

BRASIL TELECOM HOLDING CO
Form 6-K
April 20, 2005

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

FORM 6-K

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

THROUGH APRIL 20, 2005

(Commission File No. 1-14477)

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

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

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

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

Form 20-F Form 40-F

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

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

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

Yes No

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

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QUARTER HIGHLIGHTS

1.0 million mobile accesses in service, an increase of 61.3%

625.3 thousand ADSL accesses in service, a 16.8% growth

Net revenues reached R\$2.4 billion

Fixed-line ARPU reached R\$83.2

Mobile telephony ARPU of R\$29.4

Data communications revenues of R\$420.6 million, a growth of 12.5%

EBITDA of R\$824.3 million, up by 7.5%

Total fixed-line CAPEX of R\$196.3 million

PCS CAPEX of R\$85.9 million

HIGHLIGHTS

Brasília, Brazil April 19, 2005 - **Brasil Telecom Participações S.A. (BOVESPA: BRTP3/BRTP4; NYSE: BRP)** announces its consolidated earnings for the first quarter of 2005 (1Q05).

In less than six months of operations, **Brasil Telecom GSM** exceeded all expectations and reached the mark of 1.0 million accesses in service.

EBITDA as a percentage of services revenues reached 34.6%, up 2.4 p.p. sequentially. **Fixed-line EBITDA margin** was of 40.7% in the 1Q05.

Operating Performance**Fixed-Line Telephony**

We had 10,778 thousand **lines installed** at the end of the 1Q05, an increase of 0.4% and 0.7% compared to 4Q04 and 1Q04, respectively.

At 1Q05 we had 9,512 thousand **lines in service**, a result of 9.2 thousand net additions during the quarter.

Mobile Telephony

Our **mobile operations** had 322.5 thousand post-paid accesses in service, representing 32.1% of the total client base, exceeding all expectations.

Data Communications

At the end of 1Q05, we had 625.3 thousand **ADSL accesses in service**, representing a growth of 92.4% compared to 1Q04.

Financial Performance

Net revenues of R\$2,447.6 million in 1Q05, an increment of 17.9% compared to 1Q04's net revenues.

Revenues from supplementary and value added services reached R\$114.7 million in 1Q05, an increase of 14.0% year-on-year and 15.8% compared to the previous quarter.

Revenues from data communications and other services totaled R\$420.6 million in 1Q05, an increase of 67.8% year-on-year and 12.5% quarter-on-quarter.

Fixed-line ARPU (net revenues/ Avg. LIS/month) of R\$83.2 in 1Q05, compared to R\$70.4 in the same period of 2004.

Mobile telephony gross revenues (excluding inter-company revenues) of R\$147.0 million in 1Q05, including R\$47.4 million revenues from **merchandise sales** (handsets and accessories). **Measured mobile service revenues** reached R\$57.4 million in 1Q05, compared to R\$5.5 million in 4Q04.

Mobile telephony ARPU was of R\$29.4 in 1Q05.

The **subscriber acquisition cost** was of R\$188.8 in the same period, representing an 8.3% decrease compared to the previous quarter.

Operating costs and expenses excluding depreciation, amortization, provisions, losses and others were of R\$1,362.1 million in 1Q05, down 6.0% sequentially.

Interconnection costs totaled R\$576.1 million in 1Q05, down 11.0% quarter-on-quarter.

Trailing 12M Highlights

32.1% of mobile telephony clients are post-paid

Increase of 92.4% in the number of ADSL accesses in service

Net revenue grew by 17.9%

Data communications revenues grew by 67.8% accounting for 12.1% of total revenues

Total debt 3.1% lower

Year-to-date cost of debt equivalent to 15.4% p.a., or 87.2% of the CDI

Operating cash flow of R\$3.2 billion

Fixed-line EBITDA Margin of 40.6%

Net income of R\$223.0 million

As of March 2005, our **consolidated total debt** was of R\$4,564.5 million, 3.1% lower than in the 4Q04. **Consolidated net debt** was of R\$1,762.2 million, as of March 2005.

2005 year-to-date **cost of debt** was equivalent to 15.4% p.a., or 87.2% of the domestic inter-bank rate (CDI).

Consolidated net debt as a percentage of net equity was of 28.5% in 1Q05 compared to 24.2% in 4Q04.

Dollar-denominated debt represented 14.9% of total debt, amounting to R\$657.2 million at the end of 1Q05.

Debt denominated in foreign currency represented 32.2% of our total debt.

Brasil Telecom **hedged** 64.6% of its debt denominated in foreign currency, so that 11.7% of its total debt was exposed to exchange rate risk.

R\$ Million	Mar/04	Dec/04	Mar/05	Δ Quarter	Δ 12 Months
Total Debt	4,283.3	4,708.2	4,564.5	-3.1%	6.6%
(-) Cash	2,920.5	3,226.6	2,802.3	-13.1%	-4.0%
Net Debt	1,362.8	1,481.6	1,762.2	18.9%	29.3%

Total investments in fixed-line operations totaled R\$196.3 million in 1Q05, of which 31.6% were directed at our data network, our intelligent network and information technology.

PCS investments totaled R\$85.9 million, compared to the R\$417.9 million in 4Q04.

Operating cash inflow of R\$785.9 million in 1Q05 and R\$3.2 billion in 12 months.

Financial Indicators

Financial Indicators	1Q04	4Q04	1Q05	Δ Quarter	Δ 12 Months
EBITDA* / Interest Expenses	6.57	6.16	6.42	4.2%	-2.2%
Net Debt / EBITDA* (x4)	0.38	0.48	0.53	10.7%	39.9%
Total Debt / (EBITDA* + Financial Revenue) (x4)	1.05	1.21	1.12	-7.5%	6.8%
EBITDA* (x4) / Lines in Service	R\$ 367	R\$323	R\$347	7.4%	-5.5%
EBITDA* (x4) / Employees (thousand)	R\$ 685	R\$529	R\$499	-5.6%	-27.1%

* EBITDA without effects of non-recurrent items.

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

R\$ Million	1Q04	4Q04	1Q05	Δ Quarter	Δ 12 Months
GROSS REVENUES	2,908.8	3,502.0	3,468.7	-1.0%	19.2%
Fixed Telephony	2,658.2	3,040.1	2,901.1	-4.6%	9.1%
Local Service	1,114.3	1,262.5	1,195.7	-5.3%	7.3%
Public Telephony	108.2	123.2	86.9	-29.5%	-19.6%
Long Distance Service	382.2	444.9	430.2	-3.3%	12.6%
Fixed-Mobile Calls	702.1	854.4	832.5	-2.6%	18.6%
Interconnection	191.2	178.1	164.6	-7.6%	-13.9%
Lease of Means	55.1	66.7	65.9	-1.1%	19.7%
Supplementary and Value Added Services	99.1	100.7	114.7	14.0%	15.8%
Other	6.0	9.7	10.4	7.8%	72.9%
Mobile Telephony	-	87.9	147.0	67.2%	N.A.
Data Transmission	250.6	374.0	420.6	12.5%	67.8%
Deductions	(833.5)	(1,036.0)	(1,021.2)	-1.4%	22.5%
NET REVENUES	2,075.3	2,466.1	2,447.6	-0.7%	17.9%
COSTS & OPERATING EXPENSES	(1,183.2)	(1,699.1)	(1,623.3)	-4.5%	37.2%
Personnel	(95.3)	(125.3)	(153.2)	22.2%	60.7%
Materials	(23.0)	(137.3)	(78.6)	-42.8%	241.3%
Subcontracted Services	(363.8)	(486.3)	(492.2)	1.2%	35.3%
Interconnection	(496.2)	(647.2)	(576.1)	-11.0%	16.1%
Advertising and Marketing	(24.1)	(53.5)	(62.0)	15.9%	157.7%
Provisions and Losses	(110.5)	(256.4)	(140.8)	-45.1%	27.4%
Other	(70.3)	7.1	(120.4)	N.A.	71.4%
EBITDA	892.1	767.0	824.3	7.5%	-7.6%

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Depreciation and Amortization	(598.7)	(639.4)	(671.4)	5.0%	12.2%
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OPERATING PROFIT BEFORE FINANCIAL RESULT	293.4	127.6	152.8	19.8%	-47.9%
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Financial Result	(251.6)	(356.9)	(52.2)	-85.4%	-79.3%
Financial Revenues	130.0	205.2	195.1	-4.9%	50.1%
Financial Expenses	(225.8)	(324.4)	(247.3)	-23.8%	9.5%
Interest on Shareholders' Equity	(155.8)	(237.8)	-	N.A.	N.A.
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OPERATING PROFIT AFTER FINANCIAL RESULT	41.9	(229.3)	100.6	N.A.	140.4%
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Non-Operating Revenues (Expenses)	(51.5)	9.9	(33.9)	N.A.	-34.3%
Goodwill Amortization - CRT Acquisition	(31.0)	(31.0)	(31.0)	0.0%	0.0%
Other	(20.5)	40.9	(2.9)	N.A.	-86.1%
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EARNINGS BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES	(9.7)	(219.4)	66.8	N.A.	N.A.
<hr/>					
Income and Social Contribution Taxes	(13.9)	51.0	(20.1)	N.A.	44.0%
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EARNINGS BEFORE PROFIT SHARING	(23.6)	(168.4)	46.7	N.A.	N.A.
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Profit Sharing	(12.9)	(14.8)	-	N.A.	N.A.
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Minority Interest	(44.9)	(13.0)	(1.6)	-87.6%	-96.4%
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EARNINGS BEFORE REVERSION OF INTEREST ON SHAREHOLDERS' EQUITY	(81.4)	(196.2)	45.1	N.A.	N.A.
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Reversion of Interest on Shareholders' Equity	155.8	237.8	-	N.A.	N.A.
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NET EARNINGS	74.3	41.6	45.1	8.4%	-39.4%
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Goodwill Amortization - CRT Acquisition	31.0	31.0	31.0	0.0%	0.0%
NET EARNINGS ADJUSTED BY GOODWILL AMORTIZATION	105.4	72.6	76.1	4.8%	-27.8%
Net Earnings (Losses)/1,000 shares - R\$	0.2084	0.1155	0.1239	7.2%	-40.6%
Net Earnings (Losses)/ADR - US\$	0.3599	0.2176	0.2323	6.7%	-35.5%

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Table 2: Consolidated Income Statement - Brasil Telecom GSM

R\$ Million	4Q04	1Q05	Δ Quarter
GROSS REVENUES	102.3	182.5	78.4%
Subscription	10.2	34.6	239.2%
Utilization	5.7	57.4	N.A.
Roaming	0.2	0.7	244.6%
Interconnection	16.0	41.3	157.7%
Other Revenues	0.2	0.5	205.4%
Data Transmission	0.3	0.6	81.2%
Merchandise Sales (Handsets and Accessorie	69.7	47.4	-32.0%
Deductions	(23.3)	(50.9)	118.2%
NET REVENUES	79.0	131.6	66.7%
COSTS & OPERATING EXPENSES	(223.6)	(279.4)	25.0%
Personnel	(11.5)	(21.9)	90.4%
Materials	(116.0)	(59.7)	-48.5%
Subcontracted Services	(43.9)	(61.4)	39.8%
Interconnection	(7.8)	(37.3)	376.0%
Advertising and Marketing	(24.2)	(35.5)	46.6%
Provisions and Losses	(2.8)	(6.2)	120.0%

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Other	(17.4)	(57.4)	230.7%
EBITDA	(144.6)	(147.8)	2.2%
Depreciation and Amortization	(28.7)	(53.1)	85.0%
OPERATING PROFIT BEFORE FINANCIAL RESULT			
RESULT	(173.3)	(200.9)	15.9%
Financial Result	(6.5)	(10.0)	54.2%
Financial Revenues	11.1	4.0	-63.9%
Financial Expenses	(17.6)	(14.1)	-20.3%
EARNINGS BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES			
CONTRIBUTION TAXES	(179.8)	(210.9)	17.3%
Income and Social Contribution Taxes	60.7	85.7	41.1%
NET EARNINGS (LOSSES)	(119.1)	(125.2)	5.1%

Note: Statement does not consider inter-company eliminations with Brasil Telecom S.A.

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OPERATING PERFORMANCE

FIXED-LINE TELEPHONY

Network

Table 3: Network

PLANT	1Q04	4Q04	1Q05	Δ Quarter	Δ 12 Months
Lines Installed (Thousand)	10,700.7	10,737.2	10,778.3	0.4%	0.7%
Additional Lines Installed (Thousand)	14.2	11.8	41.1	247.9%	189.2%

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Lines in Service - LIS (Thousand)	9,723.8	9,503.1	9,512.3	0.1%	-2.2%
Residential	6,988.2	6,444.9	6,379.5	-1.0%	-8.7%
Non-Residential	1,468.5	1,433.0	1,440.2	0.5%	-1.9%
Public Telephones	295.9	295.9	296.4	0.2%	0.1%
Pre-paid	281.9	297.1	311.2	4.7%	10.4%
Hybrid Terminals	58.7	408.3	465.5	14.0%	692.9%
Other (including PBX)	630.6	623.9	619.6	-0.7%	-1.7%
Additional LIS (Thousand)	(127.0)	(101.2)	9.2	N.A.	N.A.
Average LIS (Thousand)	9,787.4	9,553.7	9,507.7	-0.5%	-2.9%
LIS/100 Inhabitants	23.1	22.4	22.4	0.0%	-3.1%
Public Telephones/1,000 Inhabitants	7.0	7.0	7.0	0.0%	-0.8%
Public Telephones/100 Lines Installed	2.8	2.8	2.7	-0.2%	-0.6%
Utilization Rate	90.9%	88.5%	88.3%	-0.3 p.p.	-2.6 p.p.
Digitization Rate	99.5%	99.7%	99.3%	-0.4 p.p.	-0.2 p.p.

Fixed-line Network

In 1Q05, Brasil Telecom installed 41.1 thousand lines, closing the quarter with 10.8 million terminals.

In 1Q05 we had 9.5 million lines in service, a result of 9.2 thousand net additions during the quarter. Based on a strategy of client segmentation with the objective of improving profitability and prevent delinquency, we continued to encourage our subscribers of alternative plans to migrate to our hybrid plan. This initiative increased the number of such terminals by 14.0% in the quarter.

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Traffic

Table 4: Traffic

TRAFFIC	1Q04	4Q04	1Q05	Δ Quarter	Δ 12 Months
Exceeding Local Pulses (Million)	2,585.9	2,772.5	2,304.8	-16.9%	-10.9%
Long Distance Minutes (Million)	1,533.6	1,436.5	1,334.4	-7.1%	-13.0%

Fixed-Mobile Minutes (Million)	1,037.4	1,238.0	1,089.0	-12.0%	5.0%
Exceeding Pulses/Average LIS/Month	90.6	96.7	80.8	-16.5%	-10.8%
LD Minutes/Average LIS/Month	52.2	50.1	46.8	-6.7%	-10.4%
Fixed-Mobile Minutes/Average LIS/Month	35.4	43.2	38.2	-11.6%	7.7%

Billed Pulses

Influenced by seasonal effects typical of the first quarter of the year, local traffic decreased by 16.9%. Additionally, the record sale of mobile phones in December 2004, as well as the increase in the number of ADSL accesses in service, contributed to the reduction of local traffic.

Long Distance Traffic

In 1Q05, LD traffic decreased by 7.1% compared to the previous quarter. Seasonal effects of the quarter also affected long distance traffic. In the intra-sector segment Anatel's resolution regarding conurbated areas explains the traffic variation compared to 1Q04.

LD Market Share

Brasil Telecom closed 1Q05 well positioned in the long distance market, with a 51.0% and 29.1% (quarterly average) market share in the interregional and international long distance segments. This reflects the success of our marketing campaigns (*Viaje com 14 e Aniversário das Cidades*) and the strength of the Brasil Telecom brand in Region II.

Sequentially, our quarterly average long distance market share increased 0.6 p.p. in the intra-state segment, reaching 82.9%. In the inter-state segment, our market share was of 91.0%.

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Graph 1: DLD Market Share - Quartely Average

Inter-Network Traffic

Inter-network traffic decreased by 12.0% in 1Q05 compared to the previous quarter. We have implemented initiatives to increase the profitability of our operations. In this sense, we offer pre-paid and hybrid plans, which have features that help to reduce fixed-to-mobile traffic. Additionally, subscribers of our residential plan have tried to control this type of traffic. Moreover, seasonality also played a role in the reduction of this traffic.

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MOBILE TELEPHONY

Table 5: Operational Data

Key Operational Data	4Q04	1Q05	Δ Quarter
Clients	622,295	1,003,658	61.3%
Post-Paid	205,716	322,486	56.8%
Pre-Paid	416,579	681,172	63.5%
Gross Additions	626,526	405,616	-35.3%

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Post-Paid	209,497	122,801	-41.4%
Pre-Paid	417,029	282,815	-32.2%
Cancellations	4,231	24,253	473.2%
Post-Paid	3,781	6,031	59.5%
Pre-Paid	450	18,222	N.A.
Annualized Churn	1.4%	11.9%	10.6 p.p.
Served Localities	626	626	0.0%
Base Stations	1,632	1,695	3.9%
Switches	3	6	100.0%
Employees	881	918	4.2%

Mobile Network

Brasil Telecom GSM exceeded all expectations, reaching 1.0 million accesses in service in less than six months of operations. At the end of 1Q05, Brasil Telecom GSM's customer base increased by 61.3% compared to 4Q04.

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Graph 2: Mobile Network

Client-Mix

Our mobile operations had 322.5 thousand post-paid subscribers at the end of 1Q05, which represented 32.1% of our mobile customer base, a percentage that is above the market average. This mix reflects good awareness of the Brasil Telecom brand in the corporate segment and the attentiveness of our clients to the benefits of convergence.

Market Share

At the end of 1Q05, Brasil Telecom GSM achieved a 4.8% market share in its area of operations.

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DATA COMMUNICATIONS

Broadband

ADSL Accesses

We increased the number of our ADSL accesses in service by 92.4% in one year, reaching 625.3 thousand accesses at the end of 1Q05.

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Gráfico 3: ADSL Accesses in Service

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Internet Providers

BrTurbo

BrTurbo consolidated its broadband market leadership in Region II, with 333.8 thousand clients at the end of 1Q05, 24.5% higher than in 4Q04.

iG e iBest

iG and iBest have achieved positive results in their commercial strategy of offering value-added products. At the end of 1Q05, iG and iBest had 197.7 thousand paying clients, an increase of 13,5% compared to 4Q04. Additionally, **iG and iBest are collectively positioned as leaders in the dial-up markets of Region I, II and III.**

At the end of 1Q05, our internet providers had 446.3 thousand broadband clients in total.

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FINANCIAL PERFORMANCE**Revenues****Table 6: Consolidated Operating Gross Revenues**

R\$ Million	1Q04	4Q04	1Q05	Δ Quarter	Δ 12 Months
GROSS REVENUES	2,908.8	3,502.0	3,468.7	-1.0%	19.2%
FIXED TELEPHONY	2,658.2	3,040.1	2,901.1	-4.6%	9.1%
Local Service	1,114.3	1,262.5	1,195.7	-5.3%	7.3%
Activation	9.1	7.3	7.7	5.1%	-16.0%
Basic Subscription	744.7	832.2	830.8	-0.2%	11.6%
Measured Service	336.4	402.0	337.7	-16.0%	0.4%
Lease of Lines	0.4	0.4	0.4	-18.2%	-7.3%
Other	23.7	20.5	19.1	-7.2%	-19.7%
Public Telephony	108.2	123.2	86.9	-29.5%	-19.6%
Long Distance Service	382.2	444.9	430.2	-3.3%	12.6%
Intra-Region	355.2	358.4	347.4	-3.1%	-2.2%
Inter-Region	21.3	74.3	70.1	-5.7%	229.1%
International / Borderline	5.7	12.1	12.8	5.2%	124.0%
Inter-Network Calls	702.1	854.4	832.5	-2.6%	18.6%
VC-1	527.8	553.4	507.7	-8.3%	-3.8%
VC-2	133.9	183.7	191.7	4.4%	43.2%
VC-3	40.5	115.4	130.9	13.5%	223.1%

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International	-	2.0	2.3	15.8%	N.A.
Interconnection	191.2	178.1	164.6	-7.6%	-13.9%
Fixed-Fixed	128.3	111.7	101.0	-9.6%	-21.3%
Mobile-Fixed	62.9	66.4	63.6	-4.2%	1.2%
Lease of Means	55.1	66.7	65.9	-1.1%	19.7%
Supplementary and Value Added Services	99.1	100.7	114.7	14.0%	15.8%
Other	6.0	9.7	10.4	7.8%	72.9%
MOBILE TELEPHONY	-	87.9	147.0	67.2%	N.A.
Subscription	-	10.2	34.6	239.2%	N.A.
Utilization	-	5.5	57.4	936.5%	N.A.
Roaming	-	0.2	0.7	244.6%	N.A.
Interconnection	-	2.1	6.4	202.9%	N.A.
Other Services	-	0.2	0.5	205.4%	N.A.
Merchandise Sales (Handsets and Accessories)	-	69.7	47.4	-32.0%	N.A.
DATA COMMUNICATIONS AND OTHER	250.6	374.0	420.6	12.5%	67.8%
Fixed	250.6	373.7	420.0	12.4%	67.6%
Mobile	-	0.3	0.6	81.2%	N.A.
Deductions	(833.5)	(1,036.0)	(1,021.2)	-1.4%	22.5%
NET REVENUES	2,075.3	2,466.1	2,447.6	-0.7%	17.9%

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Graph 4: Gross Revenues Breakdown

Local Service

Gross revenues from local service reached R\$1,195.7 million in 1Q05, up 7.3% year-on-year and down 5.3% quarter-on-quarter, mainly as a result of the decrease in revenues from measured service.

Gross revenues from activation fees totaled R\$7.7 million in 1Q05, up 5.1% sequentially, due to the increase in the number of lines activated in the quarter. In 1Q05, 378.5 thousand lines were activated, compared to 376.8 thousand in 4Q04. Additionally, the rate adjustment of 3.4% effective since November 1, 2004 also positively impacted revenues from activation fees.

Gross revenues from basic subscription fees reached R\$830.8 million in the quarter, stable compared to the R\$832.2 million reported in 4Q04.

Gross revenues from measured service totaled R\$337.7 million in 1Q05, stable compared to the corresponding period in 2004.

Public Telephony

Gross revenues from public telephony services reached R\$86.9 million in 1Q05, due to the implementation of the *Brasil VirtualCel* service, which converts fixed-to-mobile calls made from public payphones into mobile-to-mobile calls. As a result, revenues from calls made from public payphones to mobile phones, which amounted to R\$42.6 million, are recognized as revenues of Brasil Telecom GSM.

Long Distance

Gross revenues from long distance services reached R\$430.2 million in 1Q05, down 3.3% sequentially. This reduction is mainly explained by the decrease of 7.1% in traffic, which in turn, was affected by seasonal effects typical of the first quarter of the year.

Inter-Network

Gross revenues from inter-network calls amounted to R\$832.5 million in 1Q05, down 2.6% quarter-on-quarter, due to a 12.0% decrease in inter-network traffic, which was offset by the increase of VC-2 and VC-3 traffic as a percentage of total of inter-network traffic. The VC-2 and VC-3 rates were also adjusted in February 2005, in accordance with the maximum rate authorized by Anatel in February 2004.

Interconnection

Gross revenues from interconnection fees in 1Q05 decreased by 7.6% compared to 4Q04, mainly due to the increase in our market share in long distance segments and the impact of seasonality in 1Q05.

Data Communications

In 1Q05, gross revenues from data communications and other services reached R\$420.6 million, up 12.5% sequentially, due to the growth in data communications services such as *VPN*, *Vetor*, and *Interlan*, and also by the 16.8% increase in ADSL accesses in service.

Data communications revenues have been increasing as a percentage of total revenues. **The segment increased its share from 8.6% of total revenues a year ago to 12.1% in 1Q05.**

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Graph 5: Data Communications and Other Services Revenues

Mobile Telephony

In 1Q05, gross revenues from mobile telephony services totaled R\$147.0 million, of which R\$99.6 million are related to services and R\$47.4 million to the sale of handsets and accessories. Due to our good client-mix (32.1% post-paid) revenues from monthly subscription fees accounted for 34.7% of total revenues from services.

Fixed-line Telephony ARPU

Fixed-line telephony ARPU (net revenues/Avg. LIS/month) was of R\$83.2 in 1Q05, compared to R\$83.9 in 4Q04.

Mobile Telephony ARPU

Total mobile telephony ARPU reached R\$29.4 in 1Q05. Post-paid ARPU was of R\$53.6 while pre-paid ARPU reached R\$17.7.

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Table 7: ARPU Calculation Mobile Telephony

R\$ Thousands	1T05
(+) Gross Revenues	182,531
(-) Handsets	(47,404)
Gross Service Revenues	135,127
(-) Taxes and Deductions	(36,170)
Net Service Revenues	98,956
(-) Net Revs Public Payphones	(26,894)
(-) Net Revs Roaming	(454)
Quarterly Net Revenues	71,608
Monthly Net Revenues	23,869
Average Number of Clients	812,977
ARPU (R\$)	29.36

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COSTS AND EXPENSES

Table 7: Consolidated Operating Costs and Expenses

R\$ Million	1Q04	4Q04	1Q05	Δ Quarter	Δ 12 Months
NET REVENUES	2,075.3	2,466.1	2,447.6	-0.7%	17.9%
Costs	(1,335.9)	(1,622.1)	(1,585.7)	-2.2%	18.7%
Personnel	(28.0)	(32.2)	(37.3)	15.7%	33.4%
Materials	(21.8)	(113.4)	(69.0)	-39.2%	216.1%
Subcontracted Services	(654.1)	(831.2)	(770.2)	-7.3%	17.7%
Interconnection	(496.2)	(647.2)	(576.1)	-11.0%	16.1%
Other	(157.9)	(184.0)	(194.0)	5.4%	22.9%
Depreciation and Amortization	(540.0)	(559.6)	(570.6)	2.0%	5.7%
Other	(92.0)	(85.6)	(138.6)	61.9%	50.6%
GROSS PROFIT	739.4	844.0	861.9	2.1%	16.6%

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Sales Expenses	(133.9)	(257.4)	(265.8)	3.3%	98.6%
Personnel	(31.2)	(46.9)	(60.9)	30.0%	95.5%
Materials	(0.2)	(22.5)	(7.7)	-65.9%	3919.0%
Subcontracted Services	(99.6)	(178.4)	(190.4)	6.7%	91.1%
Advertising and Marketing	(24.1)	(53.5)	(62.0)	15.9%	157.7%
Other	(75.5)	(124.9)	(128.3)	2.8%	69.9%
Depreciation and Amortization	(1.3)	(3.1)	(4.0)	28.2%	205.6%
Other	(1.6)	(6.6)	(2.9)	-55.3%	82.7%
General and Administrative Expenses	(148.4)	(189.9)	(199.8)	5.2%	34.7%
Personnel	(30.9)	(36.8)	(44.0)	19.7%	42.3%
Materials	(0.6)	(0.7)	(1.4)	85.8%	143.0%
Subcontracted Services	(106.5)	(140.6)	(138.6)	-1.4%	30.1%
Depreciation and Amortization	(5.5)	(7.6)	(9.6)	26.9%	73.6%
Other	(4.9)	(4.3)	(6.3)	48.0%	29.8%
Information Technology	(82.0)	(106.8)	(109.8)	2.8%	33.8%
Personnel	(5.2)	(9.5)	(10.9)	15.4%	109.2%
Materials	(0.5)	(0.7)	(0.6)	-14.2%	30.8%
Subcontracted Services	(23.9)	(36.8)	(31.2)	-15.2%	30.5%
Depreciation and Amortization	(41.8)	(53.8)	(60.9)	13.2%	45.8%
Other	(10.6)	(5.9)	(6.1)	2.4%	-42.8%
Provisions and Losses	(110.5)	(256.4)	(140.8)	-45.1%	27.4%
Doubtful Accounts	(87.7)	(129.5)	(104.9)	-19.0%	19.7%
Contingencies	(22.8)	(127.0)	(35.9)	-71.8%	57.0%
Other Operating Revenues (Expenses)	28.8	94.1	7.1	-92.4%	-75.3%
Goodwill Amortization	(10.1)	(15.3)	(26.4)	71.7%	161.8%
Other	38.9	109.4	33.5	-69.4%	-13.9%
OPERATING PROFIT BEFORE FINANCIAL RESULTS	293.4	127.6	152.8	19.8%	-47.9%

R\$ Million	1Q04	4Q04	1Q05	Δ Quarter	Δ 12 Months
COSTS AND OPERATING EXPENSES	(1,781.9)	(2,338.5)	(2,294.8)	-1.9%	28.8%
Depreciation and Amortization	(598.7)	(639.4)	(671.4)	5.0%	12.2%
Interconnection	(496.2)	(647.2)	(576.1)	-11.0%	16.1%
Subcontracted Services	(363.8)	(486.3)	(492.2)	1.2%	35.3%
Personnel	(95.3)	(125.3)	(153.2)	22.2%	60.7%
Provisions and Losses	(110.5)	(256.4)	(140.8)	-45.1%	27.4%
Materials	(23.0)	(137.3)	(78.6)	-42.8%	241.3%
Advertising and Marketing	(24.1)	(53.5)	(62.0)	15.9%	157.7%
Other	(70.3)	7.1	(120.4)	N.A.	71.4%

R\$ Million	1Q04	4Q04	1Q05	Δ Quarter	Δ 12 Months
COSTS AND OPERATING EXPENSES	(1,781.9)	(2,338.5)	(2,294.8)	-1.9%	28.8%
(+) Depreciation and Amortization	598.7	639.4	671.4	5.0%	12.2%
(+) Provisions and Losses	110.5	256.4	140.8	-45.1%	27.4%
(+) Other	70.3	(7.1)	120.4	N.A.	71.4%
(=) CASH COST	(1,002.5)	(1,449.7)	(1,362.1)	-6.0%	35.9%

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Graph 6: Operating Costs and Expenses Breakdown

(Excluding Depreciation, Provisions, Losses and Other)

Operating Costs and Expenses

Operating costs and expenses reached R\$2,294.8 million in 1Q05, compared to R\$2,338.5 million in the previous quarter.

Cash costs (operating costs and expenses excluding depreciation, amortization, provisions, losses and other) was of R\$1,362.1 million in 1Q05, compared to R\$1,449.7 million in 4Q04, a decrease of 6.0% quarter-on-quarter. The main items responsible for this reduction were: interconnection (-11.0%) and materials (-42.8%).

Employees

At the end of 1Q05, our fixed-line arm had 5,690 employees, compared to 5,805 of the previous quarter.

Brasil Telecom GSM had 918 employees at the end of the quarter compared to 881 at 4Q04.

Personnel

Total personnel costs reached R\$153.2 million, up 22.2% from the previous quarter, mainly due to the recording of R\$14.1 million previously accounted for under the employee profit sharing line, the consolidation of iG in December 2004, and the effectiveness of the new Collective Bargaining Agreement since January 2005.

Cost of Subcontracted Services

Cost of subcontracted services, excluding interconnection costs and advertising and marketing expenses, totaled R\$492.2 million in 1Q05, virtually stable compared to the previous quarter.

Interconnection

Interconnection costs totaled R\$576.1 million in 1Q05, a decrease of 11.0% sequentially. Lower interconnection costs are associated to the synergies achieved between our mobile operations and the rest of our business, as well as the reduction in inter-network traffic.

Advertising and Marketing

Advertising and marketing expenses totaled R\$62.0 million in 1Q05, up 15.9% quarter-on-quarter.

Losses from accounts receivable as a percentage of gross revenues

Losses from accounts receivable as a percentage of gross revenues in 1Q05 reached 3.0%, compared to 3.7% in 4Q04. Losses from accounts receivable totaled R\$104.9 million in 1Q05, down 19.0% sequentially.

Accounts Receivable

Net of provision for doubtful accounts in the amount of R\$270.0 million, net accounts receivable totaled R\$2,186.8 million at the end of 1Q05.

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Graph 7: Accounts Receivable / Gross Revenues Ratio

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Table 8: Gross Accounts Receivable

	Mar/04	Jun/04	Sep/04	Dec/04	Mar/05
Total (R\$ Million)	2,099.0	2,145.9	2,284.4	2,354.8	2,456.8
Due	60.6%	60.1%	61.5%	64.5%	63.3%
Overdue (up to 30 days)	16.2%	15.7%	17.3%	16.4%	15.7%
Overdue (between 31-60 days)	6.2%	6.3%	5.8%	5.7%	6.4%
Overdue (between 61-90 days)	4.4%	3.6%	3.5%	3.7%	4.3%
Overdue (over 90 days)	12.6%	14.3%	11.9%	9.7%	10.3%

Provision for Contingencies

In 1Q05, provision for contingencies totaled R\$35.9 million, down 71.8% quarter-on-quarter.

Materials

Costs and expenses related to materials amounted to R\$78.6 million in 1Q05, down 42.8% quarter-on-quarter. This was mainly due to the decrease in costs of handsets and accessories, which totaled R\$58.7 million in 1Q05, compared to R\$113.6 million in the previous quarter, which in turn, was as a result of the sales volume of Brasil Telecom GSM.

Other Operating Costs and Expenses / Revenues

Other operating costs and expenses reached R\$120.4 million in 1Q05.

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Ebitda

Table 9: EBITDA Margin Gains and Losses

R\$ Million	1Q04	Vertical	4Q04	Vertical	1Q05	Vertical
GROSS REVENUES	2,908.8	140.2%	3,502.0	142.0%	3,468.7	141.7%
Fixed Telephony	2,658.2	128.1%	3,040.1	123.3%	2,901.1	118.5%
Local Service	1,114.3	53.7%	1,262.5	51.2%	1,195.7	48.9%
Public Telephony	108.2	5.2%	123.2	5.0%	86.9	3.6%
Long Distance Service	382.2	18.4%	444.9	18.0%	430.2	17.6%
Fixed-Mobile Calls	702.1	33.8%	854.4	34.6%	832.5	34.0%
Interconnection	191.2	9.2%	178.1	7.2%	164.6	6.7%
Lease of Means	55.1	2.7%	66.7	2.7%	65.9	2.7%
Supplementary and Value Added Services	99.1	4.8%	100.7	4.1%	114.7	4.7%
Other	6.0	0.3%	9.7	0.4%	10.4	0.4%
Mobile Telephony	-	0.0%	87.9	3.6%	147.0	6.0%
Data Transmission	250.6	-30.1%	374.0	-36.1%	420.6	-41.2%
Deductions	(833.5)	-40.2%	(1,036.0)	-42.0%	(1,021.2)	-41.7%
NET REVENUES	2,075.3	100.0%	2,466.1	100.0%	2,447.6	100.0%
COSTS & OPERATING EXPENSES	(1,183.2)	-57.0%	(1,699.1)	-68.9%	(1,623.3)	