

BRASIL TELECOM HOLDING CO
Form 6-K
June 13, 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 13, 2006
(Commission File No. 1-14477)**

BRASIL TELECOM PARTICIPAÇÕES S.A.
(Exact name of registrant as specified in its charter)

BRAZIL TELECOM HOLDING COMPANY
(Translation of Registrant's name into English)

**SIA Sul, Área de Serviços Públicos, Lote D, Bloco B
Brasília, D.F., 71.215-000
Federative Republic of Brazil**
(Address of Registrant's principal executive offices)

Indicate by check mark whether the registrant files or will file
annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K
in paper as permitted by Regulation S-T Rule 101(b)(1).

Indicate by check mark if the registrant is submitting the Form 6-K
in paper as permitted by Regulation S-T Rule 101(b)(7).

Indicate by check mark whether the registrant by furnishing the
information contained in this Form is also thereby furnishing the
information to the Commission pursuant to Rule 12g3-2(b) under
the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicated below the file number assigned to the
registrant in connection with Rule 12g3-2(b):

**FEDERAL PUBLIC SERVICE
SECURITIES AND EXCHANGE COMMISSION (CVM)
QUARTERLY INFORMATION
COMMERCIAL, INDUSTRIAL COMPANY AND OTHERS**

CORPORATION LAW

Date: March 31, 2006

REGISTRATION AT THE CVM DOES NOT REQUIRE ANY EVALUATION OF THE COMPANY, BEING ITS DIRECTORS RESPONSIBLE FOR THE VERACITY OF THIS INFORMATION.

01.01 - IDENTIFICATION

| | | |
|---------------------------|--|--|
| 1 - CVM CODE 01768-0 | 2 - COMPANY NAME BRASIL TELECOM PARTICIPAÇÕES S.A. | 3 CNPJ - TAXPAYER REGISTER 02.570.688/0001-70 |
| 4 NIRE 5.330.000.581-8 | | |

01.02 - ADDRESS OF COMPANY HEADQUARTERS

| | | | | |
|--|--------------------------------------|--------------------------------------|--------------------------------------|------------|
| 1 - FULL ADDRESS SIA/SUL - ASP LOTE D - BL B - 1º ANDAR | | 2 - DISTRICT SIA | | |
| 3 - ZIP CODE 71215-000 | 4 - MUNICIPALITY BRASILIA | | 5 - STATE DF | |
| 6 - AREA CODE 06 | 7 - TELEPHONE NUMBER 3415-1010 | 8 - TELEPHONE NUMBER 3415-1256 | 9 - TELEPHONE NUMBER 3415-1119 | 10 - TELEX |
| 11 - AREA CODE 061 | 12 - FAX 3415-1593 | 13 - FAX 3415-1315 | 14 - FAX - | |
| 15 - E-MAIL ri@brasiltelecom.com.br | | | | |

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

| | | | | |
|---|--------------------------------------|------------------------------|-------------------------------|------------|
| 1 - NAME CHARLES LAGANÁ PUTZ | | | | |
| 2 - FULL 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 061 | 8 - TELEPHONE NUMBER 3415-1010 | 9 - TELEPHONE NUMBER - | 10 - TELEPHONE NUMBER - | 11 - TELEX |
| 12 - AREA CODE 061 | 13 - FAX 3415-1593 | 14 - FAX - | 15 - FAX - | |
| 15 - E-MAIL cputz@brasiltelecom.com.br | | | | |

01.04 - REFERENCE / INDEPENDENT ACCOUNTANT

| CURRENT FISCAL YEAR | | CURRENT QUARTER | | | PRIOR QUARTER | | |
|---------------------|------------|-----------------|------------------|------------|----------------|------------------|---------------|
| 1 - BEGINNING | 2 - ENDING | 3 - QUARTER | 4 - BEGINNING | 5 - ENDING | 6 - QUARTER | 7 - BEGINNING | 8 - ENDING |

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| | | | | | | | |
|--|------------|---|------------|------------|--|------------|------------|
| 01/01/2006 | 12/31/2006 | 1 | 01/01/2006 | 03/31/2006 | 3 | 10/01/2005 | 12/31/2005 |
| 9 - INDEPENDENT ACCOUNTANT DELOITTE TOUCHE TOHMATSU AUDITORES INDEPENDENTES | | | | | 10 - CVM CODE 00385-9 | | |
| 11 - NAME TECHNICAL RESPONSIBLE MARCO ANTONIO BRANDÃO SIMURRO | | | | | 12 - CPF TAXPAYER REGISTER 755.400.708-44 | | |

01.05 - COMPOSITION OF ISSUED CAPITAL

| 1 - QUANTITY OF SHARES (IN THOUSAND) | 2 - CURRENT QUARTER 03/31/2006 | 3 - PRIOR QUARTER 12/31/2005 | 4 - SAME QUARTER OF PRIOR YEAR 03/21/2005 |
|---|-----------------------------------|---------------------------------|---|
| ISSUED CAPITAL | | | |
| 1 - COMMON | 134,031,688 | 134,031,688 | 134,031,688 |
| 2 - PREFERRED | 229,937,526 | 229,937,526 | 229,937,526 |
| 3 - TOTAL | 363,969,214 | 363,969,214 | 363,969,214 |
| TREASURY SHARES | | | |
| 4 - COMMON | 1,480,800 | 1,480,800 | 1,480,800 |
| 5 - PREFERRED | 0 | 0 | 0 |
| 6 - TOTAL | 1,480,800 | 1,480,800 | 1,480,800 |

01.06 - COMPANY S CHARACTERISTICS

| |
|--|
| 1 - TYPE OF COMPANY INDUSTRIAL, COMMERCIAL COMPANIES AND OTHERS |
| 2 - SITUATION OPERATING |
| 3 - TYPE OF CONTROLLING INTEREST NATIONAL HOLDING |
| 4 - ACTIVITY CODE 1130 TELECOMMUNICATIONS |
| 5 - MAIN ACTIVITY PROVIDING SWITCHED FIXED TELEPHONE SERVICE (STFC) |
| 6 - TYPE OF CONSOLIDATED TOTAL |
| 7 - TYPE OF ACCOUNTANTS REPORT UNQUALIFIED |

01.07 - SUBSIDIARIES EXCLUDED FROM THE CONSOLIDATED FINANCIAL STATEMENT

| | | |
|----------|-------------------------------|----------|
| 1 - ITEM | 2 - CNPJ - TAXPAYERS REGISTER | 3 - NAME |
|----------|-------------------------------|----------|

01.08 - DIVIDENDS APPROVED AND/OR PAID DURING AND AFTER THE QUARTER

| 1 - ITEM | 2 - EVENT | 3 - APPROVAL | 4 - DIVIDEND | 5 - BEGINNING PAYMENT | 6 - TYPE OF SHARE | 7 - VALUE OF THE DIVIDEND PER SHARE |
|----------|-----------|--------------|---------------------------------|--------------------------|-------------------------|---|
| 01 | RCA | 12/30/2005 | Interest on Shareholders Equity | 01/14/2006 | Common | 0.0008263437 |
| 02 | RCA | 12/30/2005 | Interest on Shareholders Equity | 01/14/2006 | Preferred | 0.0008263437 |

01.09 - ISSUED CAPITAL AND CHANGES IN CURRENT YEAR

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| 1 - ITEM | 2 - DATE OF CHANGE | 3 - CAPITAL STOCK (In R\$ thousands) | 4 - VALUE OF CHANGE (In R\$ thousands) | 5 - ORIGIN OF ALTERATION | 6 - QUANTITY OF ISSUED SHARES (In R\$ thousands) | 7 - SHARE PRICE ON ISSUANCE DATE (In R\$) |
|----------|--------------------|---|---|--------------------------|---|--|
|----------|--------------------|---|---|--------------------------|---|--|

01.10 - INVESTOR RELATIONS OFFICER

| 1 - DATE | 2 - SIGNATURE |
|------------|---------------|
| 05/12/2006 | |

02.01 - BALANCE SHEET ASSETS (IN THOUSANDS OF REAIS)

| 1 - CODE | 2 - ACCOUNT DESCRIPTION | 3 03/31/2006 | 4 12/31/2005 |
|---------------|--------------------------------------|--------------|--------------|
| 1 | TOTAL ASSETS | 5,700,509 | 6,030,378 |
| 1.01 | CURRENT ASSETS | 975,974 | 1,263,826 |
| 1.01.01 | CASH AND CASH EQUIVALENTS | 833,560 | 883,690 |
| 1.01.02 | CREDITS | 0 | 0 |
| 1.01.03 | INVENTORIES | 0 | 0 |
| 1.01.04 | OTHER | 142,414 | 380,136 |
| 1.01.04.01 | DEFERRED AND RECOVERABLE TAXES | 139,108 | 154,167 |
| 1.01.04.02 | DIVIDENDS RECEIVABLE | 0 | 220,708 |
| 1.01.04.03 | OTHER ASSETS | 3,306 | 5,261 |
| 1.02 | LONG-TERM ASSETS | 976,811 | 1,020,246 |
| 1.02.01 | SUNDRY CREDITS | 0 | 0 |
| 1.02.02 | CREDITS WITH RELATED PARTIES | 585,207 | 619,257 |
| 1.02.02.01 | FROM ASSOCIATED COMPANIES | 0 | 0 |
| 1.02.02.02 | FROM SUBSIDIARIES | 585,207 | 619,257 |
| 1.02.02.02.01 | LOANS AND FINANCING | 585,207 | 619,257 |
| 1.02.02.02.02 | ADVANCES FOR FUTURE CAPITAL INCREASE | 0 | 0 |
| 1.02.02.03 | FROM OTHER RELATED PARTIES | 0 | 0 |
| 1.02.03 | OTHER | 391,604 | 400,989 |
| 1.02.03.01 | LOANS AND FINANCING | 100,912 | 101,098 |
| 1.02.03.02 | DEFERRED AND RECOVERABLE TAXES | 246,984 | 284,595 |
| 1.02.03.03 | INCOME SECURITIES | 0 | 0 |
| 1.02.03.04 | JUDICIAL DEPOSITS | 43,708 | 15,296 |
| 1.02.03.05 | INVENTORIES | 0 | 0 |
| 1.02.03.06 | OTHER ASSETS | 0 | 0 |
| 1.03 | PERMANENT ASSETS | 3,747,724 | 3,746,306 |
| 1.03.01 | INVESTMENTS | 3,746,517 | 3,745,018 |
| 1.03.01.01 | ASSOCIATED COMPANIES | 0 | 0 |
| 1.03.01.02 | SUBSIDIARIES | 3,739,302 | 3,737,948 |
| 1.03.01.03 | OTHER INVESTMENTS | 7,215 | 7,070 |
| 1.03.02 | PROPERTY, PLANT AND EQUIPMENT | 1,156 | 1,229 |
| 1.03.03 | DEFERRED CHARGES | 51 | 59 |

02.02 - BALANCE SHEET LIABILITIES (IN THOUSANDS OF REAIS)

| 1 - CODE | 2 - ACCOUNT DESCRIPTION | 3 03/31/2006 | 4 12/31/2005 |
|----------|-------------------------|--------------|--------------|
|----------|-------------------------|--------------|--------------|

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| | | | |
|------------|--|-----------|-----------|
| 2 | TOTAL LIABILITIES | 5,700,509 | 6,030,378 |
| 2.01 | CURRENT LIABILITIES | 354,056 | 738,414 |
| 2.01.01 | LOANS AND FINANCING | 132 | 143 |
| 2.01.02 | DEBENTURES | 274,939 | 279,902 |
| 2.01.03 | SUPPLIERS | 1,109 | 1,367 |
| 2.01.04 | TAXES, DUTIES AND CONTRIBUTIONS | 21,289 | 59,617 |
| 2.01.04.01 | INDIRECT TAXES | 2,834 | 26,959 |
| 2.01.04.02 | TAXES ON INCOME | 18,455 | 32,658 |
| 2.01.05 | DIVIDENDS PAYABLE | 56,134 | 343,939 |
| 2.01.06 | PROVISIONS | 12 | 11 |
| 2.01.06.01 | PROVISIONS FOR CONTINGENCIES | 12 | 11 |
| 2.01.07 | DEBTS WITH RELATED PARTIES | 0 | 0 |
| 2.01.08 | OTHER | 441 | 53,435 |
| 2.01.08.01 | PAYROLL AND SOCIAL CHARGES | 67 | 74 |
| 2.01.08.02 | CONSIGNMENTS IN FAVOR OF THIRD PARTIES | 113 | 52,921 |
| 2.01.08.03 | EMPLOYEE PROFIT SHARING | 0 | 0 |
| 2.01.08.04 | OTHER LIABILITIES | 261 | 440 |
| 2.02 | LONG-TERM LIABILITIES | 63,681 | 41,869 |
| 2.02.01 | LOANS AND FINANCING | 32 | 69 |
| 2.02.02 | DEBENTURES | 0 | 0 |
| 2.02.03 | PROVISIONS | 3,413 | 3,210 |
| 2.02.03.1 | PROVISIONS FOR CONTINGENCIES | 3,413 | 3,210 |
| 2.02.04 | DEBTS WITH RELATED PARTIES | 0 | 0 |
| 2.02.05 | OTHER | 60,236 | 38,590 |
| 2.02.05.01 | PAYROLL AND SOCIAL CHARGES | 0 | 0 |
| 2.02.05.02 | SUPPLIERS | 0 | 0 |
| 2.02.05.03 | INDIRECT TAXES | 38,943 | 14,924 |
| 2.02.05.04 | TAXES ON INCOME | 21,293 | 23,666 |
| 2.03 | DEFERRED INCOME | 0 | 0 |
| 2.05 | SHAREHOLDERS EQUITY | 5,282,772 | 5,250,095 |
| 2.05.01 | CAPITAL | 2,596,272 | 2,596,272 |
| 2.05.02 | CAPITAL RESERVES | 309,178 | 309,178 |
| 2.05.03 | REVALUATION RESERVES | 0 | 0 |
| 2.05.03.01 | COMPANY ASSETS | 0 | 0 |
| 2.05.03.02 | SUBSIDIARIES/ASSOCIATED COMPANIES | 0 | 0 |
| 2.05.04 | PROFIT RESERVES | 282,667 | 282,667 |
| 2.05.04.01 | LEGAL | 208,487 | 208,487 |
| 2.05.04.02 | STATUTORY | 0 | 0 |
| 2.05.04.03 | CONTINGENCIES | 0 | 0 |
| 2.05.04.04 | REALIZABLE PROFITS RESERVES | 74,180 | 74,180 |
| 2.05.04.05 | PROFIT RETENTION | 0 | 0 |

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

| 1 - CODE | 2 - ACCOUNT DESCRIPTION | 3 03/31/2006 | 4 12/31/2005 |
|------------|-------------------------|--------------|--------------|
| 2.05.04.06 | | 0 | 0 |

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| | | | |
|------------|---|-----------|-----------|
| | SPECIAL RESERVE FOR UNDISTRIBUTED DIVIDENDS | | |
| 2.05.04.07 | OTHER PROFIT RESERVES | 0 | 0 |
| 2.05.05 | RETAINED EARNINGS/ACCUMULATED DEFICIT | 2,094,655 | 2,061,978 |

03.01 - STATEMENT OF INCOME (IN THOUSANDS OF REAIS)

| 1 CODE | 2 ACCOUNT DESCRIPTION | 3 01/01/2006 TO 03/31/2006 | 4 - 01/01/2006 TO 03/31/2006 | 5 - 01/01/2005 TO 03/31/2005 | 6 - 01/01/2005 TO 03/31/2005 |
|------------|---|----------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| 3.01 | GROSS REVENUE FROM SALES AND/OR SERVICES | 0 | 0 | 0 | 0 |
| 3.02 | DEDUCTIONS FROM GROSS REVENUE | 0 | 0 | 0 | 0 |
| 3.03 | NET REVENUE FROM SALES AND/OR SERVICES | 0 | 0 | 0 | 0 |
| 3.04 | COST OF GOODS AND/OR SERVICES SOLD | 0 | 0 | 0 | 0 |
| 3.05 | GROSS PROFIT | 0 | 0 | 0 | 0 |
| 3.06 | OPERATING INCOME/EXPENSES | 48,590 | 48,590 | 64,437 | 64,437 |
| 3.06.01 | SELLING EXPENSES | 0 | 0 | 0 | 0 |
| 3.06.02 | GENERAL AND ADMINISTRATIVE EXPENSES | (5,211) | (5,211) | (7,043) | (7,043) |
| 3.06.03 | FINANCIAL | 52,289 | 52,289 | 71,071 | 71,071 |
| 3.06.03.01 | FINANCIAL INCOME | 69,074 | 69,074 | 90,012 | 90,012 |
| 3.06.03.02 | FINANCIAL EXPENSES | (16,785) | (16,785) | (18,941) | (18,941) |
| 3.06.04 | OTHER OPERATING INCOME | 497 | 497 | 998 | 998 |
| 3.06.05 | OTHER OPERATING EXPENSES | (344) | (344) | (1,147) | (1,147) |
| 3.06.06 | EQUITY IN THE EARNINGS OF SUBSIDIARIES AND ASSOCIATED COMPANIES | 1,359 | 1,359 | 558 | 558 |
| 3.07 | OPERATING INCOME | 48,590 | 48,590 | 64,437 | 64,437 |
| 3.08 | NON-OPERATING INCOME | 139 | 139 | 1,703 | 1,703 |
| 3.08.01 | REVENUES | 144 | 144 | 1,703 | 1,703 |
| 3.08.02 | EXPENSES | (5) | (5) | 0 | 0 |
| 3.09 | INCOME (LOSS) BEFORE TAXES AND MINORITY INTEREST | 48,729 | 48,729 | 66,140 | 66,140 |
| 3.10 | PROVISION FOR INCOME AND SOCIAL CONTRIBUTION TAXES | (16,052) | (16,052) | (21,925) | (21,925) |
| 3.11 | DEFERRED INCOME TAX | 0 | 0 | 0 | 0 |
| 3.12 | STATUTORY INTEREST/ CONTRIBUTIONS | 0 | 0 | 0 | 0 |
| 3.12.01 | INTEREST | 0 | 0 | 0 | 0 |

03.01 - STATEMENT OF INCOME (IN THOUSANDS OF REAIS)

| 1 - CODE | 2 ACCOUNT DESCRIPTION | 3 07/01/2005 TO | 4 - 01/01/2005 | 5 - 07/01/2004 | 6 - 01/01/2004 |
|----------|-----------------------|--------------------|-------------------|-------------------|-------------------|
|----------|-----------------------|--------------------|-------------------|-------------------|-------------------|

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| | | 09/30/2005 | TO 09/30/2005 | TO 09/30/2004 | TO 09/30/2004 |
|---------|--|-------------|------------------|------------------|------------------|
| 3.12.02 | CONTRIBUTIONS | 0 | 0 | 0 | 0 |
| 3.13 | REVERSAL OF INTEREST ON SHAREHOLDERS EQUITY | 0 | 0 | 0 | 0 |
| 3.15 | INCOME/LOSS FOR THE PERIOD | 32,677 | 32,677 | 44,215 | 44,215 |
| | NUMBER OF SHARES, EX-TREASURY (THOUSAND) | 362,488,414 | 362,488,414 | 362,488,414 | 362,488,414 |
| | EARNINGS PER SHARE | 0.00009 | 0.00009 | 0.00012 | 0.00012 |
| | LOSS PER SHARE | | | | |

04.01-NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS AS OF 03/31/2006

(In thousands of Brazilian reais)

1. OPERATIONS

Brasil Telecom Participações S.A. (Company) is a joint-stock publicly-held company, established in accordance with Article 189 of Law 9,472/97 - General Telecommunications Law, as part of the TELEBRÁS spin-off process. The spin-off protocol and justification was approved in the Shareholders Meeting of May 22, 1998.

The Company has as corporate purpose to exercise the control of exploring companies of fixed telephony public services in the Region II of the General Concession Plan (PGO) approved by the Decree 2,534, as of April 2, 1998. This control is exercised by means of Brasil Telecom S.A., which is a concessionary responsible for the Switched Fixed Telephone Service (STFC) in the Region II of the PGO. Additionally, the Company may take part in the capital of other companies.

The Company is registered with the Brazilian Securities Commission (CVM) and the Securities and Exchange Commission (SEC) in the USA, and its shares are traded on the Brazilian Stock Exchange (BOVESPA), where it also comprises the Corporate Governance Level 1 and trades its ADRs on the New York Stock Exchange (NYSE).

The Company s control is exercised by SOLPART Participações S.A. (SOLPART), corresponding, on the quarter closing date to 51.00% of the voting capital and 18.78% of the total capital.

Direct Subsidiaries of the Company

a. Brasil Telecom S.A.

Brasil Telecom S.A. is a concessionary responsible for the Switched Fixed Telephone Service (STFC) in Region II of the General Concession Plan (PGO), covering the Brazilian states of Acre, Rondônia, Mato Grosso, Mato Grosso do Sul, Tocantins, Goiás, Paraná, Santa Catarina and Rio Grande do Sul, besides the Federal District. In this area of 2,859,375 square kilometers, which corresponds to 34% of the Brazilian Territory, Brasil Telecom S.A. provides since July 1998 STFC, in the local and intra-regional domestic long distance categories.

In view of the anticipated fulfillment of the obligations for universalization mentioned in the General Plan of Universalization Goals (PGMU) required for December 31, 2003, the National Telecommunications Agency - ANATEL, on January 19, 2004, issued for Brasil Telecom S.A. authorizations to exploit STFC in the following service modalities: (i) Local and Domestic Long distance calls in Regions I and III and Sectors 20, 22 and 25 of Region II of the General Concession Plan (PGO); and (ii) International Long-distance calls in Regions I, II and III of PGO. As a result of these authorizations the Subsidiary began to exploit the Domestic and International Long-distance services in all Regions I, II and III, as from January 22, 2004. In the case of Local Service in the new regions and sectors of the PGO, the service started being offered as from January 19, 2005.

New concession agreements under the local and long-distance services took effect as from January 1, 2006, effective up to December 31, 2025. Further information about these agreements is mentioned in the Note 5.i.

Information related to the goals of quality and universalization of the STFC of its Subsidiary are available to interested parties on ANATEL s website (www.anatel.gov.br).

b. Nova Tarrafa Participações Ltda. and Nova Tarrafa Inc.

The Company also holds the control of Nova Tarrafa Participações Ltda. (NTP) and Nova Tarrafa Inc. (NTI). The corporate purpose of these subsidiaries is the stake in the capital of Internet Group (Cayman) Limited (IG Cayman), which provides Internet access. On November 24, 2004, the company IG Cayman started taking part of the group of the Company's subsidiaries, with the acquisition of stakes by Brasil Telecom Subsea Cable Systems (Bermuda) Ltd., an indirectly controlled company.

The stake of NTP and NTI in IG Cayman on the quarter closing date represented 9.25% and 0.16%, respectively. Jointly with Brasil Telecom Subsea Cable Systems (Bermuda) Ltd. the total stake was 98.2% .

Indirect Subsidiaries of the Company

The subsidiary Brasil Telecom S.A. holds, on the other hand, the control of the following companies:

a. 14 Brasil Telecom Celular S.A.

14 Brasil Telecom Celular S.A. (BrT Celular) is a wholly-owned subsidiary which operates since the fourth quarter of 2004, to provide the Personal Mobile Service (SMP), with authorization to attend the same coverage area where the Company operates with STFC.

b. BrT Serviços de Internet S.A.

BrT Serviços de Internet S.A. (BrTI) is a wholly-owned subsidiary providing internet services and correlated activities, which started its operations at the beginning of 2002.

During the second quarter of 2003, BrTI obtained control of the following companies:

(i) BrT Cabos Submarinos Companies

This group of companies operates through a system of submarine fiber optics cables, with connection points in the United States, Bermudas Islands, Venezuela and Brazil, allowing data traffic through packages of integrated services, offered to local and international corporate customers. It is comprised by the following companies:

- Brasil Telecom Cabos Submarinos do Brasil (Holding) Ltda. (BrT CSH).
- Brasil Telecom Cabos Submarinos do Brasil Ltda. (BrT CS Ltda.): in this partnership BrTI exercises direct control and total control jointly with BrT CSH.
- Brasil Telecom Subsea Cable Systems (Bermuda) Ltd. (BrT SCS Bermuda): is also an integral part of BrT Cabos Submarinos companies and it was organized by BrTI in the second quarter of 2003. In November 2004, BrTI's investment became a minority interest, when Brasil Telecom S.A. paid capital contributions and started to control the cable company. On its turn, BrT SCS Bermuda holds the total shares of Brasil Telecom of America Inc. and Brasil Telecom de Venezuela, S.A.

IG Companies

IG companies have their operations based on the provision of dialed access to the Internet, pointing out its mobile Internet portal related to mobile telephony in Brazil. It also provides value-added services of broadband access to its portal and hosting of pages on the Internet and other services in the Internet market.

On November 24, 2004, BrT SCS Bermuda acquired 63.0% of the total capital, and the resulting control of the company Internet Group (Cayman) Limited (IG Cayman), organized in Cayman Islands. On July 26, 2005, BrT SCS Bermuda supplemented the acquisition of more 25.6% of total capital of IG Cayman. On the quarter closing date, the

interest held by BrT SCS Bermuda was 88.8% . IG Cayman is a holding company, which on its turn, holds the control of companies Internet Group do Brasil Ltda. (IG Brasil) and Central de Serviços Internet Ltda. (CSI), both of them established in Brazil.

(ii) iBest Companies

iBest Companies have their operations concentrated in providing dial up connection to the Internet, sale of advertising space for divulgation in its portal and value-added service with the availability of its Internet access accelerator.

BrTI acquired the control of the iBest Companies in June 2003, which is composed of the following companies: iBest Holding Corporation, incorporated in the Cayman Islands, and Freelance S.A., established in Brazil.

c. MTH Ventures do Brasil Ltda.

A Brasil Telecom S.A. holds 100% of the capital of MTH Ventures do Brasil Ltda., a holding company which has 100% of the capital of Brasil Telecom Comunicação Multimídia Ltda. (BrT Multimídia).

A BrT Multimídia is a service provider for a private telecommunications network through optical fiber digital networks in São Paulo, Rio de Janeiro and Belo Horizonte and long-distance network connecting these major metropolitan commercial centers. It also has an Internet solutions center in São Paulo, which offers co-location, hosting and other value added services.

d. Vant Telecomunicações S.A. (VANT)

Company of which Brasil Telecom S.A. holds the total capital stock. VANT is a service provider of corporate network services which operates throughout Brazil, and is present in the main Brazilian state capitals, offering voice and data products.

e. Other Service Provider Companies

Brasil Telecom S.A. is the holder of 100% of the capital stock of the companies Santa Bárbara dos Pampas S.A., Santa Bárbara dos Pinhais S.A., Santa Bárbara do Cerrado S.A. and Santa Bárbara do Pantanal S.A. These companies, which on the quarter closing date were not operating, aim at rendering services in general comprising, among others, the management activities of real states or assets.

Change in the Management

On July 27, 2005, the Extraordinary General Meeting dismissed from office the members of the Company s Board of Directors connected with former manager Opportunity. At Board of Directors Meeting held on August, 25, 2005, a new Board of Executive Officers was elected, and the Technical Officer was maintained in his position.

At the Extraordinary General Meeting held on September 30, 2005, the Board of Directors members of Brasil Telecom S.A. were dismissed from office and new members were elected. On the same date, the Board of Directors meeting resolved to dismiss the Chairman and to elect new members for the Board of Executive Officers, and the Network Officer was reelected. Such resolutions were ratified by the Board of Directors of Brasil Telecom S.A. at a meeting held on October 5, 2005.

The process to change the management of the Company and of Brasil Telecom S.A. was litigious, according to various material facts published by the Companies during 2005 and various lawsuits brought by the former manager, aiming at recovering the management of the Companies, which are still under progress.

Agreements as of April 28, 2005 under the Previous Management

On April 28, 2005, still under previous management, Brasil Telecom Participações S.A. and Brasil Telecom S.A. entered into various agreements involving the Opportunity and Telecom Italia Groups (April 28 Agreements).

Among such agreements, Brasil Telecom S.A. and its subsidiary 14 Brasil Telecom Celular S.A. (BTC) executed with TIM International N.V. (TIMI) and TIM Brasil Serviços e Participações S.A. (TIMB) an instrument named as Merger Agreement and a Protocol related thereto.

As mentioned in material facts published, the merger was forbidden by injunctions issued by the Brazilian and U.S. courts. It is also subject-matter of discussion under arbitration involving the controlling shareholders.

The current management of Brasil Telecom Participações S.A. and Brasil Telecom S.A. understands that the Merger Agreement, the respective Protocol, and other April 28 agreements, which included the waiver and transaction in judicial suits involving the Companies, were entered into with conflict of interests, breaching the laws and the Bylaws of the Companies, and also, in opposition to shareholders agreements and without the necessary corporate approvals. In addition, the new management deems that such agreements are contrary to the best interests of the Companies, especially regarding its mobile telephony business.

TIMI and TIMB sent to Brasil Telecom S.A. and to BrT Celular a correspondence dated as of May 2, 2006, terminating unilaterally the referred Merger Agreement , reserving supposed rights.

2. PRESENTATION OF FINANCIAL STATEMENTS

Preparation Criteria

The financial statements have been prepared in accordance with accounting practices adopted in Brazil, in accordance with Brazilian corporation law, rules of the Brazilian Securities Commission (CVM) and rules applicable to telecommunications concessionaires.

As the Company is registered with the Securities and Exchange Commission (SEC), it is subject to its standards, and should prepare financial statements and other information by using criteria that comply with that entity s requirements. For complying with these requirements and aiming at meeting the market s information needs, the Company adopts, as a principle, the practice of publishing information in both markets in their respective languages.

The notes to the financial statements are presented in thousands of reais, unless otherwise evidenced. According to each situation, the notes to the financial statements present information related to the Company and the consolidated financial statements, identified as PARENT COMPANY and CONSOLIDATED , respectively. When the information is common to both situations, it is indicated as PARENT COMPANY AND CONSOLIDATED .

In compliance with the Resolution 489/05, of CVM, as from 2006 the amounts of judicial deposits linked to the provisions for contingencies are presented in a deductive way from the liabilities established. Aiming at providing a better comparison between the data presented in the quarterly information, an identical reclassification of balances belonging to 2005 was promoted, as well as of the amounts referring to the cash flow.

The accounting estimates were based on objective and subjective factors, based on management s judgment to determine the appropriate amount to be recorded in the financial statements. Significant elements subject to these estimates and assumptions include the residual amount of the fixed assets, allowance for doubtful accounts, inventories, deferred income tax and social contribution, provision for contingencies, appreciation of derivative instruments, and assets and liabilities related to benefits for employees. The settlement of transactions involving these estimates may result in significant different amounts due to the inherent imprecision of the process of determining

these amounts. Management reviews its estimates and assumptions at least quarterly.

Consolidated Financial Statements

The consolidation was made in accordance with CVM Instruction 247/96 and includes the companies mentioned in Note 1.

Some of the main consolidation procedures are:

- Elimination of balances of assets and liabilities accounts among consolidated companies, as well as revenue and expenses of transactions among them.
- Elimination of balances of investment accounts and corresponding capital interest, reserves and retained earnings among consolidated companies.
- Segregation of the portions of shareholders equity and result of minority shareholders, indicated in the specific items.

The reconciliation between net income and shareholders equity of the Parent Company and the Consolidated figures is as follows:

| | NET INCOME (LOSS) | | SHAREHOLDERS EQUITY | |
|--|----------------------|---------------|------------------------|------------------|
| | 03/31/06 | 03/31/05 | 03/31/06 | 12/31/05 |
| PARENT COMPANY | 32,677 | 44,215 | 5,282,772 | 5,250,095 |
| Entries recorded in the Shareholders Equity of the Subsidiary | | | | |
| Donations and Subsidies for Investments | (4) | | | - |
| Interest Capitalized in Subsidiary | 873 | 873 | (3,202) | (4,075) |
| CONSOLIDATED | 33,546 | 45,088 | 5,279,570 | 5,246,020 |

Supplementary Information

The Company is presenting as supplementary information the statements of cash flows, which were prepared in accordance with Accounting Rules and Procedures - NPC 20 of the Brazilian Institute of Independent Auditors - IBRACON. The statement of cash flow is shown together with Note 17.

Report per Segment

The Company is presenting, supplementary to note 42, the report per business segment. A segment is an identifiable component of the company, destined for service rendering (business segment), or provision of products and services which are subject to different risks and compensations different from those other segments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

The criteria mentioned in this note refer to the practices adopted by the Company and its subsidiaries which are reflected in the consolidated balance sheet.

a. Cash and Cash Equivalents: Cash equivalents are short-term, high-liquidity investments, with immediate maturity. They are recorded at cost, plus income earned until the quarters closing dates, not exceeding market value. The investment fund quotas are valued by the quota value on March 31, 2006.

b. Trade Accounts Receivable: Receivables from users of telecommunications services are recorded at the amount of the fee or service on the date of the rendering of such services. Receivables from services include credits for services rendered and not billed until the quarters closing dates. Receivables resulting from sales of cell phones and accessories are recorded by the amount of sales made, at the moment in which the goods are delivered and accepted by the customer. The criterion adopted for making the allowance for doubtful accounts takes into account the calculation of the actual percentage losses incurred on each maturity level of accounts receivable. The historic percentages are applied to the current ranges of accounts receivable, also including accounts coming due and the portion yet to be billed, thus composing the amount that could become a future loss, which is recorded as provision.

c. Inventories: Stated at average acquisition cost, not exceeding replacement cost. Inventories are segregated into expansion and maintenance of the plant, and in relation to the consolidated financial statements, goods inventories for resale, mainly composed by cell phones, accessories and electronic cards - chips. The inventories to be used in expansion are classified in property, plant and equipment (construction in progress), and inventories to be used in maintenance are classified as current and long-term assets, in accordance with the period in which they will be used, and the resale inventories are classified as current assets. Obsolete inventories are recorded as allowance for losses. About cell phones and accessories, the subsidiary BrT Celular records the adjustments for the trading prices held as of the balance sheet date, in the cases in which the acquisitions presented higher values.

Composition of inventories is stated in Note 19.

d. Investments: Investments in subsidiaries are valued using the equity accounting method. Goodwill recorded was calculated based on the expectation of future results and its amortization is based on the expected realization/timing over a forecasted period of not more than ten years. Other investments are recorded at acquisition cost less allowance for losses, when applicable. The investments resulting from applications in income tax incentives are recognized at the date of investment, and result in shares of companies with tax incentives or investment fund quotas. In the period between the investment date and receipt of shares or quotas of funds, they remain recorded in long-term assets. The Company adopts the criterion of using the maximum percentage of tax allocation. These investments are periodically valued and the result of comparison between their original cost and the market, when the latter is lower, results in the recording of provisions for probable losses.

e. Property, Plant and Equipment: Stated at cost of acquisition and/or construction, less accumulated depreciation. Financial charges derived from liabilities financing assets and construction in progress are capitalized.

The costs incurred, when they represent improvements (increase in installed capacity or useful life) are capitalized. Maintenance and repair are charged to the profit and losses accounts, observing the accrual basis.

Depreciation is calculated under the straight-line method. Depreciation rates used are based on expected useful lives of the assets and in accordance with the standards of the Public Telecommunications Service. The main rates used are set forth in Note 27.

f. Deferred Charges: Segregated between deferred charges on amortization and formation. Their breakdown is shown in Note 28. Amortization is calculated using the straight-line method, for the period of five years, in accordance with the legislation in force. When benefits are not expected from an asset, it is written off against non-operating income.

g. Income Tax and Social Contribution on Income: Corporate income tax and social contribution on income are accounted for on an accrual basis. These taxes levied on temporary differences, tax losses and the negative social contribution base are recorded under assets or liabilities, as applicable, according to the assumption of realization or future demand, within the parameters established by CVM Instruction 371/02.

h. Loans and Financing: Updated to the balance sheet date for monetary and/or exchange variations and interest incurred to the balance sheet date. Equal restatement is applied to the guarantee contracts to hedge the debt.

i. Provision for Contingencies: Recorded based on management's risk assessment and measured based on economic grounds and legal counselors' opinions on the lawsuits and other contingency factors known as of the quarter closing date. The basis and nature of the provisions are described in Note 7.

j. Revenue Recognition: Revenues from services are recognized when these are rendered. Local and long-distance calls are charged based on time measurement according to the legislation in force. Revenues from sales of payphone cards (Public Use Telephony - TUP), cell phones and accessories are recorded when these are delivered and accepted by client. For prepaid services subject to mobile telephony, the revenue is recognized in accordance with the utilization of services. Revenue is not recognized if there is a significant uncertainty in its realization.

k. Recognition of Expenses: Expenses are recognized on an accrual basis, considering their relation with revenue realizations. Expenses related to other periods are deferred.

l. Financial Income (Expense), Net: Financial income comprises interest earned on overdue accounts receivable from services, gains on financial investments and hedges. Financial expenses comprise interest incurred and other charges on loans, financing and other financial transactions.

Interest on Shareholders' Equity, when credited is included in the financial expenses balance; for financial statement presentation purposes, the amounts recorded are reversed against profit and loss accounts of the year and reclassified as a deduction of retained earnings, in the shareholders' equity.

m. Research and Development: Costs for research and development are recorded as expenses when incurred, except for expenses with projects subject to the generation of future revenue, which are recorded under deferred assets and amortized over a five-year period from the beginning of the operations.

n. Benefits to Employees: Private pension plans and other retirement benefits sponsored by the Company and its subsidiaries for their employees are managed by three Institutions. Contributions are determined on an actuarial basis, when applicable, and accounted for on an accrual basis.

As of December 31, 2001, the subsidiary Brasil Telecom S.A. recorded its actuarial deficit on the balance sheet date against shareholders' equity, net of its tax effects. As from 2002, as new actuarial revaluations show the necessity for adjustments to the provision, they are recognized in the profit and loss accounts of the year.

Complementary information on private pension plans is described in Note 6.

o. Profit Sharing: Provision for employee profit sharing is recognized on an accrual basis, being recorded as operating expense. The determination of the amount, which is paid in the year following the provision accounting, considers the goal program established with the labor union, by means of a collective bargaining agreement, in conformity with the Law 10,101/00 and with the Company's Bylaws.

p. Income or loss per thousand shares: The income or loss per thousand shares is calculated based on the number of outstanding shares on the quarter closing date. The outstanding shares are represented by the totality of shares issued, less treasury stocks.

4. RELATED-PARTY TRANSACTIONS

Related-party transactions refer to existing operations carried out by the Company with its subsidiaries Brasil Telecom S.A., Nova Tarrafa Participações Ltda. and Nova Tarrafa Inc., also comprising transactions with SOLPART, its parent company.

Operations between related parties and the Company are carried out under usual market prices and conditions. The main transactions carried out are:

Brasil Telecom S.A.

Loans with Subsidiary: The outstanding balance derives from the spin-off of Telebrás and it is indexed to exchange variation, to which 1.75% interest p.a. is accrued, amounting to R\$ 51,137 (R\$ 58,798 on 12/31/05). The financial loss recognized against results in the quarter was R\$ 3,926, attributed to the drop of U.S. dollar quotation (R\$ 554 of financial gain in 2005).

Debentures: On January 27, 2001, the subsidiary issued 1,300 private debentures, at the unit price of R\$ 1,000, non-convertible or exchangeable for any type of share, totaling R\$ 1,300,000, for the purpose of financing part of its investment program. All these debentures were acquired by the Company. The nominal value of these debentures will be paid in one installment with maturity on 07/27/06, corresponding to 40% of amount issued. The debenture remuneration is equivalent to 100% of CDI, received semi-annually. The balance of this asset is R\$ 534,070 (R\$ 560,459 on 12/31/05), and the yield recognized in the income statement for the quarter represented R\$ 21,362 (R\$ 37,313 in 2005).

Sureties and Guarantees: (i) The Company renders sureties as guarantee of loans and financing owed by the Parent Company to the lending financial institutions. In the quarter, referring to the guarantee granted, the Company earned income at the amount of R\$ 581 (R\$ 1,055 in 2005); and (ii) the Company renders surety for the Subsidiary, related to the contracting of insurance policies, guarantee of contractual liabilities (GOC) for 2006, which totaled R\$ 220,305 (R\$ 217,142 in 2005). In the quarter, on the account of the remuneration of such surety, the Company recorded an operating revenue of R\$ 66 (R\$ 65 in 2005).

Amounts Receivable and Expenses: resulting from transactions related to the sharing of funds. The balance receivable is R\$ 381 (R\$ 54 payable, on 12/31/05) and the amounts recorded against results in the quarter are represented by operating expenses of R\$ 337 (R\$ 1,056 in 2005).

5. MARKET VALUE OF FINANCIAL ASSETS AND LIABILITIES (FINANCIAL INSTRUMENTS) AND RISK ANALYSIS

The Company and its subsidiaries appraised the book value of its assets and liabilities as compared to market or realizable values (fair value), based on information available and valuation methodologies applicable to each case. The interpretation of market data regarding the choice of methodologies requires considerable judgment and determination of estimates to achieve an amount considered adequate for each case. Accordingly, the estimates presented may not necessarily indicate the amounts, which can be obtained in the current market. The use of different assumptions for calculation of market value or fair value may have material effect on the obtained amounts. The selection of assets and liabilities presented in this note was made based on their materiality. Instruments whose values approximate their fair values, just like cash and cash equivalents, accounts receivable, assets and liabilities of taxes, pension funds, amongst others, and whose risk assessment is not significant are not mentioned.

In accordance with their natures, the financial instruments may involve known or unknown risks; the potential of such risks is important for the best judgment. Thus, there may be risks with or without guarantees, depending on circumstantial or legal aspects. Among the principal market risk factors which can affect the Company's and subsidiaries' business are the following:

a. Credit Risk

The majority of the services provided by the subsidiary Brasil Telecom S.A. are related to the Concession Agreement, and a significant portion of these services is subject to the determination of fees by the regulatory agency. The credit

policy, in case of telecommunications public services, is subject to legal standards established by the concession authority. The risk exists since the subsidiary may incur losses arising from the difficulty in receiving amounts billed to its customers. In the quarter, the amount consolidated of losses with accounts receivable, including allowance for doubtful accounts, corresponded to 3.09% of the gross revenue (3.02% in the same period in 2005). By means of internal controls, the level of accounts receivable is constantly monitored, thus limiting the risk of past due accounts by cutting the access to the service (out phone traffic) if the bill is overdue for over 30 days. Exceptions are made for telephone services, which should be maintained for national security or defense.

The subsidiary Brasil Telecom S.A. operates in co-billing, related to long distance calls with the use of its CSP (Operator Selection Code) originated by subscribers of other fixed and mobile telephony operators. The accounts receivable in co-billing are managed by such operators, based on operating agreements executed and in accordance with rules set forth by ANATEL. Blocking rules established by the regulating agency are the same for fixed and mobile telephony companies, co-billing suppliers. The subsidiary separately monitors receivables of such nature and maintains provision for losses, which may occur, due to risks of not receiving such amounts.

Concerning mobile telephony, credit risk in cell phones sales and in service rendering in the postpaid category is minimized with the adoption of a credit pre-analysis. Still in relation to postpaid service, whose client base at the end of the quarter was 33.4% (31.3% in 2005), the receivable accounts are also monitored in order to limit default and to block the service (out of phone traffic) if the bill is overdue for over fifteen days.

b. Exchange Rate Risk

Assets

The Company has loan agreements in foreign currency, and, therefore, subject to exchange rate fluctuation. The assets exposed to exchange rate risk are as follows:

| | PARENT COMPANY | | CONSOLIDATED | |
|-----------------------|----------------|----------------|----------------|----------------|
| | Book Value | | Book Value | |
| | 03/31/06 | 12/31/05 | 03/31/06 | 12/31/05 |
| Assets | | | | |
| Loans with Subsidiary | 51,137 | 58,798 | - | - |
| Loans and Financing | 100,912 | 101,098 | 100,912 | 101,098 |
| Total | 152,049 | 159,896 | 100,912 | 101,098 |
| Long-term | 152,049 | 159,896 | 100,912 | 101,098 |

The loans receivable in U.S. dollars were transferred to the Company at the time of the spin-off of Telebrás. Due to their original characteristics, no financing is available on the market under similar conditions, which led to the presentation of the book value only.

Liabilities

The Company and the subsidiary Brasil Telecom S.A. has loans and financing contracted in foreign currency. The risk related to these liabilities arises from possible exchange rate fluctuations, which may increase these liabilities balances. Loans subject to this risk represent approximately 23.1% (23.8% on 12/31/05) of the total liabilities of borrowings and consolidated financing, minus the contracted hedge balances. In order to minimize this kind of risk, the Company enters into exchange hedge agreements with financial institutions. Out of the installment of the debt consolidated in foreign currency, 71.7% (69.8% on 12/31/05) is covered by hedge operations and financial investments in foreign currency, resulting in an effective exposure of only 11.5%. Unrealized positive or negative effects of these operations are recorded in the results as gain or loss. Until the end of the quarter, the consolidated negative adjustments of such operations totaled R\$ 64,517 (R\$ 47,771 of negative adjustments in 2005).

Net exposure as per book and market values, at exchange rate risk, is as follows:

PARENT COMPANY

| | 03/31/06 | | 12/31/05 | |
|---------------------|------------|--------------|------------|--------------|
| | Book Value | Market Value | Book Value | Market Value |
| Liabilities | | | | |
| Loans and Financing | 164 | 164 | 212 | 212 |
| Total | 164 | 164 | 212 | 212 |
| Current | 132 | 132 | 143 | 143 |
| Long-term | 32 | 32 | 69 | 69 |

CONSOLIDATED

| | 03/31/06 | | 12/31/05 | |
|---------------------|------------------|------------------|------------------|------------------|
| | Book Value | Market Value | Book Value | Market Value |
| Liabilities | | | | |
| Loans and Financing | 909,514 | 954,077 | 1,005,503 | 1,050,837 |
| Hedge Agreements | 366,110 | 364,009 | 311,469 | 301,119 |
| Total | 1,275,624 | 1,318,086 | 1,316,972 | 1,351,956 |
| Current | 176,982 | 177,286 | 118,544 | 119,443 |
| Long-term | 1,098,642 | 1,140,800 | 1,198,428 | 1,232,513 |

The method used for calculation of market value (fair value) of loans and financing in foreign currency and hedge instruments was future cash flows associated to each contracted instruments, discounted at market rates effective on the quarter closing date.

c. Interest Rate RiskAssets

The Company's assets derive from the full subscription of private debentures issued by the subsidiary Brasil Telecom S.A. For the Consolidated there are loans paid by the rates mentioned below, as well as income securities (CDB's) invested with Banco de Brasília S.A., relating to the guarantee to tax incentive granted by the Federal District Government, whose program is called Program for the Sustainable and Economic Development Promotion of the Federal District PRO-DF, and the compensation of these securities is equivalent to 95% of the SELIC rate.

PARENT COMPANY**CONSOLIDATED**

| | Book and Market Value | | Book and Market Value | |
|---|-----------------------|----------|-----------------------|----------|
| | 03/31/06 | 12/31/05 | 03/31/06 | 12/31/05 |
| Assets | | | | |
| Loans (Including Debentures) | | | | |
| Debentures linked to CDI | 534,070 | 560,459 | - | - |
| Loans linked to CDI, IGP-M, Column 27 (FGV) and | | | | |

| | | | | |
|-------------------------------------|----------------|----------------|----------------|---------------|
| IGP-DI | - | - | 9,105 | 9,173 |
| Income Securities linked to: | | | | |
| SELIC Rate | - | - | 2,788 | 2,604 |
| Total | 534,070 | 560,459 | 11,8933 | 11,777 |
| Current | - | - | 5,805 | 3,962 |
| Long-term | 534,070 | 560,459 | 6,088 | 7,815 |

The book values are equal to market values since the current conditions for contracting this type of financial instrument are similar to those in which they come from or do not have parameters for quotation or contracting.

Liabilities

In 2000, the Company issued private debentures convertible into preferred shares. This liability was contracted at the interest rate subject to TJLP. The risk subject to this liability arises from possible increase in this rate.

The subsidiary Brasil Telecom S.A. has loans and financing contracted in local currency subject to interest rates subject to indexing units (TJLP, UMBNDES, CDI etc.). The risk inherent in these liabilities arises from possible variations in these rates. The Subsidiary has contracted derivative contracts to hedge 20.4 (22.7% on December 31, 2005) of the liabilities subject to the UMBNDES rate, using exchange rate swap contracts. However, the other market rates are continually monitored to evaluate the need to contract derivatives to protect against the risk of volatility of these rates. The subsidiary also issued non-convertible or exchangeable private and public debentures. These liabilities were contracted at interest rates tied to the CDI, and the risk linked with this liability is the result of the possible increase in the rate.

The aforementioned liabilities on the quarter closing date are as follows:

PARENT COMPANY

| | 03/31/06 | | 12/31/05 | |
|---|----------------|----------------|----------------|----------------|
| | Book Value | Market Value | Book Value | Market Value |
| Liabilities | | | | |
| Loans linked to TJLP (including Debentures) | 274,939 | 273,360 | 279,902 | 277,425 |
| Total | 274,939 | 273,360 | 279,902 | 277,425 |
| Current | 274,939 | 273,360 | 279,902 | 277,425 |
| Long-term | - | - | - | - |

CONSOLIDATED

| | 03/31/06 | | 12/31/05 | |
|---|------------------|------------------|------------------|------------------|
| | Book Value | Market Value | Book Value | Market Value |
| Liabilities | | | | |
| Loans linked to TJLP (including Debentures) | 2,224,728 | 2,225,226 | 2,356,113 | 2,354,519 |
| Loans subject to CDI | 520,045 | 550,168 | 547,767 | 540,356 |
| Loans subject to UMBNDES | 246,107 | 246,932 | 272,601 | 273,318 |
| Hedge Agreements in UMBNDES | 37,296 | 29,913 | 37,630 | 27,462 |
| Loans subject to IGP-DI | 21,375 | 21,375 | 19,310 | 19,310 |
| Loans linked to IGPM | 4,990 | 4,990 | 8,158 | 8,158 |
| Other Loans | 9,266 | 9,266 | 10,530 | 10,531 |
| Total | 3,063,807 | 3,087,870 | 3,252,109 | 3,233,654 |
| Current | 1,080,282 | 1,078,315 | 1,083,137 | 1,077,441 |
| Long-term | 1,983,525 | 2,009,555 | 2,168,972 | 2,156,213 |

Some of the agreements mentioned have the market values equal to book values because the current contractual conditions for these types of financial instruments are similar to those in which they were originated or they did not present parameters for quotation or contraction.

d. Risk of Not Linking Monetary Restatement Indexes of Loans and Financing to Accounts Receivable

Loan and financing rates contracted by subsidiary Brasil Telecom S.A. are not subject to amounts of accounts receivable. Telephony fee adjustments do not necessarily follow increases in local interest rates which affect the subsidiary's debts.

e. Contingency Risks

Contingency risks are assessed according to loss hypotheses, as probable, possible or remote. Contingencies considered as probable risk are recorded in liabilities. Details on this risk are presented in Note 7.

f. Risks Related to Investments

The Company has investments, which are valued using the equity accounting method and stated at acquisition cost. Brasil Telecom S.A., Nova Tarrafa Participações Ltda. and Nova Tarrafa Inc. are subsidiaries, the investments of which are carried under the equity accounting.

Investments valued at cost are immaterial in relation to total assets. The risks related to them would not cause significant impacts to the Company's results if losses were to occur on these investments.

The amounts related to the investments are as follows:

| | 03/31/06 | | 12/31/05 | |
|---------------------------------|------------------|------------------|------------------|------------------|
| | Book Value | Market Value | Book Value | Market Value |
| Investments | 3,746,517 | 5,933,595 | 3,745,018 | 5,547,050 |
| Interest in subsidiaries | 3,739,302 | 5,926,380 | 3,737,948 | 5,539,980 |
| Listed in Stock Exchange | 3,701,362 | 5,888,440 | 3,697,991 | 5,500,023 |
| Not Listed in Stock Exchange | 37,940 | 37,940 | 39,957 | 39,957 |
| Other investments | 7,215 | 7,215 | 7,070 | 7,070 |

The investment quoted on the stock exchange refers to the interest in Brasil Telecom S.A., and its market value estimated based on the market quotations in trading between minority shareholders.

g. Financial Investments Risks

The Company has high-liquid financial investments in exclusive financial investment funds (FIFs), whose assets are constituted by post-fixed, pre-fixed and exchange rate federal securities, indexed to CDI, through the spread of these securities or future contracts with the Futures and Commodities Exchange - BM&F, exclusive financial investment funds (FIF), indexed to the exchange rate variation through US dollar future contracts with BM&F, overnight financial investments abroad, in own portfolio of Bank Deposit Certificates (CDB) issued by national financial institutions and in own portfolio of Deposit Certificates (CD) issued by financial institution abroad. Overnight investments, in the foreign exchange fund and in deposit certificates are subject to exchange rate risk. CDB investments, as well as overnight investments, which are backed in this type of certificate, are subject to the credit risk of the issuing financial institution. The Company holds financial investments in the amount of R\$ 833,388 (R\$ 883,482 on 12/31/05). Earnings accrued until the end of the quarter are accounted as financial income and amounted to R\$ 34,297 (R\$ 38,167 in 2005). Amounts attributed to the consolidated statements are as follows: financial

investments in the amount of R\$ 1,850,706 (R\$ 2,550,490 on 12/31/05) and earnings accrued in the amount of R\$ 70,895 (R\$ 97,861 in 2005).

h. Risk of Advanced Maturities of Loans and Financing

The liabilities stemming from financing mentioned in Note 34, related to BNDES agreements, public debentures and the majority referring to financial institutions, contain clauses providing for advanced maturities of liabilities or retention of amounts pegged to debt installments (covenants), in cases certain minimum amounts are not reached for certain indicators, such as ratios of indebtedness, liquidity, cash generation and others.

Considering the provisions recognized in the financial statements as of 12/31/05 of Brasil Telecom S.A., provisions of which were informed to the market by means of Material Fact as of 01/04/06, all the loan and hedge agreements were renegotiated, in February 2006 which contained financial covenants related to Earnings Before Interest, Income Taxes, Depreciation and Amortization EBITDA and, in the case of BNDES, the negotiation are still ongoing aiming at the adequacy of these covenants.

As set forth in the financing agreements maintained with BNDES, Brasil Telecom S.A. must comply with a set of financial indices and in the event of non-compliance with some of these indices, BNDES is allowed to request the temporary block of amounts, given as guarantee in a linked account. In view of the non-compliance with this clause, the total estimated retention amount is approximately R\$ 247,442, made operational through the partial block of the Company's financial investments, without prejudice of the remuneration to be received by it. After the end of the quarter, blocks in the investment fund of Brasil Telecom S.A. and Freelance in the amount of R\$ 91,439 and R\$ 100,000, respectively, representing R\$ 191,439 for the Consolidated, took place, which were reclassified for the item of contractual retentions, mentioned in note 24, for purposes of presentation of this quarterly information. The release of the blocked amounts will take place when Brasil Telecom S.A. returns to complying with the financial relations set forth in the agreements or it is successful in the adequacy of financial covenants negotiated. BNDES granted a renouncement in relation to the possible declaration of early maturity in view of the new non-compliance with the financial indices.

i. Risk Related to Rules

Brasil Telecom S.A. signed on 12/22/05, new domestic local and long distance concession agreements, which shall take effect from January 1, 2006 to December 31, 2025. These new concession agreements, which provide for five-year reviews, in general, contain a higher level of intervention in the business management and various provisions related to consumer's interests defense, as realized by the regulating agency. Among other issues, we point out:

- The burden of concession defined as 2% of taxes net revenues, calculated every two years, assuming as initiation the fiscal year of 2006, the initial payment of which falls on 04/30/07 and thus successively until the end of concession. Such calculation method, concerning the accrual basis, corresponds to 1% for each fiscal year;
- The definition of new universalization targets, especially the AICE Special Class Individual Access of mandatory offer and Telecommunications Service Centers - PST, with entire burden to the Concessionaire;
- The possibility of Regulating Agency imposing mandatory alternative plans;
- The introduction of Regulating Agency's right to intervene and modify concessionaire's agreements with third parties;
- The inclusion of parent company, subsidiary, affiliated company and third parties' assets, indispensable to concession, as reversible assets;
- The creation of Users' Council in each concession:

In addition, the regulation associated with new concession agreement provides for changes in local calls tariff system, changing from pulse to minute during regular hours, in tariff amounts of public and adjustment criteria, which had the individual excursion factor reduced from 9% to 5% and shall start to have a definition by a sector index - IST, in which composition the highest weight is IPCA.

On their turn, the interconnection tariffs, as provided for, are then defined as a percentage public tariff until the implementation of cost model by service/modality, estimated for 2008, as defined in the Regulation for Separation and Accounting Allocation (Resolution 396/05).

ANATEL, on February 23, 2006, issued the Resolution 432, postponing for a twelve-month period the dates mentioned in Rule 423, as of 12/06/05, which deals with the Amendment to the Tariff System of STFC Basic Plan in the Local Modality Rendered under Public Scheme.

It is not possible to assess, on the date this quarterly information were prepared, the future impacts to be generated by such regulating change.

Legislative Bill of Change in Telecommunications Act (LGT)

At the beginning of March 2006, the Executive Branch sent to the Brazilian Congress the Legislative Bill 6,677 to amend LGT 9,472, as of 7/16/97, whose content is essentially to enable the adoption of distinctive criteria based on the social-economic condition of the aspirant-user, with the purpose of reducing the social disparities and facilitate the access to telecommunications services publicly provided.

Due to the lack of objective elements it is not possible to evaluate, on the date of the preparation of this quarterly information, the future impacts which will be produced in the businesses of Brasil Telecom S.A., if the referred legislative bill is approved at the Brazilian Congress.

Overlapping of Licenses

When Brasil Telecom S.A. received the certification of achievement of universalization targets for 2003, established by ANATEL, it already rendered fixed telephone services (STFC) at domestic local and long distance modalities (LDN) intra-regional in Region II of General Concession Plan (PGO). After the achievement of said targets, ANATEL, in January 2004, issued authorizations enlarging the possibilities of subsidiary's operation: STFC local and LDN in Regions I and III of PGO (and in a few sectors of Region II); International Long Distance Call (LDI) in Regions I, II and III of PGO; mobile telephony, by means of the subsidiary 14 Brasil Telecom Celular S.A. (BrT Celular), in Region II of Personal Mobile Service (SMP). Concession agreements already existing were also expanded, allowing the LDN calls destined to any spot of the Brazilian territory. If Telecom Italia International N.V. (TII) acquired an indirect controlling interest in the Company or in Brasil Telecom S.A., these and TIM Brasil Serviços e Participações S.A. (TIM) could be considered as affiliated companies under the Brazilian telecommunications law. This would imply that the ability to render domestic (LDN) and international (LDI) fixed telephony services, as well as mobile telephony services, in same regions that TIM, would be at risk of being partially closed by ANATEL. On January 16, 2004, ANATEL issued the Act 41,780, establishing a period of 18 months during which TII could reacquire an indirect controlling interest in the Company, as long as TII does neither participate or vote any issues related to the overlapping of services offered by Brasil Telecom S.A. and TIM, such as domestic and international long distance calls and mobile telephony services. On June 30, 2004, the Administrative Council for Economic Defense - CADE, in the records of Writ of Prevention 08700.000018/2004 -68, set forth restriction to the exercise of control rights by Telecom Italia International N.V. and its representatives in the Boards of Directors of Solpart Participações S.A., Brasil Telecom Participações S.A. and Brasil Telecom S.A.

On April 28, 2005, TII and TIM and Brasil Telecom S.A. and BrT Celular entered into various corporate agreements, including an instrument called Merger Agreement and a Protocol related thereto. Among other reasons alleged, this merger operation was justified by the management of that time as possible solution to overlapping of regulatory licenses and authorizations with TIM, to remove sanctions and penalties, which could be imposed by ANATEL. The operation was prohibited by an injunction issued by the North American Court. It is also the purpose of discussion in the Brazilian Court and in arbitration involving controlling shareholders. Whether or not confirming the validity of April 2005 agreements, there is the possibility of assets related to fixed and mobile segments (see Note 42) eventually lose their value, as a result of overlapping of operations or sanctions from ANATEL. On the other hand, it is also possible that corporate agreements as of April 28, 2005 are declared null and void by courts or arbitration, which would remove TII from the control block of Brasil Telecom group, eliminating the overlapping of concession and consequently, the regulatory risk. Nevertheless, at this moment, it is not possible to anticipate such legal developments and their future effects on the financial statements.

On July 7, 2005, ANATEL declared, by means of Act 51,450, that the counting of 18 month-term to solve the overlapping of licenses would start on the date of effective return of TII to the control group of Brasil Telecom S.A. On July 26, 2005, ANATEL, by means of Order 576/2005, declared that the counting of term will start on April 28, 2005. Therefore, according to ANATEL, the interested companies shall adopt the measures necessary to eliminate the overlapping of the concession until the end of referred term in October 2006, under the penalty of applying legal sanctions, which may affect either companies or both of them.

Depending on final decision of ANATEL, these sanctions may have an adverse and material effect on businesses and operations attributed to the Company, conducted through its subsidiary Brasil Telecom S.A. and 14 Brasil Telecom Celular S.A.

Regarding the Merger Agreement mentioned in this note, the subsidiary Brasil Telecom S.A. and BrT Celular started on March 15, 2006 arbitration against TII and TIM, aiming at annulling it. The Subsidiary disclosed material fact about this matter on March 16, 2006.

TII and TIM sent to the Company and to BrT Celular a correspondence dated as of May 2, 2006, unilaterally terminating the referred Merger Agreement, reserving supposed rights. The Company published a material fact about it on May 2, 2006.

6. BENEFITS TO EMPLOYEES

The benefits described in this note are offered to the employees of the Company, its subsidiary Brasil Telecom S.A. and companies controlled thereby. These companies are better described together, and can be referred to as Brasil Telecom (Group) and, for the purpose of the supplementary pension plan mentioned in this note, are also denominated Sponsor or Sponsors.

a. Supplementary Pension Plan

Supplementary pension plans are sponsored, related to retirement for its employees and assisted members, and in the case of the latter, medical assistance in some cases. These plans are managed by the following foundations: (i) Fundação 14 de Previdência Privada (Fundação 14); (ii) Fundação BrTPREV (FBrTPREV), former CRT, a company merged by the Company on 12/28/00; and (iii) Fundação SISTEL de Seguridade Social (SISTEL), which originated from certain companies of the former Telebrás System.

The Company's Bylaws stipulate approval of the supplementary pension policy and the joint liability attributed to the defined benefit plans is subject to the acts signed with the foundations, with the consent of the Supplementary Pension Plan Department - SPC, where applicable to the specific plans.

The plans sponsored are appraised by independent actuaries on the fiscal year closing date. For defined benefit plans mentioned in this note, the immediate recognition of actuarial gains and losses is adopted when the total liabilities for the plans that show a deficient condition are constituted. This measure has been applied since the 2001 fiscal year, when the regulations of CVM Resolution 371/00 were adopted. For the plans showing positive actuarial situations, no assets are recorded due to the legal impossibility of reimbursing the surpluses.

The characteristics of the supplementary pension plans sponsored are described below.

FUNDAÇÃO 14

Since the split of the only pension plan managed by SISTEL, PBS, in January 2000, the evolution tendency for a new stage was already estimated. Such stage would result in an own and independent management model for TCSPREV pension plan, by means of a specific entity to manage and to operate them, and this fact has become more and more evident throughout the years. This tendency also occurred in the main SISTEL pension plan sponsoring companies, which created their respective supplementary pension plan foundations. In this scenario, Fundação 14 de Previdência Privada was created in 2004, with the purpose of taking over the management and operation of the TCSPREV pension plan, which started as from March 10, 2005, whose process was backed by the segment's specific legislation and properly approved by the Supplementary Pension Plan Department - SPC.

In accordance with the Transfer Agreement entered into between Fundação Sistel de Seguridade Social and Fundação 14 de Previdência Privada, SISTEL, by means of the Management Agreement, it will provide management and operation services of TCSPREV and PAMEC-BrT plans to Fundação 14, after the transferring of these plans, which took place on March 10, 2005, for a period of up to 18 months, while Fundação 14 organizes itself to take over the management and operation services of its plans.

Plans

TCSPREV (Defined Contribution, Settled Benefit and Defined Benefit)

This defined contribution and settled benefit plan was introduced on February 28, 2000. On December 31, 2001, all the pension plans sponsored by the Company with SISTEL were merged, being exceptionally and provisionally approved by the Supplementary Pension Plan Department SPC of document sent to that agency due to the need for adjustments to the regulations. Thus, TCSPREV is constituted of defined contribution groups with settled and defined benefits. The plans that were merged into the TCSPREV were the PBS-TCS, PBT-BrT, BrT Management Agreement and the Unusual Contractual Relation Instrument, and the conditions established in the original plans were maintained. In March 2003, this plan was no longer offered to new sponsors contracted ones. Nevertheless, this plan referring to defined contribution was offered again as from March 2005. TCSPREV currently assists to around 62.5% of the staff.

PAMEC-BrT Health Care Plan for Supplementary Pension Beneficiaries (Defined Benefit)

Destined for health care of retirees and pensioners subject to PBT-BrT Group, which was merged to TCSPREV on 12/31/01.

Contributions Established for the Plans

TCSPREV

Contributions to this plan, by group of participants, are established based on actuarial studies prepared by independent actuaries according to regulations in force in Brazil, using the capitalization system to determine the costs. Currently contributions are made by the participants and the sponsor only for the internal groups PBS-TCS (defined benefit) and TCSPREV (defined contribution). In the TCSPREV group, the contributions are credited in individual accounts of each participant, equally by the employee and the Company, and the basic contribution percentages vary between 3% and 8% of the participant's salary, according to participant's age and limited to R\$ 19,520.40 for 2006. Participants have the option to contribute voluntarily or sporadically to the plan above the basic contribution, but without equal payments from the Company. In the case of the PBS-TCS group, the sponsor's contribution in the quarter was 12% of the payroll of the participants; while the employees' contribution varies according to the age, service time and salary. An entry fee may also be payable depending on the age of entering the plan. The sponsors are responsible for the cost of all administrative expenses and risk benefits. Until the quarter, the sponsors' contributions to TCSPREV represented 5.03% of plan participants' payroll. For employees linked to the plan, the contributions represented 4.90%

The contributions of the party-company in the quarter added up to R\$ 4,206 (R\$ 3,750 in 2005).

PAMEC-BrT

The contributions for this plan were fully paid in July 1998, through a single payment. New contributions are limited to future necessity to cover expenses, if that occurs.

FUNDAÇÃO SISTEL DE SEGURIDADE SOCIAL

The supplementary pension plan which remains under SISTEL's management comes from the period before the Telebrás Spin-off and assists participants who had the status of beneficiaries in January 2000 (PBS-A). SISTEL also manages the PAMA/PAMA-PCE pension plan, formed by participants assisted by the PBS-A Plan, the PBS's plans segregated by sponsor in January 2000 and PBS-TCS Internal Group, merged into the TCSPREV plan in December 2001.

Plans

PBS-A (Defined Benefit)

Maintained jointly with other sponsors subject to the provision of telecommunications services and destined for participants that had the status of beneficiaries on January 31, 2000.

PAMA - Health Care Plan for Retired Employees/ PCE - Special Coverage Plan (Defined Contribution)

Maintained jointly with other sponsors subject to the provision of telecommunications services and destined for participants that had the status of beneficiaries on January 31, 2000, and also for the beneficiaries of the PBS-TCS Group, incorporated into the TCSPREV on December 31, 2001 and beneficiaries of the plans of definite benefits PBS s sponsored by other companies. According to a legal and actuarial appraisal, the Company s liability is exclusively limited to future contributions. During 2004, an optional migration of retirees and pensioners of PAMA took place for new coverage conditions (PCE). The participants who opted for the migration began to contribute to PCE.

Contributions Established for the Plans

PBS-A

Contributions may occur in case of accumulated deficit. On December 31, 2005, the actuarial appraisal date, the plan presented a surplus.

PAMA/PCE

This plan is sponsored with contributions of 1.5% on payroll of active participants subject to PBS plans, segregated and sponsored by several sponsors. In the case of Brasil Telecom, the PBS-TCS was incorporated into the TCSPREV plan on December 31, 2001, and began to constitute an internal group of the plan. Contributions by retirees and pensioners who migrated to PCE are also carried out.

The contributions to PAMA, in the part attributed to the Sponsor, in the quarter added up to R\$ 37 (R\$ 29 in 2005).

FUNDAÇÃO BrTPREV

It is the manager originated from the plans sponsored by former CRT, company incorporated by the Brasil Telecom S.A. at the end of 2000. The main purpose of the Company sponsoring BrTPREV is to maintain the supplementary retirement, pension plans and other provisions in addition to those provided by the official social security system to participants.

Plans

BrTPREV

Defined contribution plan and benefits settled, recorded in October 2002 destined to grant s