

BRASIL TELECOM SA
Form 6-K
June 28, 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 JUNE 28, 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):

**FEDERAL PUBLIC SERVICE
SECURITIES AND EXCHANGE COMMISSION (CVM)
STANDARD FINANCIAL STATEMENTS (DFP)
COMMERCIAL, INDUSTRIAL COMPANY AND OTHERS**

CORPORATE LAW

Period-ended: December 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 01131-2	2 - COMPANY NAME BRASIL TELECOM S.A.	3 - GENERAL TAXPAYERS REGISTER 76.535.764/0001-43
4 - NIRE 5.330.000.622-9		

01.02 - ADDRESS OF COMPANY S HEADQUARTERS

1 - COMPLETE 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 61	7 - TELEPHONE NUMBER 3415-1010	8 - TELEPHONE NUMBER 3415-1256	9 - TELEPHONE NUMBER 3 415-1119	10 - TELEX
11 - AREA CODE 61	12 - FAX 3415-1593	13 - FAX 3 415-1315	14 - FAX -	
15 - E-MAIL ri@brasitelecom.com.br				

01.03 INVESTOR RELATIONS OFFICER (Address for correspondence to Company)

1 - NAME CHARLES LAGANÁ PUTZ				
2 - COMPLETE ADDRESS SIA/SUL - ASP - LOTE D - BL A - 2º ANDAR			3 - DISTRICT SIA	
4 - ZIP CODE 71215-000	5 - MUNICIPALITY BRASILIA		6 - STATE DF	
7 - AREA CODE 61	8 - TELEPHONE NUMBER 3415-1010	9 - TELEPHONE NUMBER -	10 - TELEPHONE NUMBER -	11 - TELEX
12 - AREA CODE 61	13 - FAX 3415-1593	14 - FAX -	15 - FAX -	
15 - E-MAIL cputz@brasitelecom.com.br				

01.04 - REFERENCE / INDEPENDENT ACCOUNTANT

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YEAR	1 DATE OF THE FISCAL YEAR BEGINNING	2 DATE OF THE FISCAL YEAR END
1 Last	01/01/2005	12/31/2005
2 Next to last	01/01/2004	12/31/2004
3 Last but two	01/01/2003	12/31/2003
4 - INDEPENDENT ACCOUNTANT KPMG AUDITORES INDEPENDENTES		5 - CVM CODE 00418-9
6 - TECHNICIAN IN CHARGE MANUEL FERNANDES RODRIGUES DE SOUSA		7 - TECHNICIAN S CPF (INDIVIDUAL TAXPAYER S ID) 783.840.017-15

01.05 - COMPOSITION OF ISSUED CAPITAL

QUANTITY OF SHARES (IN THOUSANDS)	1 12/31/2005	2 12/31/2004	3 12/31/2003
ISSUED CAPITAL			
1 - COMMON	249,597,050	249,597,050	249,597,050
2 - PREFERRED	305,701,231	300,118,295	300,118,295
3 - TOTAL	555,298,281	549,715,345	549,715,345
TREASURY SHARES			
4 - COMMON	0	0	0
5 - PREFERRED	13,679,382	8,106,882	5,297,285
6 - TOTAL	13,679,382	8,106,882	5,297,285

01.06 - COMPANY S CHARACTERISTICS

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

01.07 - SUBSIDIARIES EXCLUDED FROM THE CONSOLIDATED FINANCIAL STATEMENTS

1 - ITEM	2 - GENERAL TAXPAYERS REGISTER	3 - NAME
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01.08 CASH DIVIDENDS

1 - ITEM	2 - EVENT	3 - APPROVAL	4 - DIVIDEND	5 - BEGINNING PAYMENT	6 - TYPE OF SHARE	7 - VALUE OF THE DIVIDEND PER SHARE
01	RCA	04/20/2005	Interest on shareholders' equity	05/16/2005	Common	0.0003768055
02	RCA	04/20/2005	Interest on shareholders' equity	05/16/2005	Preferred	0.0003768055
03	RCA	12/30/2005		01/14/2006	Common	0.0006064042

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			Interest on shareholders' equity			
04	RCA	12/30/2005	Interest on shareholders' equity	01/14/2006	Preferred	0.0006064042

01.09 - INVESTOR RELATIONS OFFICER

1 - DATE 03/27/2006	2 - SIGNATURE
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02.01 - BALANCE SHEET - ASSETS (IN THOUSANDS OF REAIS)

1 - CODE	2 - ACCOUNT DESCRIPTION	3 - 12/31/2005	4 - 12/31/2004	5 - 12/31/2003
1	TOTAL ASSETS	15,589,008	16,047,950	14,997,028
1.01	CURRENT ASSETS	4,669,680	4,834,911	3,918,130
1.01.01	CASH AND CASH EQUIVALENTS	1,479,040	1,963,524	1,413,334
1.01.02	CREDITS	1,939,589	1,976,376	1,850,940
1.01.02.01	ACCOUNTS RECEIVABLE FROM SERVICES	1,939,589	1,976,376	1,850,940
1.01.03	INVENTORIES	4,977	6,097	8,042
1.01.04	OTHERS	1,246,074	888,914	645,814
1.01.04.01	LOANS AND FINANCING	3,873	1,065	1,963
1.01.04.02	DEFERRED AND RECOVERABLE TAXES	970,189	560,558	492,745
1.01.04.03	JUDICIAL DEPOSITS	147,724	144,260	40,363
1.01.04.04	OTHER ASSETS	124,288	183,031	110,743
1.02	LONG-TERM ASSETS	1,458,523	1,253,526	1,304,969
1.02.01	SUNDRY CREDITS	0	0	0
1.02.02	CREDITS WITH RELATED PARTIES	0	0	6,965
1.02.02.01	FROM ASSOCIATED COMPANIES	0	0	6,965
1.02.02.02	FROM SUBSIDIARIES	0	0	0
1.02.02.03	FROM OTHER RELATED PARTIES	0	0	0
1.02.03	OTHERS	1,458,523	1,253,526	1,298,004
1.02.03.01	LOANS AND FINANCING	5,211	96,823	7,513
1.02.03.02	DEFERRED AND RECOVERABLE TAXES	759,637	602,803	732,010
1.02.03.03	INCOME SECURITIES	502	0	0
1.02.03.04	JUDICIAL DEPOSITS	638,201	473,980	417,610
1.02.03.05	INVENTORIES	0	0	19,053
1.02.03.06	OTHER ASSETS	54,972	79,920	121,818
1.03	PERMANENT ASSETS	9,460,805	9,959,513	9,773,929
1.03.01	INVESTMENTS	2,481,988	2,028,522	540,975
1.03.01.01	ASSOCIATED COMPANIES	4	4	97,485
1.03.01.02	SUBSIDIARIES	2,348,514	1,808,246	377,449
1.03.01.03	OTHER INVESTMENTS	133,470	220,272	66,041
1.03.02	PROPERTY, PLANT AND EQUIPMENT	6,523,613	7,358,314	8,632,200
1.03.03	DEFERRED CHARGES	455,204	572,677	600,754

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

1 - CODE	2 - ACCOUNT DESCRIPTION	3 - 12/31/2005	4 - 12/31/2004	5 - 12/31/2003
2	TOTAL LIABILITIES	15,589,008	16,047,950	14,997,028
2.01	CURRENT LIABILITIES	4,724,281	3,839,933	3,902,759
2.01.01	LOANS AND FINANCING	880,891	609,418	572,139
2.01.02	DEBENTURES	608,226	493,713	1,418,137
2.01.03	SUPPLIERS	1,264,665	1,060,124	896,789
2.01.04	TAXES, FEES AND CONTRIBUTIONS	892,165	688,542	457,139
2.01.04.01	INDIRECT TAXES	705,383	647,644	435,782
2.01.04.02	TAXES ON INCOME	186,782	40,898	21,357
2.01.05	DIVIDENDS PAYABLE	376,579	411,232	247,242
2.01.06	PROVISIONS	366,319	320,224	76,531
2.01.06.01	PROVISION FOR CONTINGENCIES	320,824	290,727	48,509
2.01.06.02	PROVISION FOR PENSION PLAN	45,495	29,497	28,022
2.01.07	RELATED PARTY DEBTS	0	0	0
2.01.08	OTHERS	335,436	256,680	234,782
2.01.08.01	PAYROLL, SOCIAL CHARGES AND BENEFITS	60,324	57,316	59,417
2.01.08.02	CONSIGNMENTS IN FAVOR OF THIRD PARTIES	137,580	73,973	49,009
2.01.08.03	EMPLOYEE PROFIT SHARING	54,149	52,965	46,242
2.01.08.04	OTHER LIABILITIES	83,383	72,426	80,114
2.02	LONG-TERM LIABILITIES	5,362,598	5,719,502	4,422,381
2.02.01	LOANS AND FINANCING	2,879,653	3,131,535	1,735,563
2.02.02	DEBENTURES	500,000	1,020,000	910,000
2.02.03	PROVISIONS	1,360,419	889,612	1,125,894
2.02.03.01	PROVISION FOR CONTINGENCIES	658,797	400,717	647,826
2.02.03.02	PROVISION FOR PENSION PLAN	682,594	471,949	478,068
2.02.03.03	PROVISIONS FOR LOSSES WITH SUBSIDIARIES	19,028	16,946	0
2.02.04	RELATED PARTY DEBTS	0	0	0
2.02.05	OTHERS	622,526	678,355	650,924
2.02.05.01	PAYROLL, SOCIAL CHARGES AND BENEFITS	0	4,834	7,850
2.02.05.02	SUPPLIERS	21,319	3,504	860
2.02.05.03	INDIRECT TAXES	556,606	601,572	582,495
2.02.05.04	TAXES ON INCOME	8,872	34,630	26,491
2.02.05.05	OTHER LIABILITIES	27,755	25,841	25,254
2.02.05.06	FUNDS FOR CAPITALIZATION	7,974	7,974	7,974
2.03	DEFERRED INCOME	5,522	7,150	9,044
2.05	SHAREHOLDERS EQUITY	5,496,607	6,481,365	6,662,844
2.05.01	PAID-UP CAPITAL	3,435,788	3,401,245	3,373,097
2.05.02	CAPITAL RESERVES	1,362,890	1,459,705	1,524,953
2.05.02.01	PREMIUM ON SHARE SUBSCRIPTION	334,825	367,269	368,596
2.05.02.02	SPECIAL GOODWILL ON THE MERGER	59,007	123,378	187,749

2.05.02.03	DONATIONS AND SUBSIDIES FOR INVESTMENTS	123,551	123,551	123,274
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1 - CODE	2 - ACCOUNT DESCRIPTION	3 - 12/31/2005	4 - 12/31/2004	5 - 12/31/2003
2.05.02.04	INTEREST ON WORKS IN PROGRESS	745,756	745,756	745,756
2.05.02.05	SPECIAL MONETARY CORRECTION-LAW 8200/91	31,287	31,287	31,287
2.05.02.06	OTHER CAPITAL RESERVES	68,464	68,464	68,291
2.05.03	REVALUATION RESERVES	0	0	0
2.05.03.01	COMPANY ASSETS	0	0	0
2.05.03.02	SUBSIDIARIES/ASSOCIATED COMPANIES	0	0	0
2.05.04	PROFIT RESERVES	287,672	287,672	273,244
2.05.04.01	LEGAL	287,672	287,672	273,244
2.05.04.02	STATUTORY	0	0	0
2.05.04.03	CONTINGENCIES	0	0	0
2.05.04.04	REALIZABLE PROFIT RESERVES	0	0	0
2.05.04.05	PROFIT RETENTION	0	0	0
2.05.04.06	SPECIAL RESERVE FOR UNDISTRIBUTED DIVIDENDS	0	0	0
2.05.04.07	OTHER PROFIT RESERVES	0	0	0
2.05.05	RETAINED EARNINGS/ACCUMULATED LOSSES	410,257	1,332,743	1,491,550

03.01 STATEMENT OF INCOME (IN THOUSANDS OF REAIS)

1 - CODE	2 - ACCOUNT DESCRIPTION	3 - 01/01/2005 to 12/31/2005	4 - 01/01/2004 to 12/31/2004	5 - 01/01/2003 to 12/31/2003
3.01	GROSS REVENUE FROM SALES AND/OR SERVICES	13,650,394	12,519,508	11,063,096
3.02	DEDUCTIONS FROM GROSS REVENUE	(4,141,269)	(3,609,723)	(3,140,943)
3.03	NET REVENUE FROM SALES AND/OR SERVICES	9,509,125	8,909,785	7,922,153
3.04	COST OF GOODS AND/OR SERVICES SOLD	(5,706,877)	(5,557,599)	(4,752,516)
3.05	GROSS INCOME	3,802,248	3,352,186	3,169,637
3.06	OPERATING INCOME/EXPENSES	(4,662,620)	(3,169,449)	(3,035,379)
3.06.01	SELLING EXPENSES	(1,222,423)	(1,097,478)	(947,010)
3.06.02	GENERAL AND ADMINISTRATIVE EXPENSES	(1,056,410)	(909,118)	(777,631)
3.06.02.01	MANAGEMENT COMPENSATION	(9,173)	(7,103)	(6,748)
3.06.02.02	OTHER GENERAL AND ADMINISTRATIVE EXPENSES	(1,047,237)	(902,015)	(770,883)
3.06.03	FINANCIAL	(1,158,103)	(1,003,417)	(1,091,538)
3.06.03.01	FINANCIAL INCOME	587,307	468,221	293,351
3.06.03.02	FINANCIAL EXPENSES	(1,745,410)	(1,471,638)	(1,384,889)
3.06.04	OTHER OPERATING INCOME	370,429	547,387	269,830
3.06.05	OTHER OPERATING EXPENSES	(956,273)	(569,421)	(480,405)
3.06.06	EQUITY ACCOUNTING RESULT	(639,840)	(137,402)	(8,625)
3.07	OPERATING INCOME	(860,372)	182,737	134,258
3.08	NON-OPERATING INCOME	(130,570)	(182,892)	(471,721)
3.08.01	REVENUES	34,606	86,513	54,934
3.08.02	EXPENSES	(165,176)	(269,405)	(526,655)
3.09	INCOME BEFORE TAXES AND INTEREST	(990,942)	(155)	(337,463)
3.10	PROVISION FOR INCOME TAX AND SOCIAL CONTRIBUTION	60,771	(103,393)	65,946
3.11	DEFERRED INCOME TAX	0	0	0
3.12	STATUTORY INTEREST/CONTRIBUTIONS	0	(52,400)	0
3.12.01	INTEREST	0	(52,400)	0
3.12.02	CONTRIBUTIONS	0	0	0
3.13	REVERSAL OF INTEREST ON SHAREHOLDERS EQUITY	626,500	444,500	246,200
3.15	INCOME (LOSS) FOR THE PERIOD	(303,671)	288,552	(25,317)
	NO. SHARES, EX-TREASURY (IN THOUSANDS)	541,618,899	541,608,463	539,447,369

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	EARNINGS PER SHARE		0.00053	
	LOSS PER SHARE	(0.00056)		(0.00005)

04.01 STATEMENTS OF CHANGES IN FINANCIAL POSITION (IN THOUSANDS OF REAIS)

1 CODE	2 ACCOUNT DESCRIPTION	3 01/01/2005 to 12/31/2005	4 01/01/2004 to 12/31/2004	5 01/01/2003 to 12/31/2003
4.01	SOURCES	4,002,169	5,916,011	3,210,149
4.01.01	OF OPERATIONS	3,289,292	3,264,609	3,107,668
4.01.01.01	INCOME/LOSS FOR THE YEAR	(303,671)	288,552	(25,317)
4.01.01.02	AMOUNTS NOT AFFECTING WORKING CAPITAL	3,592,963	2,976,057	3,132,985
4.01.01.02.01	DEPRECIATION AND AMORTIZATION	2,375,496	2,457,592	2,195,376
4.01.01.02.02	MONETARY VARIATION AND LONG-TERM INTEREST	31,900	58,304	105,086
4.01.01.02.03	EQUITY IN SUBSIDIARIES	639,840	137,402	8,625
4.01.01.02.04	PROVISION FOR CONTINGENCIES	410,118	110,901	299,196
4.01.01.02.05	INCOME/LOSS IN FIXED ASSETS WRITE-OFF	27,270	59,005	350,552
4.01.01.02.06	DEFERRED INDIRECT TAXES	43,772	8,094	154,019
4.01.01.02.07	DEFERRED DIRECT TAXES	(184,361)	146,909	23,720
4.01.01.02.08	PROVISION FOR PENSION PLAN	253,767	(1,895)	0
4.01.01.02.09	OTHER	(4,839)	(255)	(3,589)
4.01.02	FROM SHAREHOLDERS	0	0	0
4.01.03	FROM THIRD PARTIES	712,877	2,651,402	102,481
4.01.03.01	INCREASE IN LONG-TERM LIABILITIES	507,243	2,426,589	23,731
4.01.03.02	DECREASE IN LONG-TERM ASSETS	178,292	194,690	45,167
4.01.03.03	OTHER	27,342	30,123	33,583
4.02	USES	5,051,748	4,936,404	3,988,762
4.02.01	INCREASE IN LONG-TERM ASSETS	174,818	299,286	151,986
4.02.02	INCREASE IN PERMANENT ASSETS	2,557,605	2,814,515	1,670,705
4.02.03	DIVIDENDS/INTEREST ON SHAREHOLDERS EQUITY	626,500	444,500	246,200
4.02.04	TRANSFER FROM LONG-TERM LIABILITIES TO CURRENT LIABILITIES	1,630,553	1,340,553	1,832,082
4.02.05	TRANSFER FROM CURRENT ASSETS TO LONG-TERM ASSETS	0	0	53,674
4.02.06	OWN SHARES ACQUISITION	62,272	37,550	33,018
4.02.07	OTHER USES	0	0	1,097
4.03	INCREASE/DECREASE IN WORKING CAPITAL	(1,049,579)	979,607	(778,613)
4.04	CHANGES IN CURRENT ASSETS	(165,231)	916,781	495,800
4.04.01	CURRENT ASSETS AT THE BEGINNING OF THE YEAR	4,834,911	3,918,130	3,422,330
4.04.02	CURRENT ASSETS AT THE END OF THE YEAR	4,669,680	4,834,911	3,918,130
4.05	CHANGES IN CURRENT LIABILITIES	884,348	(62,826)	1,274,413
4.05.01	CURRENT LIABILITIES AT THE BEGINNING OF THE	3,839,933	3,902,759	2,628,346

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	YEAR			
4.05.02	CURRENT LIABILITIES AT THE END OF THE YEAR	4,724,281	3,839,933	3,902,759

05.01 - STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY FROM 01/01/2005 TO 12/31/2005 (IN THOUSANDS OF REAIS)

1 - CODE	2 - DESCRIPTION	3 CAPITAL STOCK	4 CAPITAL RESERVES	5 REVALUATION RESERVES	6 PROFIT RESERVES	7 - ACCRUED PROFIT/LOSS	8 - TOTAL SHAREHOLDERS EQUITY
5.01	OPENING BALANCE	3,401,245	1,459,705	0	287,672	1,332,743	6,4
5.02	ADJUSTMENTS OF PREVIOUS YEARS	0	0	0	0	0	
5.03	INCREASE/DECREASE IN CAPITAL STOCK	34,543	(34,543)	0	0	0	
5.03.01	TAX BENEFIT ON AMORTIZATION OF GOODWILL FROM MERGER	34,543	(34,543)	0	0	0	
5.04	REALIZATION OF RESERVES	0	0	0	0	0	
5.05	TREASURY STOCK	0	(62,272)	0	0	0	(
5.06	INCOME/LOSS FOR THE YEAR	0	0	0	0	(303,671)	(3
5.07	ALLOCATIONS	0	0	0	0	(626,500)	(6
5.07.01	PROPOSED DIVIDENDS/INTEREST ON SHAREHOLDERS EQUITY	0	0	0	0	(626,500)	(6
5.08	OTHER	0	0	0	0	7,685	
5.08.01	PRESCRIBED DIVIDENDS	0	0	0	0	7,685	
5.09	ENDING BALANCE	3,435,788	1,362,890	0	287,672	410,257	5,4

05.02 STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY FROM 01/01/2004 TO 12/31/2004 (IN THOUSANDS OF REAIS)

1 - CODE	2 DESCRIPTION	3 CAPITAL STOCK	4 CAPITAL RESERVES	5 REVALUATION RESERVES	6 PROFIT RESERVES	7 - ACCRUED PROFIT/LOSS	8 - TOTAL SHAREHOLDERS EQUITY
5.01	OPENING BALANCE	3,373,097	1,524,953	0	273,244	1,491,550	6,6
5.02	ADJUSTMENTS OF PREVIOUS YEARS	0	0	0	0	0	
5.03	INCREASE/DECREASE IN CAPITAL STOCK	28,148	(28,148)	0	0	0	
5.03.01	TAX BENEFIT ON AMORTIZATION OF GOODWILL FROM MERGER	28,148	(28,148)	0	0	0	
5.04	REALIZATION OF RESERVES	0	0	0	0	0	
5.05	TREASURY STOCKS	0	(37,550)	0	0	0	(
5.06	INCOME/LOSS FOR THE YEAR	0	0	0	0	288,552	2
5.07	ALLOCATIONS	0	0	0	14,428	(458,928)	(4
5.07.01	CONSTITUTION OF LEGAL RESERVE	0	0	0	14,428	(14,428)	
5.07.02	PROPOSED DIVIDENDS/INTEREST ON SHAREHOLDERS EQUITY	0	0	0	0	(444,500)	(4
5.08	OTHER	0	450	0	0	11,569	
5.08.01	DONATIONS AND SUBSIDIES FOR INVESTMENTS	0	277	0	0	0	
5.08.02	FISCAL INCENTIVES FINAM	0	173	0	0	0	
5.08.03	PRESCRIBED DIVIDENDS	0	0		0	11,569	
5.09	ENDING BALANCE	3,401,245	1,459,705		287,672	1,332,743	6,4

05.03 STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY FROM 01/01/2003 TO 12/31/2003 (IN THOUSANDS OF REAIS)

1 - CODE	2 DESCRIPTION	3 CAPITAL STOCK	4 CAPITAL RESERVES	5 REVALUATION RESERVES	6 PROFIT RESERVES	7 - ACCRUED PROFIT/LOSS	8 - TOTAL SHAREHOLDERS EQUITY
5.01	OPENING BALANCE	3,335,770	1,591,454	0	273,244	1,763,067	6,963,525
5.02	ADJUSTMENTS OF PREVIOUS YEARS	0	0	0	0	0	
5.03	INCREASE/DECREASE IN CAPITAL STOCK	37,327	(37,327)	0	0	0	
	TAX BENEFIT ON AMORTIZATION OF GOODWILL						
5.03.01	FROM MERGER	37,327	(37,327)	0	0	0	
5.04	REALIZATION OF RESERVES	0	0	0	0	0	
5.05	TREASURY STOCKS	0	(33,018)	0	0	0	
5.06	INCOME/LOSS FOR THE YEAR	0	0	0	0	(25,317)	
5.07	ALLOCATIONS	0	0	0	0	(246,200)	
	PROPOSED DIVIDENDS/INTEREST ON						
5.07.01	SHAREHOLDERS EQUITY	0	0	0	0	(246,200)	
5.08	OTHERS	0	3,844	0	0	0	
5.08.01	FISCAL INCENTIVES - FINAM	0	3,844	0	0	0	
5.09	ENDING BALANCE	3,373,097	1,524,953	0	273,244	1,491,550	6,662,844

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

1 - CODE	2 - ACCOUNT DESCRIPTION	3 - 12/31/2005	4 - 12/31/2004	5 - 12/31/2003
1	TOTAL ASSETS	16,728,089	17,402,504	15,326,004
1.01	CURRENT ASSETS	5,388,691	5,802,014	3,985,525
1.01.01	CASH AND CASH EQUIVALENTS	1,730,083	2,397,810	1,465,765
1.01.02	CREDITS	2,152,813	2,111,579	1,859,713
1.01.02.01	ACCOUNTS RECEIVABLE FROM SERVICES	2,152,813	2,111,579	1,859,713
1.01.03	INVENTORIES	83,035	174,033	8,042
1.01.04	OTHER	1,422,760	1,118,592	652,005
1.01.04.01	LOANS AND FINANCING	3,962	2,540	2,446
1.01.04.02	DEFERRED AND RECOVERABLE TAXES	1,122,548	735,700	501,281
1.01.04.03	JUDICIAL DEPOSITS	148,469	144,770	40,367
1.01.04.04	OTHER ASSETS	147,781	235,582	107,911
1.02	LONG-TERM ASSETS	1,941,931	1,299,476	1,363,061
1.02.01	OTHER CREDITS	0	0	0
1.02.02	CREDITS WITH RELATED PARTIES	0	0	6,965
1.02.02.01	FROM ASSOCIATED COMPANIES	0	0	6,965
1.02.02.02	FROM SUBSIDIARIES	0	0	0
1.02.02.03	FROM OTHER RELATED PARTIES	0	0	0
1.02.03	OTHER	1,941,931	1,299,476	1,356,096
1.02.03.01	LOANS AND FINANCING	5,211	8,204	7,513
1.02.03.02	DEFERRED AND RECOVERABLE TAXES	1,225,631	729,695	736,367
1.02.03.03	INCOME SECURITIES	2,604	0	0
1.02.03.04	JUDICIAL DEPOSITS	641,267	476,228	417,610
1.02.03.05	INVENTORIES	0	0	19,053
1.02.03.06	OTHER ASSETS	67,218	85,349	175,553
1.03	PERMANENT ASSETS	9,397,467	10,301,014	9,977,418
1.03.01	INVESTMENTS	390,463	477,607	286,418
1.03.01.01	ASSOCIATED COMPANIES	4	4	97,485
1.03.01.02	SUBSIDIARIES	0	0	0
1.03.01.03	OTHER INVESTMENTS	390,459	477,603	188,933
1.03.02	PROPERTY, PLANT AND EQUIPMENT	8,224,949	8,897,226	9,045,955
1.03.03	DEFERRED CHARGES	782,055	926,181	645,045

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

1 - CODE	2 - ACCOUNT DESCRIPTION	3 - 12/31/2005	4 - 12/31/2004	5 - 12/31/2003
2	TOTAL LIABILITIES	16,728,089	17,402,504	15,326,004
2.01	CURRENT LIABILITIES	5,480,299	4,808,710	3,957,807
2.01.01	LOANS AND FINANCING	881,158	609,420	572,139
2.01.02	DEBENTURES	608,226	493,713	1,418,137
2.01.03	SUPPLIERS	1,786,535	1,769,480	935,656
2.01.04	TAXES, FEES AND CONTRIBUTIONS	975,654	798,723	461,878
2.01.04.01	INDIRECT TAXES	776,527	750,759	439,215
2.01.04.02	TAXES ON INCOME	199,127	47,964	22,663
2.01.05	DIVIDENDS PAYABLE	376,579	411,232	247,242
2.01.06	PROVISIONS	382,138	357,140	76,531
2.01.06.01	PROVISION FOR CONTINGENCIES	336,643	327,643	48,509
2.01.06.02	PROVISION FOR PENSION PLAN	45,495	29,497	28,022
2.01.07	RELATED PARTY DEBTS	0	0	0
2.01.08	OTHER	470,009	369,002	246,224
2.01.08.01	PAYROLL, SOCIAL CHARGES AND BENEFITS	78,214	73,238	61,550
2.01.08.02	CONSIGNMENTS IN FAVOR OF THIRD PARTIES	154,696	114,219	51,747
2.01.08.03	EMPLOYEE PROFIT SHARING	64,445	60,839	49,006
2.01.08.04	AUTHORIZATIONS TO EXPLORE TELECOM. SERV.	55,516	44,056	0
2.01.08.05	OTHER LIABILITIES	117,138	76,650	83,921
2.02	LONG-TERM LIABILITIES	5,649,944	6,008,175	4,693,915
2.02.01	LOANS AND FINANCING	2,918,841	3,158,365	1,735,563
2.02.02	DEBENTURES	500,000	1,020,000	910,000
2.02.03	PROVISIONS	1,350,310	883,151	1,128,304
2.02.03.01	PROVISION FOR CONTINGENCIES	667,716	411,202	650,236
2.02.03.02	PROVISION FOR PENSION PLAN	682,594	471,949	478,068
2.02.04	RELATED PARTY DEBTS	0	0	0
2.02.05	OTHERS	880,793	946,659	920,048
2.02.05.01	PAYROLL, SOCIAL CHARGES AND BENEFITS	0	4,834	7,871
2.02.05.02	SUPPLIERS	21,357	3,504	860
2.02.05.03	INDIRECT TAXES	560,076	604,942	583,194
2.02.05.04	TAXES ON INCOME	9,413	35,206	27,005
2.02.05.05	AUTHORIZATIONS TO EXPLORE TELECOM. SERV.	252,274	261,548	211,847
2.02.05.06	OTHER LIABILITIES	29,699	28,651	81,297
2.02.05.07	FUNDS FOR CAPITALIZATION	7,974	7,974	7,974
2.03	DEFERRED INCOME	84,587	73,978	11,431
2.04	MINORITY INTEREST	16,652	30,276	7
2.05	SHAREHOLDERS EQUITY	5,496,607	6,481,365	6,662,844
2.05.01	PAID-UP CAPITAL	3,435,788	3,401,245	3,373,097

2.05.02	CAPITAL RESERVES	1,362,890	1,459,705	1,524,953
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1 - CODE	2 - ACCOUNT DESCRIPTION	3 - 12/31/2005	4 - 12/31/2004	5 - 12/31/2003
2.05.02.01	PREMIUM ON SHARE SUBSCRIPTION	334,825	367,269	368,596
2.05.02.02	SPECIAL GOODWILL ON THE MERGER	59,007	123,378	187,749
2.05.02.03	DONATIONS AND SUBSIDIES FOR INVESTMENTS	123,551	123,551	123,274
2.05.02.04	INTEREST ON WORKS IN PROGRESS	745,756	745,756	745,756
2.05.02.05	SPECIAL MONETARY ADJUSTMENT-LAW 8200/91	31,287	31,287	31,287
2.05.02.06	OTHER CAPITAL RESERVES	68,464	68,464	68,291
2.05.03	REVALUATION RESERVES	0	0	0
2.05.03.01	COMPANY ASSETS	0	0	0
2.05.03.02	SUBSIDIARIES/ASSOCIATED COMPANIES	0	0	0
2.05.04	PROFIT RESERVES	287,672	287,672	273,244
2.05.04.01	LEGAL	287,672	287,672	273,244
2.05.04.02	STATUTORY	0	0	0
2.05.04.03	CONTINGENCIES	0	0	0
2.05.04.04	REALIZABLE PROFIT RESERVES	0	0	0
2.05.04.05	PROFIT RETENTION	0	0	0
2.05.04.06	SPECIAL RESERVE FOR UNDISTRIBUTED DIVIDENDS	0	0	0
2.05.04.07	OTHER PROFIT RESERVES	0	0	0
2.05.05	RETAINED EARNINGS/ACCUMULATED LOSSES	410,257	1,332,743	1,491,550

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

1 - CODE	2 - ACCOUNT DESCRIPTION	3 - 01/01/2005 to 12/31/2005	4 - 01/01/2004 to 12/31/2004	5 - 01/01/2003 to 12/31/2003
3.01	GROSS REVENUE FROM SALES AND/OR SERVICES	14,687,239	12,763,442	11,077,381
3.02	DEDUCTIONS FROM GROSS REVENUE	(4,548,555)	(3,698,586)	(3,162,187)
3.03	NET REVENUE FROM SALES AND/OR SERVICES	10,138,684	9,064,856	7,915,194
3.04	COST OF GOODS AND/OR SERVICES SOLD	(6,523,502)	(5,828,012)	(4,853,373)
3.05	GROSS INCOME	3,615,182	3,236,844	3,061,821
3.06	OPERATING INCOME/EXPENSES	(4,772,424)	(3,140,572)	(2,921,228)
3.06.01	SELLING EXPENSES	(1,655,749)	(1,085,777)	(819,937)
3.06.02	GENERAL AND ADMINISTRATIVE EXPENSES	(1,267,630)	(969,584)	(795,336)
3.06.02.01	MANAGEMENT COMPENSATION	(11,695)	(7,998)	(7,094)
3.06.02.02	OTHER GENERAL AND ADMINISTRATIVE EXPENSES	(1,255,935)	(961,586)	(788,242)
3.06.03	FINANCIAL	(1,222,739)	(1,024,014)	(1,091,002)
3.06.03.01	FINANCIAL INCOME	664,699	493,298	302,563
3.06.03.02	FINANCIAL EXPENSES	(1,887,438)	(1,517,312)	(1,393,565)
3.06.04	OTHER OPERATING INCOME	414,662	577,641	270,362
3.06.05	OTHER OPERATING EXPENSES	(1,040,968)	(638,838)	(485,315)
3.06.06	EQUITY ACCOUNTING RESULT	0	0	0
3.07	OPERATING INCOME	(1,157,242)	96,272	140,593
3.08	NON-OPERATING INCOME	(149,024)	(160,078)	(469,045)
3.08.01	REVENUES	44,962	105,306	55,417
3.08.02	EXPENSES	(193,986)	(265,384)	(524,462)
3.09	INCOME BEFORE TAXES AND MINORITY INTEREST	(1,306,266)	(63,806)	(328,452)
3.10	PROVISION FOR INCOME TAX AND SOCIAL CONTRIBUTION	389,066	(43,671)	58,017
3.11	DEFERRED INCOME TAX	0	0	0
3.12	STATUTORY INTEREST/CONTRIBUTIONS	0	(53,783)	(1,076)
3.12.01	INTEREST	0	(53,783)	(1,076)
3.12.02	CONTRIBUTIONS	0	0	0
3.13	REVERSAL OF INTEREST ON SHAREHOLDERS EQUITY	626,500	444,500	246,200
3.14	MINORITY INTEREST	(12,971)	(6,276)	14
3.15	INCOME (LOSS) FOR THE PERIOD	(303,671)	276,964	(25,297)

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	NO. SHARES, EX-TREASURY (IN THOUSANDS)	541,618,899	541,608,463	539,447,369
	EARNINGS PER SHARE		0.00051	
	LOSS PER SHARE	(0.00056)		(0.00005)

08.01 - CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION (IN THOUSANDS OF REAIS)

1 - CODE	2 - ACCOUNT DESCRIPTION	3 - 01/01/2005 to 12/31/2005	4 - 01/01/2004 to 12/31/2004	5 - 01/01/2003 to 12/31/2003
4.01	SOURCES	3,776,334	5,971,051	3,262,596
4.01.01	OF OPERATIONS	3,092,274	3,256,806	3,112,616
4.01.01.01	INCOME/LOSS FOR THE YEAR	(303,671)	276,964	(25,297)
4.01.01.02	AMOUNTS NOT AFFECTING WORKING CAPITAL	3,395,945	2,979,842	3,137,913
4.01.01.02.01	DEPRECIATION AND AMORTIZATION	2,794,545	2,589,649	2,206,422
4.01.01.02.02	MONETARY VARIATION AND LONG-TERM INTEREST	57,719	54,863	105,146
4.01.01.02.03	EQUITY IN SUBSIDIARIES	0	0	0
4.01.01.02.04	PROVISION FOR CONTINGENCIES	408,675	97,400	299,141
4.01.01.02.05	INCOME/LOSS IN FIXED ASSETS WRITE-OFF	27,958	54,389	347,885
4.01.01.02.06	INDIRECT TAXES	43,816	8,094	154,019
4.01.01.02.07	DEFERRED DIRECT TAXES	(235,252)	146,909	23,720
4.01.01.02.08	MINORITY INTEREST	12,971	6,276	(14)
4.01.01.02.09	PROVISION FOR PENSION PLAN	253,767	(1,895)	1,686
4.01.01.02.10	OTHER	31,746	24,157	(92)
4.01.02	FROM SHAREHOLDERS	0	0	0
4.01.03	FROM THIRD PARTIES	684,060	2,714,245	149,980
4.01.03.01	INCREASE IN LONG-TERM LIABILITIES	535,999	2,478,532	23,731
4.01.03.02	TRANSFER FROM LONG-TERM ASSETS TO CURRENT ASSETS	103,153	195,358	48,413
4.01.03.03	INCORPORATED NET WORKING CAPITAL	0	0	39,300
4.01.03.04	OTHER	44,908	40,355	38,536
4.02	USES	4,861,246	5,005,465	4,080,695
4.02.01	INCREASE IN LONG-TERM ASSETS	485,972	327,189	155,666
4.02.02	INCREASE IN PERMANENT ASSETS	1,977,796	2,818,820	1,757,201
4.02.03	DIVIDENDS/INTEREST ON SHAREHOLDERS EQUITY	626,500	444,500	246,200
4.02.04	TRANSFER FROM LONG-TERM LIABILITIES TO CURRENT LIABILITIES	1,708,706	1,374,418	1,832,877
4.02.05	TRANSFER FROM CURRENT ASSETS TO LONG-TERM ASSETS	0	0	53,674
4.02.06	OWN SHARES ACQUISITION	62,272	37,550	33,018
4.02.07	INCORPORATED NET WORKING CAPITAL	0	2,988	0
4.02.08	OTHER USES	0	0	2,059

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4.03	INCREASE/DECREASE IN WORKING CAPITAL	(1,084,912)	965,586	(818,099)
4.04	CHANGES IN CURRENT ASSETS	(413,323)	1,816,489	515,785
4.04.01	CURRENT ASSETS AT THE BEGINNING OF THE YEAR	5,802,014	3,985,525	3,469,740
4.04.02	CURRENT ASSETS AT THE END OF THE YEAR	5,388,691	5,802,014	3,985,525
4.05	CHANGES IN CURRENT LIABILITIES	671,589	850,903	1,333,884
4.05.01	CURRENT LIABILITIES AT THE BEGINNING OF THE YEAR	4,808,710	3,957,807	2,623,923
4.05.02	CURRENT LIABILITIES AT THE END OF THE YEAR	5,480,299	4,808,710	3,957,807

09.01 REPORT OF INDEPENDENT ACCOUNTANTS UNQUALIFIED OPINION

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

We have reviewed the balance sheets of Brasil Telecom S.A. and the consolidated balance sheets of the Company and its subsidiaries, drawn up on December 31, 2005 and 2004, and respective statements of income, statements of changes in shareholders' equity and statements of changes in financial position, corresponding to the years ended on that date, prepared under the responsibility of its management. Our responsibility is to express an opinion about these financial statements.

Our review was performed in accordance with auditing standards applicable in Brazil and they comprise: (a) the planning of works, taking into account the relevance of balances, the volume of transactions, accounting systems and internal controls of the Company and its subsidiaries; (b) the verification, based on tests, of evidence and records supporting amounts and financial information disclosed; and (c) the evaluation of most representative accounting practices and estimates adopted by the Company's management and its subsidiaries, as well as the presentation of financial statements taken as a whole.

In our opinion, the financial statements referred to above properly represent in all their relevant aspects the equity and financial condition of Brasil Telecom S.A., as well as the consolidated equity and financial condition of this Company and its subsidiaries on December 31, 2005 and 2004, the results of its operations, changes in shareholders' equity and changes in financial position, corresponding to the years ended on that dates, in accordance with accounting practices adopted in Brazil.

Our examination was performed for the purpose of issuing an opinion about the financial statements, taken as a whole. The statements of value added and cash flow represent supplementary information to those statements and are presented to provide an additional analysis. This supplementary information was submitted to the same audit procedures, applied to the financial statements and in our opinion, this is properly presented in all its relevant aspects in relation to the financial statements, taken as a whole.

As disclosed in Note 5 (i), on April 28, 2005, an agreement foreseeing the merger of the subsidiary 14 Brasil Telecom Celular S.A. into Tim Brasil Serviços e Participações S.A. was entered into. The effectiveness of this agreement has been the subject-matter of discussions through various injunctions and, at this moment, it is not possible to forecast possible effects on the financial statements of the Company and its subsidiaries, stemming from the realization or not of such agreement.

March 27, 2006

KPMG Auditores Independentes
CRC-SP-014.428 - S -DF

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

10.01 MANAGEMENT REPORT

MANAGEMENT REPORT

Dear Sirs and Madams Shareholders:

In compliance with the provisions provided for in the law and in the By-Laws, Brasil Telecom S.A.'s management submits to your analysis the Management Report, the Company's Consolidated Financial Statements and the Independent Auditors Report, related to the fiscal year ended on December 31st, 2005.

Economic Scenario

In 2005, the Brazilian economy grew by 2.3%, mainly sustained by substantial international demand, which resulted in record trade surpluses.

Inflation as measured by the IPCA index reached 5.69% in 2005 and the exchange-rate ended the year at R\$ 2.34 to the dollar, up 13.4% compared to 2004. Interest rates remained high throughout the year, ending 2005 at 18% p.a., peaking at 19.75% p.a. in the third quarter.

In the domestic context, Brasil Telecom considers an environment of continuing moderate economic growth, controlled inflation and falling interest rates. In the international environment, the global economy remains in a sustained growth trend, independently of the uncertainties associated with the Middle East and the upward revision of US interest rates.

Regulatory Environment

The concession contracts for Public Switched Telephone Network (PSTN) were extended in December 2005. These will remain in force to the end of 2025 and will be subject to review every five years, from December 31, 2010.

One of the changes introduced by the new contracts was the charging of local calls on a per minute basis, replacing the old pulse measuring system. The new contracts have guaranteed a subscriber the right to request a detailed breakdown of local calls on their monthly bill. Concessionaires would have had until the end of August 2006 to make the investment necessary for the implementation of this ease. However, a decision by the National Telecommunications Agency (Anatel) in February 2006 postponed the implementation deadline to the end of August 2007.

Another item established under the new contracts refers to the parameters which will serve as the basis for tariff readjustments. From 2006, the Telecommunications Sector Index, created by Anatel and referenced to a basket of public price indices, became the official index for the correction of tariffs in the sector. For 2006 and 2007, Anatel also formulated a calculation model for the transfer factor or X factor whose function is to transfer part of the productivity gains achieved by the concessionaires to end-users.

In 2005, the Regulations for the Separation and Allocation of Accounts were published. This expands the base of physical and financial information that the operator must make available to Anatel, which will be used to set the adjustment to public tariffs, as well as determining the value of the interconnection tariffs from 2008 on. Fixed-line concessionaires will be obliged to provide the first set of expanded information in April 2006.

Published in March 2005, the General Interconnection Regulations defined new rules for the interconnection of networks and the relationship among telecommunications service providers.

Furthermore, in December, Anatel published the Regulations for Individual Special Class Access, whose goal is to facilitate progressive universalization of individual fixed-line telephone access.

For mobile telephone services, the "*bill and keep*" system was suspended by a ruling from Anatel. It was originally expected that this system would come into force from July 2005, establishing rules for the payment of interconnection charges on calls between mobile telephone operators. Once the "*bill and keep*" system is implemented, mobile operators would cease to pay the Mobile Network Use Tariff on mobile-mobile calls.

Three themes related to the telecommunications sector, which are currently the subject of ongoing debate in the National Congress, are worth mentioning: the proposal to abolish the fixed monthly basic subscription fee, the project which aims to restructure the Brazilian System for the Defense of Competition and the proposal to alter the General Telecommunications Law, establishing the basis for the creation of a social telephone service .

Another important subject, which is present in the discussions about technology convergence, covers the offering of audiovisual content by telecommunications companies. As part of its agenda, the Executive Power is seeking to draw up a law covering mass electronic communication which should, among other things, review the legislation on pay TV and the admittance of foreign capital as a competitive factor, as well as allow the use of funds from the Telecommunications Services Universalization Fund for digital inclusion projects.

Changes in Management

On July 27, 2005 at an Extraordinary General Shareholders Meeting, members of the Board of Directors of Brasil Telecom Participações S.A. who were linked to the former manager Opportunity, were dismissed from the Board. At a Board meeting held on August 25, 2005, a new Senior Management was elected, with the Technical Director remaining in place.

At an Extraordinary General Shareholders Meeting held on September 30, 2005, the members of the Board of Directors of Brasil Telecom S.A. were also dismissed, with new members being elected in their place. On the same date, at a meeting of the Board of Directors, it was decided to dismiss the Chairman then presiding, and to elect new members to the Senior Management, the Network Officer being reelected. These decisions were ratified by the Board of Directors of Brasil Telecom S.A. at a meeting held on October 5, 2005.

The process of replacing the directors and officers of Brasil Telecom Participações S.A. and Brasil Telecom S.A. was litigious, as demonstrated by the several material facts released by the companies during 2005 and the various lawsuits filed by the former manager aiming at taking back the management of the Companies, which are still ongoing.

Agreements of April 28, 2005 under Opportunity's Management

On April 28, 2005, while still under the management of the then CEO Carla Cico and Opportunity, Brasil Telecom Participações S.A. and Brasil Telecom S.A. celebrated several agreements involving the Opportunity and Telecom Italia groups (Agreements of April 28).

Among these agreements, Brasil Telecom S.A. and its subsidiary 14 Brasil Telecom Celular S.A. (BTC) entered into an agreement with TIM International N.V. (TIMI) and TIM Brasil Serviços e Participações S.A. (TIMB) entitled Merger Agreement and a Protocol document related to it.

According to material facts released, the merger was prohibited by injunctions issued by courts in Brazil and the US. And this is also the subject of an arbitration involving the controlling shareholders.

The new management of Brasil Telecom Participações S.A. and Brasil Telecom S.A. believes that the Merger Agreement, the respective Protocol and the other Agreements of April 28, which include the withdrawal and settlement of various court actions involving the Companies, were entered into while a conflict of interests existed, in violation of the Law and the Companies Bylaws, as well as being contrary to shareholders agreements, and furthermore, lacking the necessary shareholder and corporate approvals. In addition, the new management considers that these agreements are contrary to Companies best interests, particularly with regard to the mobile telephone business.

With regard to the Merger Agreement, on March 16, 2006, Brasil Telecom S.A. and BTC entered into arbitration against TIMI and TIMB in order to obtain annulment of this agreement or have it declared null and void. Such arbitration will be carried out according to the rules of the International Chamber of Commerce (ICC).

Assessment of the Actions by the Former Managers under the Management of Opportunity

In observance of their fiduciary duties, under the terms of the applicable legislation, the current management of Brasil Telecom Participações S.A. and Brasil Telecom S.A. have carried out internal investigations on the businesses and operations of the former management appointed by Opportunity, having identified management acts indicating abuse of controlling power, breach of fiduciary duties, conflict of interest, as well as violation of the law and the Company Bylaws.

To this end, and in accordance with a notice to shareholders released on December 12, 2005, Brasil Telecom Participações S.A. and Brasil Telecom S.A. filed a formal complaint with the CVM - the Brazilian Securities and Exchange Commission, against its former management, Opportunity Fund and other individuals and companies, both national and foreign, linked in any way to the former, who have been involved with, or participated in any way, or benefited from the actions which are the object of the formal complaint. On March 21, 2006, a further formal complaint, as an amendment to the first complaint, was submitted to CVM, in light of new management actions identified.

Brasil Telecom Participações S.A. and Brasil Telecom S.A. are adopting all necessary legal measures to recover the losses and damages suffered.

The Group

Brasil Telecom Group is comprised of companies which operate in the telecommunications sector, offering a full range services, particularly local fixed-line telecommunications, domestic and international long distance fixed-line telecommunications, mobile telecommunications, data transmission, besides data center and internet services.

Below you may find the group s corporate structure in a simplified version:

ON: Voting shares
PN: Preferred shares

Brasil Telecom S.A.

Brasil Telecom S.A. is the company responsible for the providing of fixed-line telephone services – voice and data, both on a local basis as well as long-distance. The public concession covers the states of Rondônia, Acre, Mato Grosso, Mato Grosso do Sul, Tocantins, Goiás, Santa Catarina, Paraná and Rio Grande do Sul, as well as the Federal District. This concession area, which corresponds to Region II in the General Concession Plan, runs along the frontier with Peru, Bolivia, Paraguay, Argentina and Uruguay, and can thus be considered a corridor to Mercosur.

In the last few years, Brasil Telecom S.A. has made some important acquisitions in the telecommunications sector, with the main objective of becoming a complete telecommunications service multi-provider, where convergence is the basic premise. In this manner, Brasil Telecom S.A. is present throughout the entire value chain in this sector.

Brasil Telecom operates outside its concession area, particularly in the three main Brazilian metropolitan areas (São Paulo, Rio de Janeiro and Belo Horizonte), through Brasil Telecom Comunicação Multimídia Ltda. This allows it to serve the corporate market, and so increase its market share in the growing data transmission market.

The Company also acquired a system of sub-sea fiber optic cables which connects Brazil, Venezuela, Bermuda and United States, which guarantees the Company the autonomy to carry international voice and data traffic.

The 3.2 million active users served by the internet service providers iG, iBest and BrTurbo mean that Brasil Telecom is the largest internet access provider in Latin America and one of the 15 largest internet providers in the world, in terms of number of clients. In October 2005, the new management of Brasil

Telecom began the process of integrating these three providers, with the object of consolidating the leadership of the Group in the Brazilian internet market. Just as important, or even more important than the traffic generated by these providers and the revenues provided by access and other products, is the exploitation of this relationship channel with clients spread throughout the country.

To complete its strategy of being a complete telecommunications service multi-provider, Brasil Telecom launched its mobile operation in September 2004, developing a combination of innovative promotions focused initially on fixed-line users and broadband access subscribers.

BrT Serviços de Internet S.A.

Through BrTurbo, iBest and iG, Brasil Telecom is able to compete throughout the Brazilian territory in the various segments of the internet, providing a range of converging services with a unified vision and mutual synergy. BrTurbo is the broadband leader in Region II of the General Concession Plan. iBest is the largest dial-up access provider in Region II, while iG - the first in dial-up access in Brazil - is one of the largest content providers with a broadband presence outside Region II.

BrTurbo

To consolidate its brand and strengthen its leadership in the broadband market in Region II, BrTurbo redesigned its portal in 2005, creating a new games channel, starting to use a new platform for the distribution of multimedia content and developing commercial and content partnerships. The company also launched *BrTurbo Educa*, *Gigamail* and a photo album, among other things, with the objective of adding value to the portfolio of products and services and, consequently, increasing average revenue per client.

BrTurbo Empresas, focused on small and medium-size enterprises, was reformulated and gained several new functions, which resulted in growth of 30%, in relation to the previous year.

BrTurbo Asas, which uses Wi-Fi, saw its own hotspot network expand by 22%, as a result of partnerships signed with Brazil's main airports. The number of accesses and the utilization time doubled, compared to the previous year.

As a result of these initiatives, BrTurbo's client base expanded to 548,000 in 2005, 106% larger than the previous year. Thus, for the second year running, BrTurbo doubled the size of its client base.

iBest

iBest consolidated its position as the largest dial-up access provider in Region II, achieving a market share estimated at 50%, at the end of 2005.

iBest has a presence in more than 1,800 towns and cities and has approximately 10 million registered customers and 1.5 million active users. During 2005, it generated 19 billion minutes, an increase of 14% compared to 2004, due to its relationship initiatives and the expansion in the number of points of presence.

During 2005, iBest began to review its portal strategy, internalizing its news channel and improving its navigability. As a result, the frequency of portal use increased by 21%, in terms of single users in the period January to December, according to research from Ibope Net Ratings.

The 2005 edition of the iBest Awards was cause for a double celebration: 10 years of awards and 10 years of commercial internet in Brazil. Approximately 25,000 sites registered, 4 million votes and the

traditional cash prizes all made the edition a success, maintaining the iBest Awards as the world's top internet award ceremony.

iG

On July 26, 2005, Brasil Telecom Subsea Cable Systems (Bermuda) Ltd., a subsidiary of BrT, completed the acquisition of 3,750,500 Voting Class A shares and 6,249,848 Voting Class B shares, issued by iG, due to the exercising of an option granted to shareholders: Global Investments and Consulting Inc., Opportunity Fund and Vicência Participações Ltda.

The purchase took place in accordance with the decisions taken by the Boards of Brasil Telecom Participações S.A. and Brasil Telecom S.A. on December 18, 2003 and under the same conditions as those for the extension of the purchase offer, referred to in the material fact, published on November 24, 2004.

The shares purchased for US\$ 27.8 million, represented 25.6% of the total capital of iG. As a result of this purchase, BrT Bermuda together with Brasil Telecom Participações S.A., ended up with 98.2% of the total paid-in capital of iG.

iG was the first free internet access provider in Brazil and it currently has a presence in over 1,200 towns and cities. It has 18 million clients registered and two million active users. During 2005, the 20 billion minutes generated positioned iG as the leader in traffic generation terms in Regions I and III and the largest internet access provider in Brazil, both in terms of traffic and number of users. In addition, its base of broadband access subscribers totaled 180,000 at the end of 2005, up 65% compared to 2004.

iG's pioneering stance is not limited to free access. The provider created the concept of exclusive web journalism with *Último Segundo* (up to the last second), built the largest cellular portal Selig, was the first company to launch a blog tool in Brazil Blig and introduced TV Flash on the homepage of its portal. Today, iG is one of the leaders in advertising sales on the internet. During 2005, in another innovative mood, iG created the largest video center on the Brazilian Internet, Megaplayer, and the music site iG Pop - as well as enlarging its games portal *Arena iG*, resulting in an increase of 11% in its audience, compared to the previous year, according to Ibope Net Ratings. As well as the distribution of content via computer, iG maintains its strategy of expanding its distribution channels. In addition to offering its content through Selig, iG also distributed content in cinemas, airports and elevators.

Grupo BrT Cabos Submarinos

BrT's sub-sea cable system consists of the following companies: Brasil Telecom Cabos Submarinos (Holding) Ltda., Brasil Telecom Cabos Submarinos Ltda., Brasil Telecom of America Inc., Brasil Telecom Subsea Cable Systems (Bermudas) Ltd. and Brasil Telecom Venezuela S.A. - all either direct or indirect subsidiaries of Brasil Telecom S.A.

The Grupo BrT Cabos Submarinos comprises a network of 22,000 km of leading-edge technology sub-sea fiber-optic cable and an installed capacity of 80 Gbps, which can be expanded up to 1.36 Tbps, connecting the US, Bermuda, Venezuela and Brasil.

During 2005, Brasil Telecom continued its efforts to optimize its costs and expenses, as well as increasing its client base in Brazil, the US, Venezuela and Mercosur. Important strategic alliances were established which allowed the Company to expand the geographical reach of its sub-sea cable system. As a result, the Company started to provide services in Venezuela, today holding approximately 40% of the international IP traffic in that country and also in Uruguay. In this latter country, international traffic through Brasil Telecom is already significant.

The reliability of more than 99.99% of operations in this system results in a higher-quality service for its clients, among them being BrT itself, which thus has managed to guarantee the autonomy necessary to carry international voice, data and particularly, IP traffic. This autonomy has direct impact on reducing interconnection and transport costs. In 2005, Brasil Telecom saved US\$ 16 million, as a result of its reduced need to rent international capacity.

BrT Comunicação Multimídia

The brand MetroRED was replaced by the brand Brasil Telecom Comunicação Multimídia, in March 2005, with the aim of further strengthening the Brasil Telecom brand throughout Brazil, and optimizing expenditure on marketing and advertising.

Brasil Telecom Comunicação Multimídia provides services in the data center, internet and Data transmission segments and is the first Brazilian company to introduce the high-quality, high performance and security of fiber optic cables for operation within offices. Brasil Telecom Comunicação Multimídia's infrastructure includes 1,600 km of inter-city cable which connects São Paulo, Rio de Janeiro and Belo Horizonte, and 343 km of metropolitan network within the cities, which as well as reaching 636 buildings, has the potential to reach a further 5,000.

Brasil Telecom Comunicação Multimídia offers direct access to the main corporate clients in the country, thus being able to offer a differentiated service with a national and international reach, through partnerships with Grupo BrT Cabos Submarinos. Brasil Telecom Comunicação Multimídia has a technologically advanced infrastructure which complements that of Brasil Telecom S.A., with data networks and IP totally integrated and interlinked through a high-speed transport backbone.

Vant

Vant was the first operator in Brazil to offer services with a network directly based on IP technology Internet Protocol. With a presence in Braz