

BRASIL TELECOM HOLDING CO
Form 6-K
July 21, 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 JULY 21, 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).

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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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RESULTS HIGHLIGHTS**FOCUS ON THE QUARTER**

1.35 million wireless accesses in service, a 34.0% increase

747.4 thousand ADSL accesses in service, a 19.5% increase

Net revenues reach R\$2.5 billion

Wireline ARPU reaches R\$84.6

Mobile ARPU is of R\$27.5

Data communication s revenues of R\$451.6 million, a 7.4% growth

EBITDA of R\$827.6 million

Wireline CAPEX of R\$352.6 million

Mobile CAPEX of R\$87.4 million

Wireline EBITDA margin of 40.2%

Net Profit of R\$69.0 million

Brasília, July 20, 2005 - **Brasil Telecom Participações S.A. (BOVESPA: BRTP3/BRTP4; NYSE: BRP)** announces its consolidated results for the second quarter of 2005 (2Q05).

In just nine months of operations, **Brasil Telecom GSM** reaches 1.35 million of wireless accesses in service and achieves a better mix than the market average.

The **continuous and aggressive growth** in data communication plant led the Company to reach 747.4 thousand **broadband accesses** in service at the end of the 2Q05.

Operating Performance**Wireline Telephony**

Brasil Telecom's **installed plant** reached 10,807 thousand lines, a 0.3% and 0.9% growth as compared to the 1Q05 and the 2Q04, respectively.

At the end of the quarter, the **plant in service** was of 9,540 thousand lines, representing a net addition of 27.7 thousand lines during the quarter.

Local traffic recovery has been observed in the 2Q05, and totaled 2.5 billion **billed pulses**, representing a 7.3% growth as compared to the 1Q05.

Mobile Telephony

From Brasil Telecom's **mobile plant**, 356.6 thousand accesses in service were **post-paid**, representing 26.5% of the total.

Financial Performance

Net revenues reached R\$2,522.9 million in the 2Q05, a 16.7% growth as compared to 2Q04's net revenues.

Gross revenues from local services reached R\$1,226.8 million in the 2Q05, 10.0% and 2.6% greater than 2Q04 and 1Q05's gross revenues, respectively.

Gross revenues from inter-network calls reached R\$866.7 million in the 2Q05, a 17.4% increase as compared to the 2Q04 and a 4.1% increase as compared to the 1Q05.

Revenues from data communications and other services reached R\$451.6 million in the 2Q05, a 54.9% increase as compared to the 2Q04 and a 7.4% increase as compared to the 1Q05.

Wireline ARPU (net revenues/AVG. LIS/month) reached R\$84.6 in the 2Q05, against R\$74.4 in the 2Q04.

Mobile telephony gross revenues (excluding revenues obtained with Brasil Telecom S.A.) reached R\$150.7 million in the 2Q05, including R\$66.7 million from **sale of handsets and accessories**.

Mobile's ARPU reached R\$27.5 in the 2Q05.

The **subscriber acquisition cost** was of R\$240 in the quarter.

Consolidated marketing and advertising expenses totaled R\$59.2 million in the 2Q05, a 4.6% decrease as compared to the previous period.

The ratio of **Losses with Accounts Receivable and gross revenues** was of 2.3% in the 2Q05, against 3.0% in the 1Q05. **Losses with Accounts Receivable** totaled R\$83.2 million in the 2Q05, a 20.7% decrease as compared to the previous quarter.

FOCUS ON 12 MONTHS

26.5% of mobile telephony clients are post-paid

95.4% increase in ADSL accesses in service

Net revenues growth of 16.7%

Gross revenues from data communications grow 54.9% and already correspond to 12.4% of total revenues

Wireline ARPU increased by 13.7%

Total debt is 2.7% lower

Year-to-date cost of debt is equal to 10.5% p.a., 57.6% of CDI

At the end of June, 2005, Brasil Telecom's **total consolidated debt** was of R\$4,441.3 million, 2.7% lower than the one recorded in the 1Q05. The **consolidated net debt** was of R\$2,069.7 million at the end of June .

The cost of debt accumulated in 2005 was equal to 10.5% p.a., or 57.6% of the CDI in the period.

The Company's **consolidated net debt/shareholders' equity ratio** was of 36.1% at the end of the 2Q05, against 28.5% at the end of March.

The **dollar- denominated debt** represented 14.4% of the total **debt** , totaling R\$597.2 million at the end of the 2Q05.

The **foreign-currency-denomi-nated debt** represented 34.9% of the total debt.

Brasil Telecom **hedged** 63.0% of its **foreign-currency-denominated debt** , resulting in a total exposure of 11.3%.

Net Debt

Operating cash flow of R\$3.0 billion

Wireline EBITDA margin of 40.3%

Net income reached R\$240.9 million

| R\$ Million | Jun/04 | Mar/05 | Jun/05 | ΔQuarter | Δ12 Months |
|-------------------|----------------|----------------|----------------|--------------|--------------|
| Total Debt | 4,343.6 | 4,564.5 | 4,441.3 | -2.7% | 2.2% |
| (-) Cash | 2,506.3 | 2,802.3 | 2,371.6 | -15.4% | -5.4% |
| Net Debt | 1,837.3 | 1,762.2 | 2,069.7 | 17.5% | 12.6% |

Investments in the wireline segment totaled R\$352.6 million in the 2Q05, of which 37.3% were invested in the data network, intelligent network and information technology.

Mobile telephony segment investments reached R\$87.4 million, against R\$85.9 million in the 1Q05.

Brasil Telecom generated a positive **operating cash flow** of R\$688.0 million in the 2Q05 and of R\$3.0

billion in 12 months.

| Financial Indicators | 2Q04 | 1Q05 | 2Q05 | ΔQuarter | Δ12 Months |
|--|-------------|-------------|-------------|-----------------|-----------------------|
| EBITDA* / Interest Expenses | 6.90 | 6.42 | 8.81 | 37.2% | 27.7% |
| Net Debt / EBITDA* (x4) | 0.48 | 0.53 | 0.63 | 17.0% | 29.0% |
| Total Debt / (EBITDA* + Financial Revenue) (x4) | 0.95 | 1.12 | 0.95 | -14.8% | 0.7% |
| EBITDA* (x4) / Lines in Service | R\$ 393 | R\$ 347 | R\$ 347 | 0.1% | -11.7% |
| EBITDA* (x4) / Employees (thousand) | R\$ 703 | R\$ 579 | R\$ 578 | -0.2% | -17.8% |

* EBITDA without effects of non-recurrent itens.

** Excluding employees from Brasil Telecom GSM.

INCOME STATEMENTS**Table 1: Consolidated Income Statement - Brasil Telecom Participações S.A.**

| R\$ Million | 2Q04 | 1Q05 | 2Q05 | ΔQuarter | Δ12 Months |
|---|------------------|------------------|------------------|-------------|---------------|
| GROSS REVENUES | 3,037.4 | 3,468.7 | 3,642.4 | 5.0% | 19.9% |
| Fixed Telephony | 2,746.0 | 2,901.1 | 3,040.2 | 4.8% | 10.7% |
| Local Service | 1,115.7 | 1,195.7 | 1,226.8 | 2.6% | 10.0% |
| Public Telephony | 119.1 | 86.9 | 124.1 | 42.7% | 4.2% |
| Long Distance Service | 418.3 | 430.2 | 445.6 | 3.6% | 6.5% |
| Fixed-Mobile Calls | 738.1 | 832.5 | 866.7 | 4.1% | 17.4% |
| Interconnection | 179.4 | 164.6 | 175.3 | 6.5% | -2.3% |
| Lease of Means | 63.5 | 65.9 | 77.7 | 17.8% | 22.4% |
| Supplementary and Value Added Services | 104.1 | 114.7 | 115.4 | 0.5% | 10.9% |
| Other | 7.8 | 10.4 | 8.6 | -17.1% | 10.7% |
| Mobile Telephony | - | 147.0 | 150.7 | 2.5% | N.A. |
| Data Transmission | 291.4 | 420.6 | 451.6 | 7.4% | 54.9% |
| Deductions | (874.8) | (1,021.2) | (1,119.5) | 9.6% | 28.0% |
| NET REVENUES | 2,162.6 | 2,447.6 | 2,522.9 | 3.1% | 16.7% |
| COSTS & OPERATING EXPENSES | (1,240.7) | (1,623.3) | (1,695.3) | 4.4% | 36.6% |
| Personnel | (101.5) | (153.2) | (159.1) | 3.9% | 56.8% |
| Materials | (24.8) | (78.6) | (119.2) | 51.6% | 380.2% |
| Subcontracted Services | (358.8) | (492.2) | (538.5) | 9.4% | 50.1% |
| Interconnection | (545.3) | (576.1) | (600.7) | 4.3% | 10.1% |
| Advertising and Marketing | (24.5) | (62.0) | (59.2) | -4.6% | 141.3% |
| Provisions and Losses | (135.1) | (140.8) | (128.0) | -9.1% | -5.3% |
| Other | (50.7) | (120.4) | (90.7) | -24.7% | 79.0% |
| EBITDA | 921.9 | 824.3 | 827.6 | 0.4% | -10.2% |
| Depreciation and Amortization | (599.4) | (671.4) | (665.9) | -0.8% | 11.1% |
| OPERATING PROFIT BEFORE FINANCIAL RESULT | 322.5 | 152.8 | 161.7 | 5.8% | -49.9% |
| Financial Result | (86.7) | (52.2) | (358.4) | N.A. | 313.3% |
| Financial Revenues | 199.3 | 195.1 | 336.7 | 72.6% | 69.0% |
| Financial Expenses | (285.9) | (247.3) | (399.7) | 61.6% | 39.8% |
| Interest on Shareholders' Equity | (0.0) | - | (295.4) | N.A. | N.A. |
| OPERATING PROFIT AFTER FINANCIAL RESULT | 235.8 | 100.6 | (196.6) | N.A. | N.A. |

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|--|--------------|-------------|----------------|--------------|--------------|
| Non-Operating Revenues (Expenses) | (93.1) | (33.9) | (36.7) | 8.5% | -60.5% |
| Goodwill Amortization - CRT Acquisition | (31.0) | (31.0) | (31.0) | 0.0% | 0.0% |
| Other | (62.1) | (2.9) | (5.7) | 100.6% | -90.8% |
| EARNINGS BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES | 142.7 | 66.8 | (233.4) | N.A. | N.A. |
| Income and Social Contribution Taxes | (67.5) | (20.1) | 25.8 | N.A. | N.A. |
| EARNINGS BEFORE PROFIT SHARING | 75.3 | 46.7 | (207.6) | N.A. | N.A. |
| Profit Sharing | (16.8) | - | - | N.A. | N.A. |
| Minority Interest | (7.4) | (1.6) | (18.7) | N.A. | 151.2% |
| EARNINGS BEFORE REVERSION OF INTEREST ON SHAREHOLDERS' EQUITY | 51.0 | 45.1 | (226.3) | N.A. | N.A. |
| Reversion of Interest on Shareholders' Equity | 0.0 | - | 295.4 | N.A. | N.A. |
| NET EARNINGS | 51.1 | 45.1 | 69.0 | 53.2% | 35.2% |
| Goodwill Amortization - CRT Acquisition | 31.0 | 31.0 | 31.0 | 0.0% | 0.0% |
| NET EARNINGS ADJUSTED BY GOODWILL AMORTIZATION | 82.1 | 76.1 | 100.1 | 31.5% | 21.9% |
| Net Earnings (Losses)/1,000 shares - R\$ | 0.1418 | 0.1239 | 0.1897 | 53.2% | 33.8% |
| Net Earnings (Losses)/ADR - US\$ | 0.2282 | 0.2323 | 0.4036 | 73.7% | 76.8% |

Table 2: Consolidated Income Statement - Brasil Telecom GSM

| R\$ Million | 1Q05 | 2Q05 | ΔQuarter |
|---|----------------|----------------|--------------|
| GROSS REVENUES | 182.5 | 211.0 | 15.6% |
| Subscription | 34.6 | 44.3 | 27.9% |
| Utilization | 57.4 | 29.8 | -48.0% |
| Interconnection | 41.3 | 67.9 | 64.3% |
| Other Revenues | 1.2 | 0.9 | -22.6% |
| Data Transmission | 0.6 | 1.3 | 123.7% |
| Merchandise Sales (Handsets and Accessorie | 47.4 | 66.7 | 40.8% |
| Deductions | (50.9) | (59.8) | 17.5% |
| NET REVENUES | 131.6 | 151.2 | 14.8% |
| COSTS & OPERATING EXPENSES | (279.4) | (309.0) | 10.6% |
| Personnel | (21.9) | (22.7) | 3.5% |
| Materials | (59.7) | (94.5) | 58.2% |
| Subcontracted Services | (61.4) | (80.4) | 30.9% |
| Interconnection | (37.3) | (30.3) | -18.7% |
| Advertising and Marketing | (35.5) | (28.1) | -20.8% |
| Provisions and Losses | (6.2) | (8.7) | 40.8% |
| Other | (57.4) | (44.4) | -22.8% |
| EBITDA | (147.8) | (157.9) | 6.8% |
| Depreciation and Amortization | (53.1) | (59.1) | 11.2% |
| OPERATING PROFIT BEFORE FINANCIAL RESULT | (200.9) | (216.9) | 8.0% |
| Financial Result | (10.0) | (5.1) | -49.5% |
| Financial Revenues | 4.0 | 10.7 | 165.4% |
| Financial Expenses | (14.1) | (15.7) | 12.0% |
| EARNINGS BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES | (210.9) | (222.1) | 5.3% |
| Income and Social Contribution Taxes | 85.7 | 57.3 | -33.2% |
| NET EARNINGS (LOSSES) | (125.2) | (164.8) | 31.6% |

Note: The amounts shown in this income statement do not consider the eliminations of the inter-company transactions with Brasil Telecom S.A.

OPERATING PERFORMANCE**FIXED-LINE TELEPHONY****Network****Table 3: Network**

| PLANT | 2Q04 | 1Q05 | 2Q05 | ΔQuarter | Δ12 Months |
|--|-----------------|-----------------|-----------------|-----------------|------------------|
| Lines Installed (Thousand) | 10,711.6 | 10,778.3 | 10,807.0 | 0.3% | 0.9% |
| Additional Lines Installed (Thousand) | 10.9 | 41.1 | 28.7 | -30.2% | 164.3% |
| Lines in Service - LIS (Thousand) | 9,646.7 | 9,512.3 | 9,540.1 | 0.3% | -1.1% |
| Residential | 6,840.5 | 6,379.5 | 6,298.6 | -1.3% | -7.9% |
| Non-Residential | 1,450.7 | 1,440.2 | 1,449.0 | 0.6% | -0.1% |
| Public Telephones | 296.2 | 296.4 | 295.8 | -0.2% | -0.1% |
| Pre-paid | 276.1 | 311.2 | 314.4 | 1.0% | 13.9% |
| Hybrid Terminals | 159.4 | 465.5 | 556.9 | 19.6% | 249.3% |
| Other (including PBX) | 623.8 | 619.6 | 625.3 | 0.9% | 0.2% |
| Additional LIS (Thousand) | (77.1) | 9.2 | 27.7 | 201.2% | N.A. |
| Average LIS (Thousand) | 9,685.3 | 9,507.7 | 9,526.2 | 0.2% | -1.6% |
| LIS/100 Inhabitants | 22.9 | 22.4 | 22.4 | 0.0% | -2.1% |
| Public Telephones/1,000 Inhabitants | 7.0 | 7.0 | 6.9 | -0.5% | -1.1% |
| Public Telephones/100 Lines Installed | 2.8 | 2.7 | 2.7 | -0.4% | -1.0% |
| Utilization Rate | 90.1% | 88.3% | 88.3% | 0.0 p.p. | -1.8 p.p. |
| Digitization Rate | 99.5% | 99.3% | 99.6% | 0.3 p.p. | 0.1 p.p. |

Wireline Network

In the 2Q05, Brasil Telecom installed 28.7 thousand lines, ending the quarter with 10.8 million terminals.

The plant in service totaled 9.5 million lines in the 2Q05, as a result of a net increase of 27.7 thousand lines in the quarter. Following the strategy of client base segmentation, aiming at improving profitability and avoiding delinquency, we kept encouraging the migration of subscribers from alternative plans and/or of delinquent customers to the hybrid plan. This initiative increased the number of such terminals by 19.6% in the quarter.

Traffic**Table 4: Traffic**

| TRAFFIC | 2Q04 | 1Q05 | 2Q05 | ΔQuarter | Δ12 Months |
|---|----------------|----------------|----------------|-------------|---------------|
| Exceeding Local Pulses (Million) | 2,715.2 | 2,304.8 | 2,472.7 | 7.3% | -8.9% |
| Long Distance Minutes (Million) | 1,624.2 | 1,334.4 | 1,339.1 | 0.4% | -17.6% |
| Fixed-Mobile Minutes (Million) | 1,035.6 | 1,089.0 | 1,121.9 | 3.0% | 8.3% |
| Exceeding Pulses/Average LIS/Month | 93.4 | 80.8 | 86.5 | 7.1% | -7.4% |
| LD Minutes/Average LIS/Month | 55.9 | 46.8 | 46.9 | 0.2% | -16.2% |
| Fixed-Mobile Minutes/Average LIS/Month | 35.6 | 38.2 | 39.3 | 2.8% | 10.1% |

Billed Pulses Throughout the 2Q05, Brasil Telecom observed a recovery in the local traffic, which totaled 2.5 billion **billed pulses**, representing a 7.3% growth as compared to the 1Q05.

Long Distance Traffic In the 2Q05, the LD traffic increased 0.4% as compared to the 1Q05, primarily influenced by the **inter-regional long-distance traffic increase**.

LD Market Share

At the end of 2Q05, **Brasil Telecom is well positioned in the long distance market, having reached a 54.8% market share in the interregional segment and a 31.2% market share in the international segment (quarterly average).** This performance reflects the success of our marketing campaigns focused on Mother's Day and Valentine's Day and the strength of Brasil Telecom's brand in the Region.

In the 2Q05, Brasil Telecom's quarterly average long distance **marketshare increased 1.2 p.p. in the intra-region segment** as compared to the previous quarter, reaching 84.1%. Brasil Telecom reached a 91.4% market share **in the intra-sector segment, representing a 0.4 p.p. increase as compared to the previous quarter.**

Graph 1: LD Market Share - Quarterly Average

Inter-Network Traffic

Inter-network traffic increased by 3.0% as compared to the 1Q05, primarily as a result of the mobile plant increase in the Region, which reached 22.9 million accesses, exceeding by 9.5% the previous quarter's plant.

RATES

Rate Adjustments

Brasil Telecom has been authorized by Anatel to adjust the rates for the Basic Plans for Local and National Long Distance Services, pursuant to the provisions of the Concession Agreements. The authorized average adjustments for the local and national long distance baskets were of 7.27% and 2.94%, respectively. The TU-RL (Tarifa de Uso de Rede Local *Local Network Usage Rate*) was adjusted in 13.33% and the TU-RIU (Tarifa de Uso de Rede Interurbana *Intercity Network Usage Rate*) was adjusted in 2.93%.

As of June 12, 2005, Brasil Telecom readjusted its VC-1 tariff by 7.99%, according to Anatel's authorization.

Below are the maximum average rates authorized to Brasil Telecom, effective as of July 3, 2005.

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Table 1: Local Service Rates (in R\$)

| Local Service ¹ | Maximum Values | | Change (%) |
|-----------------------------|------------------------------|-----------------------------|--------------|
| | Effective since 11/1/2004 | Effective since 7/3/2004 | |
| Installation Fee | 30.68 | 32.91 | 7.27% |
| Residential Monthly Fee | 25.54 | 27.39 | 7.25% |
| Non-residential Monthly Fee | 37.77 | 40.52 | 7.27% |
| PBX Monthly Fee | 37.53 | 40.26 | 7.27% |
| Local Pulse | 0.10293 | 0.11042 | 7.27% |
| Address Change | 114.19 | 114.19 | 0.00% |
| Public Telephone Credit | 0.10850 | 0.11650 | 7.37% |
| Local Basket | | | 7.27% |

¹ Tariffs net of taxes, except for the Public Telephone Credit.

Table 2: Long Distance Service Rates (in R\$)

| DLD Service ¹ | Effective since 11/01/2004 | | | Super Reduced |
|--------------------------|----------------------------|----------------|---------|------------------|
| | Normal | Differentiated | Reduced | |
| D1 | 0.11767 | 0.20510 | 0.05881 | 0.02938 |
| D2 | 0.19614 | 0.30094 | 0.09803 | 0.04899 |
| D3 | 0.23137 | 0.34856 | 0.14707 | 0.07351 |
| D4 | 0.27393 | 0.37540 | 0.20046 | 0.09803 |

| DLD Service ¹ | Effective since 07/03/2004 | | | Super Reduced |
|--------------------------|----------------------------|----------------|---------|------------------|
| | Normal | Differentiated | Reduced | |
| D1 | 0.12112 | 0.21112 | 0.06053 | 0.03024 |
| D2 | 0.20190 | 0.30978 | 0.10091 | 0.05042 |
| D3 | 0.23816 | 0.35880 | 0.15139 | 0.07567 |
| D4 | 0.28197 | 0.38642 | 0.20634 | 0.10091 |

¹ Tariffs net of taxes, per minute, for calls between fixed terminals.

| DLD Service | Adjustment Percentage Change ² | | | Super Reduced |
|-------------|---|----------------|---------|------------------|
| | Normal | Differentiated | Reduced | |

| | | | | |
|-----------|-------|-------|-------|-------|
| D1 | 2.93% | 2.94% | 2.92% | 2.93% |
| D2 | 2.94% | 2.94% | 2.94% | 2.92% |
| D3 | 2.93% | 2.94% | 2.94% | 2.94% |
| D4 | 2.94% | 2.94% | 2.93% | 2.94% |

² The percentage change of the adjustment associated to D4 considers a weighted average of all rates applied in our Region, which differ from State to State.

Table 3: Network Usage Rates (in R\$)

| Network Usage | Previous Tariff^{1 3} | Adjusted Tariff^{2 3} | Change (%) |
|----------------------|--|--|-------------------|
| TU-RL | 0.05248 | 0.04548 | -13.33% |
| TU-RIU | 0.11083 | 0.11408 | 2.93% |

¹ Tariff effective since November 01, 2004.

² Tariff effective since July 03, 2005.

³ Tariffs net of taxes.

MOBILE TELEPHONY**Table 5: Operational Data**

| Key Operational Data | 4Q04 | 1Q05 | 2Q05 | ΔQuarter |
|--------------------------|----------------|------------------|------------------|------------------|
| Clients | 622,295 | 1,003,658 | 1,345,155 | 34.0% |
| Post-Paid | 205,716 | 322,486 | 356,574 | 10.6% |
| Pre-Paid | 416,579 | 681,172 | 988,581 | 45.1% |
| Gross Additions | 626,526 | 405,616 | 407,216 | 0.4% |
| Post-Paid | 209,497 | 122,801 | 47,307 | -61.5% |
| Pre-Paid | 417,029 | 282,815 | 359,909 | 27.3% |
| Cancellations | 4,231 | 24,253 | 65,719 | 171.0% |
| Post-Paid | 3,781 | 6,031 | 13,219 | 119.2% |
| Pre-Paid | 450 | 18,222 | 52,500 | 188.1% |
| Annualized Churn | 1.4% | 11.9% | 22.4% | 10.5 p.p. |
| Post-Paid | 3.7% | 9.1% | 15.6% | 6.4 p.p. |
| Pre-Paid | 0.2% | 13.3% | 25.2% | 11.9 p.p. |
| Market Share | 3% | 5% | 6% | 1.1 p.p. |
| Served Localities | 626 | 626 | 766 | 22.4% |
| Base Stations | 1,632 | 1,695 | 1,881 | 11.0% |
| Switches | 3 | 6 | 6 | 0.0% |
| Employees | 881 | 918 | 937 | 2.1% |

Mobile Network

In less than nine months of operations, Brasil Telecom GSM conquered 1.35 million of mobile accesses in service. At the end of 2Q05, Brasil Telecom GSM's subscriber base was 34.0% superior than the one in the 1Q05.

Graph 2: Mobile Network

Client-Mix

At the end of 2Q05, our mobile operations had 356.6 thousand post-paid subscribers, representing 26.5% of our mobile customer base, a percentage that is above the market average. This mix reflects good perception of the Brasil Telecom brand in the corporate segment and the attentiveness by our clients of the benefits of convergence.

Coverage

During the 2Q05, Brasil Telecom GSM increased its coverage to 766 localities, what meant making the service available in 140 new localities. Currently, the coverage reaches 85.3% of the Region's population.

Our competitors have been operating in the Region for 2 to 10 years, and it is important to highlight that in some states our coverage is equal to our main competitor's.

New Products and Services

During the 2Q05, we entered into **interoperability agreements with the main mobile carriers in the country for SMS (short text messages) exchange**, thus enabling data revenues expansion.

Market Share

At the end of 2Q05, **Brasil Telecom GSM reached a 6% market share** in its area of operations.

DATA

Broadband

ADSL Accesses

The continued and aggressive growth in the data network led the Company to reach 747.4 thousand ADSL accesses in service at the end of 2Q05.

Gráfico 3: ADSL Accesses in Service

Internet Providers

BrTurbo

BrTurbo reached 398.7 thousand customers at the end of 2Q05, 19.4% more than in 1Q05.

iG e iBest

iG and iBest have been achieving positive results in their commercial strategy of offering value-added products. At the end of 2Q05, iG and iBest had 206.9 thousand paying products customers, a 4.7% increase in comparison to the 1Q05. In addition, **iG and iBest are leaders in the Internet dial-up markets of Regions I, II and III.**

At the end of 2Q05, Brasil Telecom's internet providers had 537.4 thousand broadband customers.

Financial Performance
REVENUES

Table 6: Consolidated Operating Gross Revenues

| R\$ Million | 2Q04 | 1Q05 | 2Q05 | ΔQuarter | Δ12 Months |
|---|----------------|----------------|----------------|---------------|--------------|
| GROSS REVENUES | 3,037.4 | 3,468.7 | 3,642.4 | 5.0% | 19.9% |
| FIXED TELEPHONY | 2,746.0 | 2,901.1 | 3,040.2 | 4.8% | 10.7% |
| Local Service | 1,115.7 | 1,195.7 | 1,226.8 | 2.6% | 10.0% |
| Activation | 9.3 | 7.7 | 7.1 | -7.8% | -24.2% |
| Basic Subscription | 732.5 | 830.8 | 866.3 | 4.3% | 18.3% |
| Measured Service | 349.5 | 337.7 | 334.2 | -1.0% | -4.4% |
| Lease of Facilities | 0.4 | 0.4 | 0.4 | 11.5% | 0.6% |
| Other | 24.0 | 19.1 | 18.8 | -1.2% | -21.7% |
| Public Telephony | 119.1 | 86.9 | 124.1 | 42.7% | 4.2% |
| Long Distance Service | 418.3 | 430.2 | 445.6 | 3.6% | 6.5% |
| Intra-Region | 359.5 | 347.4 | 354.2 | 2.0% | -1.5% |
| Inter-Region | 52.2 | 70.1 | 78.3 | 11.7% | 49.9% |
| International / Borderline | 6.5 | 12.8 | 13.2 | 3.4% | 101.7% |
| Inter-Network Calls | 738.1 | 832.5 | 866.7 | 4.1% | 17.4% |
| VC-1 | 536.9 | 507.7 | 533.7 | 5.1% | -0.6% |
| VC-2 | 140.1 | 191.7 | 192.5 | 0.4% | 37.3% |
| VC-3 | 60.8 | 130.9 | 137.0 | 4.7% | 125.5% |
| International | 0.3 | 2.3 | 3.5 | 52.8% | 1141.7% |
| Interconnection | 179.4 | 164.6 | 175.3 | 6.5% | -2.3% |
| Fixed-Fixed | 113.0 | 101.0 | 109.1 | 8.0% | -3.4% |
| Mobile-Fixed | 66.4 | 63.6 | 66.2 | 4.0% | -0.3% |
| Lease of Means | 63.5 | 65.9 | 77.7 | 17.8% | 22.4% |
| Supplementary and Value Added Services | 104.1 | 114.7 | 115.4 | 0.5% | 10.9% |
| Other | 7.8 | 10.4 | 8.6 | -17.1% | 10.7% |
| MOBILE TELEPHONY | - | 147.0 | 150.7 | 2.5% | N.A. |
| Subscription | - | 34.6 | 44.3 | 27.9% | N.A. |
| Utilization | - | 57.4 | 29.8 | -48.0% | N.A. |
| Interconnection | - | 6.4 | 8.9 | 39.7% | N.A. |
| Other Services | - | 1.2 | 0.9 | -22.6% | N.A. |
| Merchandise Sales (Handsets and Accessories) | - | 47.4 | 66.7 | 40.8% | N.A. |

**DATA COMMUNICATIONS AND
OTHER**

| | | | | | |
|---------------------|----------------|----------------|----------------|-------------|--------------|
| | 291.4 | 420.6 | 451.6 | 7.4% | 54.9% |
| Fixed | 291.4 | 420.0 | 450.3 | 7.2% | 54.5% |
| Mobile | - | 0.6 | 1.3 | 123.7% | N.A. |
| Deductions | (874.8) | (1,021.2) | (1,119.5) | 9.6% | 28.0% |
| NET REVENUES | 2,162.6 | 2,447.6 | 2,522.9 | 3.1% | 16.7% |

Graph 4: Gross Revenues Breakdown

1Q05
R\$3,469 milion

2Q05
R\$3,642 million

Local Service

Gross revenues from local services reached R\$1,226.8 million in 2Q05, 2.6% greater than 1Q05's, basically reflecting the traffic recovery.

Gross revenues from activation fees totaled R\$7.1 million in 2Q05, 7.8% lower than gross revenues recorded in 1Q05, due to the decrease in the number of activated lines in the period. In 2Q05, 373.4 thousand lines were activated, against 378.5 thousand in 1Q05.

Gross revenues from basic subscription charges reached R\$866.3 million in the quarter, a 4.3% increase as compared to the R\$830.8 million booked in the 1Q05.

Gross revenues from measured service totaled R\$334.2 million in the 2Q05, a 1% reduction as compared to the previous quarter's gross revenues. Despite the traffic recovery in the quarter, which increased by 7.3% as compared to the 1Q05, measured service revenues' reduction was influenced by the reclassification of R\$22 million to the basic subscription line.

Public Telephony

Gross revenues from public telephony reached R\$124.1 million in the 2Q05, exceeding by 42.7% the revenues achieved in the 1Q05. This variation is associated to the suspension of the *Brasil Virtual Cel*, a service through which calls originated from public phones destined to mobile phones were carried through Brasil Telecom GSM's mobile network. Thus, in the 1Q05 revenues from calls made from public phones to mobile phones, in the amount of R\$42.6 million, were recognized as Brasil Telecom GSM's revenues and in the 2Q05 they started to be recorded again in public telephony.

Long Distance

Gross revenues from LD calls reached R\$445.6 million in 2Q05, representing a 3.6% increase in comparison to the previous quarter and a 6.5% increase in comparison to the 2Q04.

Inter-Network

Gross revenues from inter-network calls reached R\$866.7 million in the 2Q05, a 4.1% increase as compared to the previous quarter. That increase is primarily associated with the 3.0% growth in fixed-mobile traffic, as well as the 7.99% increase in VC-1 rate authorized by Anatel as of 06/10/2005.

Interconnection

Gross revenues from interconnection fees in the 2Q05 were of R\$175.3 million, a 6.5% increase as compared to the previous quarter.

Data Communications

In 2Q05, gross revenues from data communications and other services reached R\$451.6 million, a 7.4% increase as compared to the previous quarter, the growth in network formation services (*VPN, Vetur, Interlan*) and a 19.5% expansion in ADSL accesses in service being worth noting.

One year ago, data communications revenues represented 9.6% of total revenues, while **in the 2Q05 the segment began to represent 12.4% of total revenues.**

Graph 5: Data Communications and Other Services Revenues

Mobile Telephony In the 2Q05, gross revenues from mobile telephony totaled R\$150.7 million, of which R\$84.0 million were related to services and R\$66.7 million to the sale of handsets and accessories. The quality of our client-mix (26.5% post-paid) caused the revenues from franchise to account for 52.7% of Brasil Telecom GSM's service revenues.

Wireline ARPU Wireline ARPU (Net Revenues/Avg. LIS/month) was of R\$84.6 in the 2Q05, against R\$83.2 in the 1Q05.

Mobile ARPU The blended mobile ARPU recorded in the 2Q05 was of R\$27.5. The post-paid ARPU was of R\$49.5 and the pre-paid ARPU was of R\$18.5.

Table 7: ARPU Calculation – Mobile Telephony

| R\$ Thousands | 1Q05 | 2Q05 |
|---|--------------|--------------|
| (+) Gross Revenues | 182,531 | 210,975 |
| (-) Handsets | (47,404) | (66,723) |
| Gross Service Revenues | 135,127 | 144,253 |
| (-) Taxes and Deductions | (36,170) | (39,190) |
| Net Service Revenues | 98,956 | 105,063 |
| (-) Net Revs Public Payphones + Roaming | (27,348) | (8,262) |
| Quarterly Net Revenues | 71,608 | 96,801 |
| Monthly Net Revenues | 23,869 | 32,267 |
| Average Number of Clients | 812,977 | 1,174,407 |
| ARPU (R\$) | 29.36 | 27.48 |

COSTS AND EXPENSES**Table 7: Consolidated Operating Costs and Expenses**

| R\$ Million | 2Q04 | 1Q05 | 2Q05 | ΔQuarter | Δ12 Months |
|--|------------------|------------------|------------------|---------------|---------------|
| NET REVENUES | 2,162.6 | 2,447.6 | 2,522.9 | 3.1% | 16.7% |
| Costs | (1,386.4) | (1,585.7) | (1,645.4) | 3.8% | 18.7% |
| Personnel | (29.9) | (37.3) | (38.8) | 4.1% | 30.1% |
| Materials | (23.0) | (69.0) | (105.1) | 52.3% | 356.4% |
| Subcontracted Services | (700.4) | (770.2) | (797.2) | 3.5% | 13.8% |
| Interconnection | (545.3) | (576.1) | (600.7) | 4.3% | 10.1% |
| Other | (155.1) | (194.0) | (196.5) | 1.3% | 26.7% |
| Depreciation and Amortization | (540.0) | (570.6) | (570.2) | -0.1% | 5.6% |
| Other | (93.1) | (138.6) | (134.1) | -3.3% | 44.0% |
| GROSS PROFIT | 776.2 | 861.9 | 877.5 | 1.8% | 13.1% |
| Sales Expenses | (138.9) | (265.8) | (291.8) | 9.8% | 110.0% |
| Personnel | (32.3) | (60.9) | (61.8) | 1.5% | 91.4% |
| Materials | (0.7) | (7.7) | (8.4) | 9.9% | 1113.2% |
| Subcontracted Services | (103.5) | (190.4) | (216.6) | 13.8% | 109.2% |
| Advertising and Marketing | (24.5) | (62.0) | (59.2) | -4.6% | 141.3% |
| Other | (79.0) | (128.3) | (157.4) | 22.6% | 99.3% |
| Depreciation and Amortization | (1.5) | (4.0) | (4.1) | 4.7% | 175.0% |
| Other | (0.9) | (2.9) | (0.8) | -72.4% | -10.9% |
| General and Administrative Expenses | (142.9) | (199.8) | (216.0) | 8.1% | 51.2% |
| Personnel | (33.0) | (44.0) | (47.6) | 8.1% | 44.2% |
| Materials | (0.6) | (1.4) | (5.3) | 289.6% | 760.1% |
| Subcontracted Services | (101.0) | (138.6) | (151.6) | 9.4% | 50.1% |
| Depreciation and Amortization | (6.2) | (9.6) | (6.6) | -31.4% | 5.8% |
| Other | (2.0) | (6.3) | (4.9) | -21.8% | 141.9% |
| Information Technology | (80.8) | (109.8) | (111.1) | 1.2% | 37.5% |
| Personnel | (6.3) | (10.9) | (10.9) | -0.7% | 71.8% |
| Materials | (0.5) | (0.6) | (0.4) | -35.8% | -19.8% |
| Subcontracted Services | (23.7) | (31.2) | (32.9) | 5.4% | 38.9% |
| Depreciation and Amortization | (45.2) | (60.9) | (61.1) | 0.2% | 35.2% |
| Other | (5.1) | (6.1) | (5.8) | -4.0% | 14.2% |
| Provisions and Losses | (135.1) | (140.8) | (128.0) | -9.1% | -5.3% |
| Doubtful Accounts | (95.3) | (104.9) | (83.2) | -20.7% | -12.7% |
| Contingencies | (39.7) | (35.9) | (44.8) | 24.8% | 12.6% |
| Other Operating Revenues (Expenses) | 44.1 | 7.1 | 31.1 | 336.0% | -29.5% |
| Goodwill Amortization | (6.4) | (26.4) | (23.9) | -9.4% | 272.5% |

| | | | | | |
|--|--------------|--------------|--------------|-------------|---------------|
| Other | 50.5 | 33.5 | 54.9 | 64.1% | 8.8% |
| OPERATING PROFIT BEFORE FINANCIAL RESULTS | 322.5 | 152.8 | 161.7 | 5.8% | -49.9% |

| R\$ Million | 2Q04 | 1Q05 | 2Q05 | ΔQuarter | Δ12 Months |
|-------------------------------------|------------------|------------------|------------------|-------------|--------------|
| COSTS AND OPERATING EXPENSES | (1,840.1) | (2,294.8) | (2,361.2) | 2.9% | 28.3% |
| Depreciation and Amortization | (599.4) | (671.4) | (665.9) | -0.8% | 11.1% |
| Interconnection | (545.3) | (576.1) | (600.7) | 4.3% | 10.1% |
| Subcontracted Services | (358.8) | (492.2) | (538.5) | 9.4% | 50.1% |
| Personnel | (101.5) | (153.2) | (159.1) | 3.9% | 56.8% |
| Provisions and Losses | (135.1) | (140.8) | (128.0) | -9.1% | -5.3% |
| Materials | (24.8) | (78.6) | (119.2) | 51.6% | 380.2% |
| Advertising and Marketing | (24.5) | (62.0) | (59.2) | -4.6% | 141.3% |
| Other | (50.7) | (120.4) | (90.7) | -24.7% | 79.0% |

| R\$ Million | 2Q04 | 1Q05 | 2Q05 | ΔQuarter | Δ12 Months |
|-------------------------------------|------------------|------------------|------------------|-------------|--------------|
| COSTS AND OPERATING EXPENSES | (1,840.1) | (2,294.8) | (2,361.2) | 2.9% | 28.3% |
| (+) Depreciation and Amortization | 599.4 | 671.4 | 665.9 | -0.8% | 11.1% |
| (+) Provisions and Losses | 135.1 | 140.8 | 128.0 | -9.1% | -5.3% |
| (+) Other | 50.7 | 120.4 | 90.7 | -24.7% | 79.0% |
| (=) CASH COST | (1,054.9) | (1,362.1) | (1,476.6) | 8.4% | 40.0% |

Graph 6: Operating Costs and Expenses Breakdown
(Excluding Depreciation, Provisions, Losses and Other)

| | |
|--------------------------|--------------------------|
| 1Q05 | 2Q05 |
| R\$ 1,362 million | R\$ 1,477 million |

Operating Costs and Expenses

Operating costs and expenses totaled R\$2,361.2 million in the 2Q05, against R\$2,294.8 million in the previous quarter.

Cash costs (operating costs and expenses excluding depreciation, amortization, provisions, losses and other) was of R\$1,476.6 million in the 2Q05, as compared to R\$1,362.1 million in the 1Q05, an increase of 8.4% compared to the previous quarter. The main items that influenced that performance were: subcontracted services (+9.4%) and materials (+51.6%).

Employees

At the end of the 2Q05, 5,724 Employees worked in Brasil Telecom's wireline segment, against 5,690 employees in the previous quarter.

Brasil Telecom GSM ended the 2Q05 with 937 Employees, against 918 in the 1Q05.

Personnel

Total personnel costs and expenses reached R\$159.1 million, a 3.9% increase as compared to the previous quarter. Approximately R\$16.4 million correspond to profit sharing.

Subcontracted Services

Costs and expenses with subcontracted services, excluding interconnection costs and advertising and marketing expenses, **totaled R\$538.5 million in the 2Q05**, exceeding by 9.4% the costs and expenses reported in the previous quarter. This variation is partially explained by the following items:

- Network maintenance
- Call center
- Commissions

Interconnection

Interconnection costs totaled R\$600.7 million in the 2Q05, a 4.3% increase as compared to the previous quarter, due to (i) a 4.5% adjustment in the VU-M as of June 12, 2005, which resulted from the agreements settled between STFC and SMP providers for fixed-to-mobile local calls, (ii) 3.0% growth in inter-network traffic and (iii) Brasil Virtual Cel's suspension.

Advertising and Marketing

Advertising and marketing expenses totaled R\$59.2 million in the 2Q05, a 4.6% reduction as compared to the previous period.

Losses from accounts receivable as a percentage of gross revenues

Losses from Accounts Receivable as a percentage of gross revenues in the 2Q05 were of 2.3%, against 3.0% in the 1Q05. Losses from accounts receivable totaled R\$83.2 million in the 2Q05, a 20.7% decrease as compared to the previous quarter.

Accounts Receivable

Brasil Telecom's net accounts receivable totaled R\$2,250.2 million at the end of the 2Q05, after the deduction of the provision for doubtful accounts in the amount of R\$266.8 million.

Graph 7: Accounts Receivable / Gross Revenues Ratio**Table 8: Gross Accounts Receivable**

| | Jun/04 | Sep/04 | Dec/04 | Mar/05 | Jun/05 |
|------------------------------|----------------|----------------|----------------|----------------|----------------|
| Total (R\$ Million) | 2,145.9 | 2,284.4 | 2,354.8 | 2,456.8 | 2,517.0 |
| Due | 60.1% | 61.5% | 64.5% | 63.3% | 65.0% |
| Overdue (up to 30 days) | 15.7% | 17.3% | 16.4% | 15.7% | 15.6% |
| Overdue (between 31-60 days) | 6.3% | 5.8% | 5.7% | 6.4% | 5.8% |
| Overdue (between 61-90 days) | 3.6% | 3.5% | 3.7% | 4.3% | 3.5% |
| Overdue (over 90 days) | 14.3% | 11.9% | 9.7% | 10.3% | 10.1% |

Provision for Contingencies

In the 2Q05, provisions for contingencies totaled R\$44.8 million, an increase by R\$5.1 million as compared to the 2Q04.

Materials

Costs and expenses with materials totaled R\$119.2 million in the 2Q05, a 51.6% increase as compared to the previous quarter. That performance is primarily explained by the higher costs with handsets and accessories in Brasil Telecom GSM, which totaled R\$86.9 million in the 2Q05, against R\$58.7 million in the previous quarter, due to Mother's Day and Valentine's Day, when our dealers increase their inventories.

**Other
Operating Costs
and Expenses /
Revenues**

Other operating costs and expenses totaled R\$90.7 million in the 2Q05, a 24.7% reduction as compared to the 1Q05.

EBITDA**Tabela 9: EBITDA Margin Gains and Losses**

| R\$ Million | 2Q04 | Vertical | 1Q05 | Vertical | 2Q05 | Vertical |
|--|------------------|---------------|------------------|---------------|------------------|---------------|
| GROSS REVENUES | 3,037.4 | 140.5% | 3,468.7 | 141.7% | 3,642.4 | 144.4% |
| Fixed Telephony | 2,746.0 | 127.0% | 2,901.1 | 118.5% | 3,040.2 | 120.5% |
| Local Service | 1,115.7 | 51.6% | 1,195.7 | 48.9% | 1,226.8 | 48.6% |
| Public Telephony | 119.1 | 5.5% | 86.9 | 3.6% | 124.1 | 4.9% |
| Long Distance Service | 418.3 | 19.3% | 430.2 | 17.6% | 445.6 | 17.7% |
| Fixed-Mobile Calls | 738.1 | 34.1% | 832.5 | 34.0% | 866.7 | 34.4% |
| Interconnection | 179.4 | 8.3% | 164.6 | 6.7% | 175.3 | 6.9% |
| Lease of Means | 63.5 | 2.9% | 65.9 | 2.7% | 77.7 | 3.1% |
| Supplementary and Value Added Services | 104.1 | 4.8% | 114.7 | 4.7% | 115.4 | 4.6% |
| Other | 7.8 | 0.4% | 10.4 | 0.4% | 8.6 | 0.3% |
| Mobile Telephony | - | | 147.0 | 6.0% | 150.7 | 6.0% |
| Data Transmission | 291.4 | -33.3% | 420.6 | -41.2% | 451.6 | -40.3% |
| Deductions | (874.8) | -40.5% | (1,021.2) | -41.7% | (1,119.5) | -44.4% |
| NET REVENUES | 2,162.6 | 100.0% | 2,447.6 | 100.0% | 2,522.9 | 100.0% |
| COSTS & OPERATING EXPENSES | (1,240.7) | -57.4% | (1,623.3) | -66.3% | (1,695.3) | -67.2% |
| Personnel | (101.5) | -4.7% | (153.2) | -6.3% | (159.1) | -6.3% |
| Materials | (24.8) | -1.1% | (78.6) | -3.2% | (119.2) | -4.7% |
| Subcontracted Services | (358.8) | -16.6% | (492.2) | -20.1% | (538.5) | -21.3% |
| Interconnection | (545.3) | -25.2% | (576.1) | -23.5% | (600.7) | -23.8% |
| Advertising and Marketing | (24.5) | -1.1% | (62.0) | -2.5% | (59.2) | -2.3% |
| Provisions and Losses | (135.1) | -6.2% | (140.8) | -5.8% | (128.0) | -5.1% |
| Other | (50.7) | -2.3% | (120.4) | -4.9% | (90.7) | -3.6% |
| EBITDA | 921.9 | 42.6% | 824.3 | 33.7% | 827.6 | 32.8% |

**EBITDA of
R\$827.6 million**

Brasil Telecom's EBITDA was of R\$827.6 million in the 2Q05, which represents a 0.4% increase as compared to the previous quarter.

Consolidated EBITDA margin reached 32.8% in 2Q05, mainly affected by higher interconnection costs and by the subsidies granted by Brasil Telecom GSM in the Mother's Day and Valentine's Day, when competition adopted an aggressive pricing policy.

Wireline's EBITDA Margin reached 40.2% in 2Q05.

EBITDA/Avg. LIS/month

In the 2Q05, the EBITDA/Avg. LIS/month reached R\$29.0, stable as compared to that recorded in the 1Q05.

FINANCIAL RESULT**Table 10: Consolidated Net Financial Expenses**

| R\$ Million | 2Q04 | 1Q05 | 2Q05 | ΔQuarter | ΔYear |
|--|----------------|----------------|----------------|---------------|---------------|
| Financial Revenue | 199.3 | 195.1 | 336.7 | 72.6% | 69.0% |
| Local Currency | 151.23 | 163.08 | 157.02 | -3.7% | 3.8% |
| Foreign Currency | 48.06 | 32.04 | 179.69 | 460.8% | 273.9% |
| Financial Expense | (285.9) | (247.3) | (399.7) | 61.6% | 39.8% |
| Local Currency | (195.9) | (168.6) | (175.8) | 4.2% | -10.3% |
| Foreign Currency | (90.1) | (78.7) | (224.0) | 184.7% | 148.6% |
| <u>Interest on Shareholders' Equity</u> | - | - | (295.4) | N.A. | N.A. |
| Financial Result | (86.7) | (52.2) | (358.4) | 586.7% | 313.5% |

Financial Results In the 2Q05, Brasil Telecom recorded a negative consolidated financial result of R\$358.4 million, which included R\$295.4 million of interest on shareholders' equity (JSCP). Excluding the JSCP, the financial result relating to the 2Q05 totaled R\$63.0 million in expenses, 20.8% superior than 1Q05's results.

OTHER ITEMS

Reconstituted Goodwill Amortization In the 2Q05, we amortized R\$31.0 million of goodwill in connection with the acquisition of CRT (with no impact on cash flows and dividend distributions), which was accounted for as non-operational expense.

NET INCOME

Net income totaled R\$69.0 million in the 2Q05 (R\$0.1897/1,000 shares). Net income/ADR in the same period was of US\$0.4036.

Net income adjusted by goodwill totaled R\$100.1 million in the 2Q05.

BALANCE SHEETS**Table 11: Consolidated Balance Sheet Brasil Telecom Participações S.A.**

| R\$ Million | Mar/05 | Jun/05 |
|--|-----------------|-----------------|
| CURRENT ASSETS | 6,309.2 | 5,874.5 |
| Cash and Equivalents | 2,802.3 | 2,371.6 |
| Accounts Receivables (Net) | 2,186.8 | 2,250.2 |
| Deferred and Recoverable Taxes | 836.3 | 876.8 |
| Other Recoverable Amounts | 267.9 | 228.6 |
| Inventory | 137.5 | 73.5 |
| Other | 78.3 | 73.8 |
| LONG TERM ASSETS | 1,797.6 | 1,930.4 |
| Loans and Financing | 124.5 | 114.5 |
| Deferred and Recoverable Taxes | 1,074.1 | 1,148.4 |
| Other | 599.0 | 667.4 |
| PERMANENT ASSETS | 9,905.4 | 9,601.2 |
| Investment (Net) | 489.8 | 438.1 |
| Property, Plant and Equipment (Net) | 8,518.5 | 8,319.2 |
| Property, Plant and Equipment (Gross) | 24,804.4 | 25,175.0 |
| Accumulated Depreciation | (16,285.9) | (16,855.8) |
| Deferred Assets (Net) | 897.2 | 843.9 |
| TOTAL ASSETS | 18,012.2 | 17,406.1 |
| CURRENT LIABILITIES | 3,974.2 | 4,059.9 |
| Loans and Financing | 825.1 | 910.3 |
| Suppliers | 1,515.0 | 1,523.3 |
| Taxes and Contributions | 837.9 | 856.1 |
| Dividends Payable | 113.2 | 100.6 |
| Provisions | 339.0 | 327.0 |
| Salaries and Benefits | 120.0 | 94.6 |
| Consignment for Third Parties | 102.5 | 85.7 |
| Authorization for Services Exploration | 45.6 | 46.8 |
| Other | 76.0 | 115.5 |
| LONG TERM LIABILITIES | 5,649.9 | 5,454.4 |

| | | |
|--|-----------------|-----------------|
| Loans and Financing | 3,739.3 | 3,531.0 |
| Provisions | 899.4 | 907.3 |
| Taxes and Contributions | 717.5 | 712.7 |
| Authorization for Services Exploration | 270.6 | 278.2 |
| Other | 23.1 | 25.2 |
| DEFERRED INCOME | 88.1 | 90.0 |
| MINORITY INTEREST | 2,126.4 | 2,064.9 |
| SHAREHOLDERS' EQUITY | 6,173.6 | 5,736.9 |
| Capital Stock | 2,596.3 | 2,596.3 |
| Capital Reserves | 309.2 | 309.2 |
| Profit Reserves | 879.6 | 879.6 |
| Retained Earnings | 2,409.4 | 1,972.7 |
| Treasury Shares | (20.8) | (20.8) |
| TOTAL LIABILITIES | 18,012.2 | 17,406.1 |

Table 12: Holding Balance Sheet Brasil Telecom Participações S.A.

| R\$ Million | Mar/05 | Jun/05 |
|---|----------------|----------------|
| CURRENT ASSETS | 1,012.4 | 681.9 |
| Cash and Equivalents | 949.1 | 595.6 |
| Deferred Taxes | 56.1 | 78.1 |
| Other Recoverable Amounts | 1.3 | 2.3 |
| Dividends / Interest on Shareholders' Equity Receivable | - | - |
| Other | 5.9 | 5.9 |
| LONG TERM ASSETS | 1,404.4 | 1,429.5 |
| Loans and Financing | 1,122.0 | 1,146.7 |
| Deferred and Recoverable Taxes | 280.6 | 266.5 |
| Other | 1.8 | 16.4 |
| PERMANENT ASSETS | 4,368.0 | 4,238.3 |
| Investment (Net) | 4,366.7 | 4,237.0 |
| Property, Plant and Equipment (Net) | 1.3 | 1.3 |
| Property, Plant and Equipment (Gross) | 57.3 | 57.3 |
| Accumulated Depreciation | (56.0) | (56.1) |
| Deferred Assets (Net) | 0.1 | 0.1 |
| TOTAL ASSETS | 6,784.9 | 6,349.7 |
| CURRENT LIABILITIES | 307.2 | 298.4 |
| Loans and Financing | 204.0 | 217.1 |
| Suppliers | 0.4 | 0.5 |
| Taxes and Contributions | 26.5 | 28.6 |
| Dividends Payable | 71.6 | 50.2 |
| Salaries and Benefits | 3.8 | 0.5 |
| Consignment for Third Parties | 0.1 | 0.1 |
| Other | 0.7 | 1.3 |
| LONG TERM LIABILITIES | 297.5 | 308.6 |
| Loans and Financing | 261.7 | 263.9 |
| Taxes and Contributions | 31.9 | 40.6 |
| Other | 3.9 | 4.1 |

| | | |
|-----------------------------|----------------|----------------|
| SHAREHOLDERS' EQUITY | 6,180.3 | 5,742.7 |
| Capital Stock | 2,596.3 | 2,596.3 |
| Capital Reserves | 309.2 | 309.2 |
| Profit Reserves | 879.6 | 879.6 |
| Retained Earnings | 2,416.1 | 1,978.5 |
| Treasury Shares | (20.8) | (20.8) |
| TOTAL LIABILITIES | 6,784.9 | 6,349.7 |

Brasil Telecom Participações S.A.

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Table 12: Consolidated Balance Sheet Brasil Telecom GSM

| R\$ Million | Mar/05 | Jun/05 |
|--|----------------|----------------|
| CURRENT ASSETS | 465.6 | 378.7 |
| Cash and Equivalents | 2.3 | 9.8 |
| Accounts Receivables (Net) | 128.4 | 178.8 |
| Deferred and Recoverable Taxes | 182.9 | 103.6 |
| Other Recoverable Amounts | 8.8 | 11.0 |
| Inventory | 132.0 | 68.4 |
| Other | 11.3 | 7.1 |
| LONG TERM ASSETS | 179.6 | 249.8 |
| Deferred and Recoverable Taxes | 177.3 | 247.5 |
| Other | 2.3 | 2.3 |
| PERMANENT ASSETS | 1,483.1 | 1,511.4 |
| Property, Plant and Equipment (Net) | 1,166.3 | 1,203.4 |
| Property, Plant and Equipment (Gross) | 1,224.3 | 1,305.1 |
| Accumulated Depreciation | (58.0) | (101.7) |
| Deferred Assets (Net) | 316.8 | 307.9 |
| TOTAL ASSETS | 2,128.3 | 2,139.9 |
| CURRENT LIABILITIES | 618.1 | 513.4 |
| Loans and Financing | 0.0 | 0.1 |
| Suppliers | 451.4 | 389.0 |
| Taxes and Contributions | 90.4 | 31.3 |
| Dividends Payable | 4.5 | 2.9 |
| Provisions | 0.0 | 0.1 |
| Salaries and Benefits | 8.9 | 11.0 |
| Consignment for Third Parties | 10.8 | 16.7 |
| Authorization for Services Exploration | 45.6 | 46.8 |
| Other | 6.6 | 15.5 |
| LONG TERM LIABILITIES | 342.6 | 623.8 |
| Loans and Financing | 5.6 | 11.2 |
| Provisions | 0.1 | 0.3 |
| Taxes and Contributions | 0.0 | 0.1 |

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| | | |
|--|----------------|----------------|
| Authorization for Services Exploration | 259.0 | 266.2 |
| Capitalized Resources | 78.0 | 346.0 |
| SHAREHOLDERS' EQUITY | 1,167.5 | 1,002.7 |
| Capital Stock | 1,400.0 | 1,400.0 |
| Capital Reserves | 11.8 | 11.8 |
| Retained Earnings | (244.3) | (409.1) |
| TOTAL LIABILITIES | 2,128.3 | 2,139.9 |

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INDEBTEDNESS**Table 13: Indebtedness**

| jun/05 | Currency | Annual Cost | Maturity | % Total | Balance (R\$ Million) |
|---|----------|----------------|-------------------|--------------|--------------------------|
| Short Term | | | | 20.5% | 910.3 |
| BNDES | R\$ | TJLP + 6.5% | dec/2007 | | 15.8 |
| BNDES | R\$ | TJLP + 3.85% | dec/2007 | | 352.3 |
| BNDES | R\$ | TJLP + 3.85% | oct/2007 | | 82.7 |
| BNDES | R\$ | Basket + 6.5% | dec/2007 | | 31.8 |
| BNDES | R\$ | Basket + 3.85% | nov/2007 | | 10.9 |
| Debentures | R\$ | TJLP + 4% | jul/2006 | | 217.1 |
| BNDES | R\$ | Basket + 5.5% | apr/2011 | | 6.6 |
| BNDES | R\$ | TJLP + 5.5% | apr/2011 | | 49.8 |
| BRDE | R\$ | IGP-M+12.0% | sep/2006 | | 9.3 |
| BB | R\$ | 14% | jan/2008 | | 5.1 |
| Debentures 3 rd Public Issuance | R\$ | CDI + 1.0% | jul/2009 | | 46.2 |
| Bonds - US\$ 200 MM | US\$ | 9.38% | feb/2014 | | 18.5 |
| Financial Institutions I | US\$ | Lib6 + 4.0% | mar/2006 | | 10.3 |
| Financial Institutions II | US\$ | Lib6 + 2.4% | dec/2005 | | 4.2 |
| Financial Institutions III | US\$ | Lib6 + 0.5% | jul/2008-jul/2013 | | 12.0 |
| Financial Institutions IV | Yen\$ | Jibor6 + 1.92% | mar/2011 | | 2.8 |
| Financial Institutions V | Yen\$ | 3.35% | feb/2009 | | 0.5 |
| Suppliers I | US\$ | Lib3 + 2.95% | jun/2007 | | 0.3 |
| Suppliers II | US\$ | 1.75% | feb/2014 | | 0.2 |
| Suppliers III | US\$ | Lib3 + 2.95% | jun/2007 | | 0.1 |
| Hedge Adjustment | | | | | 33.8 |
| Long Term | | | | 79.5% | 3,531.0 |
| BNDES | R\$ | TJLP + 6.5% | dec/2007 | | 23.1 |
| BNDES | R\$ | TJLP + 3.85% | dec/2007 | | 606.9 |
| BNDES | R\$ | TJLP + 3.85% | oct/2007 | | 118.1 |
| BNDES | R\$ | Basket + 6.5% | dec/2007 | | 46.5 |
| BNDES | R\$ | Basket + 3.85% | nov/2007 | | 15.9 |
| Debentures | R\$ | TJLP + 4% | jul/2006 | | 263.8 |
| BNDES | R\$ | Basket + 5.5% | apr/2011 | | 108.2 |
| BNDES | R\$ | TJLP + 5.5% | apr/2011 | | 577.9 |
| BRDE | R\$ | IGP-M+12.0% | sep/2006 | | 2.5 |
| BB | R\$ | 14% | jan/2008 | | 7.9 |
| BRB - GSM | R\$ | 2.47% | jan/2034 | | 11.2 |
| BRB - Fixa | R\$ | 2.47% | jan/2034 | | 0.6 |
| Debentures 3 rd Public Issuance | R\$ | CDI + 1.0% | jul/2009 | | 500.0 |
| Bonds - US\$ 200 MM | US\$ | 9.38% | feb/2014 | | 470.1 |
| Financial Institutions III | US\$ | Lib6 + 0.5% | jul/2008-jul/2013 | | 47.8 |
| Financial Institutions IV | Yen\$ | Jibor6 + 1.92% | mar/2011 | | 457.2 |
| Financial Institutions V | Yen\$ | 3.35% | feb/2009 | | 1.4 |

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| | | | | |
|---------------------------|------|--------------|---------------|----------------|
| Financial Institutions VI | US\$ | 0.00% | dec/2015 | 23.4 |
| Suppliers I | US\$ | Lib3 + 2.95% | jun/2007 | 0.5 |
| Suppliers II | US\$ | 1.75% | feb/2014 | 1.4 |
| Suppliers III | US\$ | Lib3 + 2.95% | jun/2007 | 0.1 |
| Hedge Adjustment | | | | 246.5 |
| Total Debt | | | | 4,441.3 |
| | | | 100.0% | |

Total Debt At the end of June, 2005, Brasil Telecom's consolidated total debt was of R\$4,441.3 million, 2.7% lower than the amount recorded at the end of March, 2005.

Net Debt Net debt totaled R\$2,069.7 million, a 17.5% increase as compared to the previous quarter. This can be explained by the reduction of R\$430.7 million from the Company's cash.

Table 14: Indebtedness by Currency

| Debt BRP (R\$ Million) | Jun 2004 | Mar 2005 | Jun 2005 | ΔQuarter | ΔYear |
|------------------------|----------------|----------------|----------------|--------------|---------------|
| Short Term | 1,210.4 | 825.1 | 910.3 | 10.3% | -24.8% |
| In R\$ | 1,075.3 | 704.6 | 778.3 | 10.5% | -27.6% |
| In US\$ | 62.8 | 41.7 | 45.6 | 9.4% | -27.4% |
| In Yen | 2.8 | 0.8 | 3.3 | 327.2% | N.A. |
| In Currency Basket | 57.4 | 52.5 | 49.3 | -6.2% | -14.2% |
| Hedge Adjustment | 12.1 | 25.6 | 33.8 | 32.4% | 179.2% |
| Long Term | 3,133.2 | 3,739.3 | 3,531.0 | -5.6% | 12.7% |
| In R\$ | 1,614.2 | 2,234.8 | 2,112.1 | -5.5% | 30.8% |
| In US\$ | 755.0 | 615.5 | 543.2 | -11.7% | -28.1% |
| In Yen | 619.3 | 538.2 | 458.6 | -14.8% | N.A. |
| In Currency Basket | 137.8 | 211.7 | 170.6 | -19.4% | 23.8% |
| Hedge Adjustment | 6.9 | 139.2 | 246.5 | 77.1% | N.A. |
| Total Debt | 4,343.6 | 4,564.5 | 4,441.3 | -2.7% | 2.2% |
| (-) Cash | 2,506.3 | 2,802.3 | 2,371.6 | -15.4% | -5.4% |
| Net Debt | 1,837.3 | 1,762.2 | 2,069.7 | 17.5% | 12.7% |

Long term debt

As of June, 2005, 79.5% of the total debt corresponded to long-term debt, against 72.1% in June, 2004, reflecting the success in the strategy of improving our debt profile, which presents the following amortization schedule:

Table 15: Amortization Schedule of Long Term Debt

| Maturity | % Long Term Debt |
|----------------|------------------|
| 2006 | 18.4% |
| 2007 | 22.8% |
| 2008 | 11.1% |
| 2009 | 22.5% |
| 2010 | 8.3% |
| 2011 and after | 16.9% |

Foreign Currency Debt

At the end of June 2005, the foreign-currency-denominated debt totaled R\$1,270.6 million, of which R\$588.8 million were denominated in US dollars, R\$219.9 million in currency basket and R\$461.9 million in Yens.

On June 30, 2005, 63.0% of our debt affected by exchange rate variation was hedged against exchange rate risk. Of our total debt excluding hedge adjustments, 11.3% was exposed to exchange rate variations.

Brasil Telecom's consolidated debt had a year-to-date **cost equivalent to 10.5% p.a., or**
Year-to-date Debt cost 57.6% of the CDI.

Leverage Ratio As of **June 30, 2005**, Brasil Telecom's **financial leverage ratio**, represented by the ratio of its net debt and shareholders' equity, **was equal to 36.1%**, against 28.5% in March, 2005.

INVESTMENTS IN PERMANENT ASSETS**Table 16: Breakdown of Investments in Permanent Assets**

| R\$ Million | 2Q04 | 3Q04 | 4Q04 | 1Q05 | 2Q05 | ΔQuarter | Δ12 Months |
|--|--------------|---------------|----------------|--------------|--------------|-----------------|-------------------|
| Network Expansion | 128.8 | 107.2 | 240.5 | 65.0 | 195.3 | 200.5% | 51.6% |
| Conventional Telephony | 19.3 | 20.0 | 95.4 | 16.5 | 81.0 | 390.6% | 320.0% |
| Transmission Backbone | 11.4 | 10.3 | 22.2 | 3.9 | 15.8 | 307.5% | 37.9% |
| Data Network | 76.2 | 74.1 | 108.7 | 42.0 | 88.9 | 111.3% | 16.6% |
| Intelligent Network | 19.6 | 0.6 | 5.2 | 0.4 | 4.7 | 1155.1% | -75.7% |
| Network Management Systems | 1.0 | 0.1 | 2.9 | - | 1.6 | N.A. | 59.7% |
| Other | 1.4 | 2.0 | 6.0 | 2.2 | 3.3 | 52.4% | 146.4% |
| Network Operation | 62.8 | 71.9 | 85.3 | 58.3 | 58.1 | -0.3% | -7.5% |
| Public Telephony | 0.9 | 0.7 | 0.9 | 1.2 | 0.7 | -43.7% | -23.1% |
| Information Technology | 29.0 | 41.2 | 106.0 | 19.7 | 37.9 | 92.7% | 30.8% |
| Expansion Personnel | 20.6 | 19.8 | 19.1 | 21.0 | 21.6 | 2.9% | 5.0% |
| Other | 356.3 | 13.7 | 162.1 | 26.5 | 37.3 | 40.4% | -89.5% |
| Expansion Financial Expenses | 19.1 | (17.6) | 6.5 | 4.6 | 1.7 | -63.1% | -91.1% |
| Total - Wireline Telephony | 617.5 | 236.9 | 620.3 | 196.3 | 352.6 | 79.6% | -42.9% |
| R\$ Million | 2Q04 | 3Q04 | 4Q04 | 1Q05 | 2Q05 | ΔQuarter | Δ12 Months |
| Brasil Telecom GSM Expansion Financial Expenses | 158.1 | 486.4 | 415.2 | 85.9 | 87.4 | 1.7% | -44.7% |
| Expansion Financial Expenses | 42.6 | 16.3 | 2.7 | - | - | N.A. | -100.0% |
| Total - Mobile Telephony | 200.7 | 502.7 | 417.9 | 85.9 | 87.4 | 1.7% | -56.5% |
| Total Investment in Permanent Assets | 818.2 | 739.6 | 1,038.2 | 282.3 | 440.0 | 55.9% | -46.2% |

Investments in Brazil Permanent

Telecom's investments totaled R\$440.0 million in the 2Q05, of which R\$352.6 million were invested in the wireline network and R\$87.4 million in the mobile network.

Assets

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CASH FLOW**Table 17: Consolidated Cash flow**

| R\$ Million | 2Q04 | 1Q05 | 2Q05 |
|--|----------------|----------------|----------------|
| OPERATING ACTIVITIES | | | |
| (+) Net Income of the Period | 51.1 | 45.1 | 69.0 |
| (+) Minority Participation | 7.4 | 1.6 | 18.7 |
| (+) Items with no Cash Effects | 1,018.9 | 1,208.6 | 1,078.1 |
| Losses with Accounts Receivable from Services | 630.4 | 702.7 | 697.2 |
| Provision for Doubtful Accounts | 91.8 | 77.6 | 86.0 |
| Provision for Contingencies | 7.2 | 27.3 | (2.8) |
| Deferred Taxes | 54.0 | 35.9 | 44.8 |
| Result from the Write-off of Permanent Assets | (0.9) | 208.7 | 143.3 |
| Financial Expenses | 53.2 | 6.4 | 7.0 |
| Gains/Losses in Investments | 196.0 | 161.6 | 92.7 |
| (-) Equity Changes | (12.7) | (11.6) | 9.9 |
| (=) Cash Flow from Operating Activities | 873.5 | 786.7 | 687.1 |
| INVESTMENT ACTIVITIES | | | |
| Financial Investments | (0.0) | 0.0 | 2.0 |
| Investment Suppliers | (71.8) | (256.1) | 23.5 |
| Funds from Sales of Permanent Assets | 3.0 | 0.5 | 0.9 |
| Investments in Permanent Assets | (793.7) | (268.7) | (447.2) |
| Other Investment Flows | (3.5) | - | - |
| (=) Cash Flow from Investment Activities | (866.1) | (524.3) | (420.9) |
| | (619.2) | | |
| FINANCING ACTIVITIES | | | |
| Dividends/Interests on Shareholders' Equity paid in the Period | (254.3) | (323.1) | (548.5) |
| Loans and Financing | (174.0) | (303.0) | (185.8) |
| Loans Obtained | 581.4 | 5.1 | 6.7 |
| Loans Paid | (627.4) | (143.2) | (132.9) |
| Interest Paid | (128.0) | (164.8) | (59.6) |
| Increases in Shareholders' Equity | 8.6 | - | 4.9 |
| Other Financing Flows | (1.9) | (60.7) | 32.6 |
| (=) Cash Flow from Financing Activities | (421.7) | (686.8) | (696.9) |
| CASH FLOW OF THE PERIOD | (414.2) | (424.3) | (430.7) |

| | | | |
|--|----------------|----------------|----------------|
| Cash and Cash Equivalents - current balance | 2,506.3 | 2,802.3 | 2,371.6 |
| Cash and Cash Equivalents - previous balance | 2,920.5 | 3,226.6 | 2,802.3 |
| Variation in Cash and Cash Equivalents | (414.2) | (424.3) | (430.7) |
| | 626.7 | 0.0 | (0.0) |
| OPERATING CASH FLOW | 243.2 | 786.7 | 687.1 |
| (-) Investments on Permanent Assets (includes Investment Suppliers) | (862.4) | (524.3) | (420.9) |
| (-) Interest Paid | (128.0) | (164.8) | (59.6) |
| (=) FREE CASH FLOW | (747.2) | 97.6 | 206.6 |

STOCK MARKET**Table 18: Stock Performance**

| | Closing Price as of Jun 30, 2005 | Performance | | |
|--|-------------------------------------|-------------|-----------------|-----------------|
| | | In 2Q05 | In 12 months | In 24 months |
| Common Shares (BRTP3) (in R\$/1,000 shares) | 25.68 | -1.2% | 56.3% | 61.7% |
| Preferred Shares (BRTP4) (in R\$/1,000 shares) | 16.75 | -3.5% | -11.4% | -21.0% |
| ADR (BRP) (in US\$/ADR) | 36.10 | 10.6% | 17.6% | -3.6% |
| Ibovespa (points) | 25,051 | -5.9% | 18.5% | 93.1% |
| Itel (points) | 828 | -3.7% | -3.6% | 33.9% |
| IGC (points) | 2,507 | -4.5% | 41.0% | 116.2% |
| Dow Jones (points) | 10,275 | -2.2% | -1.5% | 14.4% |

Graph 8: Performance in the 2Q05 Bovespa and NYSE

(Base 100 = March 31, 2005)

Table 19: Weight in the Theoretical Portfolio May - Aug

| | Ibovespa | Itel | IGC |
|--------------|-----------------|-------------|------------|
| BRTP3 | 0.517% | 3.833% | 58.400% |
| BRTP4 | 1.309% | 12.719% | 1.938% |

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SHAREHOLDING STRUCTURE**Table 20: Shareholding Structure**

| Jun 2005 | Common Shares | % | Preferred Shares | % | Total | % |
|----------------------------|------------------------|---------------|-------------------------|---------------|------------------------|---------------|
| Solpart Participações S.A. | 68,356,160,984 | 51.0% | - | 0.0% | 68,356,160,984 | 18.8% |
| ADR | - | 0.0% | 156,404,680,000 | 68.0% | 156,404,680,000 | 43.0% |
| Treasury | 1,480,800,000 | 1.1% | - | 0.0% | 1,480,800,000 | 0.4% |
| Other | 64,194,727,219 | 47.9% | 73,532,845,684 | 32.0% | 137,727,572,903 | 37.8% |
| Total | 134,031,688,203 | 100.0% | 229,937,525,684 | 100.0% | 363,969,213,887 | 100.0% |

| Mar 2005 | Common Shares | % | Preferred Shares | % | Total | % |
|----------------------------|------------------------|---------------|-------------------------|---------------|------------------------|---------------|
| Solpart Participações S.A. | 68,356,160,984 | 51.0% | - | 0.0% | 68,356,160,984 | 18.8% |
| ADR | - | 0.0% | 156,693,705,000 | 68.1% | 156,693,705,000 | 43.1% |
| Treasury | 1,480,800,000 | 1.1% | - | 0.0% | 1,480,800,000 | 0.4% |
| Other | 64,194,727,219 | 47.9% | 73,243,820,684 | 31.9% | 137,438,547,903 | 37.8% |
| Total | 134,031,688,203 | 100.0% | 229,937,525,684 | 100.0% | 363,969,213,887 | 100.0% |

CORPORATE GOVERNANCE**Extraordinary Meeting of Shareholders**

In July 27, 2005, Brasil Telecom Participações S.A. shareholders will meet in Extraordinary Meeting of Shareholders, where the following subjects will be discussed:

1. Deliberate about the destitution of the members of the Board of Directors and the election of new members; and
2. Deliberate about the election of the new chairman and vice-president of the Board of Directors.

RECENT DEVELOPMENTS

Anatel s Act 51,450 **Anatel s Directive Council issued Act 51,450, on July 7, 2005, declaring that the 18-month term provided for in articles 8 and 9 of Act 41,780/2004 begins on the date of the effective return of Telecom Italia International N. V. to Brasil Telecom S.A. s control group .**

Act 41,780/2004 established a maximum 18-month term for the companies of Telecom Italia group and of Brasil Telecom group to take the measures regarding the overlapping of licenses of the *Serviço Móvel Pessoal* (PCS – Personal Communication System) in Region II of the General PCS Plan, and of the DLD (domestic long-distance) and ILD (international long-distance) Fixed-Line Switched Telecommunications Services in Regions I, II and III of the General Concession Plan.

2005 SCENARIO (GUIDELINES)

| | |
|--|---|
| Disclaimer | This item contains forward-looking statements. Such statements do not constitute facts occurred in the past and reflect the expectations of the Company's managers only. The words "anticipates," "believes," "estimates," "expects," "forecasts," "intends," "plans," "predicts," "projects" and "aims", as well as other similar words, are intended to identify those forward-looking statements, which obviously involve risks or uncertainties predicted or not by the Company. Accordingly, the future results of the Company's operations may differ from the current expectations, and the reader should not rely exclusively on these forward-looking statements. Forward-looking statements speak only as of the date they are made, and the Company does not undertake any obligation to update them in light of new information or future developments. |
| Broadband | We maintain our estimates of achieving 1.0 million ADSL accesses in service by the end of 2005 , virtually doubling the customer base throughout the year. |
| Mobile Operations | We estimate that Brasil Telecom GSM's customer base should total 2.1 million customers by the end of 2005, 77% of which will be post-paid . We also estimate an ARPU of R\$26 in and an average SAC of R\$220 in 2005. We expect a churn rate equivalent to 50% of the market's average in our post-paid client base. |
| Revenues | We anticipate a healthy growth in revenues from data, mobile, internet and value-added services throughout 2005 . Consequently, 2005 revenues may grow at a similar rate as 2004 revenues. |
| Costs | We expect an increase in operational costs and expenses in 2005 due to the maintenance of the mobile interconnection regime. Additionally, since the Brasil Virtual Cel was suspended, we expect that Brasil Telecom shall present a growth in interconnection costs in comparison to our budget. |
| Provision for Doubtful Accounts | We expect to report relatively lower provisions for doubtful accounts in 2005 as compared to 2004, as internal controls improve and economic conditions continue to thrive, positively impacting income and employment figures . |
| EBITDA Margin | Due to higher costs, as mentioned above, we expect our 2005 wireline EBITDA margin to be lower than the one presented in the previous year. We believe that the mobile segment will cause a 6 p.p. negative impact in Brasil Telecom consolidated EBITDA margin. |
| Debt | We will keep following our challenge of further improving our debt profile, optimizing Company's capital structure, and trying to maintain a conservative leverage ratio and good liquidity , in order to participate in possible consolidation opportunities in the sector and to comply with all our obligations along the year. |
| CAPEX | 2005's fixed-line Capex should be in line with 2004's, excluding the Universalization Targets established by Anatel for the year. Mobile operations' Capex should be marginal and targeted at the increase of our coverage in Region II. |

SELECTED DATA**Table 21: Selected Data**

| WIRELINE NETWORK | 2Q04 | 3Q04 | 4Q04 | 1Q05 | 2Q05 |
|--|-------------|-------------|-------------|-------------|-------------|
| Lines installed (thousand) | 10,712 | 10,725 | 10,737 | 10,778 | 10,807 |
| Additional lines installed (thousand) | 11 | 14 | 12 | 41 | 29 |
| Lines in service - LIS (thousand) | 9,647 | 9,604 | 9,503 | 9,512 | 9,540 |
| Residential (thousand) | 6,840 | 6,685 | 6,445 | 6,379 | 6,299 |
| Non-residential (thousand) | 1,451 | 1,451 | 1,433 | 1,440 | 1,449 |
| Public phones (thousand) | 296 | 296 | 296 | 296 | 296 |
| Pre-paid (thousand) | 276 | 285 | 297 | 311 | 314 |
| Hybrid (thousand) | 159 | 267 | 408 | 465 | 557 |
| Other (including PBX) (thousand) | 624 | 620 | 624 | 620 | 625 |
| Additional lines in service (thousand) | (77) | (42) | (101) | 9 | 28 |
| Average lines in service (thousand) | 9,685 | 9,626 | 9,554 | 9,508 | 9,526 |
| Utilization rate | 90.1% | 89.5% | 88.5% | 88.3% | 88.3% |
| Teledensity (LIS/100 inhabitants) | 22.9 | 22.7 | 22.4 | 22.4 | 22.4 |
| ADSL lines in service (thousand) | 382.5 | 456.1 | 535.5 | 625.3 | 747.4 |
| | | | | | |
| MOBILE NETWORK | 2Q04 | 3Q04 | 4Q04 | 1Q05 | 2Q05 |
| Clients (thousand) | - | - | 622 | 1,004 | 1,345 |
| Post-paid (thousand) | - | - | 206 | 322 | 357 |
| Pre-paid (thousand) | - | - | 417 | 681 | 989 |
| Gross Additions | - | - | 627 | 406 | 407 |
| Cancellations | - | - | 4 | 24 | 66 |
| Annualized churn | - | - | 1.4% | 11.9% | 22.4% |
| # of employees - Mobile Telephony | 758 | 822 | 881 | 918 | 937 |
| | | | | | |
| TRAFFIC | 2Q04 | 3Q04 | 4Q04 | 1Q05 | 2Q05 |
| Exceeding local pulses (million) | 2,715 | 2,730 | 2,773 | 2,305 | 2,473 |
| Domestic long distance - DLD (million minutes) | 1,624 | 1,638 | 1,437 | 1,334 | 1,339 |
| Fixed-mobile (million minutes) | 1,036 | 1,098 | 1,180 | 1,126 | 1,122 |

| PRODUCTIVITY | 2Q04 | 3Q04 | 4Q04 | 1Q05 | 2Q05 |
|---|-------------|-------------|-------------|-------------|-------------|
| N° of employees - Fixed Operation | 5,391 | 5,509 | 5,805 | 5,690 | 5,724 |
| Average n° of employees -Fixed Operation | 5,301 | 5,450 | 5,657 | 5,748 | 5,707 |
| LIS/employee | 1,269 | 1,214 | 1,110 | 1,121 | 1,100 |
| Net revenue/average n° of employees/month (R\$ thousand) | 136.0 | 144.4 | 145.3 | 142.0 | 147.4 |
| EBITDA/average n° of employees/month (R\$ thousand) | 58.0 | 60.2 | 45.2 | 47.8 | 48.3 |
| Net earnings/average n° of employees/month (R\$ thousand) | 3.2 | 5.2 | 2.5 | 2.6 | 4.0 |
| Exceeding local pulses/average LIS/month | 55.9 | 56.7 | 50.1 | 46.8 | 46.7 |
| DLD minutes/average LIS/month | 40.5 | 39.4 | 31.2 | 29.9 | 29.8 |
| Fixed-mobile minutes/average LIS/month | 29.9 | 31.3 | 31.6 | 28.3 | 28.2 |
| Net revenue/average LIS/month (R\$) | 74.4 | 81.8 | 83.9 | 82.2 | 88.3 |
| EBITDA/average LIS/month (R\$) | 31.7 | 34.1 | 26.8 | 28.9 | 29.0 |
| Net earnings/average LIS/month (R\$) | 1.8 | 3.0 | 1.5 | 1.6 | 2.4 |
| PROFITABILITY | 2Q04 | 3Q04 | 4Q04 | 1Q05 | 2Q05 |
| EBITDA margin | 42.6% | 41.7% | 31.1% | 33.7% | 32.8% |
| Net margin | 2.4% | 3.6% | 1.7% | 1.8% | 2.7% |
| Return on equity - ROE | 0.8% | 1.4% | 0.7% | 0.7% | 1.2% |
| CAPITAL STRUCTURE | 2Q04 | 3Q04 | 4Q04 | 1Q05 | 2Q05 |
| Cash and Equivalents (R\$ million) | 2,506 | 3,400 | 3,227 | 2,802 | 2,372 |
| Total debt (R\$ million) | 4,344 | 4,865 | 4,708 | 4,564 | 4,441 |
| Short term debt | 27.9% | 25.1% | 18.2% | 18.1% | 20.5% |
| Long term debt | 72.1% | 74.9% | 81.8% | 81.9% | 79.5% |
| Net debt (R\$ million) | 1,837 | 1,465 | 1,482 | 1,762 | 2,070 |
| Shareholders' equity (R\$ million) | 6,203 | 6,293 | 6,128 | 6,174 | 5,737 |

| | | | | | |
|-------------------------------|-------|-------|-------|-------|-------|
| Net debt/shareholders' equity | 29.6% | 23.3% | 24.2% | 28.5% | 36.1% |
|-------------------------------|-------|-------|-------|-------|-------|

Brasil Telecom Participações S.A.

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COMING EVENTS

Teleconference: 2Q05 Results

Phone #: (1 303) 205-0066

Date: July 21 (Thursday)

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

IR CONTACTS

Marcos Tourinho (Director)

Phone: (55 61) 3415-1052

marcos.tourinho@brasiltelecom.com.br

Renata Fontes (Manager)

Phone: (55 61) 3415-1256

renatafontes@brasiltelecom.com.br

Gustavo Nunes (Manager)

Phone: (55 61) 3415-8181

gustavon@brasiltelecom.com.br

Flávia Menezes

Phone: (55 61) 3415-1411

flaviam@brasiltelecom.com.br

MEDIA CONTACTS

Cesar Borges

Phone: (55 61) 3415-1378

cesarb@brasiltelecom.com.br

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: July 21, 2005

BRASIL TELECOM PARTICIPAÇÕES S.A.

By: /s/ Paulo Pedrão Rio Branco

Name: Paulo Pedrão Rio
Branco
Title: Financial Executive
Officer
