

BRASIL TELECOM HOLDING CO
Form 6-K
May 28, 2004

**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 MAY 28, 2004

(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):

Brasil Telecom Participações S.A.

Report of independent accountants on special review

Quarter ended March 31, 2004

(A translation of the original report in Portuguese as filed with the Brazilian Securities Commission (CVM) containing quarterly financial information prepared in accordance with accounting practices adopted in Brazil).

Report of independent accountants on special review

(A translation of the original report in Portuguese as filed with the Brazilian Securities Commission (CVM) containing quarterly financial information prepared in accordance with accounting practices adopted in Brazil)

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

We have reviewed the quarterly financial information of Brasil Telecom Participações S.A. for the quarter ended March 31, 2004, comprising the balance sheet and the consolidated balance sheet of the Company and its subsidiaries, the statement of income and the consolidated statement of income, the management report and other relevant information, prepared in accordance with accounting practices adopted in Brazil.

Our review was performed in accordance with auditing standards established by the Brazilian Institute of Accountants (IBRACON) and the Federal Accounting Council, which included: (a) inquiries and discussion with management responsible for the accounting, financial and operational areas of the Company regarding the criteria adopted in the preparation of the quarterly information; and (b) review of post-balance sheet information and events, which may have a material effect on the financial and operational position of the Company and its subsidiaries.

Based on our special review, we are not aware of any material changes that should be made to the aforementioned quarterly information for it to be in accordance with accounting practices adopted in Brazil and the regulations issued by the Brazilian Securities Commission, specifically applicable to the mandatory quarterly financial information.

Our review was performed for the purpose of issuing a special review report on the mandatory quarterly financial information. The statement of cash flow represents supplementary information to those statements and is presented to provide additional analysis. This supplementary information was submitted to the same review procedures applied to the quarterly financial information, and, based on our special review, is adequately presented in all material respects, in relation to the quarterly financial information taken as a whole.

April 30, 2004

KPMG Auditores Independentes
CRC-SP-014.428/O-6-F-DF

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

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

CORPORATE LAW

Base Date - March 31, 2004

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 01768-0	2 - COMPANY NAME BRASIL TELECOM PARTICIPAÇÕES S.A.	3 - GENERAL TAXPAYERS REGISTER 02.570.688/0001-70
4 - NIRE 5.330.000.581-8		

01.02 - ADDRESS OF COMPANY HEADQUARTERS

1 - COMPLETE ADDRESS SIA/SUL - APS - LOTE D - BL B - 1º ANDAR		2 - DISTRICT SIA		
3 - ZIP CODE 71215-000	4 - MUNICIPALITY BRASILIA		5 - STATE DF	
6 - AREA CODE 61	7 - TELEPHONE NUMBER 415-1440	8 - TELEPHONE NUMBER 415-1256	9 - TELEPHONE NUMBER 415-1119	10 - TELEX
11 - AREA CODE 61	12 - FAX 415-1133	13 - FAX 415-1315	14 - FAX -	
15 - E-MAIL ri@brasilecom.com.br				

01.03 - MARKET RELATIONS DIRECTOR (Address for correspondence to Company)

1 - NAME PAULO PEDRÃO RIO BRANCO				
2 - COMPLETE ADDRESS SIA/SUL - APS - LOTE D- BL B - TÉRREO			3 - DISTRICT BRASILIA	
4 - ZIP CODE 71215-000	5 - MUNICIPALITY BRASILIA		6 - STATE DF	
7 - AREA CODE 61	8 - TELEPHONE NUMBER 415-1440	9 - TELEPHONE NUMBER -	10 - TELEPHONE NUMBER -	11 - TELEX
12 - AREA CODE 61	13 - FAX 415-1593	14 - FAX -	15 - FAX -	
15 - E-MAIL paulopedrao@brasilecom.com.br				

01.04 - REFERENCE / AUDITOR

CURRENT FISCAL YEAR		CURRENT QUARTER			PRIOR QUARTER		
1 - BEGINNING	2 - ENDING	3 - QUARTER	4 - BEGINNING	5 - ENDING	6 - QUARTER	7 - BEGINNING	8 - ENDING
01/01/2004	12/31/2004	1	01/01/2004	03/31/2004	4	10/01/2003	12/31/2003
9 - NAME/COMPANY NAME AUDITOR KPMG AUDITORES INDEPENDENTES					10 - CVM CODE 00418-9		
11 - NAME TECHNICAL RESPONSIBLE MANUEL FERNANDES RODRIGUES DE SOUSA					12 - CPF TECHNICAL RESPONSIBLE 783.840.017-15		

01.05 - COMPOSITION OF PAID CAPITAL

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1 - QUANTITY OF SHARES (IN THOUSANDS)	2 - CURRENT QUARTER 03/31/2004	3 - PRIOR QUARTER 12/31/2003	4 - SAME QUARTER OF PRIOR YEAR 03/31/2003
PAID CAPITAL			
1 - COMMON	134,031,688	134,031,688	134,031,688
2 - PREFERRED	226,007,753	222,670,188	222,670,188
3 - TOTAL	360,039,441	356,701,876	356,701,876
TREASURY SHARES			
4 - COMMON	1,480,800	1,480,800	1,051,100
5 - PREFERRED	0	0	0
6 - TOTAL	1,480,800	1,480,800	1,051,100

01.06 - COMPANY S CHARACTERISTICS

1 - TYPE OF COMPANY INDUSTRIAL, COMMERCIAL COMPANIES AND OTHERS
2 - SITUATION OPERATING
3 - TYPE OF CAPITAL CONTROL NATIONAL PRIVATE
4 - ACTIVITY CODE
5 - MAIN ACTIVITY PROVIDING SWITCHED FIXED TELEPHONE SERVICE (STFC)
6 - TYPE OF CONSOLIDATED TOTAL
7 - TYPE OF ACCOUNTANTS REVIEW REPORT UNQUALIFIED

01.07 - SUBSIDIARIES EXCLUDED FROM THE CONSOLIDATED STATEMENT

1 - ITEM	2 - GENERAL TAXPAYERS REGISTER	3 - NAME
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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	AGO	04/19/2004	INTEREST ON SHAREHOLDERS EQUITY	05/03/2004	ON	0,0005286557
02	AGO	04/19/2004	INTEREST ON SHAREHOLDERS EQUITY	05/03/2004	PN	0,0005286557
03	AGO	04/19/2004	DIVIDEND	05/03/2004	ON	0,0000112827
04	AGO	04/19/2004	DIVIDEND	05/03/2004	PN	0,0000112827
05	RD	01/30/2004	INTEREST ON SHAREHOLDERS EQUITY		ON	0,0001794657
06	RD	01/30/2004	INTEREST ON SHAREHOLDERS EQUITY		PN	0,0001794657

01.09 - CAPITAL STOCK COMPOSITION AND ALTERATION IN CURRENT YEAR

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1 - ITEM	2 - ALTERATION DATE	3 - CAPITAL STOCK (In R\$ thousands)	4 - VALUE OF ALTERATION (In R\$ thousands)	5 - ORIGIN OF ALTERATION	6 - QUANTITY OF ISSUED SHARES (In R\$ thousands)	7 - ISSUED PRICE OF SHARES (In R\$)
01	03/18/2004	2,568,240	23,808	CAPITAL RESERVE	3,337,565	0.0215000000

01.10 - MARKET RELATIONS DIRECTOR

1 - DATE 04/30/2004	2 - SIGNATURE
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02.01 - BALANCE SHEET - ASSETS (IN THOUSANDS OF REAIS) - PARENT COMPANY

1 - CODE	2 - ACCOUNT DESCRIPTION	3 - 03/31/2004	4 - 12/31/2003
1	TOTAL ASSETS	7,140,109	7,061,015
1.01	CURRENT ASSETS	992,764	834,187
1.01.01	CASH AND CASH EQUIVALENTS	576,954	490,891
1.01.02	CREDITS	0	0
1.01.03	INVENTORIES	0	0
1.01.04	OTHER	415,810	343,296
1.01.04.01	DEFERRED AND RECOVERABLE TAXES	140,117	199,725
1.01.04.02	RECEIVABLES DIVIDENDS	271,785	138,062
1.01.04.03	OTHER ASSETS	3,908	5,509
1.02	NONCURRENT ASSETS	1,754,960	1,752,687
1.02.01	OTHER CREDITS	0	0
1.02.02	INTERCOMPANY RECEIVABLES	1,420,094	1,497,857
1.02.02.01	FROM ASSOCIATED COMPANIES	0	0
1.02.02.02	FROM SUBSIDIARIES	1,420,094	1,497,857
1.02.02.02.01	LOANS AND FINANCING	1,420,073	1,497,843
1.02.02.02.02	ADVANCED FOR FUTURE CAPITAL INCREASE	21	14
1.02.02.03	FROM OTHER RELATED PARTIES	0	0
1.02.03	OTHER	334,866	254,830
1.02.03.01	LOANS AND FINANCING	126,637	125,044
1.02.03.02	DEFERRED AND RECOVERABLE TAXES	204,674	125,608
1.02.03.03	JUDICIAL DEPOSITS	2	2
1.02.03.04	OTHER ASSETS	3,553	4,176
1.03	PERMANENT ASSETS	4,392,385	4,474,141
1.03.01	INVESTMENTS	4,389,240	4,470,460
1.03.01.01	ASSOCIATED COMPANIES	0	0
1.03.01.02	SUBSIDIARIES	4,377,469	4,458,228
1.03.01.03	OTHER INVESTMENTS	11,771	12,232
1.03.02	PROPERTY, PLANT AND EQUIPMENT	2,072	2,600
1.03.03	DEFERRED CHARGES	1,073	1,081

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02.02 - BALANCE SHEET - LIABILITIES (IN THOUSANDS OF REAIS - R\$) - PARENT COMPANY

1 - CODE	2 - ACCOUNT DESCRIPTION	3 - 03/31/2004	4 - 12/31/2003
2	TOTAL LIABILITIES	7,140,109	7,061,015
2.01	CURRENT LIABILITIES	512,146	435,300
2.01.01	LOANS AND FINANCING	140	91
2.01.02	DEBENTURES	200,092	213,899
2.01.03	SUPPLIERS	2,274	454
2.01.04	TAXES, DUTIES AND CONTRIBUTIONS	27,909	4,217
2.01.04.01	INDIRECT TAXES	4,344	4,133
2.01.04.02	TAXES ON INCOME	23,565	84
2.01.05	DIVIDENDS PAYABLE	277,087	213,514
2.01.06	PROVISIONS	568	0
2.01.07	RELATED PARTY DEBTS	0	0
2.01.08	OTHER	4,076	3,125
2.01.08.01	PAYROLL AND SOCIAL CHARGES	478	356
2.01.08.02	CONSIGNMENTS IN FAVOR OF THIRD PARTIES	104	145
2.01.08.03	EMPLOYEE PROFIT SHARING	3,168	2,420
2.01.08.04	OTHER LIABILITIES	326	204
2.02	LONG-TERM LIABILITIES	481,101	477,328
2.02.01	LOANS AND FINANCING	383	423
2.02.02	DEBENTURES	441,721	437,593
2.02.03	PROVISIONS	0	233
2.02.04	RELATED PARTY DEBTS	0	0
2.02.05	OTHER	38,997	39,079
2.02.05.01	TAXES ON INCOME	38,997	39,079
2.03	DEFERRED INCOME	0	0
2.05	SHAREHOLDERS EQUITY	6,146,862	6,148,387
2.05.01	CAPITAL	2,568,240	2,544,432
2.05.02	CAPITAL RESERVES	337,210	361,018
2.05.03	REVALUATION RESERVES	0	0
2.05.03.01	COMPANY ASSETS	0	0
2.05.03.02	SUBSIDIARIES/ASSOCIATED COMPANIES	0	0
2.05.04	PROFIT RESERVES	898,043	898,043
2.05.04.01	LEGAL	195,073	195,073
2.05.04.02	STATUTORY	0	0
2.05.04.03	CONTINGENCIES	0	0
2.05.04.04	REALIZABLE PROFITS RESERVES	702,970	702,970
2.05.04.05	PROFIT RETENTION	0	0
2.05.04.06	SPECIAL RESERVE FOR UNDISTRIBUTED DIVIDENDS	0	0
2.05.04.07	OTHER PROFIT RESERVES	0	0
2.05.05	RETAINED EARNINGS	2,343,369	2,344,894

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03.01 - QUARTERLY STATEMENT OF INCOME (IN THOUSANDS OF REAIS - R\$) - PARENT COMPANY

1 - CODE	2 - DESCRIPTION	3 - FROM 01/01/2004 TO 03/31/2004	4 - FROM 01/01/2004 TO 03/31/2004	5 - FROM 01/01/2004 TO 03/31/2003	6 - FROM 01/01/2004 TO 03/31/2003
3.01	GROSS REVENUE	0	0	0	0
3.02	REVENUE DEDUCTIONS	0	0	0	0
3.03	NET REVENUE	0	0	0	0
3.04	COST OF SERVICES RENDERED	0	0	0	0
3.05	GROSS PROFIT	0	0	0	0
3.06	OPERATING INCOME (EXPENSES)	51,625	51,625	16,015	16,015
3.06.01	SELLING EXPENSES	0	0	0	0
3.06.02	GENERAL AND ADMINISTRATIVE EXPENSES	(5,620)	(5,620)	(4,702)	(4,702)
3.06.03	FINANCIAL	(28,111)	(28,111)	(69,968)	(69,968)
3.06.03.01	FINANCIAL INCOME	81,531	81,531	98,258	98,258
3.06.03.02	FINANCIAL EXPENSES	(109,642)	(109,642)	(168,226)	(168,226)
3.06.04	OTHER OPERATING INCOME	133	133	394	394
3.06.05	OTHER OPERATING EXPENSES	(2,617)	(2,617)	(633)	(633)
3.06.06	EQUITY IN SUBSIDIARIES	87,840	87,840	90,924	90,924
3.07	OPERATING INCOME (LOSS)	51,625	51,625	16,015	16,015
3.08	NONOPERATING INCOME (EXPENSES)	(11,285)	(11,285)	(7,577)	(7,577)
3.08.01	REVENUES	0	0	0	0
3.08.02	EXPENSES	(11,285)	(11,285)	(7,577)	(7,577)
3.09	INCOME (LOSS) BEFORE TAXES/PROFIT SHARING	40,340	40,340	8,438	8,438
3.10	INCOME AND SOCIAL CONTRIBUTION TAXES	(41,117)	(41,117)	(29,756)	(29,756)
3.11	DEFERRED INCOME TAX	0	0	0	0
3.12	STATUTORY PARTICIPATIONS/ CONTRIBUTIONS	(748)	(748)	(185)	(185)
3.12.01	PARTICIPATIONS	(748)	(748)	(185)	(185)
3.12.02	CONTRIBUTIONS	0	0	0	0
3.13	REVERSAL OF INTEREST ON SHAREHOLDERS EQUITY	75,000	75,000	122,000	122,000
3.15	NET INCOME FOR THE PERIOD	73,475	73,475	100,497	100,497
	NUMBER OF SHARES, EX-TREASURY STOCK (THOUSAND)	358,558,641	358,558,641	355,650,776	355,650,776
	EARNINGS PER SHARES	0.00020	0.00020	0.00028	0.00028
	LOSS PER SHARES				

FEDERAL PUBLIC SERVICE**SECURITIES AND EXCHANGE COMMISSION (CVM)****CORPORATE LAW****QUARTERLY INFORMATION****COMMERCIAL COMPANY INDUSTRIAL AND OTHERS****Base Date - March 31, 2004****01768-0****BRASIL TELECOM PARTICIPAÇÕES S.A.****02.570.668/0001-70****04.01 - NOTES TO THE QUARTERLY REPORT****NOTES TO THE FINANCIAL STATEMENTS****Quarter ended March 31, 2004****(In thousands of Brazilian reais)****1. OPERATIONS**

Brasil Telecom Participações S.A. (The Company) was established in accordance with Article 189 of Law 9472/97 - General Telecommunications Law, as part of the TELEBRÁS spin-off process, which the spin-off protocol and justification was approved in the Shareholders Meeting of May 22, 1998. The Company is a subsidiary of SOLPART Participações S.A. (SOLPART), which holds 53.59% of the Company's voting capital and 20.92% of total capital.

The Company is registered with the Brazilian Securities Commission - CVM) and the Securities and Exchange Commission - SEC in the USA, and its shares are traded on the main stock exchanges in Brazil and its ADR on the New York Stock Exchange (NYSE).

The Company is a pure holding company, indirectly carrying out operations through your parent company, Brasil Telecom S.A., a telecommunications operator holding a concession to operate the Switched Fixed Telephone Service (STFC), in Region II of the General Concessions Plan, covering the Brazilian states of Acre, Rondônia, Mato Grosso, Mato Grosso do Sul, Tocantins, Goiás, Paraná, Santa Catarina and Rio Grande do Sul and the Federal District. In this area of 2,859,375 square kilometers, corresponding to 34% of the Brazilian territory, the Company renders from July of 1998 STFC local and local intra-region long distance.

With the recognition of the fulfillment in advance of the obligations for universalization stated in the General Plan of Universalization Goals (PGMU), forecast for December 31, 2003, in accordance with the acts published in the Diário Oficial da União (Official Daily Government Newspaper (DOU) on January 19, 2004, the restriction of providing other telecommunications services ceased to exist, permitting the Brasil Telecom S.A, its parent companies, its subsidiaries and associated companies to obtain new authorizations. On the same date ANATEL issued authorizations for the Brasil Telecom S.A to provide 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 of III of PGO. As a result of these authorizations the Company began to provide the Domestic and International Long Distance services in the new regions, starting on January 22, 2004. In the case of the Local Service, to be provided in regions I and III, as established in the regulations, the Company has a period of 12 months to begin operations as from the date of the aforementioned authorization.

The information referring to the quality and universalization targets of the Switched Fixed Telecommunications Services - STFC adopted by its operator are available for interested parties on the web site of the Brazilian Telecommunications Agency, ANATEL, at the following address: www.anatel.gov.br.

The subsidiary Brasil Telecom S.A. has two wholly-owned subsidiaries: (i) BrT Serviços de Internet S.A. (BrTI), established in October 2001, engaged in the provision of internet services and related activities since 2002, when it entered into operation; and (ii) Brasil Telecom Celular S.A. (BrT Celular), established in December 2002 to operate the Mobile Personal Service (SMP), holding a license to serve the same coverage area where the Subsidiary operates STFC. At the end of the quarter, BrT Celular was initiating its structuring process - pre-operating phase, and the beginning of its activities is forecasted for the second semester of 2004.

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The Company also controls Nova Tarrafa Participações Ltda. (NTP) and Nova Tarrafa Inc (NTI). The latter, which was previously a minority investment, passed through a spin-off of its assets in the first trimester of 2003, becoming a subsidiary. NTP and NTI are engaged in holding interests in Internet Group (Cayman) Limited, which provides access to the Internet, which the sum of these investments represents a minority interest.

Completing the information on the companies where the Company exercises control indirectly, during the second quarter of 2003 Brasil Telecom Serviços de Internet S.A. invested, as a shareholder or quotaholder, and started to have the control of the following companies:

(i) BrT Cabos Submarinos (formerly Known as GlobeNet) Group

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

- Brasil Telecom Cabos Submarinos do Brasil (Holding) Ltda. (BrT CSH): company acquired for the BrTI on June 11, 2003, as part of purchasing program of the Group GlobeNet, acquisition previously disclosed on November 19, 2002, through relevant fact.
- Brasil Telecom Cabos Submarinos do Brasil Ltda. (BrT CS Ltda.): company acquired for the BrTI on June 11, 2003, in which has the direct control and the full control in set with BrT CSH, being also a part of the purchasing program of the GlobeNet Group.
- Brasil Telecom Subsea Cable Systems (Bermuda) Ltd. (BrT SCS Bermuda): company incorporated under the laws of the Bermudas, for which the transfer of resources by BrTI for payment of subscribed capital occurred on May 30, 2003. It is also part of the purchasing program of the GlobeNet Group. BrT SCS Bermuda holds the total share of Brazil Telecom of America Inc. and of Brasil Telecom de Venezuela S.A.

(ii) iBest Group

BrTI has held, since February 2002, a minority interest in the iBest Holding Corporation (IHC), a company incorporated in the Caiman Islands. In June 2003, BrTI started to control the iBest Group, which includes the main companies are: (i) iBest Holding Corporation; (ii) iBest S.A.; (iii) Febraio S.A.; and (IV) Freelance S.A.

iBest was incorporated in January 1999, with the objective of organizing the iBest Prize , trading advertising space for the event. In December 2001 it extended its activities, when it started to offer and to concentrate its operations on providing dialed access to the Internet.

2. PRESENTATION OF FINANCIAL STATEMENTS

Preparation Criteria

The financial statements were prepared in accordance with accounting practices emanating from Brazilian corporate law, standards of the Brazilian Securities Commission - CVM and standards applicable to Switched Fixed Telecommunications Services - STFC concessionaires.

As the Company is registered with the Securities and Exchange Commission - SEC, it is subject to its rules, and should prepare financial statements and other information using criteria that comply with that entity s requirements. To comply with these requirements and aiming to meet the market s information needs, the Company adopts the practice of publish information simultaneously in both markets in their respective languages.

The notes to the financial statements are presented in thousands of reais, unless stated otherwise. According to each situation, the notes to the financial statements presented 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 accounting estimates were based on objective and subjective factors, based on the judgment of the management for determining the appropriate amount to be recorded in the financial statements. Significant elements subject to these estimates and assumptions include the residual amount of the fixed assets, provision for doubtful accounts, inventories and deferred income tax assets, provision for contingencies, valuation of derivative instruments, and assets and liabilities related to benefits for employees. The settlement of transactions involving these estimates may result in significant different amounts due to the inherent imprecision to the process of their determination. The Company reviews the estimates and assumptions at least quarterly.

Consolidated Financial Statements

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

Some of the main consolidation procedures are:

- Elimination of intercompany balances, as well as revenue and expenses of transactions among them.
- Elimination of the investor's shareholdings, reserves and accumulated results in the investees.
- Segregation of the portions of shareholders' equity and result of minority shareholders, indicated in the specific items.

The reconciliation between parent Company and Consolidated net income and Shareholders' Equity are presented as follows:

	NET INCOME		SHAREHOLDERS' EQUITY	
	03/31/04	12/31/03	03/31/04	12/03/03
PARENT COMPANY	73,475	144,166	6,146,862	6,148,387
Records made in the Subsidiary's Shareholders Equity:				
Donations and Other	-	(2,520)	-	-
Interest capitalized in Subsidiary	873	3,493	(10,187)	(11,060)
CONSOLIDATED	74,348	145,139	6,136,675	6,137,327

In addition, the Company presents the statement of cash flows, prepared under the indirect method, in accordance with Accounting Rules and Procedures - NPC Nr. 20 of Brazilian Institute of Accountants (IBRACON).

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

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

a. Cash and Cash Equivalents: Cash equivalents are short-term, high-liquidity investments, which mature in less than three months. They are recorded at cost, plus income earned to the end of the quarter, not exceeding market value.

b. Trade Accounts Receivable: Receivables from users of telecommunications services are recorded at the amount of the tariff in effect on the date the service is rendered. Unbilled services provided to customers are also included in trade accounts receivable. The criteria adopted for making the provision for doubtful accounts take into account the calculation of the actual percentage losses incurred on each range of maturity for accounts receivable. The historic percentages are applied to the current ranges of accounts receivable, also including accounts not yet due and the unbilled portion, thus comprising the amount that could become a future loss, which is recorded as a provision.

c. Inventories: Stated at average cost of acquisition, not exceeding replacement cost. Inventories are segregated into inventories for plant expansion and those for maintenance. 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 non current assets. For the obsolete items is recorded a provision for losses.

d. Investments: Investments in subsidiaries were valued by the equity method. The goodwill was calculated based on the expectation of future results and its amortization is related to the volume and timing forecasted over a period of not more than ten years. Other investments are recorded at acquisition cost, less a provision for losses, when applicable. The investments derived from income tax incentives are recognized at the date of the investment, and result in shares of companies with tax incentives or quotas investment funds. In the period between the investment date and receipt of shares or quotas, they are classified in the Noncurrent assets. The Company adopts the criteria of using the maximum percentage of tax allocation. These investments are carried at cost or market prices and periodically valued and, when the latter is lower, provision for losses is recorded.

e. Property, Plant and Equipment: Stated at cost of acquisition and/or construction, less accumulated depreciation. Financial charges related to loans assets used to finance constructions in progress are capitalized.

Costs incurred that represent improvements (increase in installed capacity or useful life) are capitalized. Maintenance and repair costs are charged to income, respecting the accrual basis.

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Depreciation is calculated using the straight-line method. The depreciation rates used are based on the expected useful lives of the assets and in accordance with the rules of the Public Telecommunications Service. The main rates used are set forth in Note 24.

f. Deferred Charges: Segregated between deferred charges on amortization and on formation. Their breakdown is shown in Note 25. Amortization is calculated using the straight-line method, for the period of five years, in accordance with the legislation in force. When the asset no longer generates benefits, it is written off against non-operating income.

g. Income and Social Contribution Taxes: Income and social contribution taxes are recognized on the accrual basis. The taxes levied on temporary differences, tax losses and the negative social contribution basis are recorded under assets or liabilities, as applicable, on the assumption of realization or future, within the parameters established in CVM Instruction Nr. 371/02.

h. Loans and Financing: Updated monetarily by the exchange variations and interest incurred. Equal restatement is applied to the guarantee contracts hedging the debt.

i. Provision for Contingencies: Recognized based on the risk assessment and quantified on economic grounds and on legal counselors' opinions on the lawsuits and other contingency factors known at the end of the quarter. The bases and nature of the provisions are described in Note 7.

j. Recognition of Revenues: Revenues from services rendered are recognized on accrual basis. Local calls are charged based on time measured according to the legislation in force. Revenues from sales of payphone cards-prepaid services are recorded upon sale.

k. Recognition of Expenses: Expenses are recognized on accrual basis, considering their relationship with the realization of income. Expenses related to other periods are deferred.

l. Financial Income (Expense), Net: Financial income comprises interest earned on accounts receivable settled after their due date, and gains on investments and hedges, when incurred. Financial expenses comprise interest incurred and other charges on loans, financing and other financial transactions.

Interest on Shareholders' Equity is included in financial expenses and for financial statement presentation purposes, the recognized amounts are reversed to profit and loss accounts and reclassified as a deduction of the retained earnings, in the shareholders' equity.

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

n. Benefits to Employees: Private pension plans and other retirement benefits sponsored by the Company and its Subsidiaries for their employees are managed by SISTEL and Fundação CRT. Contributions are determined on an actuarial basis, when applicable, and recognized on an accrual basis. As of December 31, 2001, in compliance with CVM Instruction Nr. 371/00, the Company recorded the actuarial deficit on the balance sheet date against shareholders' equity, excluding the corresponding tax effects. As from 2002, as new actuarial revaluations determine the need for adjustments to the provision, these are recognized in the profit and loss accounts, in accordance with the cited CVM deliberation above. Complementary information on private pension plans is described in Note 6.

o. Employees and Management Profit Sharing: The Company recognized provisions for employee and directors profit sharing on the accrual basis, and the calculation of the amount, which is paid in the year after recognition of the provision takes into consideration the program of targets established with the labor union, in accordance with Law Nr. 10,101/00 and the Company's bylaws.

p. Earnings per thousand shares: Calculated based on the number of shares outstanding at the end of the quarter, which comprises the total number of shares issued net of treasury stock.

4. RELATED-PARTY TRANSACTIONS

Related party transactions refer to existing operations carried out by the Company with its subsidiaries Brasil Telecom S.A, Nova Tarrafa Participações Ltda. and Nova Tarrafa Participações INC.

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

Brasil Telecom S.A.

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Dividends/Interest on Shareholders Equity: in 2003, the subsidiary credited to the Company interest on Shareholders Equity an amount of R\$157,322 (R\$162,425 at the same period in 2003). The balance of this asset withholding Tax (IRRF) is R\$271,785 (R\$138,062 at December 31, 2003).

Loans with Subsidiary: The asset balance arises from the spin-off of Telebrás and is indexed to exchange variation, plus interest of 1.75% per year, amounting to R\$85,584 (R\$89,653 in December 31, 2003). The financial revenue recognized as profit and loss account in the quarter was R\$1,024 (R\$5,339 as financial loss in the same period in the previous year, due to the drop in the quotation of the US dollar).

Debentures: On January 27, 2001, the subsidiary issued 1,300 private debentures, which are not convertible or exchangeable for any type of share, at the unit price of R\$1,000, totaling R\$1,300,000, for the purpose of financing part of its investment program. The Company acquired all these debentures. The nominal value of these debentures will be paid in three installments equivalent to 30%, 30% and 40% with maturities on July 27, 2004, 2005 and 2006, respectively. The debenture remuneration is equivalent to 100% of the Interbank deposits certificate CDI, received semiannually. The balance of this asset as of December 31, 2003 is R\$1,334,489 (R\$1,408,190 in December 31, 2003) and yield recognized in profit and loss account represented R\$49,698 (R\$74,499 in 2003).

Revenues, Expenses and Accounts Receivable and Payable: arising from transactions related to operating income/expenses due to use of installations and logistic support. As of March 31, 2004, balance receivable is R\$41 (R\$157 payable as of December 31, 2003) and the amounts recorded in income for the quarter are comprising operating Expenses of R\$667 (R\$566 in 2003). Arising from transactions related to the use of installations and logistic support. As of December 31, 2003, the balance receivable is R\$41 (R\$157 payable at December 31, 2003) and the amounts booked against the profit and loss accounts in the quarter represents R\$667 (R\$566 in 2003).

Advance for Future Capital Increase - AFAC

Funds for future increase of ownership interest in subsidiaries or investments carried under the cost method are represented as follows:

INVESTOR	AFAC INVESTEE	PARENT COMPANY		CONSOLIDATED	
		03/31/04	12/31/03	03/31/04	12/31/03
	SUBSIDIARIES				
Company	Nova Tarrafa Participações Ltda.	21	14	-	-
	MINORITY INVESTMENTS				
Brasil Telecom S.A.	Vant Telecomunicações S.A.	-	-	7,226	6,965
Brasil Telecom S.A.	Calais Participações S.A.	-	-	1,100	-
TOTAL		21	14	8,326	6,965

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 the market or realizable values (fair value), based on information available and valuation methodologies adequate for each situation. 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 situation. As a result, the estimates presented may not necessarily indicate the amounts that may be obtained in the current market. The use of different assumptions for calculation of market value or fair value may have a material effect on the amounts obtained. The selection of assets and liabilities presented in this Note was made based on their materiality. Those instruments, the value of which approximates fair value and risk assessment is not significant, are not mentioned.

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

a. Credit Risk

Most services provided by the subsidiary Brasil Telecom S.A. are related to the Concession Contract and a significant portion of these services is subject to the determination of tariffs by the regulatory agency. The credit policy, in case of public telecommunications services, is subject to legal rules established by the concession authority. The risk exists since the Subsidiary may incur losses arising from the difficulty in receiving amounts billed to its customers. In the quarter, the Company's default was 3.01% of gross revenue (2.60% in the same period in the previous year). By means of internal controls, the level of accounts receivable is constantly monitored, thus limiting the risk of past due accounts by cutting off access to the service (out phone traffic) if the bill is overdue for over 30 days. Exceptions are made for telephone services that should be maintained for national security or defense.

b. Exchange Rate RiskAssets

The Company has loans and financing contracted in foreign currency, these receivables arise from possible exchange rate fluctuation. The amounts of assets exposed to this type of risk are the following:

	PARENT COMPANY		CONSOLIDATED	
	Book Value		Book Value	
	03/31/04	12/31/03	03/31/04	12/31/03
ASSETS				
Loan agreements with subsidiary	85,584	89,653	-	-
Loans and financing	126,637	125,044	126,637	125,044
TOTAL	212,221	214,697	126,637	125,044
NONCURRENT ASSETS	212,221	214,697	126,637	125,044

The loans receivable in dollars were transferred to the Company at the time of the split off of Telebrás. Due to their original characteristics, no financing is available on the market under similar conditions, which led to the presentation of the values booked.

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. Loans subject to this risk represent approximately 3.9% of the total liabilities. To minimize this type of risk, the subsidiary enters into swap agreements with financial institutions to hedge foreign exchange exposures. 30% of the debt portion in foreign currency is covered by hedge agreements. Unrealized positive or negative effects of these operations are recorded in the profit and loss accounts as gain or loss. To the quarter, consolidated net gains totaled R\$1,082 (net loss of R\$20,452 in the same period in 2003).

Net exposure, as per book and market values, at the risk of the exchange rate prevailing at the balance sheet date, is as follows:

	PARENT COMPANY			
	03/31/04		12/31/03	
	Book Value	Market Value	Book Value	Market Value
LIABILITIES				
Loans and financing	523	498	514	469
TOTAL	523	498	514	469
CURRENT	140	134	91	83
LONG-TERM	383	364	423	386

	CONSOLIDATED			
	03/31/04		12/31/03	
	Book Value	Market Value	Book Value	Market Value
LIABILITIES				
Loans and financing	723,967	719,044	146,645	140,413
Hedge contracts	7,693	(7,132)	9,809	(8,158)
TOTAL	731,660	711,912	156,454	132,255
CURRENT	46,496	45,241	43,384	26,494
LONG-TERM	685,164	666,671	113,070	105,761

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The method used for calculation of market value (fair value) of loans and financing in foreign currency and hedge instruments was the discounted cash flow, utilizing the market rates prevailing at the end of the quarter.

c. Interest Rate Risk

Assets

The private debentures issued by subsidiary Brasil Telecom S.A were fully subscribed by the Company.

	PARENT COMPANY		CONSOLIDATED	
	Book and Market Value		Book and Market Value	
	03/31/04	12/31/03	03/31/04	12/31/03
ASSETS				
Debentures linked to CDI	1,334,489	1,408,190	-	-
Loans linked to CDI, IGP-M, Col. 27 (FGV) and IGP-DI	-	-	10,144	9,959
TOTAL	1,334,489	1,408,190	10,144	9,959
CURRENT	-	-	2,439	2,446
NONCURRENT ASSETS	1,334,489	1,408,190	7,705	7,513

The values booked are equal to market values, since the current contracting conditions for this type of financial instrument are similar to the original conditions.

The sum of the Company's debentures, loans and financing concentrated in the subsidiary represents 91.8% (92.3% in 12/31/03) of this type of assets.

Liabilities

In 2000, the Company issued private debentures convertible into preferred shares. This liability was contracted at the interest rate linked to TJLP (Brazilian long-term interest rate). The risk linked to this liability arises from possible increase in this rate.

The subsidiary Brasil Telecom S.A has loans and financing contracted in local currency subject to interest rates linked to: TJLP, UMBNDES, CDI (Rate DI - CETIP) and IGPM. The risk inherent in these liabilities arises from possible variations in these rates. The subsidiary has contracted derivative contracts to hedge for 78% (79% at December 31, 2003) of the liabilities subject to the UMBNDES rate, using exchange rate swap contracts, considering the influence of the dollar on the interest rate (basket of currencies) of these liabilities. However, the other market rates are continually monitored to evaluate the need to contract derivatives to protect, the subsidiary against the risk of volatility of these rates.

The aforementioned liabilities at the balance sheet date are as follows:

	PARENT COMPANY		CONSOLIDATED	
	Book and Market Value		Book and Market Value	
	03/31/04	12/31/03	03/31/04	12/31/03
LIABILITIES				
Loans linked to TJLP (including Debentures)	641,813	651,492	2,318,160	2,417,518
Loans linked to UMBNDES	-	-	197,291	209,011
Hedge on loans indexed to UMBNDES	-	-	39,180	44,895
CDI	-	-	957,727	919,947
Loans linked to IGPM	-	-	19,875	21,739
Other loans	-	-	19,377	20,438
TOTAL	641,813	651,492	3,551,610	3,633,548
CURRENT	200,092	213,899	1,677,038	1,653,574

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LONG-TERM	441,721	437,593	1,874,572	1,979,974
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Book values are equivalent to market values because the current contractual conditions for these type of financial instruments are similar to those in which they originated. In the case of a hypothetical variation of 1% in the aforementioned rates, unfavorable to the Company, the annual negative impact on income would be approximately R\$5,265.

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

Loan and financing rates contracted by subsidiary Brasil Telecom S.A. are not correlated to amounts of accounts receivable. Telephony tariff adjustments do not necessarily follow increases in local interest rates, which affect the subsidiary's debts. Consequently, a risk arises from this lack of correlation.

e. Contingency Risks

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

f. Risks Related to Investments

The Company has investments valued by the equity method and stated at cost of acquisition. The Brasil Telecom S.A., the Nova Tarrafa Participações Ltda., and the Nova Tarrafa Inc. are controlled corporations, whose investments are valued using the equity in subsidiaries.

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

The values related to the investments are represented as follows:

	03/31/04		12/31/03	
	Book Value	Market Value	Book Value	Market Value
INVESTMENTS	4,389,240	4,456,742	4,470,460	5,655,364
Equity in subsidiaries	4,377,469	4,444,971	4,458,228	5,643,131
Listed in Stock Exchange	4,337,543	4,405,045	4,418,315	5,603,219
Not Listed in Stock Exchange	39,926	39,926	39,913	39,912
Other investments	11,771	11,771	12,232	12,233

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

g. Temporary Cash Investment Risks

The Company has several temporary cash investments in exclusive financial investment funds (FIFs), whose assets are constituted by post-fixed, federal securities, pre-fixed and exchange rates indexed to CDI, through future contracts indexed to the exchange rate of the Futures and Commodities Exchange - BM&F and investment fund in foreign currency, with no credit risks in such operations. The Company has financial investments in the amount of R\$576,560 (R\$490,538 as of December 31, 2003). Income earned to the quarter date is recorded in financial income and amounts to R\$20,607 (R\$13,875 in 2003). In the consolidated financial statements the amounts is as follows: temporary cash investments in the amount of R\$2,610,493 (R\$1,805,634 as of December 31, 2003) and income earned in the amount of R\$71,989 (R\$67,029 in 2003).

6. BENEFITS TO EMPLOYEES

The benefits described in this note are offered to the employees of the Company, its subsidiary Brasil Telecom S.A. and its wholly-owned subsidiary. These companies are better described together, and can be referred to as Brasil Telecom (group) and for the purpose of the pension scheme cited in this note, are also denominated Sponsor.

a. Private Pension Plan

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Brasil Telecom (group) sponsors private pension schemes related to retirement for its employees and assisted members and, in the case of the latter, medical assistance in some cases. These plans are administered by two foundations, which are Fundação de Seguridade Social (SISTEL), which originated from certain companies of the former Telebrás System and Fundação dos Empregados da Companhia Riograndense de Telecomunicações (FCRT) originating from the former CRT, a company merged by the Company on December 28, 2000.

The bylaws stipulate approval of the supplementary pension policy and the joint liability attributed to the defined benefit plans is subject to the acts signed with the foundations, with the agreement of the Supplementary Pensions Department - SPC, when applicable to the specific plans.

The sponsored plans are valued by independent actuaries on the balance sheet date. In the case of the defined benefit plans described in this explanatory note, the Company adopts immediate recognition of the actuarial gains and losses. Full liabilities are booked for the plans showing deficits. This measure has been applied since the 2001 financial year, when the regulations of CVM Ruling Nr. 371/00 were adopted. In cases that shown positive actuarial situations, no assets are recorded due to the legal impossibility of reimbursing the surpluses.

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

FUNDAÇÃO SISTEL DE SEGURIDADE SOCIAL (SISTEL)

Plans

TCSPREV (Defined Contribution, Settled Benefit, Defined Benefit)

This defined contribution and settled benefit plan was introduced on February 28, 2000, with the adherence of around 80% of the employees at that time. On December 31, 2001, all the pension plans sponsored by SISTEL were merged, being exceptionally and provisionally approved by the Supplementary Pensions Department - SPC, due to the need for adjustments to the regulations. They were subsequently transformed into defined contribution groups with settled and defined benefits. The plans that were merged into the TCSPREV were the PBS-TCS, PBT-BrT, Convênio de Administração BrT and the Termo de Relação Contratual Atípica, the conditions established in the original plans being maintained. On March 2003, this plan was suspended to the employees who want to be included in the supplementary pension plans sponsored by the Company. TCSPREV currently attends to around 69.9% of the staff.

PBS-A (Defined Benefit)

Sponsored jointly with other companies linked to the telecommunications services market and intended for participants that had the status of beneficiaries on January 31, 2000.

PAMA - Health Care Plan for Retired Employees (Defined Contribution)

Sponsored jointly with other companies linked to the telecommunications services market and intended for participants that had the status of beneficiaries on January 31, 2000, and also for the beneficiaries of the PBS-TCS Group, incorporated into the TCSPREV on December 31, 2001, and beneficiaries of the plans of definite benefits PBS s of other sponsors of the SISTEL. According to a legal/actuarial appraisal, the sponsor's liability is exclusively limited to future contributions.

PAMEC-BrT (Health-care Plan for Supplementary Pension Beneficiaries)

Medical assistance for retirees and pensioners linked with the PBT-BrT, which was incorporated into the TCSPREV on December 31, 2001.

Contributions Established for the Plans

TCSPREV

Contributions to this plan were maintained on the same basis as the original plans incorporated in 2001 for each group of participants, and were established based on actuarial studies prepared by independent actuaries according to regulations in force in Brazil, using the capitalization system to determine the costs. Currently contributions are made by the participants and the sponsor only for the internal groups PBS-TCS (defined benefit) and TCSPREV (defined contribution). In the TCSPREV group, the contributions are credited in individual accounts of each participant, equally by the employee and the sponsor, and the basic contribution percentages vary between 3% and 8% of the participant s salary, according to age. Participants have the option to contribute voluntarily or sporadically to the plan above the basic contribution, but without equal payments from the sponsor. In the case of the PBS-TCS group, the sponsor s contribution in 2003 was 12% of the payroll of the participants, whilst the employees' contribution varies according to the age, service time and salary. An entry fee may also be payable depending on age on entering the plan. The sponsors are responsible for the cost of all administrative expenses and risk benefits. In the quarter, contributions by the sponsor to the TCSPREV group represented on average 6.51% of the payroll of the participants in the plan. For the employees linked to the plan this average was 5.88%.

PBS-A

Contributions may occur in case of accumulated deficit. As of December 31, 2003, the plan recorded a surplus.

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PAMA

This plan is sponsored with contributions of 1.5% on payroll of active participants linked to PBS plans, segregated and sponsored by several SISTEL sponsors. In the case of Brasil Telecom (group), the PBS-TCS was incorporated into the TCSPREV plan on December 31, 2001, and became an internal group of the plan.

The company's contributions for this plan, that are exclusively the responsibility of the sponsors, were R\$29 in the quarter (R\$31 in 2003).

PAMEC-BrT

Contributions for this plan were fully paid in July 1998, through a single allotment. New contributions will be limited to the future necessity to cover expenses, if that occurs.

FUNDAÇÃO DOS EMPREGADOS DA CIA. RIOGRANDENSE DE TELECOMUNICAÇÕES -FCRT

The main purpose of sponsoring FCRT is to maintain the supplementary retirement, pension and other provisions in addition to those provided by the official social security system to participants. The actuarial system for determining the plan's cost and contributions is collective capitalization, valued annually by an independent actuary.

Plans

BrTPREV

A defined contribution and settled benefits plan, introduced in October 2002, to provide supplementary social security benefits in addition to those of the official social security system, that initially only took care of the employees linked to the Rio Grande do Sul Branch. In March 2003 this plan was also opened to the new employees of the Company and its subsidiaries who wanted to participate in the sponsored complementary social security plans. BrTPREV attends around 24.9% of the employee staff.

Fundador - Brasil Telecom and Alternative - Brasil Telecom

Defined benefits plans to provide supplementary social security benefits in addition to those of the official social security system, now closed to the entry of new participants. Nowadays, this plan attend around 1.8% of the employee staff.

Contributions Established for the Plans

BrTPREV

The contributions to this plan are established based on actuarial studies prepared by independent actuaries according to the regulations in force in Brazil, using the capitalization system to determine the costs. Contributions are credited in individual accounts of each participant, the employee's and sponsor's contributions being equal, the basic percentage contribution varying between 3% and 8% of the participation salary, according to age. Participants have the option to contribute voluntarily or sporadically to the plan above the basic contribution, but without equal payments from the sponsor. The sponsor is responsible for the cost of administrative expenses on the basic contributions from employees and normal contributions of the Company and risk benefits. In the quarter, contributions by the sponsor represented on average 5.96% of the payroll of the plan participants, whilst the average employee contribution was 5.21%.

Fundador - Brasil Telecom and Alternative - Brasil Telecom

The regular contribution by the sponsor in the quarter was an average of 1.92% of the payroll of plan participants, who contributed at variable rates according to age, service time and salary, the average rate was 2.96% in the quarter. With the Alternative-Brasil Telecom, the participants also pay an entry fee depending on the age of entering the plan.

The usual contributions of the Sponsor, in the quarter, were R\$5 (R\$125 in December 31, 2003)

The technical reserve corresponding to the current value of the Company's supplementary contribution must be amortized, due to the actuarial deficit of the plans, within the maximum established period of 20 years as from January 2000, according to Circular 66/SPC/GAB/COA from the Supplementary Pensions Department dated January 25, 2002. Of the maximum period established, 17 years and nine months still remain for complete settlement. The amortizing contributions in the quarter were R\$25,200 (R\$7,451 in 2003).

b. Stock Option Plan for Officers and Employees

The Extraordinary Shareholders' Meeting held on April 28, 2000 approved the general plan to grant stock purchase options to officers and employees of the Company and its subsidiaries. The plan authorizes a maximum limit of 10% of the shares of each kind of Company stock. Shares derived from exercising options guarantee the beneficiaries the same rights granted to other Company shareholders. The administration of this plan was entrusted to a management committee appointed by the Board of Directors, which decided only to grant preferred stock options. The plan is divided into two separate programs:

Program A:

This program is granted as an extension of the performance goals of the Company established by the Supervisory Board for a five-year period. Up to March 31, 2004, no stock had been granted.

Program B:

The management committee, based on the market price of 1000 shares at the date of the grant, establishes the price for exercising the option, which will be monetary restated by the IGP-M between the date of signing the contracts and the date of payment.

The right to exercise the option is given within the following periods as follows:

	First Grant		Second Grant	
	From	End of Period	From	End of Period
33 %	01/01/04	12/31/08	12/19/05	12/31/10
33 %	01/01/05	12/31/08	12/19/06	12/31/10
34 %	01/01/06	12/31/08	12/19/07	12/31/10

The acquisition periods can be anticipated as a result of the occurrence of events or special conditions established in the option contract.

The information related with the general plan to grant stock options is summarized below:

	Preferred stock options (thousand)	Average exercise price - R\$
Balance as of 12/31/2003	907,469	11.73
Balance as of 03/31/2004	907,469	11.73

There has been no grant of options for purchase of stocks exercised until the end of the quarter and the representativeness of the balance of the options before the total outstanding stocks for the Company Brasil Telecom S.A is 0.17% (0.17% in December 31, 2003).

Considering the hypothesis that the options will be fully exercised, the opportunity cost of the premiums of the respective options, calculated by the Black&Scholes method, for the Company would be R\$311 (R\$204 in 2003).

c. Other Benefits to Employees

Other benefits are granted to employees, such as: health care/dental care, meal allowance, group life insurance, occupational accident benefit, sickness benefit, transport allowance, and others.

7. PROVISIONS FOR CONTINGENCIES

Brasil Telecom (Group) periodically performs an assessment for contingencies risks, and also review lawsuits taking into consideration the legal, economic, taxes and accounting aspects. The assessment of these risks aims at classifying them according to the chances of an unfavorable outcome between the alternatives of probable, possible or remote, taking into account, according to the circumstances, the opinion of its legal counselors.

Provisions are recognized for those contingencies where the risks are classified as probable. Contingencies classified as possible or remote are discussed in this Note. In certain situations, due to legal requirements or precautionary measures, judicial deposits are made to guarantee the continuity of the cases in litigation. These lawsuits are in progress in various courts, including administrative, lower, and higher courts.

Labor Claims

The provision for labor claims includes an estimate by the Company's management, supported by the opinion of its legal counselors, of the probable losses related to lawsuits filed by former employees of the Company and of service providers.

Tax Suits

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The provision for tax contingencies refers mainly to matters related to tax collections due to differences in interpretation of the tax legislation by the Brasil Telecom (group) counsel and the tax authorities.

Civil Suits

The provision for civil contingencies refers to cases related to contractual adjustments arising from Federal Government economic plans, and other cases.

Classification by Risk Level

Contingencies with a Probable Risk

Contingencies classified as having a probable risk of loss, for which provisions are recorded under liabilities, have the following balances:

NATURE	PARENT COMPANY		CONSOLIDATED	
	03/31/04	12/31/03	03/31/04	12/31/03
LABOR	-	-	417,993	424,097
TAX	-	-	65,209	65,970
CIVIL	568	233	212,299	208,911
TOTAL	568	233	695,501	698,978
CURRENT		-	330,188	48,509
NONCURRENT	568	233	365,313	650,469

Labor

There was a decrease in labor contingences in the quarter of R\$6,104. This variation is motivated by the monetary restatement and the revaluation of the cases risks, which determined the additional recognition to the provision amounted R\$18,102 and by payments amounted R\$24,206.

The main objects that affect the provisions for labor claims are the following:

- (i) Additional Remuneration for Hazardous Activities - related to the claim for payment of additional remuneration for hazardous activities, based on Law Nr. 7,369/85, regulated by Decree Nr. 93,412/86, due to the supposed risk of contact by the employee with the electric power system;
- (ii) Salary Differences and Consequences - related, mainly, to requests for salary increases due to supposedly unfulfilled union negotiations. They are related to the repercussion of the salary increase supposedly due on the others sums calculated based on the employees' salaries;
- (iii) Career plan - related to the request for application of the career and salaries plan for employees of the Subsidiary Brasil Telecom S.A., Santa Catarina Branch (formerly Telesc), with promotions for seniority and merit, supposedly not granted by the former Telesc; and
- (iv) Joint Responsibility - related to the request to ascribe responsibility to the Subsidiary, made by outsourced personnel, due to supposed nonobservance of their labor rights by their real employers.

Tax

During the quarter there was a decrease of R\$761 for consolidated represent by monetaries actualizations, which was lessened by revaluation of the cases risks, contributed for a reduction of R\$571 to the provisioned value and by payments amounted in R\$190.

The main lawsuits provided for are as follows:

- (i) Social security - Related to the non-collection of social security education allowance;
- (ii) Federal Revenue Department - Incorrect compensation of tax losses;
- (iii) State Revenue Department - Non-collection of differential in rate of ICMS; and

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(iv) CPMF - Non-collection of the contribution on financial activities.

Civil

The increase in the quarter, in the amount of R\$3,388 for consolidated is represented, by the monetary restatement and revaluation of the cases risks, resulting in a complement of R\$6,748 to the provision and by the payments amounted R\$3,360. From the complement to the provision, R\$335 belongs to the Company.

The lawsuits provided are the following:

(i) Review of contractual conditions - lawsuit where a company which, supplies equipment filed legal action against the Subsidiary Brasil Telecom S.A., asking for a review of contractual conditions due to economic stabilization plans;

(ii) Contracts of Financial Participation - the position related to the incorrect procedure previously adopted by the former CRT in processes related to the application of a rule enacted by the Ministry of the Communications has been agreed to in the Court of Appeals of Rio Grande do Sul. Such cases are in various phases: First instance, Court of Appeals and Higher Court of Appeals; and

(iii) Other lawsuits - related to various ongoing lawsuits such as indemnification for pain and suffering and material damages to consumers, indemnification for contractual rescission, indemnification for accidents, as well as lawsuits that are in Special Civil Courts whose claims, separately, do not exceed forty minimum salaries.

Contingencies with a Possible Risk

The position of contingencies with degrees of risk considered to be possible, and therefore not recorded in the accounts, is the following:

NATURE	PARENT COMPANY		CONSOLIDATED	
	03/31/04	12/31/03	03/31/04	12/31/03
LABOR	-	-	664,897	625,266
TAX	-	-	891,215	863,967
CIVIL	171	105	783,740	740,640
TOTAL	171	105	2,339,852	2,229,873

Labor

The main objects that comprise the possible losses of a labor nature are related to additional remuneration for hazardous activities, promotions and joint responsibility, the evaluation of which processes by the legal assessors resulted in a level of risk of loss evaluated only as possible. As well as the cited objects, the following demands also contribute to the aforementioned amount:

(i) Petition for remunerative consideration for hours of works supposedly exceeding the normal working hours agreed upon between the parties; and

(ii) Petition for application of a regulation that stipulated the payment of a percentage on the Company's profits of Subsidiary Brasil Telecom S.A., attributed to the Santa Catarina Branch.

Tax

The main lawsuits considered as possible loss are presented as follows:

(i) ICMS - On international calls;

(ii) ICMS - Differential of rate in interstate acquisitions;

(iii) ICMS - Exploitation of credits related to the acquisition of fixed assets for use and consumption;

(iv) ISS (service Tax) - Not collected and/or under-collected;

(v) Income and Social Contribution Taxes (IRPJ and CSLL) - Monetary variation on credits overpaid in 1997 and 1998;

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- (vi) INSS (Social Security Contribution) - Related to the Bresser and Summer Plans, as well as others social security and SAT payments;
- (vii) COFINS - REPASS; and
- (viii) Withholding Tax (IRRF) - Operations related to hedge for covering debts.

Civil

The main lawsuits are presented as follows:

- (i) Repayments resulting from Community Telephony Program lawsuits (PCT) - the plaintiffs intend to pay the compensations related to the contracts resulting from the Community Telephony Program. Such proceedings are encountered in various phases: First instance, Court of Appeals and Higher Court of Appeals;
- (ii) Lawsuits of a consumerist nature;
- (iii) Contractual - Lawsuits related to the claim for a percentage resulting from the Real Plan, to be applied in a contract for rendering services, review of conversion of installments in URV and later in reais, related to the supply of equipment and rendering of services; and
- (iv) Attendance for customers points - Public civil lawsuits arising from the closing of customer attendance points.

Contingencies with a Remote Risk

In addition to the claims mentioned above, there are also contingencies considered to be of remote risk in the amount of R\$28,864 for the Company and R\$1,378,480 (R\$1,294,159 in December 31, 2003) for Consolidation.

Letters of Guarantee

The Subsidiary Brasil Telecom S.A. has contracts for letters of guarantees signed with financial institutions, as a complementary guarantee for lawsuits in provisory execution, in the amount of R\$120,561. Most of these contracts, representing 83%, have a stated period for termination during 2004 and the remainder is for an indeterminated period of time. The remuneration for these contracts varies between 0.75% p.a. and 4.00% p.a., representing an average weighted rate of 0.96%a.a.

The judicial deposits related with contingencies and contested taxes (suspended demand) are described in Note 21.

8. SHAREHOLDERS EQUITY

a. Capital

The Company is authorized to increase its capital by means of a resolution of the Board of Directors to a total limit of 700,000,000,000 (seven hundred billion) common or preferred shares, observing the legal limit of 2/3 (two thirds) for the issue of preferred shares without voting rights.

By a resolution of the General Shareholders Meeting or the Board of Directors, the Company's capital can be increased by the capitalization of retained earnings or prior to it by reserves allocated by the General Shareholders Meeting. Under these conditions the capitalization can be made effected without changing the number of shares.

The capital is represented by common and preferred shares, with no par value, and the maintenance of proportion between the shares in the case of capital increases, is not mandatory.

By means of a resolution of the General Shareholders Meeting or the Board of Directors, preference rights can be excluded for the issue of shares, subscription bonuses or debentures convertible into shares in the cases stipulated in art. 172 of Corporation Law.

The preferred shares do not have voting rights, except in the cases specified from the 1st to 3rd paragraphs of article 12 of the bylaws, but are assured priority in receiving the minimum, non-cumulative dividend of 6% per annum, calculated on the amount resulting from dividing the capital by the total number of the Company's shares, or 3% per annum calculated on the amount resulting from dividing the net book shareholders equity by the total number of Company's shares, whichever is greater.

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Subscribed and paid-up capital as of the balance sheet date is R\$2,568,240 (R\$2,544,432 as of December 31, 2003) represented by shares without par value as follows:

TYPE OF SHARES	In thousand of shares					
	Total of Shares		Shares held in treasury		Outstanding shares	
	03/31/04	12/31/03	03/31/04	12/31/03	03/31/04	12/31/03
Common	134,031,688	134,031,688	1,480,800	1,480,800	132,550,888	132,550,888
Preferred	226,007,753	222,670,188	-	-	226,007,753	222,670,188
TOTAL	360,039,441	356,701,876	1,480,800	1,480,800	358,558,641	355,221,076

	03/31/04	12/31/03
BOOK VALUE PER THOUSAND OUTSTANDING SHARES (R\$)	17.14	17.31

b. Treasury stock

In the determination of the calculation of the book value per thousand of shares the shares held in treasury are maintained, which are originated from the following repurchasing program:

Stock Repurchase Program -Relevant Facts on 10/01/02, 12/27/02 and 08/05/03

The Company's Board of Directors approved, on the above mentioned dates, the proposals to repurchase preferred stock issued by the Company, for holding in treasury or cancellation or subsequent sale, under the following terms and conditions: (i) the retained earnings account represented the origin of the funds invested in purchasing the stock; (ii) the authorized quantity for the repurchase of Company stock for holding in treasury was limited to 10% of preferred shares outstanding in the market; and (iii) the period determined for the acquisition was three months as from to count of the date defined and published in the relevant facts for the programs published in 2002, and for the program published in 2003 the period for acquisition is 365 days, in accordance with CVM Instruction 390/03.

The repurchase of preferred shares issued by the Company for holding in treasury, is authorized up to the limit of 6,220,118,438 and 22,267,018,788 for each class of shares, respectively. To reach this limit, the Company could acquire the quantity of 4,739,318,438 common shares and the total limit authorized for repurchase of the preferred shares.

The exchange of the treasury shares originated from stock options program is presented as follows:

	03/31/04		12/31/03	
	Preferred shares (thousands)	Amount	Preferred shares (thousands)	Amount
Opening balance	1,480,800	20,846	1,480,800	20,846
Closing balance	1,480,800	20,846	1,480,800	20,846

Cost of shares (R\$)	03/31/04	12/31/03
Average	14.08	14.08
Minimum	12.40	12.40
Maximum	17.00	17.00

The unit cost in the acquisition considers the total for the programs for repurchase of shares.

There were no disposals of these purchased preferred shares up to the end of the quarter.

Market value of treasury shares

The market value of treasury shares at the balance sheet date was the following:

	03/31/04	12/31/03
Number of preferred shares in treasury (thousand of shares)	1,480,800	1,480,800

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Quote per lot of thousand shares at BOVESPA (R\$)	18.35	18.25
Market value	27,173	27,025

The Company maintains the balance of treasury stock in a separate account. For presentation purposes, the value of the treasury stock is deducted from the reserves that gave rise to it, and is presented as follows:

	RETAINED EARNINGS	
	03/31/04	12/31/03
BOOK VALUE	2,364,215	2,365,740
TREASURY STOCK	(20,846)	(20,846)
NET BALANCE OF TREASURY STOCK	2,343,369	2,344,894

c. Capital Reserves

Capital reserves are recognized in accordance with the following practices:

Reserve for Premium on Subscription of Shares: results from the difference between the amount paid on subscription and the portion allocated to capital.

Special Goodwill Reserve: represents the net value of the contra entry of the goodwill recorded in deferred charges as provided by CVM Instructions 319/99, 320/99 and 349/01. When the corresponding tax credits are used, the reserve is capitalized, annually, in the name of the controlling shareholder, observing the preemptive rights of the other shareholders.

Other Capital Reserves: recorded by the contra entry of the funds invested in income tax incentives.

d. Profit Reserves

The profit reserves are recognized in accordance with the following practices:

Legal Reserve: allocation of five percent of the annual net income, up to twenty percent of paid-up capital or thirty percent of capital plus capital reserves. The Legal Reserve is only used to increase capital or to offset losses.

Unrealized profit reserve: recognized in the year in which the amount of the mandatory dividend, calculated in accordance with the statutory provisions or with article 202 of Law Nr. 6,404/76, exceeds the realized portion of net income. The reserve can offset losses in subsequent years or, when realized, comprise the calculation of net income adjusted for dividend payments. According to the restatement required by Law Nr. 10,303/1, the income recorded under the unearned income reserve as from 2002 financial year should be considered at the value of the dividend postponed. However the unearned income reserve formed under the previous regulations, when realized, will continue to form part of the calculation base for the dividends, which is the case of unrealized profit reserve registered in the Company.

Retained Earnings: Comprises the remaining balances of net income, adjusted under the terms of article 202 of Law Nr. 6,404/76, or by the recognitions of prior year adjustments, when applicable.

e. Dividends and Interest on Shareholders Equity

The dividends are calculated in the end of the balance sheet date, in accordance with Company bylaws and corporate law. Mandatory minimum dividends are calculated in accordance with article 202 of Law Nr. 6,404/76 and the preferred or priority dividends are calculated in accordance with Company bylaws. As a result of a resolution by the Board of Directors, the Company may pay or credit, as dividends, Interest on Shareholders Equity (JSCP), under the terms of article 9, paragraph 7, of Law Nr. 9.249, dated December 26, 1995. The interests paid or credited will be offset against the minimum statutory dividend.

The JSCP credited to the shareholders and that will be allocated to dividends, net of income tax, as part of the proposed allocation of income for the current year that will be closed by the end of 2004, and to be submitted for approval of the general shareholders meeting, are as follows:

	03/31/04	03/31/03
INTERESTS ON SHAREHOLDERS EQUITY - JSCP CREDITED	75,000	122,000
COMMON SHARES	27,986	45,632

PREFERRED SHARES	47,014	76,368
WITHHOLDING TAX (IRRF)	(11,250)	(18,300)
NET JSCP	63,750	103,700

9. OPERATING REVENUE FROM TELECOMMUNICATIONS SERVICES

	CONSOLIDATED	
	03/31/04	03/31/03
LOCAL SERVICE	1,644,631	1,541,153
Activation fees	9,135	5,890
Basic subscription	747,120	702,708
Measured service charges	336,393	328,786
Fixed to mobile calls - VC1	527,763	477,675
Rent	476	523
Other	23,744	25,571
LONG DISTANCE SERVICES	556,544	455,226
Inter-Sectorial Fixed	264,804	245,036
Intra-Regional Fixed (Inter-Sectorial)	90,350	80,469
Fixed Inter-Regional	21,304	-
Fixed to mobile calls - VC2 and VC3	174,382	129,588
International	5,704	133
INTERCONNECTION (USE OF THE NETWORK)	191,200	222,691
Fixed-Fixed	128,343	166,926
Mobile-Fixed	62,857	55,765
LEASE OF MEANS	55,061	53,213
PUBLIC TELEPHONE	108,166	83,754
DATA COMMUNICATIONS	220,458	171,361
SUPPLEMENTARY, INTELLIGENT NETWORK AND ADVANCED TELEPHONY SERVICES	96,528	71,009
OTHER SERVICES OF THE MAIN ACTIVITY	30,179	4,349
OTHER	6,077	6,511
GROSS OPERATING REVENUE	2,908,844	2,609,267
TAXES ON GROSS REVENUE	(806,770)	(710,984)
OTHER DEDUCTIONS FROM GROSS REVENUE	(26,779)	(24,625)
NET OPERATING REVENUE	2,075,295	1,873,658

10. COST OF SERVICES RENDERED

The costs incurred in the generation of services rendered are as follows:

	CONSOLIDATED	
	03/31/04	03/31/03
PERSONNEL	(27,975)	(28,390)
MATERIALS	(21,825)	(19,362)
THIRD-PARTY SERVICES	(157,851)	(140,571)
INTERCONNECTION	(496,234)	(424,666)
RENT, LEASING AND INSURANCE	(81,491)	(40,243)

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CONNECTION MEANS	(5,471)	(37,513)
FISTEL	(4,002)	(3,746)
DEPRECIATION AND AMORTIZATION	(540,001)	(486,133)
OTHER	(1,085)	(2,747)
TOTAL	(1,335,935)	(1,183,371)

11. SELLING EXPENSES

The expenses related to commercialization activities are detailed according to the following nature:

	CONSOLIDATED	
	03/31/04	03/31/03
PERSONNEL	(31,157)	(31,097)
MATERIALS	(190)	(292)
THIRD-PARTY SERVICES	(99,605)	(73,726)
RENT, LEASING AND INSURANCE	(1,298)	(688)
PROVISION FOR DOUBTFUL ACCOUNTS	(78)	1,238
LOSSES ON ACCOUNTS RECEIVABLE	(87,573)	(69,140)
DEPRECIATION AND AMORTIZATION	(1,295)	(1,276)
OTHER	(277)	(189)
TOTAL	(221,473)	(175,170)

12. GENERAL AND ADMINISTRATIVE EXPENSES

The expenses related to administrative activities, which include the information technology expenses are detailed according to the following nature:

	PARENT COMPANY		CONSOLIDATED	
	03/31/04	03/31/03	03/31/04	03/31/03
PERSONNEL	(1,182)	(768)	(36,160)	(34,349)
MATERIALS	(17)	(39)	(1,018)	(670)
THIRD-PARTY SERVICES	(3,191)	(2,545)	(130,444)	(87,815)
RENT, LEASING AND INSURANCE	(676)	(660)	(14,573)	(17,822)
DEPRECIATION AND AMORTIZATION	(549)	(679)	(47,314)	(32,547)
OTHER	(5)	(11)	(923)	(407)
TOTAL	(5,620)	(4,702)	(230,432)	(173,610)

13. OTHER OPERATING INCOME (EXPENSES)

Following are presented the remaining income and expenses attributed to operational activities:

	PARENT COMPANY		CONSOLIDATED	
	03/31/04	03/31/03	03/31/04	03/31/03
TECHNICAL AND ADMINISTRATIVE SERVICES	133	394	15,462	7,928
OPERATIONAL INFRASTRUCTURE RENT AND OTHER	-	-	7,363	9,313
FINES	-	-	19,652	18,189
RECOVERED TAXES AND EXPENSES	-	-	330	79
DIVIDENDS ON INVESTMENTS VALUED AT ACQUISITION COST	-	-	286	-
GAINS/LOSSES ON MAINTENANCE SUPPLIES SALES	-	-	(930)	(8)

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TAXES (OTHER THAN ON GROSS REVENUE, INCOME AND SOCIAL CONTRIBUTION TAXES)	(25)	(60)	(10,518)	(9,158)
DONATIONS AND SPONSORSHIPS	-	-	(2,842)	(2,621)
CONTINGENCIES - PROVISION	(335)	-	(22,843)	(18,660)
PROVISION/REVERSAL OF OTHER PROVISIONS	-	-	16,339	1,639
AMORTIZATION OF GOODWILL ON INVESTMENT ACQUISITION	(470)	(470)	(10,064)	(470)
LABOR SEVERANCE PAYMENTS	-	-	-	(328)
COURT COSTS	-	-	(507)	-
WRITE-OFF OF AMOUNTS FOR LEASE OF MEANS	(1,653)	-	(1,653)	-
OTHER REVENUES (EXPENSES)	(134)	(103)	(4,116)	498
TOTAL	(2,484)	(239)	5,959	6,401

14. FINANCIAL INCOME (EXPENSES), NET

	PARENT COMPANY		CONSOLIDATED	
	03/31/04	03/31/03	03/31/04	03/31/03
FINANCIAL INCOME	81,531	98,258	129,986	102,893
LOCAL CURRENCY	78,914	97,770	118,632	95,404
ON RIGHTS IN FOREIGN CURRENCY	2,617	488	11,354	7,489
FINANCIAL EXPENSES	(109,642)	(168,226)	(381,550)	(459,158)
LOCAL CURRENCY	(34,033)	(33,432)	(213,305)	(197,506)
ON LIABILITIES IN FOREIGN CURRENCY	(609)	(12,794)	(12,467)	(55,877)
INTEREST ON SHAREHOLDERS EQUITY	(75,000)	(122,000)	(155,778)	(205,775)
TOTAL	(28,111)	(69,968)	(251,564)	(356,265)

The Interest on Shareholders' Equity was reversed in the statement of income and deducted from retained earnings, in shareholders' equity, in accordance with CVM Resolution 207/96.

15. NONOPERATING INCOME (EXPENSES)

	PARENT COMPANY		CONSOLIDATED	
	03/31/04	03/31/03	03/31/04	03/31/03
AMORTIZATION OF SPECIAL GOODWILL ON MERGER (INSTR. CVM 319/99)	(52,763)	(52,763)	(100,095)	(100,095)
REVERSION OF THE PROVISION FOR MAINTENANCE OF THE INTEGRITY OF THE SHAREHOLDERS' EQUITY (CVM INSTRUCTION 349/01)	52,763	52,763	100,095	100,095
AMORTIZATION OF GOODWILL ON MERGER	-	-	(31,004)	(31,004)
PROVISION/REVERSAL REALIZABLE VALUE AND FIXED ASSET LOSSES	-	-	(429)	1,334
GAIN (LOSS) ON PERMANENT ASSET DISPOSALS	-	-	(7,580)	(8,946)
INVESTMENT GAINS (LOSSES)	(11,276)	(7,577)	(11,276)	(7,577)
PROVISION/REVERSAL FOR INVESTMENT LOSSES	(9)	-	1,094	151
OTHER NONOPERATING INCOME (EXPENSES)	-	-	(2,331)	(1,697)
TOTAL	(11,285)	(7,577)	(51,526)	(47,739)

16. INCOME AND SOCIAL CONTRIBUTION TAXES

Income and social contribution taxes are booked on accrual basis, being temporary differences deferred. The provision for income and social contribution taxes recognized in the income statement are as follows:

	PARENT COMPANY		CONSOLIDATED	
	03/31/04	03/31/03	03/31/04	03/31/03

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INCOME BEFORE TAXES AND AFTER EMPLOYEE PROFIT SHARING	39,592	8,253	(22,546)	(66,013)
EXPENSE RELATED TO SOCIAL CONTRIBUTION TAX (9%)	(3,563)	(743)	2,029	5,941
PERMANENT ADDITIONS	(7,313)	(7,135)	(6,740)	(3,541)
PERMANENT EXCLUSIONS	2	-	976	40
EQUITY/GAIN ON INVESTMENTS	2	-	851	-
COMPULSORY DIVIDEND/DEBT ON INVEST. ACQUIS. COST	-	-	26	-
OTHER	-	-	100	40
OTHER	-	-	287	-
SOCIAL CONTRIBUTION TAX EXPENSE IN THE STATEMENT OF INCOME	(10,874)	(7,878)	(3,448)	2,440
INCOME TAX EXPENSE (10% + 15% = 25%)	(9,898)	(2,063)	5,636	16,503
PERMANENT ADDITIONS	(20,356)	(19,821)	(19,709)	(10,349)
PERMANENT EXCLUSIONS	11	6	2,813	122
EQUITY/GAIN ON INVESTMENTS	5	-	2,363	-
COMPULSORY DIVIDEND/DEBT ON INVEST. ACQUIS. COST	-	-	72	-
OTHER	6	6	389	122
OTHER	-	-	771	-
INCOME TAX EXPENSE IN THE STATEMENT OF INCOME	(30,243)	(21,878)	(10,489)	6,276
INCOME AND SOCIAL CONTRIBUTION TAX EXPENSES IN THE STATEMENT OF INCOME	(41,117)	(29,756)	(13,937)	8,716

17. CASH AND CASH EQUIVALENTS

	PARENT COMPANY		CONSOLIDATED	
	03/31/04	12/31/03	03/31/04	12/31/03
CASH	13	18	372	23
BANKS	381	335	309,618	150,999
TEMPORARY CASH INVESTMENTS	576,560	490,538	2,610,493	1,805,634
TOTAL	576,954	490,891	2,920,483	1,956,656

Temporary cash investments represent amounts invested in portfolios managed by financial institutions and refer to federal bonds with an average yield equivalent to interbank deposit rates (DI CETIP - CDI), contracts in the Futures and Commodities Exchange - BM&F, linked to foreign exchange variation and interest of around 4.5% per year and in an investment fund with exchange variation plus six-month LIBOR tax plus interest of 1.5% per annum, for the consolidation.

Cash Flow Statement

	PARENT COMPANY		CONSOLIDATED	
	03/31/04	03/31/03	03/31/04	03/31/03
OPERATIONS				
NET INCOME FOR THE PERIOD	73,475	100,497	74,348	101,371
MINORITY INTEREST	-	-	44,947	47,107
INCOME ITEMS THAT DO NOT AFFECT CASH FLOW	(46,956)	(82,326)	1,144,099	931,990
Depreciation and amortization	1,019	679	629,678	550,959
Losses on accounts receivable from services	-	-	97,465	69,140
Provision for doubtful accounts	-	-	(6,298)	(1,238)
Provision for contingencies	335	-	22,842	(2,285)
Deferred taxes	9,048	-	235,340	94,276
Income from writing off permanent assets	8	-	9,043	21,155
Financial charges	19,198	27,295	145,652	176,490
Equity loss	(87,840)	(90,924)	-	-
Investment gain/loss	11,276	7,577	10,377	7,577

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Other expenses/income	-	(26,953)	-	15,916
CHANGES IN ASSETS AND LIABILITIES	10,504	35,693	(510,991)	(382,899)
CASH FLOW FROM OPERATIONS	37,023	53,864	752,403	697,569
FINANCING	(177)	(166)	(547)	(223)
Dividends/interest on Shareholders Equity paid during the period	(31,120)	(29,411)	362,533	(198,455)
Loans and financing	-	-	587,204	23,363
Loans obtained	-	-	(128,134)	(117,251)
Loans paid	(31,120)	(29,411)	(96,537)	(104,567)
Interest paid	-	(4,734)	-	(4,734)
Stock repurchase	-	-	166	(10,593)
Other cash flow from financing	(31,297)	(34,311)	362,152	(214,005)
CASH FLOW FROM FINANCING				
INVESTMENTS				
Short-term financial investments	78,347	60,812	22	(630)
Providers of investments	2,025	922	122,793	(19,810)
Income obtained from the sale of permanent assets	-	-	745	10,736
Investments in permanent assets	(29)	(359)	(273,188)	(424,172)
Other cash flow from investments	(6)	(15)	(1,100)	(3,200)
CASH FLOW FROM INVESTMENTS	80,337	61,360	(150,728)	(437,076)
CASH FLOW FOR THE PERIOD	86,063	80,913	963,827	46,488

CASH AND CASH EQUIVALENTS				
Closing balance	576,954	254,176	2,920,483	1,642,651
Opening balance	490,891	173,263	1,956,656	1,596,163
VARIATION IN CASH AND CASH EQUIVALENTS	86,063	80,913	963,827	46,488

18. TRADE ACCOUNTS RECEIVABLE

The amounts related to accounts receivable are as follows:

	CONSOLIDATED	
	03/31/04	12/31/03
UNBILLED AMOUNTS	763,568	707,130
BILLED AMOUNTS	1,335,395	1,335,606
ALLOWANCE FOR DOUBTFUL ACCOUNTS	(176,725)	(183,023)
TOTAL	1,922,238	1,859,713
CURRENT	1,271,701	1,300,313
PAST DUE - 01 TO 30 DAYS	340,912	311,753
PAST DUE - 31 TO 60 DAYS	130,896	100,480
PAST DUE - 61 TO 90 DAYS	91,613	83,694
PAST DUE - 91 TO 120 DAYS	71,406	55,001
PAST DUE - OVER 120 DAYS	192,435	191,495

19. LOANS AND FINANCING - ASSETS

	PARENT COMPANY		CONSOLIDATED	
	03/31/04	12/31/03	03/31/04	12/31/03
LOANS				
LOANS TO SUBSIDIARY	85,584	89,653	-	-
LOANS	126,637	125,044	136,781	135,003
FINANCING				
DEBENTURES OF SUBSIDIARY	1,334,489	1,408,190	-	-
TOTAL	1,546,710	1,622,887	136,781	135,003

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CURRENT	-	-	2,439	2,446
NONCURRENT	1,546,710	1,622,887	134,342	132,557

The loans and financing account includes the amount of R\$126,637 (R\$125,044 on December 31, 2003), related to the assets transferred to Brasil Telecom Participações S.A. in the TELEBRÁS spin-off process, referring to liabilities of Telebrasília Celular S.A. and Telegoiás Celular S.A. through a repass of funds for financing their expansions. These amounts are subject to exchange variation plus interest between 11.55% p.a. and the semiannual Libor rate plus 1% or 1.5% per year. These loans are being challenged in the courts by the holding company of the aforementioned mobile cellular operators, and therefore are not being received. According to the opinion of the Company's legal counselors, there are no expectations of loss in relation to these receivables.

The income related to the restatement of the charges on these loans receivable is being deferred for tax purposes, and the corresponding deferred income and social contribution taxes are recognized.

The amounts related to loans and debentures receivable from the Subsidiary until December 31, 2004, in the amount of R\$433,264 (R\$507,308 in December 31, 2003), are being presented in the noncurrent assets, in accordance with the article Nr. 179, under the Corporate Law.

20. DEFERRED AND RECOVERABLE TAXES DEFERRED AND RECOVERABLE TAXES

Deferred income related to income and social contribution taxes

	PARENT COMPANY		CONSOLIDATED	
	03/31/04	12/31/03	03/31/04	12/31/03
SOCIAL CONTRIBUTION TAX				
DEFERRED SOCIAL CONTRIBUTION TAX on:				
Provision for contingencies	51	-	9,461	62,691
Allowance for doubtful accounts	-	-	62,249	16,471
Negative calculation base	-	-	15,905	368
Provision for employee profit sharing	285	218	3,034	4,028
Unrealized revenue	-	-	1,388	1,507
Goodwill on Bluetel acquisition (CVM Instr. 349/01)	14,246	18,995	14,246	18,995
Goodwill on CRT acquisition	-	-	28,399	32,659
Provision for pension plan coverage actuarial insufficiency	-	-	44,729	45,548
Other provisions	-	20	15,652	9,265
SUBTOTAL	14,582	19,233	195,063	191,532
INCOME TAX				
DEFERRED INCOME TAX on:				
Provision for contingencies	142	-	172,913	174,142
Allowance for doubtful accounts	-	-	44,180	45,754
Tax loss carryforwards	-	-	24,675	1,022
Provision for employee profit sharing	480	355	6,325	9,371
Unrealized revenue	-	-	3,859	4,190
ICMS - 69/98 Agreement	-	-	41,471	38,938
Goodwill on Bluetel acquisition (CVM Instr. 349/01)	39,572	52,763	39,572	52,763
Goodwill on CRT acquisition	-	-	78,886	90,719
Provision for pension plan coverage actuarial insufficiency	-	-	124,247	126,523
Provision for COFINS/CPMF suspended collection	-	-	13,724	14,573
Other provisions	-	59	41,976	24,987
SUBTOTAL	40,194	53,177	591,828	582,982
TOTAL	54,776	72,410	786,891	774,514
CURRENT	54,776	72,410	404,013	270,167
NONCURRENT	-	-	382,878	504,347

The periods during which the deferred tax assets corresponding to income tax and social contribution on net income (CSLL) are expected to be realized are shown below, which are derived from temporary differences between book income according on the accrual basis and taxable income. The realization periods are based on a technical study using forecast future taxable income, generated in financial years when the temporary differences will become deductible expenses for tax purposes. This asset is maintained according to the requirements of CVM

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Instruction 371/02, being a technical study annually, when the closing of the fiscal year, submitted to approval of the Management, Board of Directors as well as the fiscal council.

	PARENT COMPANY	CONSOLIDATED
2004	54,776	309,774
2005	-	185,065
2006	-	66,057
2007	-	52,073
2008	-	49,901
2009 - 2011	-	30,226
2012 - 2013	-	18,759
After 2013	-	75,036
TOTAL	54,776	786,891
CURRENT	54,776	404,013
NONCURRENT	-	382,878

The recoverable amount foreseen after the year 2013 is a result of a provision to cover an actuarial insufficiency of the pension plan, the liability for which is being settled according to the maximum period established by the Supplementary Pensions Department (SPC), which is 17 years and 9 months. Despite the time limit stipulated by the SPC and according to the estimated future taxable income, the company presents conditions to fully offset the deferred taxes in a period lower than ten years, if it opts to fully anticipate the payment of the debt. Tax credits in the amount of R\$47,902, attributed to the Consolidation were not recorded, due to the uncertainties of taxable income in the next ten years in BrT CS Ltda. and in Freelance S.A., indirect subsidiaries.

Other Tax Carryforwards

It is comprised of Federal withholding taxes and payments made, calculated based on legal estimates, which will be offset against future tax obligations. The ICMS recoverable arises, for the most part, from credits recorded in the acquisition of fixed assets, whose compensation with ICMS payable may occur in up to 48 months, according to Complementary Law Nr. 102/00.

	PARENT COMPANY		CONSOLIDATED	
	03/31/04	12/31/03	03/31/04	12/31/03
INCOME TAX	278,402	241,590	355,225	322,055
SOCIAL CONTRIBUTION TAX	11,546	11,266	33,082	32,264
ICMS (state VAT)	58	58	347,303	373,338
PIS AND COFINS	-	-	61,528	62,102
OTHER	9	9	4,296	4,425
TOTAL	290,015	252,923	801,434	794,184
CURRENT	85,341	127,315	381,453	430,858
NONCURRENT	204,674	125,608	419,981	363,326

21. JUDICIAL DEPOSITS

Balances of judicial deposits related to contingencies and contested taxes (suspended demand):

NATURE OF RELATED LIABILITIES	PARENT COMPANY		CONSOLIDATED	
	03/31/04	12/31/03	03/31/04	12/31/03
LABOR	2	2	257,992	219,239
CIVIL	-	-	40,174	27,890
TAX				
CHALLENGED TAXES - ICMS 69/98 AGREEMENT	-	-	165,779	155,059
OTHER	-	-	57,086	55,792
TOTAL	2	2	521,031	457,980
CURRENT	-	-	117,979	40,367
NONCURRENT	2	2	403,052	417,613

22. OTHER ASSETS

PARENT COMPANY

CONSOLIDATED

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	03/31/04	12/31/03	03/31/04	12/31/03
DIVIDENDS/INTEREST ON SHAREHOLDERS EQUITY RECEIVABLE	271,785	138,062	-	-
RECEIVABLES FROM OTHER TELECOM COMPANIES	-	-	114,220	103,338
ADVANCES TO SUPPLIERS	-	-	21,042	12,613
CONTRACTUAL GUARANTEES AND RETENTIONS	-	-	50,711	69,251
ADVANCES TO EMPLOYEES	34	31	20,361	20,622
RECEIVABLES FROM SALE OF ASSETS	-	-	11,800	5,527
PREPAID EXPENSES	7,143	7,613	72,369	44,567
ASSETS FOR SALE	-	-	1,272	9,269
TAX INCENTIVES	-	-	18,315	18,315
COMPULSORY DEPOSITS	-	-	1,750	1,750
OTHER	284	2,041	12,108	7,332
TOTAL	279,246	147,747	323,948	292,584
CURRENT	275,693	143,571	124,780	112,857
NONCURRENT	3,553	4,176	199,168	179,727

23. INVESTMENTS

	PARENT COMPANY		CONSOLIDATED	
	03/31/04	12/31/03	03/31/04	12/31/03
INVESTMENTS CARRIED UNDER THE EQUITY METHOD	4,377,469	4,458,228	-	-
BRASIL TELECOM S.A.	4,337,543	4,418,315	-	-
NOVA TARRAFA PARTICIPAÇÕES LTDA.	37,010	37,016	-	-
NOVA TARRAFA INC.	2,916	2,897	-	-
GOODWILL ON ACQUISITION OF INVESTMENTS	3,131	3,600	116,417	126,492
CRT	3,131	3,600	3,131	3,600
IBEST GROUP	-	-	105,292	117,216
BRT CABOS SUBMARINOS GROUP	-	-	7,994	5,676
INVESTMENTS STATED AT COST	6,911	6,895	183,668	183,418
TAX INCENTIVES (NET OF ALLOWANCE FOR LOSSES)	1,729	1,737	29,510	28,299
OTHER INVESTMENTS	-	-	350	350
TOTAL	4,389,240	4,470,460	329,945	338,559

Investments valued by the equity method: comprise the Company's ownership interest in its subsidiaries Brasil Telecom S.A., Nova Tarrafa Participações Ltda., and Nova Tarrafa Inc., the principal data of which are as follow:

	BT S.A.	NTP (Ltda.)	NTI
SHAREHOLDERS EQUITY	6,557,523	37,010	2,916
CAPITAL	3,401,245	32,625	2,916
BOOK VALUE PER SHARE/SHAREQUOTA (R\$)	0.012	1.13	2,907.80
NET INCOME/(LOSS) IN THE QUARTER	132,779	(6)	-
NUMBER OF SHARES/SHAREQUOTAS HELD BY COMPANY			
COMMON SHARES	247,231,759,431	-	1,003
PREFERRED SHARES	112,002,099,844	-	-
CAPITALQUOTAS	-	32,624,928	-
OWNERSHIP % IN SUBSIDIARY'S CAPITAL			
IN TOTAL CAPITAL	65.98%	99.99%	100%
IN VOTING CAPITAL	99.05%	99.99%	100%
DIVIDENDS/INTEREST ON SHAREHOLDERS EQUITY RECEIVABLE	271,785	-	-

(1) It considers the capital stock in circulation.

The following valued compose the Equity Method:

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	OPERATING		NONOPERATING	
	03/31/04	03/31/03	03/31/04	03/31/03
BRASIL TELECOM S.A.	87,826	90,938	(11,276)	(7,577)
NOVA TARRAFA PARTICIPAÇÕES LTDA.	(5)	(14)	-	-
NOVA TARRAFA INC.	19	-	-	-
TOTAL	87,840	90,924	(11,276)	(7,577)

Investments stated at cost: There are interests obtained by converting into shares or capital quotas the tax incentive investments in regional FINOR/FINAM funds, Law for Incentives for Information Technology Companies and the Audiovisual Law. Shares of other telecommunications companies located in the regions covered by such regional incentives predominate.

Tax incentives: arise from investments in FINOR/FINAM and audiovisual funds, originated in the investment of allowable portions of income tax due.

Other investments: are related to collected cultural assets.

24. PROPERTY, PLANT AND EQUIPMENT

PARENT COMPANY
