BRASIL TELECOM SA
Form 6-K
January 17, 2008

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 January 17, 2008

(Commission File No. 1-15256)

BRASIL TELECOM S.A.
(Exact name of Registrant as specified in its Charter)

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

SIA Sul, Área de Serviços Públicos, Lote D, Bloco B
Brasília, D.F., 71.215-000
Federative Republic of Brazil
(Address of Regristrant'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 ___X___ 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 ___X___

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) **CORPORATE LAW**
QUARTERLY INFORMATION
COMMERCIAL, INDUSTRIAL COMPANY AND OTHERS **Date: June 30, 2007**

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

01.01 - IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - GENERAL TAXPAYERS REGISTER
01131-2	BRASIL TELECOM S.A.	76.535.764/0001-43
4 - NIRE		
5.330.000.622-9		

01.02 - ADDRESS OF COMPANY S HEADQUARTERS

1 - FULL ADDRESS			2 - DISTRICT	
SIA/SUL - ASP - LOTE D- BL B - 1º ANDAR			SIA	
3 - ZIP CODE	4 - MUNICIPALITY			5 - STATE
71215-000	BRASILIA			DF
6 - AREA CODE	7 - TELEPHONE NUMBER	8 - TELEPHONE NUMBER	9 - TELEPHONE NUMBER	10 - TELEX
61	3415-1010	3415-1256	3415-1119	
11 - AREA CODE	12 - FAX	13 - FAX	14 - FAX	
61	3415-1593	3 415-1315	-	
15 - E-MAIL				
ri@brasitelecom.com.br				

01.03 INVESTOR RELATIONS OFFICER (Address for correspondence to Company)

1 - NAME				
PAULO NARCÉLIO SIMÕES AMARAL				
2 - FULL ADDRESS			3 - DISTRICT	
SIA/SUL - ASP - LOTE D - BL A - 2º ANDAR			SIA	
4 - ZIP CODE	5 - MUNICIPALITY			6 - STATE
71215-000	BRASILIA			DF
7 - AREA CODE	8 - TELEPHONE NUMBER	9 - TELEPHONE NUMBER	10 - TELEPHONE NUMBER	11 - TELEX
61	3415-1010	3415-1140	-	
12 - AREA CODE	13 - FAX	14 - FAX	15 - FAX	
61	3415-1593	-	-	

16 - E-MAIL
ri@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
1/1/2007	12/31/2007	2	4/1/2007	6/30/2007	1	1/1/2007	3/31/2007

9 - INDEPENDENT ACCOUNTANT	10 - CVM CODE
Deloitte Touche Tohmatsu Auditores Independentes	00385-9
11 - NAME TECHNICAL RESPONSIBLE	**12 - CPF - TAXPAYER REGISTER**
Marco Antonio Brandão Simurro	755.400.708-44

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01.05 - COMPOSITION OF ISSUED CAPITAL

Quantity of Shares (Units)	1 - CURRENT QUARTER 6/30/2007	2 - PRIOR QUARTER 3/31/2007	3 - SAME QUARTER OF PRIOR YEAR 6/30/2006
ISSUED CAPITAL			
1 COMMON	249,597,049	249,597,049,542	249,597,049,542
2 PREFERRED	311,353,240	311,353,240,857	311,353,240,857
3 TOTAL	560,950,289	560,950,290,399	560,950,290,399
TREASURY SHARES			
4 COMMON	0	0	0
5 PREFERRED	13,678,100	13,678,100,000	13,678,100,000
6 TOTAL	13,678,100	13,678,100,000	13,678,100,000

01.06 - COMPANY S CHARACTERISTICS

1 - TYPE OF COMPANY COMMERCIAL, INDUSTRIAL COMPANY AND OTHERS
2 - SITUATION OPERATING
3 - TYPE OF CONTROLLING INTEREST NATIONAL PRIVATE
4 - ACTIVITY CODE 1130 - TELECOMMUNICATIONS
5 - MAIN ACTIVITY PROVIDING SWITCHED FIXED TELEPHONE SERVICE
6 - TYPE OF CONSOLIDATED TOTAL

01.07 - SUBSIDIARIES EXCLUDED FROM THE CONSOLIDATED FINANCIAL STATEMENTS

1 - ITEM	2 - GENERAL 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	Board of Directors Meeting	6/30/2006	Interest on Shareholders Equity	5/31/2007	Common	0.0003805236
02	Board of Directors	6/30/2006	Interest on Shareholders	5/31/2007	Preferred	0.0003805236

	Meeting		Equity			
03	Board of Directors Meeting	12/29/2006	Interest on Shareholders Equity	5/31/2007	Common	0.0001613731
04	Board of Directors Meeting	12/29/2006	Interest on Shareholders Equity	5/31/2007	Preferred	0.0001613731
05	Annual General Meeting	4/10/2007	Dividend	5/31/2007	Common	0.0001130549
06	Annual General Meeting	4/10/2007	Dividend	5/31/2007	Preferred	0.0001130549

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01.09 - ISSUED CAPITAL AND CHANGES IN CURRENT YEAR

1 ITEM	2 DATE OF CHANGE	3 - CAPITAL STOCK	4 - VALUE OF CHANGE	5 - ORIGIN OF ALTERATION	7 - QUANTITY OF ISSUED SHARES	8 - SHARE PRICE ON ISSUANCE DATE
		(In R$ thousand)	(In R$ thousand)		(Units)	(In R$)

01.10 - INVESTOR RELATIONS OFFICER

1 - DATE	2 - SIGNATURE
7/24/2007	

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

1 - CODE	2 - DESCRIPTION	3 - 6/30/2007	4 - 3/31/2007
1	TOTAL ASSETS	13,799,911	14,802,341
1.01	CURRENT ASSETS	3,553,471	4,491,470
1.01.01	CASH AND CASH EQUIVALENTS	207,793	1,389,363
1.01.01.01	CASH AND BANK ACCOUNTS	52,654	31,505
1.01.01.02	HIGH-LIQUID INVESTMENTS	155,139	1,357,858
1.01.02	CREDITS	1,913,610	1,946,478
1.01.02.01	CLIENTS	1,913,610	1,946,478
1.01.02.02	SUNDRY CREDITS	0	0
1.01.03	INVENTORIES	4,370	4,684
1.01.04	OTHER	1,427,698	1,150,945
1.01.04.01	LOANS AND FINANCING	1,409	7,610
1.01.04.02	DEFERRED AND RECOVERABLE TAXES	841,269	848,219
1.01.04.03	JUDICIAL DEPOSITS	217,899	140,062
1.01.04.04	TEMPORARY INVESTMENTS	200,752	0
1.01.04.05	OTHER ASSETS	166,369	155,054
1.02	NON-CURRENT ASSETS	10,246,440	10,310,871
1.02.01	LONG-TERM ASSETS	1,351,494	1,272,237
1.02.01.01	SUNDRY CREDITS	0	0
1.02.01.02	CREDITS WITH RELATED PARTIES	0	0
1.02.01.02.01	FROM DIRECT AND INDIRECT ASSOCIATED COMPANIES	0	0
1.02.01.02.02	FROM SUBSIDIARIES	0	0
1.02.01.02.03	FROM OTHER RELATED PARTIES	0	0
1.02.01.03	OTHER	1,351,494	1,272,237
1.02.01.03.01	LOANS AND FINANCING	6,642	805
1.02.01.03.02	DEFERRED AND RECOVERABLE TAXES	686,787	724,115
1.02.01.03.03	INCOME SECURITIES	845	819
1.02.01.03.04	JUDICIAL DEPOSITS	629,379	516,655
1.02.01.03.05	OTHER ASSETS	27,841	29,843
1.02.02	PERMANENT ASSETS	8,894,946	9,038,634
1.02.02.01	INVESTMENTS	3,672,484	3,557,997
1.02.02.01.01	DIRECT AND INDIRECT ASSOCIATED COMPANIES	4	4
1.02.02.01.02	DIRECT AND INDIRECT ASSOCIATED COMPANIES GOODWILL	0	0
1.02.02.01.03	SUBSIDIARIES	3,568,550	3,448,731
1.02.02.01.04	SUBSIDIARIES GOODWILL	40,468	45,986
1.02.02.01.05	OTHER INVESTMENTS	63,462	63,276
1.02.02.02	PROPERTY, PLANT AND EQUIPMENT	4,658,489	4,865,993
1.02.02.03	INTANGIBLE ASSETS	544,928	597,542
1.02.02.04	DEFERRED CHARGES	19,045	17,102

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

1 - CODE	2 - DESCRIPTION	3 - 6/30/2007	4 - 3/31/2007
2	TOTAL LIABILITIES	13,799,911	14,802,341
2.01	CURRENT LIABILITIES	3,385,633	4,457,762
2.01.01	LOANS AND FINANCING	772,769	898,752
2.01.02	DEBENTURES	9,622	560,179
2.01.03	SUPPLIERS	1,031,947	1,040,278
2.01.04	TAXES, DUTIES AND CONTRIBUTIONS	848,909	795,295
2.01.04.01	INDIRECT TAXES	683,685	714,156
2.01.04.02	TAXES ON INCOME	165,224	81,139
2.01.05	DIVIDENDS PAYABLE	276,661	627,483
2.01.06	PROVISIONS	173,200	203,652
2.01.06.01	PROVISIONS FOR CONTINGENCIES	135,240	158,062
2.01.06.02	PROVISIONS FOR PENSION PLAN	37,960	45,590
2.01.07	DEBTS WITH RELATED PARTIES	0	0
2.01.08	OTHER	272,525	332,123
2.01.08.01	PAYROLL AND SOCIAL CHARGES	76,905	64,003
2.01.08.02	CONSIGNMENTS IN FAVOR OF THIRD PARTIES	102,899	105,457
2.01.08.03	EMPLOYEE PROFIT SHARING	32,365	16,721
2.01.08.04	LICENSE TO OPERATE TELECOM SERVICES	0	84,203
2.01.08.05	ADVANCES FROM CUSTOMERS	1,185	1,794
2.01.08.06	OTHER LIABILITIES	59,171	59,945
2.02	NON-CURRENT LIABILITIES	4,740,865	4,847,272
2.02.01	LONG-TERM LIABILITIES	4,740,865	4,847,272
2.02.01.01	LOANS AND FINANCING	2,421,076	2,509,371
2.02.01.02	DEBENTURES	1,080,000	1,080,000
2.02.01.03	PROVISIONS	1,121,935	1,169,986
2.02.01.03.01	PROVISIONS FOR CONTINGENCIES	596,442	554,860
2.02.01.03.02	PROVISIONS FOR PENSION PLAN	513,185	606,028
2.02.01.03.03	PROVISIONS FOR LOSSES WITH SUBSIDIARIES	12,308	9,098
2.02.01.04	DEBTS WITH RELATED PARTIES	0	0
2.02.01.05	ADVANCE FOR FUTURE CAPITAL INCREASE	0	0
2.02.01.06	OTHER	117,854	87,915
2.02.01.06.01	SUPPLIERS	23,945	7,650
2.02.01.06.02	INDIRECT TAXES	25,673	17,558
2.02.01.06.03	TAXES ON INCOME	50,469	47,240
2.02.01.06.04	ADVANCES FROM CUSTOMERS	4,013	4,196
2.02.01.06.05	OTHER LIABILITIES	5,780	3,297
2.02.01.06.06	FUNDS FOR CAPITALIZATION	7,974	7,974
2.02.02	DEFERRED INCOME	0	0
2.04	SHAREHOLDERS EQUITY	5,673,413	5,497,307
2.04.01	PAID UP CAPITAL STOCK	3,470,758	3,470,758
2.04.02	CAPITAL RESERVES	1,327,927	1,327,927

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

1 - CODE	2 - DESCRIPTION	3 - 6/30/2007	4 - 3/31/2007
2.04.02.01	GOODWILL ON SHARE SUBSCRIPTION	358,862	358,862
2.04.02.02	DONATIONS AND FISCAL INCENTIVES FOR INVESTMENTS	123,558	123,558
2.04.02.03	INTEREST ON WORKS IN PROGRESS	745,756	745,756
2.04.02.04	SPECIAL MONETARY CORRECTION-LAW 8200/91	31,287	31,287
2.04.02.05	OTHER CAPITAL RESERVES	68,464	68,464
2.04.03	REVALUATION RESERVES	0	0
2.04.03.01	OWN ASSETS	0	0
2.04.03.02	SUBSIDIARIES/DIRECT AND INDIRECT ASSOCIATED COMPANIES	0	0
2.04.04	PROFIT RESERVES	309,291	309,291
2.04.04.01	LEGAL	309,291	309,291
2.04.04.02	STATUTORY	0	0
2.04.04.03	CONTINGENCIES	0	0
2.04.04.04	REALIZABLE PROFIT RESERVES	0	0
2.04.04.05	PROFIT RETENTION	0	0
2.04.04.06	SPECIAL RESERVE FOR UNDISTRIBUTED DIVIDENDS	0	0
2.04.04.07	OTHER PROFIT RESERVES	0	0
2.04.05	RETAINED EARNINGS/ACCUMULATED DEFICIT	565,437	389,331
2.04.06	ADVANCE FOR FUTURE CAPITAL INCREASE	0	0

03.01 - STATEMENT OF INCOME (IN THOUSANDS OF REAIS)

1 - CODE	2 - DESCRIPTION	3 - 4/1/2007 to 6/30/2007	4 - 1/1/2007 to 6/30/2007	5 4/1/2006 to 6/30/2006	6 - 1/1/2006 to 6/30/2006
3.01	GROSS REVENUE FROM SALES AND/OR SERVICES	3,359,909	6,745,313	3,256,874	6,606,736
3.02	DEDUCTIONS FROM GROSS REVENUE	(1,020,955)	(2,045,479)	(1,024,195)	(2,075,525)
3.03	NET REVENUE FROM SALES AND/OR SERVICES	2,338,954	4,699,834	2,232,679	4,531,211
3.04	COST OF GOODS AND/OR SERVICES SOLD	(1,321,257)	(2,694,641)	(1,400,231)	(2,821,899)
3.05	GROSS PROFIT	1,017,697	2,005,193	832,448	1,709,312
3.06	OPERATING EXPENSES/REVENUES	(706,144)	(1,701,976)	(946,144)	(1,750,188)
3.06.01	SELLING EXPENSES	(236,021)	(468,970)	(239,494)	(524,282)
3.06.02	GENERAL AND ADMINISTRATIVE EXPENSES	(280,886)	(551,792)	(281,145)	(545,999)
3.06.03	FINANCIAL	(80,146)	(436,966)	(307,525)	(413,841)
3.06.03.01	FINANCIAL INCOME	70,050	142,003	145,460	203,785
3.06.03.02	FINANCIAL EXPENSES	(150,196)	(578,969)	(452,985)	(617,626)
3.06.04	OTHER OPERATING INCOME	124,508	224,607	205,209	284,648
3.06.05	OTHER OPERATING EXPENSES	(180,619)	(347,244)	(222,815)	(338,165)
3.06.06	EQUITY INCOME	(52,980)	(121,611)	(100,374)	(212,549)
3.07	OPERATING INCOME	311,553	303,217	(113,696)	(40,876)
3.08	NON-OPERATING INCOME	(4,503)	(4,784)	(15,648)	(18,984)
3.08.01	REVENUES	5,381	10,080	14,299	19,066
3.08.02	EXPENSES	(9,884)	(14,864)	(29,947)	(38,050)
3.09	INCOME BEFORE TAXES AND MINORITY INTEREST	307,050	298,433	(129,344)	(59,860)
3.10	PROVISION FOR INCOME TAX AND SOCIAL CONTRIBUTION	(130,944)	(153,321)	2,423	(62,045)
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
3.12.02	CONTRIBUTIONS	0	0	0	0
3.13	REVERSAL OF INTEREST ON SHAREHOLDERS EQUITY	0	245,000	245,000	245,000
3.15	INCOME (LOSS) FOR THE PERIOD	176,106	390,112	118,079	123,095

03.01 - STATEMENT OF INCOME (IN THOUSANDS OF REAIS)

1 - CODE	2 DESCRIPTION	3 - 4/1/2007 to 6/30/2007	4 - 1/1/2007 to 6/30/2007	5 4/1/2006 to 6/30/2006	6 - 1/1/2006 to 6/30/2006
	NUMBER OF OUTSTANDING SHARES, EX-TREASURY (THOUSAND)	547,272,189	547,272,189	547,272,190,399	547,272,190,399
	EARNINGS PER SHARE (REAIS)	0.32179	0.71283	0.00022	0.00022
	LOSS PER SHARE (REAIS)				

FEDERAL PUBLIC SERVICE
SECURITIES AND EXCHANGE COMMISSION (CVM) **CORPORATE LAW**
QUARTERLY INFORMATION
COMMERCIAL, INDUSTRIAL COMPANY AND OTHERS **Date: June 30, 2007**

01131-2 BRASIL TELECOM S.A. 76.535.764/0001-43

04.01-NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE QUARTERLY INFORMATION AS OF 06/30/2007

(In thousands of Brazilian Reais)

1. OPERATIONS

BRASIL TELECOM S.A. (the Company) is a concessionaire of the Switched Fixed Telephone Service (STFC) and operates in Region II of the General Concession Plan, 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, the Company renders since July 1998 the STFC in the modalities of local and intra-regional long distance.

With recognition of the prior fulfillment of the obligations for universalization stated in the General Plan of Universalization Goals (PGMU), required for December 31, 2003, the Company obtained from the National Telecommunications Agency (ANATEL), on January 19, 2004, authorizations for the Company 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 Company began to exploit the Domestic and International Long Distance Services in all Regions, starting on January 22, 2004. In the case of the Local Service in the new regions and PGO sectors, the service began to be rendered as from January 19, 2005.

The Company s businesses, as well as the rendered services and the charged fees are regulated by ANATEL.

The concession agreements in force, under the modalities of local and long distance services, came into force as of January 1, 2006, effective until December 31, 2025. Additional information about these agreements is mentioned in Note 5.i.

Information related to the quality and universalization targets of the Switched Fixed Telephone Service are available to interested parties on ANATEL s homepage, on the website *www.anatel.gov.br*.

The Company is a subsidiary of Brasil Telecom Participações S.A. (BTP), incorporated on May 22, 1998 as a result of the privatization of the Telebrás System.

The Company is registered at the Brazilian Securities and Exchange Commission (CVM) and at the U.S. Securities and Exchange Commission SEC. Its shares are traded on the São Paulo Stock Exchange (BOVESPA), where it also integrates Level 1 of Corporate Governance, and trades its American Depositary Receipts (ADRs) on the New York

Stock Exchange (NYSE).

Subsidiaries

On August 1, 2006, was approved by the Company s Board of Directors the corporate restructuring of its subsidiaries. This restructuring, whose purpose is to optimize the controlling structure through company reduction, concentration of similar activities, simplification of inter-company corporate interest, began in the second semester of 2006. The alterations carried out in the current year are mentioned in the comments on the Companies performance below, when applicable. The corporate alterations performed in 2006 and 2007, carried out based on the book values, and did not have material effects in the cost structure.

a) 14 Brasil Telecom Celular S.A. (BrT Celular): a wholly-owned subsidiary which operates since the fourth quarter of 2004 to provide Personal Mobile Service (SMP), with authorization to render such services to the Region II of the PGO.

b) BrT Serviços de Internet S.A. (BrTI): a wholly-owned subsidiary whose main product is internet broadband services. It also provides both residential and corporate clients with a series of value added services, among which wireless internet access.

BrTI, on the other hand, has the control of the following companies:

(i) iBest Group

iBest has its operations concentrated in providing dialup connection to the Internet, sale of advertising space for disclosure in its portal and value-added service, and one of its main services is its internet connection speedup device. It is represented by the companies: iBest Holding Corporation, incorporated in Cayman Islands, and Freelance S.A., established in Brazil.

(ii) iG Group

iG operates as an internet access provider, both dialup and broadband. It also provides value added services focused on the residential and corporate markets. In addition, iG also sells advertising space in its portal.

BrTI s control over the iG Companies is attributed to its 88.81% share in the capital stock of Internet Group (Cayman) Limited (iG Cayman), located in the Cayman Islands.

iG Cayman is a holding which, in its turn, has the control of Internet Group do Brasil S.A. (iG Brasil) and Central de Serviços Internet Ltda. (CSI), both established in Brazil.

Agência O Jornal da Internet Ltda. (Jornal Internet)

BrTI holds thirty per cent interest in the capital stock of Jornal Internet, which aims at the commercialization of goods and services through the Internet, edition of daily newspapers or magazines, as well as the obtainment, generation and publication of news on selected facts. Seventy per cent of the capital stock of Jornal Internet is held by Caio Túlio Vieira Costa, executive vice-president of the Company s subsidiaries related to internet businesses.

c) Brasil Telecom Cabos Submarinos Ltda (BrTCS): Brasil Telecom Cabos Submarinos Ltda. was subsidiary of BrTI up to January 2, 2007. On such date BrTI reduced the portion of its capital stock held by the Company, using it to pay up part of the investment reduction in BrT CS, in the amount of R$132,678 thousand. Thus, the Company is now the parent company of BrT CS, owning nearly all of the latter s capital stock. BrTI continue to be holder of only a quota of the capital stock of BrT CS, corresponding to an interest below 0.01% .

BrT CS, jointly with its subsidiaries, 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.

BrT CS is holds 100% of the capital stock of Brasil Telecom Subsea Cable Systems (Bermuda) Ltd. (BrT SCS Bermuda), which, on its turn, holds the total shares of Brasil Telecom of America Inc. (BrT of America) and of Brasil Telecom de Venezuela, S.A. (BrT Venezuela).

d) Brasil Telecom Comunicação Multimídia Ltda. (BrT Multimídia): The Company held, up to April 10, 2007, 100% of the capital of MTH Ventures do Brasil Ltda. (MTH), a holding company that had 84.4% of the capital of Brasil Telecom Comunicação Multimídia Ltda., and the remaining interest was held by Brasil Telecom S.A. and BrTI. On April 10, 2007, the Extraordinary General Meeting of Brasil Telecom S.A. resolved that the Company would merge MTH, and the appraisal report for the merger corresponded to the following:

Assets		
Current	R$	37
Non-current		
Permanent		
Investments	R$	141,019
Total Assets	**R$**	**141,056**
Liabilities		
Shareholders equity	R$	141,056
Total Liabilities	**R$**	**141,056**

BrT Multimídia is a service provider of private telecommunications network through optical fiber digital networks, of local scope in São Paulo, Rio de Janeiro and Belo Horizonte, and long distance network connecting these major metropolitan commercial centers. It performs nationwide through commercial agreements with other telecommunication companies to offer services to other regions in Brazil. It also has an Internet solution center in São Paulo, which offers co-location, hosting and other value-added services.

e) Vant Telecomunicações S.A. (VANT): it is a company whose total capital stock is practically held by the Company. BrTI holds only one share of the capital stock of VANT, representing an interest of less than 0.01% ..

VANT aims at the rendering of multimedia communication services, acquisition and onerous assignment of capabilities and other means, operating in the main Brazilian state capitals.

f) Santa Bárbara dos Pinhais S.A. (SB dos Pinhais)

Company which was not operating on the quarter closing date. It aims at rendering services in general comprising, the management activities of real estate or assets, among others.

Change in the Management

On July 27, 2005 and September 30, 2005, there were changes to the management of Brasil Telecom Participações S.A. and of the Company, respectively. The process of replacing the former managers, formerly related to the manager Opportunity, 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 Group and Telecom Italia (April 28 Agreements).

Among such agreements, Brasil Telecom S.A. and its subsidiary 14 Brasil Telecom Celular S.A. 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 of the Company understands that the Merger Agreement, the respective Protocol, and other April 28 agreements, which included the waiver and transaction in lawsuits 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 actual management deems that such agreements are contrary to the best interest of the Companies, especially regarding its mobile telephony business.

Referring to the Merger Agreement mentioned in this note, the Company and its subsidiary BrT Celular started on March 15, 2006 arbitration against TIMI and TIMB, with the purpose of annulling it. The Company released a material fact on this matter on March 16, 2006.

TIMI and TIMB sent to the Company and BrT Celular a correspondence dated May 2, 2006, unilaterally terminating the referred Merger Agreement , reserving supposed right to indemnification for losses and damages, which is being dealt with in said arbitration. According to analyses of the Company s legal advisors, the risk of losses referring to the supposed right to indemnification is remote and its amount is not possible to be measured. Also in May 2006, Telecom Italia International filed with Anatel and CADE, petitions requesting to file the operation related to the Merger Agreement due to lack of grounds.

2. PRESENTATION OF THE ACCOUNTING STATEMENTS

Preparation Criteria

The accounting statements have been prepared in accordance with accounting practices adopted in Brazil, in compliance with the Brazilian corporate law, rules of the Brazilian Securities and Exchange Commission (CVM) and rules applicable to telephony service concessionaires.

As the Company is registered with the SEC, it is subject to SEC s standards, and it must prepare accounting statements and other information by using criteria that comply with that agency s requirements. To comply with these requirements and aiming at meeting the market s information needs, the Company adopts, as a principle, the disclosure of information in both markets in their respective languages.

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

The amounts of judicial deposits linked to the provisions for contingencies are presented in a deductive way from the liabilities established. Also referring to the form of presentation, this quarterly information considers the requirements determined by CVM Resolution 488/05, especially, the segregation of assets in current and non-current groups, as well as pertaining to the latter, the creation of intangible assets subgroup. For comparative effect, previous year balances have been reclassified.

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 accounting statements. Significant items subject to these estimates and assumptions include the residual amount of the fixed assets, allowance for doubtful accounts, inventories and deferred income tax and social contribution, provision for contingencies, valuation of derivative instruments, and assets and liabilities related to benefits to employees. The settlement of transactions involving these estimates may result in different amounts due to the inaccuracy inherent to the process of determining these amounts. Management reviews its estimates and assumptions at least quarterly.

Consolidated Accounting Statements

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

Some of the main consolidation procedures are:

- Elimination of balances of the asset and liability accounts among the consolidated companies, as well as revenue and expenses of transactions among them;

- Elimination of the balances of the investment accounts and corresponding investor s shareholdings, reserves and accumulated results in the consolidated companies; and

- Segregation of the portions of shareholders equity and income belonging to minority shareholders, indicated in specific items.

Supplementary Information

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

Report per Segment

The Company is presenting, supplementary to note 41, the report per business segment. A segment is an identifiable component of the company, intended for service rendering (business segment), or provision of products and services which are subject to risks and compensations which are different among themselves.

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

The criteria mentioned in this note refer to the practices adopted by the Company and its subsidiaries that are included in the consolidated accounting statements.

a. Cash, Bank Accounts and High-Liquid Investments: Financial investments are temporary high-liquid investments, with immediate maturity. They are recorded at cost, plus income registered until the closing dates of the quarters presented, and do not exceed market value. Investment funds quotas are appreciated considering the quota values on the quarters closing dates.

b. Trade Accounts Receivable: Receivables from users of telecommunications services are recorded at the amount of the fee or the service on the date the service is rendered. Accounts receivable 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 of losses incurred on each range of accounts receivable. Future losses on the current receivables balance are estimated based on these historic percentages, which include accounts coming due and also the portion of services rendered yet to be billed, thus composing the amount that could become a future loss, which is recorded as a provision.

c. Material Inventories: Stated at average acquisition cost, not exceeding replacement cost. Inventories are segregated into inventories for plant expansion and those for maintenance and in relation with the consolidated accounting statements, goods inventories for resale, mainly composed of 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. With regard to cell phones and accessories, the subsidiary BrT Celular records adjustments, in the cases in which the acquisitions presented higher values conforming them to the realization value.

d. Investments: Investments in subsidiaries are assessed using the equity method of accounting. Goodwill is calculated based on the expectation of future results and its amortization is based on the expected realization/timing over an estimated period of not more than ten years. Other investments are recorded at acquisition cost, less allowance for losses, when applicable. The investments resulting from income tax incentives are recognized on 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 recognized in long-term assets. These investments are periodically valued and the result of the comparison between its original and market costs, when the latter is lower, results in the constitution of allowances for probable losses.

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

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

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

f. Intangible Assets: These mainly refer to licenses and rights to use software and regulatory licenses. The amortization of rights to use software is calculated by the straight-line method, for a five-year period and the regulatory licenses according to the terms determined by the regulatory agency. When benefits are not expected from a license or right connected to such asset, it is written off against the non-operating income.

g. Deferred Charges: Mainly refer to implementation and reorganization expenses. Amortization is calculated under the straight-line method, for a five-year term. When benefits are not expected from an asset, it is written off against non-operating income.

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

i. Loans and Financing: These are restated by monetary and/or exchange variations and interest incurred until the quarter closing date. Equal restatement is applied to the guarantee contracts to hedge the debt.

j. Provision for Contingencies: The contingency provisions are made based on a survey of the respective risks and they are quantified according to economic grounds and legal opinions on the contingency proceedings and facts known on the quarter closing date. The basis and nature of the provisions are described in Note 7.

k. Revenue Recognition: Revenues from services rendered are recognized when provided. 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 delivered and accepted by the clients. For prepaid services linked 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.

l. Recognition of Expenses: Expenses are recognized on an accrual basis, considering their relation with revenue realization. Expenses related to future periods are deferred.

m. Financial Income (Expense), Net: Financial income is recognized on an accrual basis and comprises interest earned on overdue accounts settled after the term, 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, and for financial statement presentation purposes, the amounts are reversed to profit and loss accounts and reclassified as a deduction of retained earnings, in the shareholders equity.

n. Benefits to Employees: Private pension plans and other retirement benefits sponsored by the Company and its subsidiaries for their employees are managed under three foundations. Contributions are determined on an actuarial basis, when applicable, and accounted for on an accrual basis. As of December 31, 2001, the Company recorded its actuarial deficit on the balance sheet date against shareholders equity, excluding the corresponding 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. Additional information on private pension plans is described in Note 6.

o. Profit Sharing: The provision for employees and management profit sharing is recognized on an accrual basis, being accounted as operating expense. The calculation of the amount, which is paid in the subsequent year after the provision is recognized, is based on the target program established with the labor union, by means of collective labor agreement, in accordance with Law 10,101/00 and the Company s Bylaws.

p. Earnings or losses per share: Calculated based on the number of shares outstanding on the quarter closing date, which comprises the total number of shares issued, minus shares held in treasury.

4. RELATED-PARTIES TRANSACTIONS

Related parties transactions refer to operations with Brasil Telecom Participações S.A., the Company s parent company, and with the subsidiaries mentioned in Note 1.

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

Brasil Telecom Participações S.A.

Sureties and Guarantees: (i) The Parent Company renders sureties as guarantee of loans and financings owed by the Company to the lending financial institutions. Up to the end of the quarter, referring to the guarantee benefit, the Company recorded expenses in favor of the Parent Company at the amount of R$2,003 (R$1,669 in 2006); and (ii) the Parent Company renders surety for the Company related to the contracting of insurance policies, guarantee of contractual liabilities (GOC), which amounted to R$101,502 (R$220,305 in 2006). Up to the quarter, in return to such surety, the Company registered an operating expense of R$58 (R$66 in 2006).

Revenues and Accounts payable: arising from transactions related to share of resources. The balance payable is R$1,287 (R$454 payable on 3/31/07) and the amounts debited against the result occurred in 2006, represented by operating revenues of R$337.

BrT Serviços de Internet S.A.

Advances for Future Capital Increase (AFAC): the amount existing as AFAC granted is R$6,695 (R$6,695 on 3/31/2007).

Amounts Receivable, Revenues and Expenses: arising from transactions related to the use of facilities, logistic support and telecommunications services. The balance receivable is R$16,417 (R$9,593 receivable on 3/31/07). The amounts charged to income in the quarter represented R$19,722 of the operating revenues (R$14,529 in 2006) and R$38 of operating expenses (R$17,092 in 2006).

14 Brasil Telecom Celular S.A.

Amounts Payable, Revenues and Expenses: arising from transactions related to the use of facilities, logistics support and telecommunications services. The balance payable is R$12,515 (R$18,427 payable on 3/31/07). The amounts charged to income in the quarter represented R$110,578 of the operating revenues (R$92,600 in 2006) and R$215,414 of operating expenses (R$175,405 in 2006).

Vant Telecomunicações S.A.

Accounts Receivable, Revenues and Expenses: arising from transactions related to telecommunications services. The balance receivable is R$5,608 (R$5,669 receivable on 3/31/07) and the amounts charged to income in the quarter represented R$1,344 of operating revenues (R$2,602 in 2006) and R$1,153 of operating expenses (R$971 in 2006).

Advances for Future Capital Increase (AFAC): the amount existing as AFAC granted is R$5,050 (R$5,050 on 3/31/2007).

BrT SCS Bermuda

Amounts Receivable and Revenues: arising from transactions related to telecommunications services. The balance receivable is R$395 (R$356 receivable on 3/31/07). The amounts charged to income in the quarter represented R$79 of operating revenues (R$84 in 2006).

BrT of America

Amounts Receivable, Revenues and Expenses: resulting from transactions related to telecommunications services. The receivable balance amount is R$115 (R$3,157 payable on 3/31/07). The amounts charged to income in the quarter represented R$28 of operating revenues (R$60 in 2006) and R$3,378 of operating expenses (R$ 3,232 in 2006).

BrT CS

Amounts Payable and Expenses: resulting from transactions related to telecommunications services, the payable balance amount is R$24 (R$3,583 payable on 3/31/07). The amounts charged to income in the quarter are represented by operating expenses of R$20,147 (R$13,546 in 2006).

Freelance S.A.

Amounts payable, Revenues and Expenses: arising from transactions related to the use of telecommunications services. The payable balance amount is R$378 (R$245 payable on 3/31/07). The amounts charged to income in the quarter represented R$2,824 of operating revenues (R$2,353 in 2006) and R$9,097 of operating expenses (R$5,981 in 2006).

iG Brasil

Amounts Receivable, Revenues and Expenses: arising from transactions related to the use of telecommunications services. The balance receivable is R$5,203 (R$3,085 receivable on 3/31/07). The amounts charged to income in the quarter are represented by R$4,264 of operating revenues (R$1,227 in 2006) and operating expenses R$2,142 (R$913 in 2006).

BrT Multimídia

Amounts receivable, Revenues and Expenses: arising from transactions related to telecommunications services. The balance receivable is R$3,093 (R$3,196 receivable on 3/31/07). The amounts charged to income in the quarter represented operating revenues of R$172 (R$326 in 2006) and operating expenses of R$9,746 (R$8,261 in 2006).

Advances for Future Capital Increase: the existing amount as AFAC granted is R$23,000 (R$23,000 on 3/31/2007).

Other Related Parties Transactions

Due to the existence of common partners in the control chain of the Company and the companies mentioned below, the operations among them may be classified, pursuant to CVM Resolution 26/86, as related-parties transactions .

Telemig Celular

The Company and Telemig Celular maintain agreements concerning the operation of telecommunications services, comprising CSP 14 Operator Selection Code, infrastructure rental and co-billing agreements. The amount payable, resulting from these contracts and agreements is R$8,751 (R$7,256 payable on 3/31/07). The amounts charged to income in the quarter are represented by operating expenses of R$21,233 (R$21,052 in 2006) and operating revenues of R$70 (R$9 in 2006).

Amazônia Celular

The Company and Amazônia Celular maintain an agreement concerning operation of telecommunications services, comprising CSP 14 Operator Selection Code and co-billing agreements. The amount payable, resulting from these contracts and agreements is R$2,500 (R$2,138 payable on 3/31/07). The amounts charged to income in the quarter are represented by operating expenses of R$6,019 (R$6,116 in 2006).

TIM Celular

The Company and TIM s cell phone companies maintain agreements concerning the operation of telecommunications services, comprising lease of means and co-billing agreements, as well as relationships resulting from CSP. The amount payable, resulting from these transactions is R$85,715 (R$102,619 on 3/31/07). The amounts charged to income in the quarter are represented by operating revenues of R$57,310 (R$51,489 in 2006) and operating expenses of R$279,504 (R$246,998 in 2006).

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

The Company and its subsidiaries assessed the book value of its assets and liabilities as compared to market or realizable values (fair value), based on information available and evaluation 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 took place based on their materiality. Instruments whose values approximate their fair values, for example, cash, bank accounts and high-liquid investments, accounts receivable, assets and liabilities of taxes, pension funds, among 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, and 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 business are the following:

a. Credit Risk

The majority of services provided by the Company 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 its turn, in case of telecommunications public services, is subject to legal standards established by the concession authority. The risk exists since the Company may incur losses arising from the difficulty in receiving amounts billed to its customers. The Company s default up to the quarter was 2.49% (2.63% in 2006), taking into account the accounts receivable total losses in relation to gross revenue. For the Consolidated it was 2.65% (2.71% in 2006). 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 Company operates in co-billing, concerning long distance calls with the use of its CSP (Operator Selection Code) originated by subscribers of other fixed and mobile telephony operators. The co-billing accounts receivable are managed by these operators, based on the operational agreements entered into with them and according to the rules set forth by ANATEL. The blocking rules set forth by the regulating agency are the same for the fixed and mobile telephony companies, which are co-billing suppliers. The Company separately controls receivables of this nature and maintains an allowance for losses that may occur, due to the risks of not receiving such amounts.

In respect to 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 customer base at the end of the quarter was 23.6% of total portfolio (26.6% on 3/31/07), the accounts receivable are also monitored in order to limit default and the block is made to the service (out of phone traffic) if the bill is overdue for over fifteen days.

b. Exchange Rate Risk

Liabilities

The Company 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. Consolidated loans subject to this risk represent approximately 18.3% (16.1% on 3/31/07) of the total liabilities of consolidated loans and financing, minus the contracted hedge balances. In order to minimize this kind of risk, the Company has been entering into exchange hedge agreements with financial institutions. Of the debt installment consolidated in foreign currency, 41.0% (70.0% on 3/31/07) is covered by hedge operations and financial investments in foreign currency. Unrealized positive and negative effects in these operations are recorded against income as profit or loss. Up to the quarter closing date, the accumulated negative variation of hedge contracts totaled R$78,271 (R$72,774 of negative variation in 2006).

Net exposure as per book and market values at the exchange rate risk prevailing on the quarter closing date was as follows:

PARENT COMPANY

	6/30/07		3/31/07	
	Book Value	**Market Value**	**Book Value**	**Market Value**
Liabilities				
Loans and Financing	707,525	738,906	751,525	790,721
Hedge Contracts	425,941	425,778	378,356	376,154
Total	**1,133,466**	**1,164,684**	**1,129,881**	**1,166,875**
Current	207,917	208,893	184,720	184,688
Long-term	925,549	955,791	945,161	982,187

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 instrument, minus the market rates in force in the quarter closing date.

c. Interest Rate Risk

Assets

The Company has loans granted to the phone directory company, with interest indexed to the IGP-DI (a national index price), as well as loans resulting from the sale of property, plant and equipment to other telephony companies, remunerated by IPA-OG/Industrial Products of Column 27 (FGV). The Company also has Bank Deposit Certificates (CDBs) with Banco de Brasília S.A. related to the guarantee to credit benefit granted by the Federal District Government under a program called *Programa de Promoção do Desenvolvimento Econômico e Sustentável do Distrito Federal* PRO-DF, (Program to Promote the Economic and Sustained Development of the Federal District), and the remuneration of these securities is equivalent to 95% of the SELIC rate.

These assets are represented in the balance sheet as follows:

	PARENT COMPANY		CONSOLIDATED	
	Book and Market Value		Book and Market Value	
	6/30/07	3/31/07	6/30/07	3/31/07
Assets				
Loans subject to:				
IGP-DI	7,802	8,120	7,819	8,137
IPA-OG Column 27 (FGV)	249	295	249	295
Securities subject to:				
SELIC rate	845	819	3,510	3,399
Total	**8,896**	**9,234**	**11,578**	**11,831**
Current	1,409	7,610	1,426	7,627
Long-term	7,487	1,624	10,152	4,204

Liabilities

The Company has loans and financing contracted in local currency subject to interest rates linked to indexing units TJLP, UMBNDES, CDI and IGP/DI. The inherent risk in these liabilities arises from possible variations in these rates. The Company has contracted derivative hedge contracts to 9.3% (12.5% on 3/31/07) 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 instruments to protect against the variation of these rates. The positive or negative effects unrealized in these operations are recorded in results as gain or loss. Up to the quarter closing date, the negative accumulated change of the hedge agreements amounted to R$3,133 (R$7,669 of negative change in 2006).

In addition to the loans and financing, the Company issued public debentures, non-convertible or exchangeable for shares. These liabilities were contracted at interest rates linked to the CDI, and the risk associated to this liability results from the possible increase of the rate.

The above mentioned liabilities on the quarter closing date are as follows:

PARENT COMPANY

	6/30/07		3/31/07	
	Book Value	Market Value	Book Value	Market Value
Liabilities				
Loans subject to TJLP	1,875,550	1,889,550	2,058,797	2,075,974
Debentures CDI	1,089,622	1,089,622	1,640,179	1,642,446
Loans subject to UMBNDES	134,695	134,747	161,415	161,577
Hedge on Loans subject to UMBNDES	12,436	12,276	17,298	16,879
Loans subject to IGP/DI	5,756	5,756	5,720	5,720
Other loans	31,942	31,942	35,012	35,012
Total	**3,150,001**	**3,163,893**	**3,918,421**	**3,937,608**
Current	574,474	579,768	1,274,211	1,283,191
Long-term	2,575,527	2,584,125	2,644,210	2,654,417

CONSOLIDATED

	6/30/07		3/31/07	
	Book Value	**Market Value**	**Book Value**	**Market Value**
Liabilities				
Loans subject to TJLP	1,875,550	1,889,550	2,058,797	2,075,974
Debentures CDI	1,089,622	1,089,622	1,640,179	1,642,446
Loans subject to UMBNDES	134,695	134,747	161,415	161,577
Hedge on Loans subject to UMBNDES	12,436	12,276	17,298	16,879
Loans subject to IGP/DI	25,255	25,255	25,102	25,102
Other loans	31,942	31,942	35,012	35,012
Total	**3,169,500**	**3,183,392**	**3,937,803**	**3,956,990**
Current	574,705	579,999	1,274,325	1,283,305
Long-term	2,594,795	2,603,393	2,663,478	2,673,685

Book value is equivalent to market values where 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 contracting.

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

Loan and financing rates contracted by the Company are not linked to amounts of accounts receivable. Thus, a risk exists, since telephony fees adjustments do not necessarily follow increases in local interest rates, which affect the Company s debts.

e. Contingency Risks

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

f. Risks Related to Investments

The Company has investments, which are assessed through the equity method of accounting and the acquisition cost. The investments assessed by the equity method of accounting are presented in Note 26, for which no market value exists, as they are represented by non-listed companies or private limited companies. Provisions are recorded for losses when the future cash flows expected from an investment lead to loss expectations.

The investments assessed at acquisition cost are immaterial in relation to total assets. Their associated risks would not cause significant impacts to the Company in case of loss of these investments.

g. Financial Investments Risks

The company has temporary high-liquid investments, in domestic currency, in financial investment funds (FIFs), and investments in its own portfolio of (based on post-fixed rates) private securities issued by first-tier financial institutions (CDBs). The FIFs portfolios are comprised of federal bonds (based on post-fixed, pre-fixed and foreign exchange rates) and CDBs issued by first-tier financial institutions (based on post-fixed rates), all of them linked to CDI variation.

The temporary high-liquid investments, in foreign currency, are represented by overnight operations backed by securities issued by foreign financial institutions.

The short-term investments are represented by investments in securities issued by the Republic of Austria, with remuneration linked to CDI.

The investments in CDBs and overnight operations are subject to credit risk of the financial institutions. Investments in foreign currency are subject to exchange rate risk.

The balances of the financial investments are presented in Note 17. The Company s income earned up to the quarter was recorded as financial revenue and amount to R$59,726 (R$58,618 in 2006). Earnings from consolidated financial investments were R$118,099 (R$75,068 in 2006).

The short-term investments temporary investments are presented in note 18. The income earned up to the quarter closing date was recorded in the financial revenue and amount to R$3,305 (R$2,372 in 2006).

h. Risk of Early Maturity of Loans and Financing

Liabilities resulting from financing, mentioned in note 35, concerning agreements of BNDES, public debentures and most of them referring to financial institutions, have clauses that estimate the early maturity of liabilities or retention of amounts pegged to debt covenants, in the cases in which certain levels for certain indicators are not reached, such as ratios of indebtedness, liquidity, cash generation and others.

For the financing agreements maintained with BNDES, the Company must comply with a set of financial ratios and in the event of non-compliance with some of these ratios, the Bank is allowed to request the temporary block of amounts, given as guarantee in a linked account. All indicators set forth in agreements are being complied with, thus there are no sanctions or penalties set forth in the agreement clauses entered into upon the Company

i. Regulatory Risks

<u>Concession Agreements</u>

Local and domestic long distance concession agreements were entered into by Brasil Telecom S.A. with Anatel, which took effect between January 1, 2006 and December 31, 2025. These new concession agreements, which provide for reviews on a five-year basis, in general have a higher intervention level in the management of the businesses and several provisions defending the consumer s interest, as noticed by the regulation body. The main highlights are:

- The burden of the concession defined as 2% of the net revenue from taxes, calculated every two years, started in 2006 fiscal year, whose initial payment occurred on April 30, 2007. This will successively occur until the end of the concession. This calculation method, concerning accrual, corresponds to 1% for each fiscal year;

- The definition of new universalization targets, particularly AICE Special Class Individual Access, of mandatory and progressive offer and the Telecommunications Service Centers - PST, with full burden for the Concessionaire;
- The possibility of the Regulating Agency imposing alternative plans of mandatory offering;
- The introduction of Regulating Agency s right to intervene and modify agreements of the concessionaire with third parties;
- The inclusion of assets of the parent company, subsidiary, affiliated companies and third parties, indispensable to the concession, as reversible assets;
- The creation of the users board in each concession;

The interconnection tariffs are defined as a percentage public local and domestic long distance tariff until the effective implementation of cost model by service/modality, estimated for 2008, as defined in the Regulation for Separation and Accounting Allocation (Resolution 396/05).

The amendment to the tariff method applicable to the STFC Basic Plan in the Local Modality Rendered under Public Scheme (PBS) Conversion from Pulses to Minutes, and the implementation of the Alternative Service Plan of the Mandatory Offer (PASOO) shall be concluded in all areas of operations of the Company up to July 31, 2007, in compliance with the regulatory requirements defined by ANATEL set forth in Rules No. 423/05, 432/06 and 450/06.

Taking into consideration that this amendment will enable customers to chose between two mandatory offering service plans (PBS and PASOO), as well as actually exercising their right to request a detailed local call invoice, it is not possible to assess, on the date these quarterly information was prepared, the future impacts to be generated by such a change in the regulation.

The Bill of the Senate (PLS) 103/2007 and the Bill 1,481/2007, under priority progress, to amend Law 9,394/96 and Law 9,998/00, provide for the access to information digital networks in educational institutions and enable the use of funds raised by FUST by all the telecommunication operators, or even on a decentralized basis, by means of agreements of the federal government with other states. On the date of the preparation of this quarterly information is not possible to assess the future impacts of these Bills under process on the Company s results.

<u>Overlapping of Licenses</u>

When the certification for achieving the universalization targets for 2003 was received, set forth by ANATEL, the Company already provided the fixed telephony service (STFC) in the intra-regional local and domestic long distance modalities (LDN) in the Region II of the General Concession Plan (PGO). After achieving the referred targets, ANATEL, in January 2004, issued authorizations that increase the possibility of Company s operation: Local STFC and LDN in the Regions I and III of the PGO (and a few sectors of the Region II); International Long Distance (LDI) in the Regions I, II and III of the PGO; mobile telephony, by means of the subsidiary 14 Brasil Telecom Celular S.A. (BrT Celular), in the Region II of the Personal Mobile Service (SMP). The already existing concession agreements were expanded, enabling LDN calls to any part of the Brazilian territory. If Telecom Italia International N.V. (TII) acquired an indirect interest in the Company, the Company and TIM Brasil Serviços e Participações S.A. (TIM) could be considered affiliates under the new Brazilian telecommunications legislation. That would imply the ability of providing domestic (LDN) and international (LDI) fixed and mobile telephony services throughout the same regions of TIM s, would be subject to risk of being partially closed by ANATEL. On January 16, 2004, ANATEL issued the Act 41,780 establishing an 18-month period for TII to reacquire an indirect interest in the Company, as long as TII did not participate or vote on issues related to the overlapping of services offered by the Company and TIM, such as domestic and international long-distance and mobile services. On June 30, 2004, the Administrative Council of Economic Defense CADE, in the records of the Write of Prevention 08700.000018/2004 -68, set forth restrictions to the exercise of the control rights on the part of Telecom Italia International N.V. and its representatives at the board 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 the Company 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 forbidden by an injunction issued by the U.S. court. It is also subject-matter of discussion in the Brazilian Court and in arbitration involving controlling shareholders.

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 had already started on April 28, 2005. Therefore, according to ANATEL, the interested companies shall adopt the measures necessary to eliminate the overlapping of the concessions 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 the final decision of ANATEL, these sanctions could have an adverse and material effect on businesses and operations of the Company and of 14 Brasil Telecom Celular S.A.

On October 18, 2006, the Board of Executive Officers of ANATEL, by means of its press agency, informed its previous consent to a new operation presented by Telecom Italia International (TII) with the purpose of unmaking the concession overlapping of the Personal Mobile Service (SMP) in Region II of the General Plan of Authorizations (PGA) and of the domestic and international long distance Switched Fixed Telephone Service (STFC) in regions I, II and III of the General Concession Plan (PGO).

This new operation comprised the transfer, to Brasilco S.r.l. (a wholly-owned subsidiary of TII, with headquarters in Italy), of the total voting shares held by TII in the capital stock of Solpart Participações S.A. (corresponding to 38%), the parent company of Brasil Telecom Participações S.A., of Brasil Telecom S. A. and of 14 Brasil Telecom Celular S. A. The stake of TII in Brasilco shall be managed independently by Credit Suisse Securities (Europe) Limited.

The Agency, upon its prior consent, maintained the prohibitions related to the vote and veto exercise in the resolutions related to the STFC services (LDN and LDI) and SMP

With the effective implementation of the operation until October 28, 2006, the concession overlapping for the SMP exploration in Region II of PGA and domestic and international long distance STFC in regions I, II and III of PGO would cease, as a communication of ANATEL of October 18, 2006, mentioned above.

On October 27, 2006, the Company received the terms of resignation, dated October 20, 2006, from two members of its Board of Directors pointed by TII, as well as its respective alternate members. Also, on October 27, 2006, the Company received a letter from its controlling shareholder, SOLPART PARTICIPAÇÕES S.A., informing that TII had already transferred the shares in the terms approved by

Anatel - however, within the deadline. On October 30, 2006, the Company disclosed to the market a material fact related to these two topics.

Also on October 30, 2006, ANATEL, through its press agency announced that Telecom Italia International would file with ANATEL on October 27,2006, therefore, within deadline, the supplementary documentation necessary to analyze and approve the new operation: (i) proof of Telecom Italia s managers and deputies resignations in the Board of Directors of Brasil Telecom and Solpart Participações S.A.; and (ii) corporate documents related to the referred transfer of shares and to the independent management of Brasilco by Credit Suisse, in the capacity as Trustee of Telecom Italia.

Should Anatel s approval be confirmed (still pending) of the documentation presented by TII to the Agency on October 27, 2006, confirming the operation implementation until October 28, 2006, the concession overlapping for SMP exploration in Region II of PGA and domestic and international long distance in regions I, II and III of PGO would cease.

In November 2006, TII submitted to Anatel the concentration act with Brasilco. During same month, Anatel, observing the procedural progress, it submitted this operation to the Administrative Council of Economic Defense - CADE.

On May 25, 2007, Anatel officially published the decision of granting to TIM new grants of STFC, this time under the local modality, in the Regions I, II and III of the General Concession Plan, (Act 65,152 as of May 24, 2007).

On July 18, 2007, Brasil Telecom Participações S.A. and Brasil Telecom S.A., jointly with 14 Brasil Telecom Celular S.A., Zain Participações S.A., Invitel S.A., Solpart Participações S.A., Techold Participações S.A., Caixa de Previdência dos Funcionários do Banco do Brasil Previ, Petros Fundação Petrobras de Seguridade Social, Fundação dos Economiários Federais Funcef, Investidores Institucionais Fundo de Investimento em Ações, Fundação 14 de Previdência Privada, Fundação Vale do Rio Doce de Seguridade Social Valia, Citigroup Venture Capital International Brazil, L.P., Citigroup Venture Capital International Brazil, Ltd., International Equity Investments Inc., Citibank, N.A., Priv Fundo de Investimento em Ações, Tele Fundo de Investimento em Ações, Angra Partners Consultoria Empresarial e Participações Ltda., on the one hand, and Telecom Italia International N.V., Telecom Italia S.p.A., Brasilco S.R.L., Credit Suisse Securities (Europe) Limited, Tim Brasil Serviços e Participações S.A. and Tim International N.V., on the other hand (Telecom Italia), signed a Mutual Waiver Agreement, by means of which the signatory parties undertake, provided that they are granted prior authorization of the proper corporate bodies and upon the effective acquisition by Previ, Petros and Funcef, or by Techold, as the case may be, of the entire shareholding represented by shares issued by Solpart held by Brasilco (Brasilco Shares) to waive pleadings and dismiss ongoing disputes at the Judiciary Branch and at international Arbitration Courts, involving the Companies and its shareholders, direct or indirect, on the one hand, and Telecom Italia and its subsidiaries, on the other hand.

With the Mutual Waiver Agreement, current and potential litigations involving Brasil Telecom and Brasil Telecom Participações and its subsidiaries and the companies of Telecom Italia Group, will be closed, among others, including the end of the arbitrations mentioned in Notice disclosed by the Companies on March 16, 2006.

The effective acquisition of Brasilco Shares, which is subject to approval of the National Telecommunications Agency - ANATEL and to other conditions, will enable to close the existing administrative proceedings regarding the overlapping of telephony licenses (STFC, SMP, LDN and LDI) among companies of Brasil Telecom Group and Telecom Italia Group and, thus, permanently removing the possibility of material adverse impact on the businesses and interests of the companies of Brasil Telecom Group.

Brasil Telecom S.A. and Brasil Telecom Participações S.A. also clarified, by means of material fact, that they are not parties of the Brasilco Share Purchase Agreement, and they are not parties of any other agreements which may have been entered into concurrently to the Mutual Waiver Agreement.

6. BENEFITS TO EMPLOYEES

The benefits described in this note are offered to the employees of the Company and its direct or indirect subsidiaries. These companies are better described jointly, and can be referred to as Brasil Telecom Companies and for the purpose of the supplementary pension plan mentioned in this note, are also denominated Sponsor or Sponsors .

a. Supplementary Pension Plan

The Company sponsors supplementary pension plans 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), originated from certain companies of the former Telebrás System.

The Company s Bylaws stipulate approval of the supplementary pension plan policy, and the joint liability attributed to the defined benefit plans is linked to the acts signed with the foundations, with the agreement of the Secretaria de Previdência Complementar - SPC, where applicable to the specific plans.

The plans sponsored are valued by independent actuaries on the fiscal year closing date. In the case of the defined benefit plans described in this explanatory note, immediate recognition of the actuarial gains and losses is adopted. Liabilities are provided for plans which show deficits. This measure has been applied since the 2001 fiscal year, when the regulations of CVM Resolution 371/00 were adopted. In cases that show positive actuarial situations, no assets are recorded due to the legal impossibility of reimbursing these surpluses.

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

FUNDAÇÃO 14

Private Pension Fundação 14 was created in 2004 and