

BRASIL TELECOM SA  
Form 6-K  
April 26, 2007

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

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**FORM 6-K**

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

**THROUGH April 26, 2007**

**(Commission File No. 1-15256)**

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**BRASIL TELECOM S.A.**

*(Exact name of Registrant as specified in its Charter)*

**BRAZIL TELECOM COMPANY**

*(Translation of Registrant's name into English)*

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**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)*

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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):

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**BRASIL TELECOM ANNOUNCES GROSS REVENUES OF R\$ 3,9 BILLION AND  
EBITDA OF R\$ 956,2 MILLION IN 1Q07**

**Brasília, April 25<sup>th</sup>, 2007 - Brasil Telecom S.A. (BOVESPA: BRTO3/BRTO4; NYSE: BTM) announces its consolidated results for the first quarter of 2007 (1Q07).** 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**

- With only 30 months of operations, the EBITDA for the mobile telephony was positive and reached R\$4.4 million, corresponding to an EBITDA margin of 1.1% and reaching the goal set by the Company.
- 3,638.1 thousand **mobile accesses** in 1Q07, 7.7% and 47.8% higher than 4Q06 and 1Q06, respectively, reaching a **market share** of 12.9% in Region II.
- 1,383.5 thousand **ADSL accesses** in service by the end of March 2007, 5.0% and 27.6% superior than 4Q06 and 1Q06, respectively.
- **Internet Group's ISPs** reached, altogether, 1.2 million broadband subscribers, 8.1% and 46.2% increase in comparison to 4Q06 and 1Q06, respectively.
- Brasil Telecom's **consolidated EBITDA margin** in 1Q07 reached 35.5%, 0.9 p.p. and 2.0 p.p. superior than 4Q06 and 1Q06, respectively. The consolidated EBITDA amounted to R\$956.2 million in 1Q07, vs. R\$950.5 million in 4Q06 and R\$830.3 million in 1Q06.
- **Non-consolidated services gross revenue for the mobile telephony** amounted to R\$489.1 million, a 78.0% increase in comparison to 1Q06.
- **Data communications and other services revenue** totaled R\$660.1 million in 1Q07, 22.6% higher than 1Q06.
- **Consolidated gross revenue** amounted to R\$3,897.1 million in 1Q07, 6.6% increase when compared to 1Q06. **Consolidated net revenue** reached R\$2,690.9 million in 1Q07, 8.6% superior than that registered in 1Q06.
- **Operating costs and expenses** in 1Q07 totaled R\$2,383.9 million, a 4.9% reduction in comparison to 4Q06. The ratio of operating costs and expenses (excluding depreciation and amortization) and gross revenues was of 44.5%, remaining stable in comparison to the previous quarter.
- **Net debt** in 1Q07 amounted to R\$2,589.1 million, 5.7% inferior than in 4Q06.

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*Brasil Telecom Participações S.A. controls Brasil Telecom S.A., 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 km<sup>2</sup>).*

## FINANCIAL STATEMENT

R\$ Million	1Q06	4Q06	1Q07	Δ Quarter	Δ 12 Months
<b>GROSS REVENUES</b>	<b>3,654.9</b>	<b>4,001.9</b>	<b>3,897.1</b>	<b>-2.6%</b>	<b>6.6%</b>
<b>FIXED TELEPHONY</b>	<b>2,888.9</b>	<b>2,892.7</b>	<b>2,824.4</b>	<b>-2.4%</b>	<b>-2.2%</b>
Local Service	1,769.1	1,722.5	1,648.0	-4.3%	-6.8%
Public Telephony	127.9	138.4	129.0	-6.8%	0.9%
Long Distance Service	703.9	721.5	756.3	4.8%	7.4%
Interconnection	108.5	113.9	85.0	-25.4%	-21.7%
Lease of Means	83.0	81.5	89.7	10.1%	8.2%
Supplementary and Value Added Services	86.2	103.0	106.3	3.2%	23.4%
Other	10.4	11.8	10.0	-15.4%	-4.2%
<b>MOBILE TELEPHONY *</b>	<b>227.6</b>	<b>459.6</b>	<b>412.5</b>	<b>-10.2%</b>	<b>81.3%</b>
<b>DATA COMMUNICATIONS</b>	<b>538.4</b>	<b>649.7</b>	<b>660.1</b>	<b>1.6%</b>	<b>22.6%</b>
Deductioos	(1,178.0)	(1,260.9)	(1,206.2)	-4.3%	2.4%
<b>NET REVENUES</b>	<b>2,476.9</b>	<b>2,741.0</b>	<b>2,690.9</b>	<b>-1.8%</b>	<b>8.6%</b>
<b>OPERATING COSTS AND EXPENSES</b>	<b>(1,646.6)</b>	<b>(1,790.5)</b>	<b>(1,734.7)</b>	<b>-3.1%</b>	<b>5.3%</b>
Personnel	(189.2)	(154.4)	(150.2)	-2.7%	-20.6%
Materials	(83.9)	(122.9)	(77.3)	-37.1%	-7.8%
Subcontracted Services	(540.9)	(582.5)	(562.6)	-3.4%	4.0%
Interconnection	(498.5)	(573.8)	(576.5)	0.5%	15.6%
Advertising and Marketing	(20.4)	(47.3)	(24.8)	-47.6%	21.7%
Provisions aod Losses	(187.9)	(248.5)	(218.2)	-12.2%	16.1%
Other	(126.0)	(61.2)	(125.1)	104.5%	-0.7%
<b>EBITDA</b>	<b>830.3</b>	<b>950.5</b>	<b>956.2</b>	<b>0.6%</b>	<b>15.2%</b>
<b>EBITDA Margin</b>	<b>33.5%</b>	<b>34.7%</b>	<b>35.5%</b>	<b>0.9 p.p.</b>	<b>2.0 p.p.</b>
Depreciation aod Amortization	(669.6)	(717.4)	(649.2)	-9.5%	-3.0%
<b>EARNINGS BEFORE FINANCIAL RESULT (EBIT)</b>	<b>160.6</b>	<b>233.1</b>	<b>306.9</b>	<b>31.7%</b>	<b>91.1%</b>
Financial Result	(126.4)	(64.3)	(344.9)	436.5%	172.8%
Financial Revenues	71.4	248.2	107.4	-56.7%	50.4%
Financial Expenses	(197.8)	(208.6)	(207.3)	-0.6%	4.8%
Interest on Own Capital	-	(103.9)	(245.0)	135.8%	N.A.
<b>EARNINGS AFTER FINANCIAL RESULT</b>	<b>34.2</b>	<b>168.8</b>	<b>(37.9)</b>	<b>N.A.</b>	<b>N.A.</b>
Non-Operating Revenues (Expenses)	(2.7)	54.6	3.4	-93.8%	N.A.
Goodwill Amortization	(0.3)	(0.3)	(0.1)	-60.9%	-60.9%
Other	(2.4)	54.8	3.5	-93.6%	N.A.

<b>EARNINGS BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES</b>	<b>31.5</b>	<b>223.4</b>	<b>(34.5)</b>	<b>N.A.</b>	<b>N.A.</b>
Income and Social Contribution Taxes	(25.6)	(74.0)	3.0	N.A.	N.A.
<b>EARNINGS BEFORE PROFIT SHARING</b>	<b>5.9</b>	<b>149.3</b>	<b>(31.6)</b>	<b>N.A.</b>	<b>N.A.</b>
Minority Interest	(0.9)	1.3	0.6	-56.7%	N.A.
<b>EARNINGS BEFORE REVERSION OF INTEREST ON OWN CAPITAL</b>	<b>5.0</b>	<b>150.7</b>	<b>(31.0)</b>	<b>N.A.</b>	<b>N.A.</b>
Reversion of Interest on Own Capital	-	103.9	245.0	135.8%	N.A.
<b>NET INCOME</b>	<b>5.0</b>	<b>254.6</b>	<b>214.0</b>	<b>-15.9%</b>	<b>N.A.</b>
Net Income (Losses)/1,000 shares - R\$	0.0090	0.4538	0.3815	-15.9%	N.A.
Net Income (Losses)/ADR - US\$	0.0125	0.6368	0.5582	-12.4%	N.A.

\* BrT Mobile's data communications revenues (VAS) are included in 'Data Communications' item

## **OPERATING PERFORMANCE**

### **WIRELINTELEPHONY**

#### **Network**

**By the end of 1Q07, Brasil Telecom's plant had 10.4 million installed lines, of which 8.3 million were in service** (Annex XIV and XV). The utilization rate reached 79.7%, a 1.1 p.p. decrease as compared to the previous quarter. In comparison to 1Q06, the utilization rate decreased 8.6 p.p. due to the adoption by the Company of stricter measures in its collection and charging policy as of 3Q06. By the end of 1Q07, Brasil Telecom had 8,037.0 thousand active lines and 241.1 thousand blocked lines.

#### **Traffic**

**In 1Q07, Brasil Telecom reached 1.9 billion billed pulses**, a 9.3% reduction in comparison to 4Q06 (Annex XIII). This performance was impacted by seasonality, by the increase in the ADSL accesses and by the migration of fixed calls to mobile calls.

Long distance traffic increased 0.4% in 1Q07 in comparison to 4Q06, remaining in **1.4 billion minutes** (Annex XIII). Such performance is explained by the increase in VC-2 and VC-3 minutes, due to a restructuring of its line of products and strategic partnership.

**In 1Q07 Brasil Telecom maintained its leadership position and reached a quarterly average market share of 86.2% in the intra-regional segment**, 0.4 p.p. superior than the 85.8% market share registered in 4Q06. **In the intra-sector segment, Brasil Telecom reached 90.6% market share. At the end of 1Q07, Brasil Telecom**





**reached a 63.7% market share in the inter-regional segment** and a 36.5% market share in the international segment (quarterly average). In the inter-regional segment and in the international segment Brasil Telecom increased market share by 2.4 p.p. and 1.6 p.p. in 12 months, respectively.

## **MOBILE TELEPHONY**

**BrT Mobile reached 3,638.1 thousand mobile accesses in service** (Annex XVIII), a net addition of 261.3 thousand accesses in 1Q07. **At the end of 1Q07, BrT Mobile's subscriber base was 7.7% higher than 4Q06 and had a 47.8% increase against 1Q06.**

At the end of March 2007, **BrT Mobile's subscriber base was composed of 967.0 thousand post-paid subscribers (26.6% of total subscribers)**. The 26.9 thousand accesses reduction in comparison to 4Q06 is explained by the increase of cancellations in this modality of service. In 1Q07, total disconnections reached 91.8 thousand, 24.4 thousand accesses were removed from the base due to indebtedness and approximately 65% of the remaining 67.4 thousand were disconnections from the Control Plan (hybrid plan) which had entered in the plant in 4Q05 and whose retention agreements expired in the end of 2006. Part of these subscribers who had cancelled its hybrid plan joined the Pre-Paid Plan, what can be proven by the increase of pre-paid net additions. The 7.4 p.p. reduction in the annualized churn from 28.6% in 4Q06 to 21.2% in 1Q07, is explained by the reduction in the pre-paid terminals annualized churn from 30.9% in 4Q06 to 14.9% in 1T07, due, mainly, to the migration of post-paid plans to the pre-paid plans, and partially offset by the disconnections in the post-paid plans.

**BrT Mobile's market share in region II reached 12.9% by the end of 1Q07, 0.8 p.p. above 4Q06's and 3.5 p.p. above 1Q06's.** BrT Mobile is in third place in terms of market share in area 7 of the General Concession Plan (GO, TO, MT, AC and RO) and in the Federal District (Annex XIX).

**Anatel recently started to disclose the total of post-paid and pre-paid accesses by state.** According to these

numbers, **BrT Mobile reached a 17.2% market share in Region II in post-paid accesses in March**, superior than the total market share (12.9%) . It is a result of Brasil Telecom 's strategy to focus on profitable clients.

Throughout 1Q07, BrT Mobile increased its coverage to 830 localities. Currently, its coverage reaches 87% of Region II's population.

## DATA

**Brasil Telecom added 65.8 thousand accesses to its plant during 1Q07, amounting to 1,383.5 thousand broadband accesses in service by the end of March, 2007**, an increase of 5.0% and 27.6% in comparison to 4Q06 and 1Q06, respectively (Annex XIV). ADSL penetration (ADSL/LIS) reached 16.7% in 1Q07, in comparison to 15.7% in 4Q06 and 11.4% in 1Q06.

**By the end of March, 2007, Brasil Telecom registered growth in the following data transmission services for the corporate market:** (i) *Serviço Plus*, which is a data transport service, (ii) Vetor, a private virtual network which uses all the capacity of IP connections to form a unique network, complete and flexible, used for data, multimedia and voice transmission, (iii) IP Corporate services, which supply of Internet connectivity for large companies, and (iv) Interlan, a solution to connect more than two spots to a concentrating spot, transmitting voice and data.

## Internet Service Providers

**Internet Group, Brasil Telecom's internet division, leading company in dial up internet access in the Brazilian market, had approximately 3.2 million active dial-up access users.** Altogether, the three Internet Service Providers which comprise the Internet Group had approximately 1.6 million subscribers which pay for services (including broadband accesses and value added services), an increase of 14% as compared to the previous quarter (4Q06). **From the total clients which pay for services, 1,160 thousand are broadband clients, representing an 8.1% increase in comparison to 1,073 thousand clients in the previous quarter (4Q06) and 46.2% in comparison to the 793 thousand clients in the same quarter of the previous year (1Q06).**

**iBest, the largest dial up ISP in Region II, with an estimated market share of 55.4% in 1Q07,** had 1.5 million active users (dial-up).

**With 1.7 million active dial-up users, iG is the largest ISP in Brazil in numbers of users.** iG's base of clients who pay for services reached 570 thousand in 1Q07, of which, 348 thousand were broadband accesses. This number represents a 67% growth in comparison to the same quarter of the previous year (1Q06) and 14.4% in comparison to the previous quarter (4Q06)

**In 1Q06, iG took over the 2<sup>nd</sup> place among national portals in the Ibope/NetRatings hearing ranking,** with a 18.0% increase in the hearing rate (CAGR) from March 2006 to March 2007.

**BrTurbo reached 812 thousand broadband clients by the end of 1Q07, 38.9% and 5.6% greater in comparison to 1Q06 and 4Q06, respectively.** Approximately 59.5% of Brasil Telecom's broadband accesses were BrTurbo subscribers, a 2.1 p.p. increase as compared to 4Q06, placing it as market leader in Region II. BrTurbo has, still, 223 thousand users who pay for value added services.

## Partnership with Google

**Brasil Telecom** celebrated a unique strategic partnership in the Brazilian market with Google.

Initially, the agreement allows Google to provide e-mail platform and PSP (customized homepage) to the Internet Group. Google will also provide the search engine to the portals and will explore the sponsored links segments of the Internet Group.

The main strength in the agreement consists in the combination of Google's platforms with Internet Group's portals contents and services. Currently, Google has agreements with other portals only for search engine and sponsored links.

Google's technology sharing will not reduce Internet Group's investments on own technology. There will be a combination of the best tools of both companies, which will lead to greater accessibility, portability and connectivity for its users.



## FINANCIAL PERFORMANCE

### REVENUE

**Brasil Telecom's total gross revenue amounted to R\$3,897.1 million in 1Q07**, 6.6% superior than the revenue registered in 1Q06. The increase of data communication and mobile telephony services share in total revenue in comparison to 1Q06 demonstrate the success of Brasil Telecom's strategy of revenue diversification.

In comparison to 4Q06 Brasil Telecom's total gross revenue registered a decrease of 2.6%, mainly explained by the seasonality.

**Gross revenue from local service reached R\$1,648.0 million in 1Q07**, a 4.3% reduction in comparison to 4Q06. The subscription and measured service revenues accounted for 70.7% and VC-1 calls accounted for 28.3% of the total revenue from local service (Annex III).

**In the first quarter, gross revenue from subscription fees totaled R\$862.6 million**, a 2.1% decrease in comparison to R\$881.4 million registered in 4Q06, explained by the 2.0% reduction of average lines in service, which totaled 8,347.8 thousand lines in 1T07 against 8,520.4 thousand lines in 4Q06.

**Gross revenue from measured service totaled R\$302.6 million in the 1Q07**, 8.9% inferior to the previous quarter, reflecting a 9.3% decrease in the exceeding pulses. **In comparison to 1Q06, gross revenues from measured service decreased 14.9%**, due to a 16.3% traffic reduction.

**Gross revenues from VC-1 calls reached R\$465.7 million in 1Q07**, 5.1% inferior than 4Q06, reflecting a 5.0% decrease in VC-1 traffic. **In comparison to 1Q06, gross revenues from VC-1 calls decreased 7.5%**, due to a 7.0% reduction in traffic.



**Gross revenue from public telephony reached R\$129.0 million in 1Q07, a 6.8% decrease in comparison to 4Q06** and 0.9% increase in comparison to 1Q06. The decrease in comparison to 4Q06 is explained by seasonality, the results presented in 1Q07 were superior to those registered in 1Q06.

**Gross revenue from LD calls reached R\$756.3 million in 1Q07**, representing an increase of 4.8% and 7.4% in comparison to 4Q06 and 1Q06, respectively. The increase in comparison with 4Q06 occurred due to a restructuring of its line of products and strategic partnerships, improving both traffic and revenue for VC-2 and VC-3 calls.

**Interconnection revenue in 1Q07 amounted to R\$85.0 million**, a reduction of 25.4% and 21.7% in comparison to 4Q06 and 1Q06, respectively. The reduction is due, mainly, to the 20% interconnection tariff (TU-RL) reduction as of January 1<sup>st</sup>, 2007 and due to seasonality effects of the period.

**In 1Q07, gross revenue from data communications and other services reached R\$660.1 million**, a 1.6% increase as compared to the previous quarter and a 22.6% increase in comparison to 1Q06. This increase is due, basically, to the increase of the ADSL subscriber base, which increased 5.0% and 27.6% in comparison to 4Q06 and 1Q06, respectively.

In 1Q07, gross revenue from mobile telephony was 81.3% superior than 1Q06, due to the increase of the subscriber base, the launch of new plans and the reformulation of Pula-pula plans.

**In 1Q07, consolidated gross revenue from mobile telephony totaled R\$412.5 million**, of which R\$360.3 million were related to services and R\$52.2 million to the sale of handsets and accessories. The consolidated gross revenue from mobile telephony in 1Q07 registered a decrease of 10.2% in comparison to 4Q06, caused by the decrease in the sale of handsets, due to the Christmas sales in the end of last year and due to the seasonality in the period.





When analyzing the mobile operation as a single unit, **the blended mobile ARPU in the 1Q07 reached R\$33.4** (Annex XVII). The post-paid ARPU amounted to R\$47.2 and the pre-paid ARPU reached R\$28.1. In comparison to 4Q06, **the blended mobile ARPU decreased 9.7%** caused by seasonal effects, mainly in traffic, data and interconnection.

**The fixed telephony (excluding data communications) ARPU reached R\$77.9 in 1Q07**, an increase of 14.1% and 0.5% in comparison to 1Q06 and 4Q06, respectively, reflecting the Company's strategy to interrupt fixed line revenue erosion.

The ADSL ARPU in 1Q07 reached R\$71.3, an increase of 15.3% in comparison to 1Q06, due to the strategy to prioritize the sale of broadband access (Turbo) with greater speeds.

**Brasil Telecom's net revenue reached R\$2,690.9 million in 1Q07**, 1.8% inferior than the revenue registered in 4Q06 and 8.6% superior than the revenue registered in 1Q06 (Annex III).

## **COSTS AND EXPENSES**

**In 1Q07, operating costs and expenses amounted to R\$2,383.9 million, compared to R\$2,508.0 million in 4Q06 and R\$2,316.3 million in the 1Q06.** The main items that determined such performance in comparison to 4Q06 were: materials (-37.1%), marketing and advertising (-47.6%), losses and provisions (-12.2%) and others (+104.5%) (Annex IV).

**At the end of 1Q07, 5,227 employees worked in Brasil Telecom's wireline segment**, against 5,199 employees in the previous quarter. **BrT Mobile ended 4Q06 with 611 employees**, as compared to 636 in 4Q06. By the end of March, Brasil Telecom had 5,838 employees, **a 0.1% increase in comparison to December 2006. Total personnel costs and expenses reached R\$150.2 million in 1Q07, a 2.7% and 20.6% reduction as compared to the previous quarter and to 1Q06, respectively.**

**Costs and expenses with subcontracted services**, excluding interconnection, marketing and advertisement, **totaled R\$562.6 million in 1Q07**, 3.4% inferior than the amount registered in the previous quarter due to an increase in legal

fees related to the closure of legal processes and the hiring of IT consulting, both in 4Q06.

**In the 1Q07, interconnection costs amounted to R\$576.5 million**, in line with 4Q06, due to the increase in the mobile telephony subscriber base, compensated by the 20% reduction of TU-RL as of January 1st, 2007, and by BrT Mobile's increase in market share.

**Advertising and marketing expenses amounted to R\$24.8 million in 1Q07**, a 47.6% decrease in comparison to 4Q06, due to Christmas advertising campaigns.

**Losses from Accounts Receivable as a percentage of gross revenue in the 1Q07 amounted to 2.5%**, stable in comparison to the 2.4% registered in 4Q06. Losses from accounts receivable totaled R\$95.7 million in 1Q07, also stable in comparison to the R\$ 95.8 million registered in 4Q06.

**In 1Q07, provisions for contingencies totaled R\$122.5 million**, a R\$30.2 million decrease in comparison to 4Q06, due to a R\$22.8 million revaluation of fiscal contingencies and R\$10.4 million from the increase of civil suits, both of which occurred in 4Q06.

**Costs and expenses with materials totaled R\$77.3 million in 1Q07**, a decrease of 37.1% in comparison to 4Q06 due to Christmas sales of handsets. **BrT Mobile's costs and expenses with materials amounted to R\$55.9 million**, representing 72.3% of the Group's total costs and expenses with materials, which includes the costs of handsets sold.

**Costs related to depreciation and amortization totaled R\$649.2 million in 1Q07**, 9.5% inferior to 4Q06, due to the increase of assets that were totally depreciated in 1Q07 and due to the revision of depreciation rates for Brasil Telecom Cabos Submarinos Ltda., with a R\$50.9 million impact in 4Q06.

**Other operating costs and expenses totaled R\$125.1 million in 1Q07**. If we disconsider the extraordinary effects in 4Q06 (recovery of state and federal taxes, including legal decisions, which generated a positive impact of R\$58.4 million, and revenues of R\$53.1 million due to agreements made with other telephony operators to end litigations), we would have a 27.6% reduction. In comparison to 1Q06, other operating costs and expenses decreased 0.7% .

## **EBITDA**



**Brasil Telecom's consolidated EBITDA amounted to R\$956.2 million in 1Q07** (Annex V). **Consolidated EBITDA margin reached 35.5% in 1Q07**. In 4Q06, the EBITDA reached R\$950.5 million, representing an EBITDA margin of 34.7%, while in 1Q06 it amounted to R\$830.3 million with an EBITDA margin of 33.5% (Annex V).

**BrT Mobile's EBITDA in 1Q07 reached R\$4.4 million, positive for the first time since the mobile operation was launched, representing an EBITDA margin of 1.1%.**

## **FINANCIAL RESULTS**

**Brasil Telecom's consolidated financial revenue amounted to R\$107.4 million in 1Q07**, a 56.7% decrease in comparison to the 4Q06, due to the following factors which happened in 4Q06: (i) moratorium interest received from Telegoiás Celular (currently Vivo) in the amount of R\$36 million, (ii) booking of interest related to legal decisions in the amount of R\$95 million and (iii) financial discount obtained in the negotiation of Vant with AES Intercon II in the amount of R\$18 million.

**In 1Q07, Brasil Telecom registered a consolidated financial result of R\$344.9 million, which included R\$245.0 million of Interest on Shareholders' Equity declared on January 31, 2007.** The payment of Interest on Shareholders' Equity will be defined in the General Shareholders Meeting to be held in 2008.

## **NET EARNINGS**

**Net income totaled R\$214.0 million in 1Q07** (R\$0.3815/1,000 shares). Net income/ADR in the period reached US\$0.5582. In 1Q06, the Company registered a net income of R\$5.0 million, corresponding to R\$0.0090/1,000 shares, while net income per ADR amounted US\$0.0125.

## **INDEBTEDNESS**

**At the end of March 2007, Brasil Telecom's consolidated total debt amounted to R\$5,067.7 million, 5.7% inferior than the amount registered at the end of December 2006** (Annex VIII). **As of March 2007, 71.2% of the total debt corresponded to long-term debt** (Annex IX).

On April 17, 2007, Brasil Telecom S.A. exercised its early redemption right under the terms of the Indenture (Escritura de Emissao) of the 4<sup>th</sup> Issuance of Debentures, being the 3<sup>rd</sup> Public Issuance, as informed to debenture holders on March 28, 2007. A total of R\$521,1 million was paid to redeem the totality of outstanding debentures.

Brasil Telecom ended 1Q07 with cash of R\$2,478.6 million, in comparison with R\$2,541.6 million in the end of December 2006. **The consolidated net debt totaled R\$2,589.1 million, 5.7% inferior to that registered in December 2006** (Annex VIII).

**At the end of March 2007, the foreign-currency-denominated debt excluding hedge adjustments totaled R\$912.9 million, of which R\$450.4 million were denominated in US dollars, R\$161.4 million in currency basket and R\$301.1 million in Yens** (Annex VIII). On March 31, 2007, 59.8% of our debt affected by exchange rate variation was hedged against exchange rate risk. Of our total debt excluding hedge adjustments, 7.8% was exposed to exchange rate variations.

Brasil Telecom's consolidated debt had a year-to-date **cost equivalent to 9.5% p.a., or 75.7% of the Domestic Interbank Rate.**

**At the end of March 2007, Brasil Telecom's financial leverage ratio, represented by the ratio of its net debt to shareholders' equity, was equal to 47.1%, against 49.6% in the previous quarter.**



**INVESTMENTS**

**Brasil Telecom's CAPEX totaled R\$152.8 million in 1Q07**, of which R\$148.5 million were invested in the fixed-line network, including voice, data, information technology and regulatory, and R\$4.3 million in mobile telephony (Annex VII). In comparison to 4Q06, total investments decreased significantly by 68.0%, mainly due to the mobile telephony investments, which decreased 96.0% in comparison to the previous quarter.

**STOCK MARKET**

By the end of March 2007, Brasil Telecom's market cap, calculated by the weighed quote price of the common and preferred shares, totaled R\$10,526.8 million, an increase of 43.2% in comparison to R\$7,350.9 million registered in the end of March 2006. In the last 12 months, the Ibovespa and Itel indices increased 20.7% and 3.7%, respectively.

The performance of Brasil Telecom's common shares (BRTO3) outperformed the IBOVESPA index by 2.7 p.p. in the quarter and 37.9 p.p. in the last 12 months.

**Table 1: Stock Market Performance**

	Closing Price			
	as of 3/30/2007	In 1Q07	Desempenho In 12 Months	In 24 Months
Common Shares (BRTO3) (in R\$/1,000 shares)	28.89	5.7%	58.6%	137.6%
Preferred Shares (BRTO4) (in R\$/1,000 shares)	10.65	1.8%	16.1%	19.3%
ADR (BTM) (in US\$/ADR)	31.96	4.5%	14.0%	17.2%
IBOVESPA (points)	45,805	3.0%	20.7%	72.1%
ITEL (points)	1,007	-4.4%	3.7%	17.1%
IGC (points)	5,330	3.1%	25.7%	103.1%
Dow Jones (points)	25,425	-4.5%	5.3%	-9.6%
Market Capitalization (Million)	10,526.8	4.4%	43.2%	82.6%





**Table 2: Theoretical Portfolio Participation January / April**

	Ibovespa	Itel	IGC
BRTO3	-	-	0,012%
BRTO4	1,108%	5,771%	0,333%

**SHAREHOLDING STRUCTURE****Table 3: Shareholding Structure**

Mar/07	Common Shares	%	Preferred Shares	%	Total Shares	%
Brasil Telecom Participações ADR Free Float	247,276,380,758	99.1%	120,911,021,299	38.8%	368,187,402,057	65.6%
Treasury	-	0.0%	21,929,454,000	7.0%	21,929,454,000	3.9%
Free Float at Bovespa	-	0.0%	13,678,100,000	4.4%	13,678,100,000	2.4%
	2,320,668,784	0.9%	154,834,665,558	49.7%	157,155,334,342	28.0%
<b>Total</b>	<b>249,597,049,542</b>	<b>100.0%</b>	<b>311,353,240,857</b>	<b>100.0%</b>	<b>560,950,290,399</b>	<b>100.0%</b>

Dec/06	Common Shares	%	Preferred Shares	%	Total Shares	%
Brasil Telecom Participações ADR Free Float	247,276,380,758	99.1%	120,911,021,299	38.8%	368,187,402,057	65.6%
Treasury	-	0.0%	22,801,254,000	7.3%	22,801,254,000	4.1%
Free Float at Bovespa	-	0.0%	13,678,100,000	4.4%	13,678,100,000	2.4%
	2,320,668,784	0.9%	153,962,865,558	49.4%	156,283,534,342	27.9%
<b>Total</b>	<b>249,597,049,542</b>	<b>100.0%</b>	<b>311,353,240,857</b>	<b>100.0%</b>	<b>560,950,290,399</b>	<b>100.0%</b>

**SHARE GROUPING**

The share grouping proposal of its shares was approved at the Extraordinary General Shareholders Meeting held on April 10th, 2007, pursuant to article 12 of the Law 6404/76.

The shares will be grouped considering the ratio of 1,000 (one thousand) shares per 1 (one) share of the same type. After the share grouping the Capital will be represented by 560,950,289 shares, of which 249,597,049 are common shares and 311,353,240 are preferred shares.

The objective of share grouping are: (1) to adjust the unit quotation value of the shares to a more adequate level from a stock market perspective, since the quotation of the shares in Reais gives greater visibility as compared to the price per 1,000 (one thousand) shares; (2) to reduce the operating costs of the Company and its shareholders; (3) to increase the efficiency of data systems, controls and as well as information disclosure to shareholders.

The Shareholders may adjust their equity position, at their own criteria, buying or selling, by type, into lots that are multiples of 1,000 (one thousand) shares through trading on the São Paulo Stock Exchange - BOVESPA or on over-the-counter market, during April 11, 2007 to May 11, 2007.

From May 14, 2007, the shares will be grouped and traded with unit quotation.

After May 14, 2007, the eventual fractional shares will be separated, grouped in whole numbers and sold in an auction to be carried out on the São Paulo Stock Exchange, with the respective values being credited on the bank accounts of the owners of the fractional shares.

The ADR Shareholders, representative of the preferred shares will be changed from the current ratio of 3,000 (three thousand) shares per ADR to 3 (three) shares per ADR.

**COMING EVENTS**

**Conference Call and Webcast: 1Q07 Results**

**Connection number:** (+1 973) 935-8893

**Access Code:** 8629011

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

**Date:** April 26<sup>th</sup>, 2007 (Thursday)

**Time:** 11:00 a.m. (New York time)  
12:00 p.m. (Brasília time)  
04:00 p.m. (London time)

## FINANCIAL STATEMENTS

## BRASIL TELECOM S.A.

## Annex I Consolidated Balance Sheet

R\$ Million	Mar/06	Dec/06	Mar/07
<b>CURRENT ASSETS</b>	<b>4,511.6</b>	<b>6,014.8</b>	<b>6,071.1</b>
Cash, Bank Accounts and High-liquid Investments	846.3	2,541.6	2,478.6
Temporary Investments	-	89.4	-
Accounts Receivables (Net)	2,142.7	2,127.7	2,157.7
Deferred and Recoverable Taxes	1,049.0	901.2	1,014.5
Other Recoverable Amounts	114.1	223.6	262.7
Inventory	80.3	64.2	49.1
Contractual Retentions	191.4	-	-
Other	87.8	67.2	108.5
<b>LONG TERM ASSETS</b>	<b>1,458.1</b>	<b>1,842.5</b>	<b>1,952.0</b>
Loans and Financing	3.3	2.9	0.8
Deferred and Recoverable Taxes	1,236.3	1,369.5	1,383.8
Other	218.5	470.2	567.4
<b>PERMANENT ASSETS</b>	<b>8,926.1</b>	<b>8,140.5</b>	<b>7,642.8</b>
Investment (Net)	355.6	303.4	286.8
Property, Plant and Equipment (Net)	7,144.0	6,535.2	6,085.4
Property, Plant and Equipment (Gross)	25,063.2	26,000.0	26,076.7
Accumulated Depreciation	(17,919.1)	(19,464.7)	(19,991.2)
Intangible (Net)*	1,205.9	1,163.4	1,150.4
Property, Plant and Equipment (Gross)	2,116.3	2,340.0	2,412.7
Accumulated Depreciation	(910.4)	(1,176.7)	(1,262.3)
Deferred Assets (Net)	220.6	138.5	120.2
<b>TOTAL ASSETS</b>	<b>14,895.8</b>	<b>15,997.8</b>	<b>15,665.9</b>
<b>CURRENT LIABILITIES</b>	<b>4,512.9</b>	<b>4,616.4</b>	<b>4,978.0</b>
Loans and Financing	1,522.8	1,109.6	1,459.0
Suppliers	1,377.0	1,474.7	1,264.9
Taxes and Contributions	895.9	893.1	904.2
Dividends Payable	61.1	412.9	627.5
Provisions	246.5	218.8	220.7
Salaries and Benefits	102.2	154.9	96.2
Consignment for Third Parties	116.2	104.2	121.1
Authorization for Services Exploration	74.8	135.8	154.7
Other	116.4	112.5	129.7

<b>LONG TERM LIABILITIES</b>	<b>4,782.2</b>	<b>5,840.7</b>	<b>5,179.2</b>
Loans and Financing	3,126.8	4,265.6	3,608.6
Provisions	1,072.8	1,158.9	1,182.4
Taxes and Contributions	290.3	108.3	70.4
Authorization for Services Exploration	259.6	219.5	226.1
Other	32.6	88.3	91.6
<b>DEFERRED INCOME</b>	<b>82.7</b>	<b>-</b>	<b>-</b>
<b>MINORITY INTEREST</b>	<b>16.4</b>	<b>12.4</b>	<b>11.4</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>5,501.6</b>	<b>5,528.3</b>	<b>5,497.3</b>
Capital Stock	3,435.8	3,470.8	3,470.8
Capital Reserves	1,517.6	1,482.6	1,482.6
Profit Reserves	287.7	309.3	309.3
Retained Earnings	415.3	420.3	389.3
Treasury Shares	(154.7)	(154.7)	(154.7)
<b>TOTAL LIABILITIES</b>	<b>14,895.8</b>	<b>15,997.8</b>	<b>15,665.9</b>

\* In compliance with CVM Deliberation 488 and 489 the line of Tangible Permanent Asset is created

## Annex II Consolidated Cash Flow

R\$ Million	1Q06	4Q06	1Q07	Δ Quarter	Δ 12 Months
<b>OPERATING ACTIVITIES</b>					
<b>(+) Net Income of the Period</b>	<b>5.0</b>	<b>254.6</b>	<b>214.0</b>	<b>-15.9%</b>	<b>N.A.</b>
<b>(+) Minority Participation</b>	<b>0.9</b>	<b>(1.3)</b>	<b>(0.6)</b>	<b>-56.8%</b>	<b>N.A.</b>
<b>(+) Items with no Cash Effects</b>	<b>1,081.8</b>	<b>518.0</b>	<b>801.0</b>	<b>54.6%</b>	<b>-26.0%</b>
Depreciation and Amortization	671.6	719.4	649.4	-9.7%	-3.3%
Losses with Accounts Receivables	96.1	79.1	87.8	10.9%	-8.7%
Provisions for Doubtful Accounts	16.6	16.7	7.9	-52.7%	-52.6%
Provision for Contingencies	75.1	152.7	122.5	-19.8%	63.1%
Provision for Pension Funds	7.2	0.4	11.7	N.A.	63.0%
Deferred Taxes	214.2	(409.6)	(78.3)	-80.9%	N.A.
Ressult from the Write-off of Permanent Assets	0.9	(40.7)	-	N.A.	N.A.
<b>(-) Equity Changes</b>	<b>(877.8)</b>	<b>(297.6)</b>	<b>(519.7)</b>	<b>74.6%</b>	<b>-40.8%</b>
Clients' Accounts Receivable	(102.7)	(156.9)	(125.8)	-19.8%	22.5%
Inventories	2.8	(16.0)	15.1	N.A.	442.7%
Contract Retentions	(191.4)	192.2	-	N.A.	N.A.
Court Deposits	(10.9)	(187.0)	(120.1)	-35.8%	N.A.
Personnel, Charges and Social Benefits	(3.4)	(23.0)	(2.3)	-89.9%	-31.9%
Accounts Payable and Provisioned Expenses	(38.6)	(265.6)	33.4	N.A.	N.A.
Taxes	(272.2)	389.1	(77.5)	N.A.	-71.5%
Financial Expenses	(79.2)	(74.5)	(38.8)	-47.9%	-51.0%
Authorization for Services Exploration	26.6	(28.8)	25.3	N.A.	-4.8%
Provision for Contingencies	(110.6)	(131.3)	(99.5)	-24.2%	-10.0%
Provision for Pension Funds	(34.2)	(11.4)	(9.3)	-18.7%	-72.8%
Other Assets and Liabilities' Accounts	(64.1)	15.7	(120.2)	N.A.	87.6%
<b>(=) Cash Flow from Operating Activities</b>	<b>209.9</b>	<b>473.7</b>	<b>494.8</b>	<b>4.4%</b>	<b>135.8%</b>
<b>INVESTMENT ACTIVITIES</b>					
Financial Investments	-	107.2	89.4	-16.6%	N.A.
Funds from Sales of Permanent Assets	0.1	3.6	0.1	-97.3%	-21.2%
Investments in Permanent Assets	(623.2)	(264.1)	(378.0)	43.1%	-39.3%
Investments	(623.2)	(264.1)	(378.0)	43.1%	N.A.
<b>(=) Cash Flow from Investment Activities</b>	<b>(623.1)</b>	<b>(153.3)</b>	<b>(288.5)</b>	<b>88.3%</b>	<b>-53.7%</b>
<b>FINANCING ACTIVITIES</b>					
Dividends/Interests on Own Capital paid in the Period	(323.1)	(5.1)	(0.4)	-92.0%	-99.9%
Loans and Financing	(164.0)	543.7	(268.8)	N.A.	63.9%

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Loans Obtained	1.5	800.7	-	N.A.	N.A.
Loans Paid	(165.5)	(257.0)	(268.8)	4.6%	62.4%
Other Financing Flows	16.6	-	-	N.A.	N.A.
<b>(=) Cash Flow from Financing Activities</b>	<b>(470.5)</b>	<b>538.6</b>	<b>(269.2)</b>	<b>N.A.</b>	<b>-42.8%</b>
<b>CASH FLOW OF THE PERIOD</b>	<b>(883.8)</b>	<b>859.0</b>	<b>(63.0)</b>	<b>N.A.</b>	<b>-92.9%</b>
<b>CASH, BANK ACCOUNTS and HIGH-LIQUID INVESTMENTS</b>					
Current Balance	846.3	2,541.6	2,478.6	-2.5%	192.9%
Previous Balance	1,730.1	1,682.6	2,541.6	51.1%	46.9%
<b>Variation</b>	<b>(883.8)</b>	<b>859.0</b>	<b>(63.0)</b>	<b>N.A.</b>	<b>-92.9%</b>
<b>OPERATING CASH FLOW</b>	<b>209.9</b>	<b>473.7</b>	<b>494.8</b>	<b>4.4%</b>	<b>135.8%</b>
<b>(+) Investments on Permanent Assets (includes Investment Suppliers)</b>	<b>(623.1)</b>	<b>(264.1)</b>	<b>(378.0)</b>	<b>43.1%</b>	<b>-39.3%</b>
<b>(=) FREE CASH FLOW</b>	<b>(413.3)</b>	<b>209.6</b>	<b>116.7</b>	<b>-44.3%</b>	<b>N.A.</b>