | -31.6% | 1.8% |
| Depreciation and Amortization | (60.9) | (66.8) | (69.7) | 4.4% | 14.5% |
| Other | (6.1) | (7.4) | (7.2) | -2.6% | 18.5% |
| Provisions and Losses | (140.2) | (492.2) | (187.9) | -61.8% | 34.0% |
| Doubtful Accounts | (104.9) | (157.4) | (112.8) | -28.4% | 7.5% |
| Contingencies | (35.3) | (334.8) | (75.1) | -77.6% | 112.5% |
| Other Operating Revenues (Expenses) | 9.5 | (140.6) | 20.5 | N.A. | 116.1% |
| Goodwill Amortization | (24.2) | (25.7) | (19.6) | -23.7% | -19.0% |
| Other | 33.7 | (114.9) | 40.1 | N.A. | 19.0% |
| | 160.3 | (356.8) | 160.6 | N.A. | 0.2% |

**OPERATING PROFIT BEFORE
FINANCIAL RESULTS**

| R\$ Million | 1Q05 | 4Q05 | 1Q06 | Δ Quarter | Δ 12 Meses |
|-------------------------------------|------------------|------------------|------------------|------------------|-------------------|
| COSTS AND OPERATING EXPENSES | (2,287.2) | (2,948.7) | (2,316.3) | -21.4% | 1.3% |
| Depreciation and Amortization | (670.5) | (672.8) | (669.6) | -0.5% | -0.1% |
| Interconnection | (576.1) | (514.6) | (498.5) | -3.1% | -13.5% |
| Subcontracted Services | (489.8) | (606.2) | (540.9) | -10.8% | 10.4% |
| Personnel | (151.1) | (161.6) | (189.2) | 17.1% | 25.1% |
| Provisions and Losses | (140.2) | (492.2) | (187.9) | -61.8% | 34.0% |
| Materials | (78.6) | (164.9) | (83.9) | -49.2% | 6.7% |
| Advertising and Marketing | (62.0) | (64.0) | (20.4) | -68.1% | -67.2% |
| Other | (118.8) | (272.5) | (126.0) | -53.8% | 6.0% |

Annex VI: EBITDA Margin Gains and Losses

| R\$ Million | 1Q05 | Vertical | 4Q05 | Vertical | 1Q06 | Vertical |
|--|------------------|---------------|------------------|---------------|------------------|---------------|
| GROSS REVENUES | 3,468.7 | 141.7% | 3,809.4 | 147.0% | 3,654.9 | 147.6% |
| Fixed Telephony | 2,901.1 | 118.5% | 3,004.3 | 115.9% | 2,888.9 | 116.6% |
| Local Service | 1,735.0 | 70.9% | 1,819.6 | 70.2% | 1,769.1 | 71.4% |
| Public Telephony | 86.9 | 3.6% | 145.6 | 5.6% | 127.9 | 5.2% |
| Long Distance Service | 755.1 | 30.9% | 706.1 | 27.2% | 703.9 | 28.4% |
| Interconnection | 164.6 | 6.7% | 148.4 | 5.7% | 108.5 | 4.4% |
| Lease of Means | 65.9 | 2.7% | 84.5 | 3.3% | 83.0 | 3.3% |
| Supplementary and Value Added Services | 83.1 | 3.4% | 90.3 | 3.5% | 86.2 | 3.5% |
| Other | 10.4 | 0.4% | 9.7 | 0.4% | 10.4 | 0.4% |
| Mobile Telephony | 147.0 | 6.0% | 252.4 | 9.7% | 227.6 | 9.2% |
| Data Transmission | 420.6 | 17.2% | 552.8 | 21.3% | 538.4 | 21.7% |
| Deductions | (1,021.2) | -41.7% | (1,217.5) | -47.0% | (1,178.0) | -47.6% |
| NET REVENUES | 2,447.6 | 100.0% | 2,591.9 | 100.0% | 2,476.9 | 100.0% |
| COSTS & OPERATING EXPENSES | (1,616.7) | -66.1% | (2,275.9) | -87.8% | (1,646.6) | -66.5% |
| Personnel | (151.1) | -6.2% | (161.6) | -6.2% | (189.2) | -7.6% |
| Materials | (78.6) | -3.2% | (164.9) | -6.4% | (83.9) | -3.4% |
| Subcontracted Services | (489.8) | -20.0% | (606.2) | -23.4% | (540.9) | -21.8% |
| Interconnection | (576.1) | -23.5% | (514.6) | -19.9% | (498.5) | -20.1% |
| Advertising and Marketing | (62.0) | -2.5% | (64.0) | -2.5% | (20.4) | -0.8% |
| Provisions and Losses | (140.2) | -5.7% | (492.2) | -19.0% | (187.9) | -7.6% |
| Other | (118.8) | -4.9% | (272.5) | -10.5% | (126.0) | -5.1% |
| EBITDA | 830.9 | 33.9% | 316.0 | 12.2% | 830.3 | 33.5% |

Annex VII: Adjusted EBITDA

| R\$ Million | 4Q05 | 1Q06 | Δ Quarter |
|---|----------------|----------------|------------------|
| Net Revenues | 2,591.9 | 2,476.9 | -4.4% |
| EBITDA | 316.0 | 830.3 | 162.8% |
| EBITDA Margin | 12.2% | 33.5% | 21.3 p.p. |
| Extraordinary Items | 559.0 | 44.1 | -92.1% |
| Contingencies with Risks with Legal Processes | 197.8 | - | N.A. |
| Actuarial Calculation Adjustment | 171.1 | - | N.A. |
| Fiscal Credit Write-off | 76.9 | - | N.A. |
| Co-billing agreement | 73.8 | - | N.A. |
| Labor related Severance | - | 44.1 | N.A. |
| Other | 39.4 | - | N.A. |
| Adjusted EBITDA | 874.9 | 874.4 | -0.1% |
| Adjusted EBITDA Margin | 33.8% | 35.3% | 1.5 p.p. |

Annex VIII: CAPEX

| R\$ Million | 1Q05 | 4Q05 | 1Q06 | Δ Quarter | Δ 12 Meses |
|-------------------------------------|--------------|--------------|--------------|----------------|----------------|
| Network Expansion | 65.0 | 349.2 | 99.5 | -71.5% | 53.0% |
| Conventional Telephony | 16.5 | 111.3 | 0.3 | -99.7% | -98.1% |
| Transmission Backbone | 3.9 | 42.5 | 2.4 | -94.3% | -37.9% |
| Data Network | 42.0 | 170.7 | 33.9 | -80.1% | -19.3% |
| Intelligent Network | 0.4 | 9.0 | 0.7 | -92.1% | 88.2% |
| Network Management Systems | - | 12.9 | 0.4 | -97.0% | N.A. |
| Other | 2.2 | 2.9 | 61.7 | N.A. | N.A. |
| Network Operation | 58.3 | 105.7 | 50.9 | -51.9% | -12.7% |
| Public Telephony | 1.2 | 1.3 | 1.4 | 9.1% | 17.0% |
| Information Technology | 19.7 | 78.8 | 8.5 | -89.2% | -56.9% |
| Expansion Personnel | 21.0 | 22.1 | 26.9 | 21.5% | 28.3% |
| Other | 26.4 | 21.0 | 22.3 | 6.2% | -15.7% |
| Expansion Financial Expenses | 4.6 | 7.1 | - | -100.0% | -100.0% |
| Total - Fixed Telephony | 196.2 | 585.2 | 209.4 | -64.2% | 6.7% |

| R\$ Million | 1Q05 | 4Q05 | 1Q06 | Δ Quarter | Δ 12 Meses |
|---------------------------------|--------------|--------------|--------------|---------------|---------------|
| Total - Mobile Telephony | 85.9 | 197.6 | 5.2 | -97.4% | -94.0% |
| Total CAPEX | 282.2 | 782.8 | 214.6 | -72.6% | -23.9% |

Annex IX: Indebtedness

| Debt (R\$ Million) | Mar 2005 | Dec 2005 | Mar 2006 | Δ Quarter | Δ 12 Meses |
|--------------------|----------------|----------------|----------------|--------------|---------------|
| Short Term | 1,044.4 | 1,489.4 | 1,522.8 | 2.2% | 45.8% |
| In R\$ | 916.0 | 1,271.9 | 1,243.7 | -2.2% | 35.8% |
| In US\$ | 49.5 | 43.6 | 23.2 | -46.8% | -53.2% |
| In Yen | 0.8 | 45.8 | 80.2 | 75.1% | N.A. |
| In Currency Basket | 52.5 | 70.7 | 72.4 | 2.4% | 37.9% |
| Hedge Adjustment | 25.6 | 57.4 | 103.3 | 80.0% | 304.0% |
| Long Term | 4,060.3 | 3,418.8 | 3,126.8 | -8.5% | -23.0% |
| In R\$ | 2,493.3 | 1,950.6 | 1,795.9 | -7.9% | -28.0% |
| In US\$ | 677.9 | 588.6 | 537.8 | -8.6% | -20.7% |
| In Yen | 538.2 | 386.1 | 319.3 | -17.3% | -40.7% |
| In Currency Basket | 211.7 | 201.9 | 173.7 | -14.0% | -17.9% |
| Hedge Adjustment | 139.2 | 291.7 | 300.1 | 2.9% | 115.6% |
| Total Debt | 5,104.6 | 4,908.2 | 4,649.5 | -5.3% | -8.9% |

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| | | | | | |
|---|----------------|----------------|----------------|--------------|--------------|
| (-) Cash | 1,853.1 | 1,730.1 | 1,031.5 | -40.4% | -44.3% |
| Net Debt | 3,251.5 | 3,178.1 | 3,618.1 | 13.8% | 11.3% |
| (-) Inter Company with BRP | 1,005.8 | 619.3 | 585.2 | -5.5% | -41.8% |
| Net Debt Ex-Inter Company with BRP | 2,245.7 | 2,558.8 | 3,032.9 | 18.5% | 35.1% |

Annex X: Indebtedness

| Dec/05 | Currency | Annual Cost | Maturity | % Total | Balance (in R\$ Million) |
|--|----------|---------------|-------------------|---------------|--------------------------------|
| Short Term | | | | 30.3% | 1,523 |
| Private Debenture (BRP) | R\$ | 100% CDI | jul/2006 | | 534 |
| Inter Company (BRP) | US\$ | 1.75% | jul/2014 | | 7 |
| BNDES | R\$ | TJLP + 6.5% | dec/2007 | | 16 |
| BNDES | R\$ | TJLP + 5.85% | dec/2007 | | 360 |
| BNDES | R\$ | TJLP + 3.85% | oct/2007 | | 83 |
| BNDES | R\$ | Basket + 6.5% | dec/2007 | | 29 |
| | | Basket + | | | |
| BNDES | R\$ | 3.85% | nov/2007 | | 10 |
| BNDES | R\$ | Basket + 5.5% | apr/2011 | | 34 |
| BNDES | R\$ | TJLP + 5.5% | apr/2011 | | 220 |
| BRDE | R\$ | IGP-M+12.0% | sep/2006 | | 5 |
| FCO | R\$ | 14% | jan/2008 | | 5 |
| Debentures 3 rd Public Issuance | R\$ | CDI + 1.0% | jul/2009 | | 20 |
| Bonds - US\$ 200 MM | US\$ | 9.38% | feb/2014 | | 5 |
| Financial Institutions II | US\$ | Lib6 + 0.5% | jul/2008-jul/2013 | | 11 |
| | | Jibor6 + | | | |
| Financial Institutions III | Yen\$ | 1.92% | mar/2011 | | 80 |
| Hedge Adjustment | | | | | 103 |
| Long Term | | | | 69.7% | 3,127 |
| Inter Company (BRP) | R\$ | 1.75% | jul/2014 | | 45 |
| BNDES | R\$ | TJLP + 6.5% | dec/2007 | | 12 |
| BNDES | R\$ | TJLP + 5.85% | dec/2007 | | 358 |
| BNDES | R\$ | TJLP + 3.85% | oct/2007 | | 61 |
| BNDES | R\$ | Basket + 6.5% | dec/2007 | | 21 |
| | | Basket + | | | |
| BNDES | R\$ | 3.85% | nov/2007 | | 7 |
| BNDES | R\$ | Basket + 5.5% | apr/2011 | | 145 |
| BNDES | R\$ | TJLP + 5.5% | apr/2011 | | 840 |
| FCO | R\$ | 14% | jan/2008 | | 4 |
| BRB - GSM | R\$ | 2.40% | jan/2034 | | 18 |
| BRB - Fixa | R\$ | 2.40% | jan/2034 | | 4 |
| Debentures 3 rd Public Issuance | R\$ | CDI + 1,0% | jul/2009 | | 500 |
| Bonds - US\$ 200 MM | US\$ | 9.38% | feb/2014 | | 434 |
| Financial Institutions I | US\$ | Lib6 + 0.5% | jul/2008-jul/2013 | | 36 |
| | | Jibor6 + | | | |
| Financial Institutions II | US\$ | 1,92% | mar/2011 | | 319 |
| Financial Institutions III | US\$ | 3.36% | feb/2009 | | 1 |
| Financial Institutions IV | US\$ | 0.00% | dec/2015 | | 22 |
| Suppliers II | US\$ | 1.75% | feb/2014 | | 1 |
| Hedge Adjustment | | | | | 300 |
| Total Debt | | | | 100.0% | 4,650 |

Annex XI: Long Term Debt Amortization Schedule

| Maturity | % Long Term Debt |
|-----------------|-------------------------|
| 2007 | 21.1% |
| 2008 | 16.5% |
| 2009 | 29.3% |
| 2010 | 13.2% |
| 2011 | 4.1% |
| 2012 | 0.2% |
| 2013 and after | 15.6% |

Annex XII: Consolidated Financial Result

| R\$ Million | 1Q05 | 4Q05 | 1Q06 | Δ Quarter | Δ 12 Meses |
|---|----------------|----------------|----------------|------------------|-------------------|
| Financial Revenue | 195.1 | 105.2 | 116.1 | 10.3% | -40.5% |
| Local Currency | 163.08 | 135.6 | 111.3 | -17.9% | -31.8% |
| Foreign Currency | 32.04 | (30.4) | 4.8 | -115.9% | -84.9% |
| Financial Expense | (247.3) | (303.2) | (191.4) | -36.9% | -22.6% |
| Local Currency | (168.6) | (285.5) | (150.3) | -47.3% | -10.9% |
| Foreign Currency | (78.7) | (17.7) | (41.0) | 131.3% | -47.8% |
| Interest on Shareholders' Equity | - | (479.1) | - | N.A. | N.A. |
| Financial Result | (52.2) | (677.1) | (75.3) | -88.9% | 44.2% |

Annex XIII: Consolidated Accounts Receivable

| | Mar/05 | Jun/05 | Sep/05 | Dec/05 | Mar/06 |
|------------------------------|----------------|----------------|----------------|----------------|----------------|
| Total (R\$ Million) | 2,456.8 | 2,517.0 | 2,614.7 | 2,514.3 | 2,527.1 |
| Due | 63.3% | 65.0% | 63.2% | 65.0% | 62.7% |
| Overdue (up to 30 days) | 15.7% | 15.6% | 16.8% | 15.8% | 16.4% |
| Overdue (between 31-60 days) | 6.4% | 5.8% | 5.8% | 5.2% | 6.2% |
| Overdue (between 61-90 days) | 4.3% | 3.5% | 3.9% | 3.3% | 3.9% |
| Overdue (over 90 days) | 10.3% | 10.1% | 10.3% | 10.7% | 10.7% |

Annex XIV: Traffic

| TRAFFIC | 1Q05 | 4Q05 | 1Q06 | Δ Quarter | Δ 12 Meses |
|---|----------------|----------------|----------------|------------------|-------------------|
| Exceeding local pulses (million) | 2,304.8 | 2,391.4 | 2,291.2 | -4.2% | -0.6% |
| VC-1 (million minutes) | 807.0 | 801.8 | 744.7 | -7.1% | -7.7% |
| Domestic long distance - DLD (million minutes) | 1,616.4 | 1,438.5 | 1,426.9 | -0.8% | -11.7% |
| VC-2 (million minutes) | 175.8 | 146.4 | 152.7 | 4.3% | -13.1% |
| VC-3 (million minutes) | 106.1 | 101.4 | 104.9 | 3.5% | -1.1% |

Annex XV - Indicators

| WIRELINE NETWORK | 1Q05 | 4Q05 | 1Q06 | Δ Quarter | Δ 12 Meses |
|--|-----------------|-----------------|-----------------|------------------|-------------------|
| Lines installed (thousand) | 10,778.3 | 10,816.3 | 10,814.3 | 0.0% | 0.3% |
| Additional lines installed (thousand) | 41.1 | 20.3 | (2.0) | N.A. | N.A. |
| Lines in service - LIS (thousand) | 9,512.3 | 9,560.1 | 9,543.1 | -0.2% | 0.3% |
| Residential (thousand) | 6,379.5 | 6,102.9 | 6,042.8 | -1.0% | -5.3% |
| Non-residential (thousand) | 1,440.2 | 1,439.2 | 1,432.6 | -0.5% | -0.5% |
| Public phones (thousand) | 296.4 | 296.9 | 295.2 | -0.6% | -0.4% |
| Pre-paid (thousand) | 311.2 | 313.8 | 316.6 | 0.9% | 1.7% |
| Hybrid (thousand) | 475.5 | 783.0 | 825.6 | 5.5% | 73.6% |
| Other (including PBX) (thousand) | 619.6 | 624.4 | 630.1 | 0.9% | 1.7% |
| Additional lines in service (thousand) | 9.2 | 11.1 | (17.0) | N.A. | N.A. |
| Average lines in service (thousand) | 9,507.7 | 9,554.6 | 9,551.6 | 0.0% | 0.5% |
| LIS/100 Inhabitants | 22.4 | 22.3 | 22.2 | -0.6% | -1.0% |
| Public Telephones/1,000 Inhabitants | 7.0 | 6.9 | 6.9 | -0.6% | -2.0% |
| Public Telephones/100 Lines Installed | 2.7 | 2.7 | 2.7 | 1.1% | 1.1% |
| Utilization rate | 88.3% | 88.4% | 88.2% | -0.2 p.p. | 0.0 p.p. |
| Digitalization rate | 99.3% | 100.0% | 100.0% | 0.0 p.p. | 0.7 p.p. |
| Teledensity (LIS/100 inhabitants) | 22.4 | 22.3 | 22.2 | -0.6% | -1.1% |
| ADSL accesses in service (thousand) | 625.3 | 1,013.9 | 1,084.1 | 6.9% | 73.4% |
| PRODUCTIVITY | 1Q05 | 4Q05 | 1Q06 | Δ Quarter | Δ 12 Meses |
| # of employees - Fixed Telephony | 5,685 | 5,803 | 5,420 | -6.6% | -4.7% |

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| | | | | | |
|---|-------|--------|-------|--------|-------|
| Average # of employees | 5,743 | 5,794 | 5,612 | -3.1% | -2.3% |
| LIS/employee | 1,673 | 1,647 | 1,761 | 6.9% | 5.2% |
| Gross revenue/average # of employees/month (R\$ thousan | 168.4 | 172.9 | 171.6 | -0.7% | 1.9% |
| EBITDA/average # of employees/month (R\$ thousand) | 48.2 | 18.2 | 49.3 | 171.3% | 2.3% |
| <u>Net earnings/average # of employees/month</u> <u>(R\$ thousand)</u> | 0.2 | (15.3) | 0.3 | N.A. | 83.2% |
| Exceeding local pulses/average LIS/month | 80.8 | 83.4 | 80.0 | -4.2% | -1.0% |
| DLD minutes/average LIS/month | 28.3 | 28.0 | 26.0 | -7.1% | -8.2% |
| Fixed-mobile minutes/average LIS/month | 38.2 | 36.6 | 35.0 | -4.5% | -8.4% |
| Gross revenue/average LIS/month (R\$) | 101.7 | 104.8 | 100.8 | -3.8% | -0.9% |
| EBITDA/average LIS/month (R\$) | 29.1 | 11.0 | 29.0 | 162.9% | -0.5% |
| Net earnings/average LIS/month (R\$) | 0.1 | (9.3) | 0.2 | N.A. | 78.2% |

| PROFITABILITY | 1Q05 | 4Q05 | 1Q06 | Δ Quarter | Δ 12 Meses |
|------------------------|-------------|-------------|-------------|------------------|-------------------|
| EBITDA margin | 33.9% | 12.2% | 33.5% | 21.3 p.p. | -0.4 p.p. |
| Net margin | 0.1% | -10.3% | 0.2% | 10.5 p.p. | 0.1 p.p. |
| Return on equity - ROE | 0.0% | -4.8% | 0.1% | 4.9 p.p. | 0.0 p.p. |

| CAPITAL STRUCTURE | 1Q05 | 4Q05 | 1Q06 | Δ Quarter | Δ 12 Meses |
|--|-------------|-------------|-------------|------------------|-------------------|
| Cash and cash equivalents (R\$ million) | 1,853 | 1,730 | 1,031 | -40.4% | -44.3% |
| Total debt (R\$ million) | 5,115 | 4,908 | 4,650 | -5.3% | -9.1% |
| Short term debt | 20.4% | 30.3% | 32.8% | 2.4 p.p. | 12.3 p.p. |
| Long term debt | 79.6% | 69.7% | 67.2% | -2.4 p.p. | -12.3 p.p. |
| Net debt (R\$ million) | 3,261 | 3,178 | 3,618 | 13.8% | 10.9% |
| Debt with BRP (inter-company + debenture) (R\$ million) | 1,006 | 619 | 585 | -5.5% | -41.8% |
| Net debt excluding debt with BRP (R\$ million) | 2,256 | 2,559 | 3,033 | 18.5% | 34.5% |
| Shareholders' equity (R\$ million) | 7,422 | 5,497 | 5,502 | 0.1% | -25.9% |
| Net debt/shareholders' equity | 43.9% | 57.8% | 65.8% | 7.9 p.p. | 21.8 p.p. |
| Net debt excluding debt with BRP/shareholders' equity | 30.4% | 46.6% | 55.1% | 8.6 p.p. | 24.7 p.p. |

BRASIL TELECOM MOBILE**Annex XVI: Income Statement**

| R\$ Million | 1Q05 | 4Q05 | 1Q06 | Δ Quarter | Δ 12 Meses |
|---|----------------|----------------|----------------|------------------|-------------------|
| GROSS REVENUES | 182.5 | 340.4 | 329.5 | -3.2% | 80.5% |
| Subscription | 34.6 | 45.2 | 57.8 | 28.1% | 67.2% |
| Utilization | 57.4 | 68.8 | 85.9 | 24.8% | 49.7% |
| Interconnection | 41.3 | 93.1 | 104.6 | 12.3% | 153.1% |
| Other Revenues | 1.2 | 5.1 | 9.6 | 88.8% | N.A. |
| Data Transmission | 0.6 | 12.4 | 16.8 | 36.1% | N.A. |
| Merchandise Sales (Handsets and Accessories) | 47.4 | 115.9 | 54.6 | -52.8% | 15.3% |
| Deductions | (50.9) | (98.4) | (106.9) | 8.6% | 110.0% |
| NET REVENUES | 131.6 | 242.0 | 222.6 | -8.0% | 69.1% |
| COSTS & OPERATING EXPENSES | (279.4) | (409.1) | (262.9) | -35.7% | -5.9% |
| Personnel | (21.9) | (25.0) | (21.4) | -14.2% | -2.2% |
| Materials | (59.7) | (140.4) | (60.8) | -56.7% | 1.9% |
| Subcontracted Services | (61.4) | (116.9) | (85.5) | -26.8% | 39.3% |
| Interconnection | (37.3) | (27.0) | (24.2) | -10.3% | -35.0% |
| Advertising and Marketing | (35.5) | (41.6) | (7.6) | -81.8% | -78.6% |
| Provisions and Losses | (6.2) | (13.7) | (11.0) | -19.6% | 78.5% |
| Other | (57.4) | (44.5) | (52.3) | 17.6% | -8.9% |
| EBITDA | (147.8) | (167.1) | (40.3) | -75.9% | -72.7% |
| Depreciation and Amortization | (53.1) | (72.0) | (76.7) | 6.6% | 44.6% |
| OPERATING PROFIT BEFORE FINANCIAL RESULT | (200.9) | (239.1) | (117.1) | -51.0% | -41.7% |
| Financial Result | (10.0) | (24.1) | (8.7) | -64.0% | -13.7% |
| Financial Revenues | 4.0 | 4.7 | 5.2 | 10.1% | 28.3% |
| Financial Expenses | (14.1) | (28.8) | (13.8) | -51.9% | -1.7% |
| OPERATING PROFIT AFTER FINANCIAL RESULT | (210.9) | (263.2) | (125.7) | -52.2% | -40.4% |
| Non-Operating Revenues (Expenses) | - | (6.3) | (0.4) | -94.2% | N.A. |
| EARNINGS BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES | (210.9) | (269.5) | (126.1) | -53.2% | -40.2% |
| Income and Social Contribution Taxes | 85.7 | 91.5 | 42.6 | -53.4% | -50.2% |
| EARNINGS BEFORE PROFIT SHARING | (125.2) | (178.0) | (83.5) | -53.1% | -33.3% |

| | | | | | |
|--|----------------|----------------|---------------|---------------|---------------|
| EARNINGS BEFORE REVERSION OF INTEREST ON SHAREHOLDERS' EQUITY | (125.2) | (178.0) | (83.5) | -53.1% | -33.3% |
| Reversion of Interest on Shareholders' Equity | - | - | - | N.A. | N.A. |
| NET EARNINGS (LOSSES) | (125.2) | (178.0) | (83.5) | -53.1% | -33.3% |

Obs.: The values presented in this Income Statement do not consider inter-company elimination with Brasil Telecom S.A.

Annex XVII: ARPU Calculation Mobile Telephony

| R\$ Thousands | 1Q05 | 2Q05 | 3Q05 | 4Q05 | 1Q06 |
|---|-------------|-------------|-------------|-------------|-------------|
| (+) Gross Revenues | 182.5 | 211.0 | 255.3 | 340.4 | 329.5 |
| (-) Handsets | (47.4) | (66.7) | (69.4) | (115.8) | (54.6) |
| Gross Service Revenues | 135.1 | 144.3 | 185.9 | 224.6 | 274.8 |
| (-) Taxes and Deductions | (36.2) | (39.2) | (57.2) | (69.2) | (87.4) |
| Net Service Revenues | 99.0 | 105.1 | 128.8 | 155.4 | 187.4 |
| (-) Net Revs Public Payphones + Roaming | (27.3) | (8.3) | (0.9) | (1.4) | (0.9) |
| Quarterly Net Revenues | 71.6 | 96.8 | 127.8 | 154.0 | 186.4 |
| Monthly Net Revenues | 23.9 | 32.3 | 42.6 | 51.3 | 62.1 |
| Average Number of Clients | 815.6 | 1,180.5 | 1,504.1 | 1,889.5 | 2,340.5 |
| ARPU (R\$) | 29.3 | 27.3 | 28.3 | 27.2 | 26.6 |

1Q05 and 2Q05 include revenue incurring from Brasil Virtual Cel .

Annex XVIII: Operating Data

| Key Operational Data | 1Q05 | 4Q05 | 1Q06 | Δ Quarter | Δ 12 Meses |
|--------------------------------|----------------|----------------|----------------|------------------|-------------------|
| Clients | 1,003.7 | 2,212.8 | 2,460.0 | 11.2% | 145.1% |
| Post-Paid | 322.5 | 693.0 | 820.2 | 18.4% | 154.3% |
| Pre-Paid | 681.1 | 1,519.8 | 1,639.7 | 7.9% | 140.7% |
| Gross Additions | 405.6 | 661.2 | 398.9 | -39.7% | -1.6% |
| Post-Paid | 122.8 | 260.3 | 151.6 | -41.8% | 23.5% |
| Pre-Paid | 282.8 | 400.9 | 247.3 | -38.3% | -12.5% |
| Cancellations | 24.2 | 124.6 | 151.7 | 21.8% | N.A. |
| Post-Paid | 6.0 | 23.9 | 24.4 | 1.9% | 306.0% |
| Pre-Paid | 18.2 | 100.7 | 127.4 | 26.5% | 599.9% |
| Annualized Churn | 11.9% | 25.6% | 26.0% | 0.3 p.p. | 14.1 p.p. |
| Post-Paid | 9.1% | 16.6% | 12.9% | -3.8 p.p. | 3.8 p.p. |
| Pre-Paid | 13.3% | 29.4% | 32.3% | 2.8 p.p. | 19.0 p.p. |
| SAC | 188.8 | 187.7 | 136.6 | -27.2% | -27.7% |
| Market Share | 4.8% | 8.7% | 9.4% | 0.7 p.p. | 4.6 p.p. |
| Served Localities | 626 | 782 | 782 | 0.0% | 24.9% |
| % of Population Covered | 81% | 86% | 86% | -0.1 p.p. | 4.9 p.p. |
| Base Stations | 1,695 | 2,117 | 2,123 | 0.3% | 25.3% |
| Switches | 6 | 8 | 8 | 0.0% | 33.3% |
| Employees | 918 | 1,069 | 735 | -31.2% | -19.9% |

GLOSSARY

ADSL: Asymmetrical Digital Subscriber Line. System that allows broadband signal transmission through metallic telephone cables. It is the most common DSL technology, which represents a midway transition to totally optic networks.

ARPU: Average Revenue Per User. It is an indicator used in telecom industry which calculates the average revenue per user.

CAPEX: Capital Expenditure. The investments made by a company.

EBITDA: Earnings Before Interests, Taxes, Depreciation and Amortization.

GSM: Global System for Mobile communications. GSM is the most used technological standard by mobile operators in the world. This feature allows its users to move around freely and easily with their handsets. The price of GSM handsets is also more attractive, the network is safer and there is a consistent technological evolution.

JSCP (Interest on Shareholders Equity): Shareholder remuneration option, calculated from the Shareholders Equity and limited, for taxes deductibility effects, to the variation of the long term interest rates. The fiscal benefit is due to the reduction of the calculation basis of the income tax and social contribution on the net income, once the interest on shareholders equity represent deductible expenses in the application of these resources.

LIS: Lines in Service. All the lines in a plant that are effectively being used.

SAC: Subscriber Acquisition Cost. It is the average amount spent by a company to acquire a new subscriber.

TUP (Public Phone): Public terminals which use phone cards (or collect calls) to make calls.

Financial Leverage Ratio: Net Debt / Shareholders Equity

This document contains forward-looking statements. Such statements do not constitute facts occurred in the past and reflect the expectations of the Company's managers only. The words "anticipates," "believes," "estimates," "expects," "forecasts," "intends," "plans," "predicts," "projects" and "aims", as well as other similar words, are intended to identify those forward-looking statements, which obviously involve risks or uncertainties predicted or not by the Company. Accordingly, the future results of the Company's operations may differ from the current expectations, and the reader should not rely exclusively on these forward-looking statements. Forward-looking statements speak only as of the date they are made, and the Company does not undertake any obligation to update them in light of new information or future developments

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: May 9, 2006

BRASIL TELECOM S.A.

By: /s/ Charles Laganá Putz

Name: Charles Laganá Putz
Title: Chief Financial
Officer
