

BRASIL TELECOM HOLDING CO
Form 6-K
June 03, 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 JUNE 3, 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

Edgar Filing: BRASIL TELECOM HOLDING CO - Form 6-K

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: March 31, 2005

REGISTRATION AT THE CVM DOES NOT REQUIRE ANY EVALUATION OF THE COMPANY, BEING ITS DIRECTOR 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 415-1440	8 - TELEPHONE NUMBER 415-1256	9 - TELEPHONE NUMBER 415-1119	10 - TELEX
11 - AREA CODE 61	12 - FAX 415-1133	13 - FAX 415-1315	14 - FAX -	
15 - E-MAIL ri@brasiltelecom.com.br				

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

1 - NAME PAULO PEDRÃO RIO BRANCO				
2 - FULL ADDRESS SIA/SUL - ASP - LOTE D- BL A TÉRREO			3 - DISTRICT BRASÍLIA	
4 - ZIP CODE 71215-000	5 - MUNICIPALITY BRASILIA		6 - STATE DF	
7 - AREA CODE 061	8 - TELEPHONE NUMBER 415-1440	9 - TELEPHONE NUMBER -	10 - TELEPHONE NUMBER -	11 - TELEX
12 - AREA CODE 061	13 - FAX 415-1593	14 - FAX -	15 - FAX -	
15 - E-MAIL paulopedrao@brasiltelecom.com.br				

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	1	01/01/2005	03/31/2005	4	10/01/2004	12/31/2004
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 03/31/2005	3 - PRIOR QUARTER 12/31/2004	4 - SAME QUARTER OF PRIOR YEAR 03/31/2004
ISSUED CAPITAL			
1 - COMMON	134,031,688	134,031,688	134,031,688
2 - PREFERRED	229,937,526	226,007,753	226,007,753
3 - TOTAL	363,969,214	360,039,441	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	01/30/2004	Interest on Shareholders Equity	01/14/2005	Common	0.0001794657
02	RCA	01/30/2004	Interest on Shareholders Equity	01/14/2005	Preferred	0.0001794657

Edgar Filing: BRASIL TELECOM HOLDING CO - Form 6-K

03	RCA	12/31/2004	Interest on Shareholders Equity	01/14/2005	Common	0.0003994465
04	RCA	12/31/2004	Interest on Shareholders Equity	01/14/2005	Preferred	0.0003994465
05	RCA	04/20/2005	Interest on Shareholders Equity	05/16/2005	Common	0.0005079059
06	RCA	04/20/2005	Interest on Shareholders Equity	05/16/2005	Preferred	0.0005079059
07	AGO	04/29/2005	Dividend	05/16/2005	Common	0.0001206523
08	AGO	04/29/2005	Dividend	05/16/2005	Preferred	0.0001206523
09	AGO	04/29/2005	Dividend	05/23/2005	Common	0.0008276127
10	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 DIRECTOR

1 - DATE 05/04/2005	2 - SIGNATURE
------------------------	---------------

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

1 - CODE	2 - DESCRIPTION	3 03/31/2005	4 12/31/2004
1	TOTAL ASSETS	6,784,879	6,947,801
1.01	CURRENT ASSETS	1,012,411	1,190,986
1.01.01	CASH AND CASH EQUIVALENTS	949,135	828,783
1.01.02	CREDITS	0	0
1.01.03	INVENTORIES	0	0
1.01.04	OTHER	63,276	362,203
1.01.04.01	DEFERRED AND RECOVERABLE TAXES	56,089	105,745
1.01.04.02	RECEIVABLES DIVIDENDS	0	250,236
1.01.04.03	OTHER ASSETS	7,187	6,222
1.02	LONG-TERM ASSETS	1,404,406	1,390,544
1.02.01	OTHER CREDITS	0	0
1.02.02	INTERCOMPANY RECEIVABLES	1,005,801	1,046,529
1.02.02.01	FROM ASSOCIATED COMPANIES	0	0
1.02.02.02	FROM SUBSIDIARIES	1,005,801	1,046,529
1.02.02.02.01	LOANS AND FINANCING	1,005,801	1,046,529
1.02.02.02.02	ADVANCED FOR FUTURE CAPITAL INCREASE	0	0
1.02.02.03	FROM OTHER RELATED PARTIES	0	0
1.02.03	OTHER	398,605	344,015
1.02.03.01	LOANS AND FINANCING	116,200	118,273
1.02.03.02	DEFERRED AND RECOVERABLE TAXES	280,585	223,492
1.02.03.03	JUDICIAL DEPOSITS	163	2
1.02.03.04	OTHER ASSETS	1,657	2,248
1.03	FIXED ASSETS	4,368,062	4,366,271
1.03.01	INVESTMENTS	4,366,730	4,364,939
1.03.01.01	ASSOCIATED COMPANIES	0	0
1.03.01.02	SUBSIDIARIES	4,358,200	4,356,174
1.03.01.03	OTHER INVESTMENTS	8,530	8,765
1.03.02	PROPERTY, PLANT AND EQUIPMENT	1,251	1,244
1.03.03	DEFERRED CHARGES	81	88

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

1 - CODE	2 - DESCRIPTION	3 03/31/2005	4 12/31/2004
2	TOTAL LIABILITIES	6,784,879	6,947,801
2.01	CURRENT LIABILITIES	307,152	516,007
2.01.01	LOANS AND FINANCING	161	162
2.01.02	DEBENTURES	203,811	213,670
2.01.03	SUPPLIERS	365	296
2.01.04	TAXES, DUTIES AND CONTRIBUTIONS	26,473	22,843
2.01.04.01	INDIRECT TAXES	3,328	16,353
2.01.04.02	TAXES ON INCOME	23,145	6,490
2.01.05	DIVIDENDS PAYABLE	71,638	275,230
2.01.06	PROVISIONS	0	0
2.01.07	RELATED PARTY DEBTS	0	0
2.01.08	OTHER	4,704	3,806
2.01.08.01	PAYROLL AND SOCIAL CHARGES	1,594	423
2.01.08.02	CONSIGNMENTS IN FAVOR OF THIRD PARTIES	111	160
2.01.08.03	EMPLOYEE PROFIT SHARING	2,252	2,960
2.01.08.04	OTHER LIABILITIES	747	263
2.02	LONG-TERM LIABILITIES	297,455	295,737
2.02.01	LOANS AND FINANCING	196	234
2.02.02	DEBENTURES	261,456	259,193
2.02.03	PROVISIONS	3,900	3,380
2.02.03.1	PROVISIONS FOR CONTINGENCIES	3,900	3,380
2.02.04	RELATED PARTY DEBTS	0	0
2.02.05	OTHER	31,903	32,930
2.02.05.01	TAXES ON INCOME	31,903	32,930
2.03	DEFERRED INCOME	0	0
2.05	SHAREHOLDERS EQUITY	6,180,272	6,136,057
2.05.01	CAPITAL	2,596,272	2,568,240
2.05.02	CAPITAL RESERVES	309,178	337,210
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
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	2,395,272	2,351,057

03.01 - QUARTERLY STATEMENT OF INCOME (IN THOUSANDS OF REAIS - R\$)

1 - CODE	2 DESCRIPTION	3 01/01/2005 TO 03/31/2005	4 - 01/01/2005 TO 03/31/2005	5 - 01/01/2004 TO 03/31/2004	6 - 01/01/2004 TO 03/31/2004
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 EXPENSES/REVENUES	64,437	64,437	51,625	51,625
3.06.01	SELLING EXPENSES	0	0	0	0
3.06.02	GENERAL AND ADMINISTRATIVE EXPENSES	(7,043)	(7,043)	(5,620)	(5,620)
3.06.03	FINANCIAL	71,071	71,071	(28,611)	(28,611)
3.06.03.01	FINANCIAL INCOME	90,012	90,012	81,531	81,531
3.06.03.02	FINANCIAL EXPENSES	(18,941)	(18,941)	(109,642)	(109,642)
3.06.04	OTHER OPERATING INCOME	998	998	133	133
3.06.05	OTHER OPERATING EXPENSES	(1,147)	(1,147)	(2,617)	(2,617)
3.06.06	EQUITY GAIN (LOSS)	558	558	87,840	87,840
3.07	OPERATING INCOME	64,437	64,437	51,625	51,625
3.08	NON-OPERATING INCOME	1,703	1,703	(11,285)	(11,285)
3.08.01	REVENUES	1,703	1,703	0	0
3.08.02	EXPENSES	0	0	(11,285)	(11,285)
3.09	INCOME (LOSS) BEFORE TAXES AND MINORITY INTERESTS	66,140	66,140	40,340	40,340
3.10	PROVISION FOR INCOME AND SOCIAL CONTRIBUTION TAXES	(21,925)	(21,925)	(41,117)	(41,117)
3.11	DEFERRED INCOME TAX	0	0	0	0
3.12	STATUTORY INTEREST/ CONTRIBUTIONS	0	0	(748)	(748)
3.12.01	INTERESTS	0	0	(748)	(748)
3.12.02	CONTRIBUTIONS	0	0	0	0
3.13	REVERSAL OF INTEREST ON SHAREHOLDERS EQUITY	0	0	75,000	75,000
3.15	INCOME/LOSS FOR THE PERIOD	44,215	44,215	73,475	73,475
	NUMBER OF OUTSTANDING SHARES (THOUSAND)	362,488,414	362,488,414	358,558,641	358,558,641
	EARNINGS PER SHARE	0.00012	0.00012	0.00020	0.00020
	LOSS PER SHARE				

04.01-NOTES TO THE QUARTERLY REPORT

NOTES TO THE FINANCIAL STATEMENTS

Quarter ended March 31, 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 main stock exchanges in Brazil and 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 is an Internet access provider. 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., a 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., which holds the iBest brand and iBest operations.

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).

MetroRED is a 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	
	03/31/05	03/31/04	03/31/05	12/31/04
PARENT COMPANY	44,215	73,475	6,180,272	6,136,057
Entries recorded directly in the shareholders equity of the Subsidiary				
Interest capitalized in Subsidiary	873	873	(6,694)	(7,567)
CONSOLIDATED	45,088	74,348	6,173,578	6,128,490

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 3/31/05.

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, in relation to consolidated statements, 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, whose composition is stated in note 19. 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.

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 25.

f. Deferred Charges: Segregated between deferred charges on amortization and formation. Their breakdown is shown in Note 26. 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: The Interest on Shareholders Equity credited in the previous year, net of the withheld tax installment, on 12/31/04, were represented by the payable balance of R\$ 250,236. Such amount was fully paid on 1/14/05, so no liability 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\$70,606 (R\$74,523 on December 31, 2004). The financial revenue recognized as profit and loss account in the quarter was R\$554 (R\$1,024 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\$935,195 (R\$972,006 on December 31, 2004), and the yield recognized in the income statement for the quarter represents R\$37,313 (R\$49,698 in 2004).

Expenses and Accounts Receivable: arising from transactions related to the use of installations and logistic support. The balance payable is R\$386 (R\$184 on December 31, 2004) and the amounts recorded in the income statement for the quarter comprise operating expenses of R\$1,056 (R\$667 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 2.24% of the gross revenue (3.01% 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 32.1% on 03/31/05 (33.1% in 12/31/04), 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	
	03/31/05	12/31/04	03/31/05	12/31/04
Assets				
Loan agreements with subsidiary	70,606	74,523	-	-
Loans and financing	116,200	118,273	116,200	118,273
Total	186,806	192,796	116,200	118,273
Long-term	186,806	192,796	116,200	118,273

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 27.2% (27.2% on December 31, 2004) 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, 70.1% 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\$47,771 (net gains of R\$1,082 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	
	03/31/05	12/31/04

	Book Value	Market Value	Book Value	Market Value
Liabilities				
Loans and financing	357	357	396	396
Total	357	357	396	396
Current	161	161	162	162
Long Term	196	196	234	234

CONSOLIDATED

	03/31/05		12/31/04	
	Book Value	Market Value	Book Value	Market Value
Liabilities				
Loans and financing	1,196,119	1,242,685	1,246,706	1,269,846
Hedge contracts	128,832	97,700	87,190	74,985
Total	1,324,951	1,340,385	1,333,896	1,344,831
Current	52,025	52,413	66,041	55,572
Long-term	1,272,926	1,287,972	1,267,855	1,289,259

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 RiskAssets

The private debentures issued by subsidiary Brasil Telecom S.A were fully subscribed by the Company.

	PARENT COMPANY		CONSOLIDATED	
	Book and Market Value		Book and Market Value	
	03/31/05	12/31/04	03/31/05	12/31/04
Assets				
Debentures subject to CDI	935,195	972,006	-	-
Loans subject to CDI, IGP-M, Col. 27 (FGV) and IGP-DI	-	-	10,937	10,744
Total	935,195	972,006	10,937	10,744
Current	-	-	2,683	2,540
Long-term	935,195	972,006	8,254	8,204

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.

Edgar Filing: BRASIL TELECOM HOLDING CO - Form 6-K

The sum of the Company's debentures, loans and financing concentrated in the subsidiary represents 89.6% (89.8% on December 31, 2004) 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 39.9% (38% on December 31, 2004) 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				
	03/31/05		12/31/04	
	Book Value	Market Value	Book Value	Market Value
Liabilities				
Loans subject to TJLP (including Debentures)	465,267	457,190	472,863	452,006
Total	465,267	457,190	472,863	452,006
Current	203,811	200,273	213,670	204,245
Long-term	261,456	256,917	259,193	247,761

CONSOLIDATED				
	03/31/05		12/31/04	
	Book Value	Market Value	Book Value	Market Value
Liabilities				
Loans subject to TJLP (including Debentures)	2,384,938	2,488,283	2,485,351	2,334,966
Loans subject to UMBNDES	264,173	269,997	275,565	229,177
Hedge on loans indexed to UMBNDES	35,924	15,483	38,979	13,920
CDI	520,428	516,252	541,707	541,748
Loans subject to IGPM	14,022	14,022	16,724	16,724
Other loans	20,016	20,016	16,007	16,007
Total	3,239,501	3,324,053	3,374,333	3,152,542
Current	773,106	793,460	790,597	738,632
Long-term	2,466,395	2,530,593	2,583,736	2,413,910

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:

	03/31/05		12/31/04	
	Book Value	Market Value	Book Value	Market Value
Investments	4,366,730	4,594,133	4,364,939	5,144,159
Equity in subsidiaries	4,358,200	4,585,603	4,356,174	5,135,394
Listed in Stock Exchange	4,318,973	4,546,673	4,315,621	5,094,841
Not Listed in Stock Exchange	39,227	39,227	40,553	40,553
Other investments	8,530	8,530	8,765	8,765

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 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, foreign currency and own portfolio investment funds, backed in American treasury bonds and overnight operations. The Company has financial investments in the amount of R\$948,959 (R\$828,234 as of December 31, 2004). Income earned to the quarter date is recorded in financial income and amounts to R\$38,167 (R\$20,607 in 2004). In the consolidated financial statements the amounts is as follows: temporary cash investments in the amount of R\$2,731,519 (R\$3,154,730 as of December 31, 2004) and income earned in the amount of R\$97,861 (R\$71,989 in 2004).

i. Risk Related to Rules

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.

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 forecasted. 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 54.7% 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, 6.25% of the payroll of the plan participants. For employees, the average was 5.67%.

The contribution by the company in the quarter totaled R\$ 3,750 (R\$ 3,732 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\$ 29 (R\$ 29 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 fr