

BRASIL TELECOM SA
Form 6-K
October 24, 2007

**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 October 23, 2007

(Commission File No. 1-15256)

BRASIL TELECOM S.A.

(Exact name of Registrant as specified in its Charter)

BRAZIL TELECOM COMPANY

(Translation of Registrant's name into English)

**SIA Sul, Área de Serviços Públicos, Lote D, Bloco B
Brasília, D.F., 71.215-000
Federative Republic of Brazil**

(Address of 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 ANNOUNCES GROSS REVENUE OF R\$ 4.0 BILLION AND EBITDA OF R\$ 974.6 MILLION IN THE 3Q07

Net revenue climbed 4.6% and EBITDA rose 7.3% over the 3Q06

Net income totaled R\$ 195.7 million, 257.8% up year-on-year

4 million mobile users in the 3Q07

Brasília, October 23, 2007 - Brasil Telecom S.A. (BOVESPA: BRTO3/BRTO4; NYSE: BTM) announces its consolidated results for the third quarter of 2007 (3Q07). The Company's unaudited financial statements are presented in millions of Reais, except where stated otherwise, and prepared in conformity with generally accepted accounting principles in Brazil.

HIGHLIGHTS

- **Consolidated EBITDA** stood at R\$974.6 million in the quarter, 7.3% higher than the R\$ 908.0 million recorded in the 3Q06. The consolidated **EBITDA margin** came to 35.5%, 0.9 p.p. up on the 3Q06. Year-to-date consolidated EBITDA totaled R\$ 2,906.4 million, 13.8% up year-on-year.
- Sustaining the positive results reached earlier this year, **BrT Mobile's EBITDA** stood at R\$ 34.0 million in the 3Q07, R\$ 54.3 million up on the same period the year before. The **EBITDA margin** of the mobile operations came to 7.6%, 13.3 p.p. up on the 3Q06.
- In its third year of operation, BrT Mobile closed the quarter with over 4 million **mobile subscribers**, 31.9% up on the 3Q06.
- 1,523,200 **ADSL users** at the end of September 2007, 21.6% more than in the 3Q06.
- **Internet Group providers** closed the quarter with 1.3 million broadband subscribers, 34.4% more than in the 3Q06, maintaining its market leadership in Region II.
- **Consolidated gross revenue** amounted to R\$ 3,997.3 million, 4.2% up on the 3Q06, and **consolidated net revenue** totaled R\$ 2,748.3 million, 4.6% up on the 3Q06.
- **Consolidated mobile gross revenue** came to R\$ 478.8 million, 40.8% more than in the 3Q06. BrT Mobile's service revenue totaled R\$ 577.5 million, 34.7% up on the 3Q06.
- **Gross data communication and other services revenue** reached R\$ 704.9 million in 3Q07, 20.3% higher than in the 3Q06.
- **Operating costs and expenses** (excluding depreciation and amortization) totaled R\$ 1,773.6 million, accounting for 64.5% of net revenue, 0.9 p.p. down on the 65.4% recorded in the same quarter in the previous year.

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| | | |
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Brasil Telecom Participações S.A. controls Brasil Telecom S.A., a telecommunications company that provides wireline services, including national and international calls, and mobile telephony, as well as public telephony, data communication, network and supplementary and value-added services in the states of Rondônia, Acre, Mato Grosso, Mato Grosso do Sul, Tocantins, Goiás, Santa Catarina, Paraná and Rio Grande do Sul and in the Federal District. Its coverage area corresponds to 24% of the population (approximately 44 million), 27% of GDP (around R\$ 420 billion in 2003) and 33% of national territory (close to 2.8 million km²).

INCOME STATEMENT

| R\$ Million | | | | Δ | | | | Δ Year |
|--|------------------|------------------|------------------|------------------|-----------------|------------------|------------------|-----------------|
| | 3Q06 | 2Q07 | 3Q07 | Quarter | Δ 12 Months | 9M06 | 9M07 | |
| GROSS REVENUES | 3,835.2 | 3,972.9 | 3,997.3 | 0.6% | 4.2% | 11,109.4 | 11,867.2 | 6.8% |
| FIXED TELEPHONY | 2,843.4 | 2,775.3 | 2,752.7 | -0.8% | -3.2% | 8,528.6 | 8,352.5 | -2.1% |
| Local Service | 1,735.1 | 1,634.4 | 1,624.5 | -0.6% | -6.4% | 5,206.4 | 4,907.0 | -5.8% |
| Public Telephony | 135.5 | 140.4 | 138.8 | -1.1% | 2.4% | 402.2 | 408.2 | 1.5% |
| Long Distance Service | 666.3 | 727.6 | 720.0 | -1.0% | 8.1% | 2,048.6 | 2,203.9 | 7.6% |
| Interconnection | 120.0 | 82.4 | 82.5 | 0.1% | -31.2% | 328.2 | 249.9 | -23.9% |
| Lease of Means | 83.9 | 86.0 | 86.6 | 0.7% | 3.2% | 246.9 | 262.4 | 6.3% |
| Supplementary and Value Added Services | 91.6 | 95.9 | 92.4 | -3.6% | 0.9% | 264.6 | 294.6 | 11.4% |
| Other | 11.0 | 8.6 | 7.8 | -9.5% | -28.9% | 31.7 | 26.4 | -16.6% |
| MOBILE TELEPHONY * | 405.7 | 511.5 | 539.6 | 5.5% | 33.0% | 939.5 | 1,480.8 | 57.6% |
| Services | 340.0 | 428.8 | 478.8 | 11.7% | 40.8% | 749.6 | 1,285.1 | 71.4% |
| Merchandise Sales (Handsets and Accessories) | 65.7 | 82.7 | 60.8 | -26.5% | -7.5% | 189.8 | 195.7 | 3.1% |
| D A T A COMMUNICATIONS | 586.0 | 686.0 | 704.9 | 2.8% | 20.3% | 1,641.3 | 2,033.9 | 23.9% |
| Deductions | (1,207.2) | (1,229.5) | (1,249.0) | 1.6% | 3.5% | (3,553.8) | (3,684.7) | 3.7% |
| NET REVENUES | 2,628.0 | 2,743.3 | 2,748.3 | 0.2% | 4.6% | 7,555.6 | 8,182.5 | 8.3% |
| OPERATING COSTS AND EXPENSES | (1,720.0) | (1,767.8) | (1,773.6) | 0.3% | 3.1% | (5,001.0) | (5,276.1) | 5.5% |
| Personnel | (156.9) | (155.1) | (158.1) | 2.0% | 0.8% | (507.6) | (463.4) | -8.7% |
| Materials | (100.1) | (101.7) | (92.9) | -8.7% | -7.2% | (289.1) | (271.9) | -6.0% |
| Subcontracted Services | (529.0) | (561.7) | (556.5) | -0.9% | 5.2% | (1,643.0) | (1,680.8) | 2.3% |
| Interconnection | (562.0) | (570.4) | (558.0) | -2.2% | -0.7% | (1,541.1) | (1,705.0) | 10.6% |
| Advertising and Marketing | (39.2) | (35.6) | (39.3) | 10.6% | 0.4% | (101.7) | (99.7) | -2.0% |
| Provisions and Losses | (210.6) | (271.5) | (210.8) | -22.4% | 0.1% | (623.0) | (700.5) | 12.5% |
| Other | (122.2) | (71.7) | (158.0) | 120.2% | 29.2% | (295.4) | (354.8) | 20.1% |
| EBITDA | 908.0 | 975.6 | 974.6 | -0.1% | 7.3% | 2,554.6 | 2,906.4 | 13.8% |
| EBITDA Margin | 34.6% | 35.6% | 35.5% | -0.1 p.p. | 0.9 p.p. | 33.8% | 35.5% | 1.7 p.p. |
| Depreciation and Amortization | (665.9) | (624.9) | (606.4) | -3.0% | -8.9% | (2,004.4) | (1,880.5) | -6.2% |
| EARNINGS BEFORE FINANCIAL RESULT (EBIT) | 242.1 | 350.7 | 368.2 | 5.0% | 52.1% | 550.2 | 1,025.8 | 86.4% |
| Financial Result | (136.3) | (61.9) | (61.2) | -1.2% | -55.1% | (574.3) | (468.0) | -18.5% |
| Financial Revenues | 108.5 | 95.3 | 100.5 | 5.4% | -7.4% | 334.7 | 303.1 | -9.4% |
| Financial Expenses | (244.8) | (157.2) | (161.7) | 2.8% | -34.0% | (664.0) | (526.1) | -20.8% |
| Interest on Own Capital | - | - | - | N.A. | N.A. | (245.0) | (245.0) | 0.0% |

| | | | | | | | | |
|---|--------------|--------------|--------------|--------------|---------------|---------------|--------------|---------------|
| EARNINGS AFTER FINANCIAL RESULT | 105.8 | 288.7 | 307.0 | 6.3% | 190.1% | (24.1) | 557.8 | N.A. |
| Non-Operating Revenues (Expenses) | (6.6) | 2.2 | 3.6 | 61.4% | N.A. | (23.7) | 9.2 | N.A. |
| Goodwill Amortization | (0.3) | (0.0) | - | N.A. | N.A. | (0.8) | (0.1) | -83.6% |
| Other | (6.3) | 2.2 | 3.6 | 59.5% | N.A. | (22.9) | 9.3 | N.A. |
| EARNINGS BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES | 99.3 | 290.9 | 310.6 | 6.8% | 212.9% | (47.8) | 567.0 | N.A. |
| Income and Social Contribution Taxes | (46.4) | (114.5) | (115.9) | 1.3% | 149.9% | (21.0) | (227.4) | N.A. |
| EARNINGS BEFORE PROFIT SHARING | 52.9 | 176.5 | 194.7 | 10.3% | 268.3% | (68.8) | 339.6 | N.A. |
| Minority Interest | 1.9 | (0.4) | 1.1 | N.A. | -41.7% | 1.6 | 1.3 | -18.2% |
| EARNINGS BEFORE REVERSION OF INTEREST ON OWN CAPITAL | 54.7 | 176.1 | 195.7 | 11.1% | 257.8% | (67.2) | 340.9 | N.A. |
| Reversion of Interest on Own Capital | - | - | - | N.A. | N.A. | 245.0 | 245.0 | 0.0% |
| NET INCOME | 54.7 | 176.1 | 195.7 | 11.1% | 257.8% | 177.8 | 585.9 | 229.5% |
| Net Income/shares - R\$ ** | 0.1000 | 0.3218 | 0.3577 | 11.1% | 257.8% | 0.3249 | 1.0705 | N.A. |
| Net Income/ADR - US\$ | 0.1379 | 0.5012 | 0.5835 | 16.4% | 323.0% | 0.7472 | 2.9107 | N.A. |

* The values of 3Q06 were reclassified, including the data communications revenue (VAS).

** The values of 3Q06 are per 1,000 shares.

BRT MOBILE

| R\$ Million | | | | Δ | | | | |
|--|----------------|----------------|----------------|-----------------|----------------|----------------|------------------|---------------|
| | 3Q06 | 2Q07 | 3Q07 | Quarter | Δ 12 Months | 9M06 | 9M07 | Δ Year |
| GROSS REVENUES | 494.5 | 609.1 | 638.3 | 4.8% | 29.1% | 1,198.7 | 1,788.8 | 49.2% |
| Services | 428.8 | 526.4 | 577.5 | 9.7% | 34.7% | 1,008.8 | 1,593.1 | 57.9% |
| Subscription | 78.1 | 113.7 | 114.3 | 0.5% | 46.4% | 200.9 | 329.4 | 63.9% |
| Utilization | 106.4 | 128.7 | 158.1 | 22.8% | 48.6% | 288.3 | 408.3 | 41.7% |
| Interconnection | 202.2 | 246.5 | 262.5 | 6.5% | 29.8% | 412.7 | 748.1 | 81.3% |
| Other Revenues | 12.1 | 11.3 | 13.0 | 14.9% | 7.7% | 31.2 | 34.2 | 9.5% |
| Data Communications | 30.1 | 26.2 | 29.6 | 13.1% | -1.4% | 75.8 | 73.1 | -3.6% |
| Merchandise Sales | | | | | | | | |
| (Handsets and Accessories) | 65.7 | 82.7 | 60.8 | -26.5% | -7.5% | 189.8 | 195.7 | 3.1% |
| Deductions | (139.3) | (179.6) | (189.8) | 5.7% | 36.2% | (370.4) | (525.7) | 41.9% |
| NET REVENUES | 355.1 | 429.6 | 448.5 | 4.4% | 26.3% | 828.3 | 1,263.1 | 52.5% |
| OPERATING COSTS AND EXPENSES | (375.4) | (424.4) | (414.5) | -2.3% | 10.4% | (936.8) | (1,219.5) | 30.2% |
| Personnel | (18.3) | (17.8) | (18.6) | 4.1% | 1.5% | (56.4) | (55.1) | -2.3% |
| Materials | (77.2) | (78.8) | (69.8) | -11.3% | -9.6% | (219.8) | (204.5) | -7.0% |
| Subcontracted Services | (82.6) | (90.6) | (87.3) | -3.7% | 5.7% | (267.0) | (271.7) | 1.7% |
| Interconnection | (116.7) | (146.6) | (150.9) | 2.9% | 29.2% | (156.3) | (425.5) | 172.3% |
| Advertising and Marketing | (8.6) | (17.2) | (8.8) | -48.8% | 2.3% | (36.3) | (36.2) | -0.5% |
| Provisions and Losses | (12.1) | (20.5) | (16.6) | -18.8% | 37.0% | (29.6) | (51.7) | 74.6% |
| Other | (59.8) | (52.9) | (62.5) | 18.3% | 4.6% | (171.3) | (174.8) | 2.1% |
| EBITDA | (20.3) | 5.2 | 34.0 | N.A. | N.A. | (108.5) | 43.6 | N.A. |
| | | | | | 13.3 | | | 16.6 |
| EBITDA Margin | -5.7% | 1.2% | 7.6% | 6.4 p.p. | p.p. | -13.1% | 3.4% | p.p. |
| Depreciation and Amortization | (88.1) | (95.2) | (96.1) | 0.9% | 9.1% | (244.7) | (285.8) | 16.8% |
| EARNINGS BEFORE FINANCIAL RESULT | (108.4) | (90.0) | (62.1) | -31.0% | -42.7% | (353.2) | (242.2) | -31.4% |
| Financial Result | (10.2) | 17.2 | 17.0 | -0.9% | N.A. | (29.3) | 44.8 | -252.9% |
| Financial Revenues | 2.5 | 25.8 | 33.1 | 28.0% | N.A. | 9.3 | 81.6 | 775.2% |
| Financial Expenses | (12.7) | (8.6) | (16.0) | 85.4% | 26.1% | (38.6) | (36.7) | -4.9% |
| EARNINGS AFTER FINANCIAL RESULT | (118.6) | (72.8) | (45.0) | -38.2% | -62.0% | (382.5) | (197.4) | -48.4% |
| Non-Operating Revenues (Expenses) | 0.0 | 1.3 | - | N.A. | N.A. | (0.4) | 1.3 | N.A. |
| EARNINGS BEFORE INCOME AND SOCIAL CONTRIBUION TAXES | (118.6) | (71.6) | (45.0) | -37.1% | -62.0% | (382.9) | (196.2) | -48.8% |
| | 40.3 | 23.7 | 15.2 | -35.6% | -62.2% | 129.8 | 66.0 | -49.1% |

Income and Social
Contribution Taxes

| | | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|----------------|----------------|---------------|
| EARNINGS BEFORE PROFIT SHARING | (78.3) | (47.9) | (29.8) | -37.8% | -62.0% | (253.1) | (130.2) | -48.6% |
|---|---------------|---------------|---------------|---------------|---------------|----------------|----------------|---------------|

| | | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|----------------|----------------|---------------|
| EARNINGS BEFORE REVERSION OF INTEREST ON OWN CAPITAL | (78.3) | (47.9) | (29.8) | -37.8% | -62.0% | (253.1) | (130.2) | -48.6% |
|---|---------------|---------------|---------------|---------------|---------------|----------------|----------------|---------------|

| | | | | | | | | |
|------------------------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|---------------|
| NET EARNINGS (LOSSES) | (78.3) | (47.9) | (29.8) | -37.8% | -62.0% | (253.1) | (130.2) | -48.6% |
|------------------------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|---------------|

Brasil Telecom S.A.

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OPERATING PERFORMANCE**WIRELINE TELEPHONY****Network****Table 1: Operating Data**

| FIXED LINE PLANT | 3Q06 | 2Q07 | 3Q07 | Δ Quarter | Δ 12 Months |
|---|-----------------|-----------------|-----------------|------------------|--------------------|
| Lines Installed (Thousand) | 10,794.5 | 10,375.2 | 10,368.1 | -0.1% | -4.0% |
| Additional Lines Installed (Thousand) | 0.0 | (13.3) | (7.1) | -46.9% | N.A. |
| Lines in Service - LIS (Thousand) | 8,623.2 | 8,129.4 | 8,064.2 | -0.8% | -6.5% |
| Residential | 5,651.5 | 5,470.3 | 5,443.7 | -0.5% | -3.7% |
| Non-Residential | 1,313.6 | 1,238.5 | 1,224.4 | -1.1% | -6.8% |
| Public Telephones | 288.8 | 276.0 | 282.0 | 2.1% | -2.4% |
| Hybrid Terminals | 694.6 | 507.7 | 465.7 | -8.3% | -32.9% |
| Other (Including PBX) | 674.8 | 636.9 | 648.4 | 1.8% | -3.9% |
| Additional LIS (Thousand) | (783.9) | (148.6) | (65.2) | -56.1% | -91.7% |
| Active Lines (LIS - Blocked Lines) | 8,225.0 | 7,901.5 | 7,862.1 | -0.5% | -4.4% |
| Blocked Lines | 398.2 | 227.9 | 202.1 | -11.3% | -49.3% |
| Average LIS (Thousand) | 9,015.2 | 8,203.7 | 8,096.8 | -1.3% | -10.2% |
| LIS/100 Inhabitants | 19.9 | 18.4 | 18.3 | -0.8% | -8.2% |
| Public Telephones/1,000 Inhabitants | 6.7 | 6.3 | 6.4 | 2.1% | -4.2% |
| Public Phones/100 Lines Installed | 2.7 | 2.7 | 2.7 | 2.2% | 1.7% |
| Utilization Rate | 79.9% | 78.4% | 77.8% | -0.6 p.p. | -2.1 p.p. |

Brasil Telecom launched new plans and promotions, leading to an increase in wireline customer loyalty in this quarter. **Brasil Telecom developed a new approach to wireline with the objective of increasing its value, which is translated into advertising campaigns portraying it as the family telephone**. In addition, it perfected its client-retention procedures with the creation of two new offerings, the **Brasil Total** and **Brasil Total Negócios**, with packages including local and long-distance wireline telephony, smart services, mobile telephony and broadband.

In the 3Q07, Brasil Telecom had more than 3.5 million lines in alternative local wireline plans, up by 26.6% on the 3Q06 as a result of the strategy of approaching the market in an increasingly segmented manner, encouraging the adhesion to alternative plans. Pursuant to Anatel's resolution, Brasil Telecom successfully completed the conversion from pulses to minutes on July 31, 2007 without negatively affecting the local wireline revenue due to the high adhesion of clients to alternative plans with billing in minutes similar to the previous model in pulses.

Among the alternative plans offered, the **Conta Completa (Full Bill)** stands out, having boosted the sales of alternative plans with a share of over 60% in the sales mix in the 3Q07. This plan allows clients to choose their minute package according to their usage profile for each kind of calls: local, long-distance and calls to mobiles.

The sales area focused on advanced wireline, which includes products such as PABX Virtual and PABX Virtual Net that obviate client investments and offer the functionalities of traditional PABX equipment like monthly services, underlining the success of Brasil Telecom's strategy of offering high value-added services. This strategy was reinforced with the launch of VIP Report CNG (Non-Geographical Codes), featuring advanced reports for the management of products such as DDG 0800, thus strengthening customer loyalty even further.

Brasil Telecom also offers alternative long-distance plans and recorded 747,900 customers at the end of the 3Q07, up by 53.2% on the 3Q06.

At the end of the 3Q07, Brasil Telecom's network comprised 10.4 million installed lines, 8.1 million of which in use, representing a utilization rate of 77.8% . Of this total, 7,862,100 were active and 202,100 were blocked.

Traffic

Table 2 : Traffic

| TRAFFIC | 3Q06 | 2Q07 | 3Q07 | Δ Quarter | Δ 12 Months | 9M06 | 9M07 | Δ Year |
|---|-------------|-------------|-------------|----------------------|------------------------|-------------|-------------|---------------|
| Exceeding Local Pulses (Million) | 2,227.6 | 1,216.9 | 377.6 | -69.0% | -83.1% | 6,661.1 | 3,028.3 | -54.5% |
| Exceeding Minutes (Million) | - | 499.7 | 2,106.8 | 321.6% | N.A. | - | 2,720.8 | N.A. |
| VC-1 (Million Minutes) | 721.9 | 697.8 | 673.4 | -3.5% | -6.7% | 2,166.5 | 2,063.5 | -4.8% |
| Long Distance Minutes (Million) | 1,410.1 | 1,381.7 | 1,366.5 | -1.1% | -3.1% | 4,259.6 | 4,186.6 | -1.7% |
| Long Distance | 1,159.4 | 1,061.3 | 1,070.1 | 0.8% | -7.7% | 3,492.3 | 3,259.7 | -6.7% |
| VC-2 | 153.8 | 174.6 | 172.0 | -1.5% | 11.9% | 465.9 | 514.8 | 10.5% |
| VC-3 | 96.9 | 145.8 | 124.4 | -14.7% | 28.3% | 301.3 | 412.1 | 36.8% |

The conversion of the charging system from pulses to minutes changed the traffic profile significantly as of this quarter. For comparison purposes and based on Brasil Telecom's usage profile, the conversion factors for the basic residential, non-residential and alternative plans averaged 1.7, 1.5 and 4.0 minutes, respectively.

Note that the ongoing increase in the adhesion to alternative plans reduces excess traffic as clients tend to choose plans that are in line with their usage profile.

VC-1 traffic totaled 673.4 million minutes in the 3Q07, 6.7% down on the 3Q06, due to the substitution of wireline by mobile telephony.

Long-distance traffic fell by 3.1% compared to the 3Q06. However, this drop was partially offset by the increase in the number of clients who joined alternative and long-distance plans and the upturn in VC-2 and VC-3 traffic, due to strategic partnerships. These adhesions to alternative national long-distance plans were mainly focused on the *14 Simples* plan. The *14 Simples* plan offers a package of 30 minutes of long-distance national calls from wireline to wireline phones, at any time and to any city in Brazil at a very reasonable cost. The repositioning of CSP 14, highlighting the importance of voice in communicating feelings and bringing people closer, also helped encourage adhesions to alternative plans.

PS: The market shares hereby presented refer to Brasil Telecom's concession area (Region II of the PGO - General Concession Plan).

In the 3Q07, Brasil Telecom maintained its leadership position, **recording an average market share of 85.5% in the intra-regional segment and 90.2% in the intra-sector one. The company's market share remained at 63.7% in the inter-regional segment and increased by 1.4 p.p. in the international segment to 37.4% .**

MOBILE TELEPHONY

Table 3: Operating Data

| Key Operational Data | 3Q06 | 2Q07 | 3Q07 | Δ Quarter | Δ 12 Months |
|-----------------------------------|----------------|----------------|----------------|-------------------|------------------|
| Clients (Thousand) | 3,051.0 | 3,768.6 | 4,023.8 | 6.8% | 31.9% |
| Post-Paid | 947.3 | 890.2 | 856.8 | -3.8% | -9.6% |
| Pre-Paid | 2,103.7 | 2,878.3 | 3,167.0 | 10.0% | 50.5% |
| Net Additions (Thousand) | 279.3 | 130.5 | 255.3 | 95.7% | -8.6% |
| Post-Paid | 47.2 | (76.7) | (33.4) | -56.5% | -170.8% |
| Pre-Paid | 232.1 | 207.2 | 288.7 | 39.3% | 24.4% |
| Gross Additions (Thousand) | 443.0 | 623.5 | 642.7 | 3.1% | 45.1% |
| Post-Paid | 106.9 | 98.6 | 83.0 | -15.8% | -22.3% |
| Pre-Paid | 336.2 | 524.9 | 559.7 | 6.6% | 66.5% |
| Cancellations (Thousand) | 163.8 | 493.0 | 387.4 | -21% | 137% |
| Post-Paid | 31.3 | 175.3 | 116.4 | -33.6% | 272.1% |
| Pre-Paid | 132.5 | 317.7 | 271.1 | -14.7% | 104.6% |
| Annualized Churn | 22.5% | 53.3% | 39.8% | -13.5 p.p. | 17.3 p.p. |
| Post-Paid | 13.5% | 75.5% | 53.3% | -22.2 p.p. | 39.7 p.p. |
| Pre-Paid | 26.7% | 45.8% | 35.9% | -9.9 p.p. | 9.2 p.p. |
| SAC (R\$) | 148.4 | 89.7 | 85.1 | -5.1% | -42.6% |
| Market Share | 11.4% | 12.9% | 13.3% | 0.4 p.p. | 1.9 p.p. |
| Served Localities | 810 | 830 | 841 | 1.3% | 3.8% |
| % of Population Covered | 87% | 87% | 87% | 0.0 p.p. | 0.0 p.p. |
| Base Stations | 2,251 | 2,434 | 2,515 | 3.3% | 11.7% |
| Switches | 10 | 10 | 11 | 10.0% | 10.0% |
| Employees | 632 | 610 | 605 | -0.8% | -4.3% |

Mobile telephony operations reached 4,023,800 users, or 255,300 net additions in the quarter. At the close, BrT Mobile's client base was 31.9% larger than in the 3Q06, compared to a growth of 17.6% in the Brazilian market during the same period.

The mobile client base had 856,800 post-paid subscribers (21.3% of BrT Mobile's clients) and 3,167,000 prepaid subscribers.

Gross additions totaled 642,700, 45.1% up on the 3Q06. The number of gross additions in the 3Q07 surpassed even the previous quarter, which is traditionally the second highest of the year due to the Mother's Day. This result reflects the success of the plans and promotions offered by BrT Mobile and the increased point-of-sale capillarity.

The company created promotions to encourage intra-network traffic (on-net) or call reception, in order to generate interconnection revenue, including Free calls to other operators. The Father's Day campaigns in the prepaid segment included Free calls at night and Free calls from public phones. In the post-paid segment, the promotion Free calls on Sundays was launched.

BrT Mobile's market share in Region II was 13.3% at the end of the quarter, 1.9 p.p. up on the 3Q06. BrT Mobile sustained its position as the third major operator in terms of market share in the Federal District and the states of GO, TO, MT, AC and RO.

Table 4: Market Share by State – BrT Mobile

| State | 3Q06 | 4Q06 | 1Q07 | 2Q07 | 3Q07 | Δ Quarter | Δ 12 Months |
|------------------|--------------|--------------|--------------|--------------|--------------|-----------------|-----------------|
| AC | 12.2% | 13.7% | 15.3% | 14.9% | 16.1% | 1.1 p.p. | 3.8 p.p. |
| RO | 18.7% | 20.2% | 22.0% | 22.9% | 24.9% | 2.0 p.p. | 6.1 p.p. |
| DF | 20.1% | 21.3% | 22.7% | 23.1% | 24.1% | 1.0 p.p. | 4.0 p.p. |
| GO | 13.7% | 14.6% | 15.7% | 16.0% | 16.4% | 0.4 p.p. | 2.8 p.p. |
| TO | 17.2% | 17.9% | 19.6% | 20.6% | 22.0% | 1.3 p.p. | 4.8 p.p. |
| MS | 10.1% | 10.8% | 11.4% | 11.3% | 11.4% | 0.1 p.p. | 1.3 p.p. |
| MT | 11.1% | 11.9% | 12.9% | 13.0% | 13.9% | 0.9 p.p. | 2.8 p.p. |
| PR | 9.4% | 9.9% | 10.4% | 10.1% | 10.0% | -0.1 p.p. | 0.6 p.p. |
| SC | 10.9% | 11.4% | 11.9% | 11.7% | 11.6% | -0.1 p.p. | 0.7 p.p. |
| RS | 8.2% | 8.7% | 9.3% | 9.4% | 9.9% | 0.4 p.p. | 1.7 p.p. |
| Region II | 11.4% | 12.1% | 12.9% | 12.9% | 13.3% | 0.4 p.p. | 1.9 p.p. |

According to Anatel, **BrT Mobile's post-paid market share in Region II stood at 14.2% in September.**

At the end of the 3Q07, **BrT Mobile covered 841 localities, accounting for 87% of the Region II population.**

BrT Mobile has maintained its profitable growth strategy, cutting costs and adopting market subsidy levels. **Its subscriber acquisition cost (SAC) stood at R\$ 85.1, 42.6%, down on the 3Q06**, confirming the strategy of focusing on growth base without hurting profitability.

DATA

In the 3Q07, **Brasil Telecom added 69,800 ADSL users, totaling 1,523,200 at the close of the quarter**, up by 21.6% over the 3Q06. ADSL services continued to grow throughout the quarter, supported by the expansion of the Turbo services, with the launch of three new speeds – 2 mega, 4 mega and 8 mega - using ADSL 2+ technology, and the partnership with Sky. The new speeds aim to meet the demand for greater flexibility resulting from the development of new Web 2.0 typical tools available to users. **ADSL (ADSL/LIS) penetration reached 18.9%, versus 14.5% in the 3Q06.**

In the last few years, Brasil Telecom has been investing substantially in capillarity and the introduction of new and promising technologies in this segment, which resulted in **ADSL coverage of 1,488 municipalities.**

For Brasil Telecom, broadband networks are the main channels for offering its users new services including multimedia conference, VoIP, and data VPN.

Brasil Telecom currently offers broadband services via twisted pair with ADSL 2+ technology, which allows access speeds of up to 24Mbps, and is already introducing VDSL2, which allows speeds of up to 100Mbps. In addition, fiber-optic networks allowing speeds from 10Mbps to 1Gbps – which Brasil Telecom has so far only offered to the corporate segment via its Metro Ethernet network - will soon be available to home users and SMBs (small and medium enterprises).

In order to reflect this strategy in its communication, Brasil Telecom adopted a new positioning strategy for Turbo,

which was now presented as Turbo: the internet of those who want it all .

In addition to the increase in the number of ADSL users, Brasil Telecom recorded ongoing growth in other products in the corporate data communication segment, especially those based on IP technology (Vetor VPN IP MPLS and Corporate IP dedicated internet access).

New IP-based data communication products were launched to meet the demands of small and medium businesses. The IP Professional product was launched to meet internet access needs, offering exclusive differentials geared at e-commerce. With VPN Empresas, small and medium-sized companies can link their business units in a simple and safe manner, having Brasil Telecom as the sole service provider.

High value-added products, such as equipment rental and supervision, have also grown substantially. Video, Audio, and webcast are also offered as part of the portfolio of advanced services in a single platform (MultiConferências). This trend confirms the success of Brasil Telecom's strategy of focusing on IP services and providing complete and convergent solutions.

Brasil Telecom was the first telephony company in Brazil to offer IPTV services. Launched in late September 2007, the product is called Videon and allows users to watch videos, access the Internet and play games online. Shortly, it will also allow them to communicate via chat or send SMS to mobile phones. Firstly, Videon will be offered in Brasília, through the company's call center, but will soon be available in the main cities where Brasil Telecom operates.

Internet Service Providers

Internet Group, Brasil Telecom's Internet unit comprising the activities of iG, iBest and BrTurbo, is Brazil's **second largest broadband provider, with 1.3 million clients**, up by 34.4% on the same period last year. Considering iG and BrTurbo subscribers, the group maintained its leadership in the market of Region II.

At the end of the 3Q07, paying clients amounted to 2.0 million. In addition to broadband clients, the number of paying clients of Internet Group's higher value-added services rose by 166.6% year-on-year, reaching 700,000. In this quarter, the main products were: (i) **Educa**, a family-education product, featuring hints for the university entrance exam, and online teachers, up by 21.5%; (ii) **Aditivado**, a dial-up product that allows faster speeds, up by 20.2%; and (iii) **Protege**, an online PC anti-virus product, up by 19.4%.

Internet Group has 3.6 million dial-up users and is the third leading portal in terms of audience, with over 10.6 million unique residential visitors per month. It generated 10.6 billion minutes of traffic in the 3Q07. The participation of iBest and iG's minute market share in Region II stood at 64.9% at the end of the quarter, positioning Internet Group as the market leader in that region.

ECONOMIC-FINANCIAL PERFORMANCE

REVENUE

Table 5: Consolidated Operating Gross Revenue

| R\$ Million | | | | Δ | | | | Δ Year |
|---|----------------|----------------|----------------|--------------|---------------|-----------------|-----------------|---------------|
| | 3Q06 | 2Q07 | 3Q07 | Quarter | Δ 12 Months | 9M06 | 9M07 | |
| GROSS REVENUES | 3,835.2 | 3,972.9 | 3,997.3 | 0.6% | 4.2% | 11,109.4 | 11,867.2 | 6.8% |
| FIXED TELEPHONY | 2,843.4 | 2,775.3 | 2,752.7 | -0.8% | -3.2% | 8,528.6 | 8,352.5 | -2.1% |
| Local Service | 1,735.1 | 1,634.4 | 1,624.5 | -0.6% | -6.4% | 5,206.4 | 4,907.0 | -5.8% |
| Subscription | 871.6 | 874.3 | 895.4 | 2.4% | 2.7% | 2,636.0 | 2,632.3 | -0.1% |
| Activation | 7.9 | 3.7 | 2.9 | -21.6% | -63.6% | 19.6 | 13.2 | -32.6% |
| Local Traffic | 350.3 | 281.1 | 263.1 | -6.4% | -24.9% | 1,041.9 | 846.7 | -18.7% |
| VC-1 | 493.3 | 466.1 | 456.9 | -2.0% | -7.4% | 1,473.0 | 1,388.7 | -5.7% |
| Lease of Facilities | 0.4 | 0.3 | 0.3 | 1.0% | -32.2% | 1.2 | 0.9 | -25.1% |
| Other | 11.5 | 9.1 | 5.9 | -34.5% | -48.4% | 34.7 | 25.3 | -27.1% |
| Public Telephony | 135.5 | 140.4 | 138.8 | -1.1% | 2.4% | 402.2 | 408.2 | 1.5% |
| Long Distance Service | 666.3 | 727.6 | 720.0 | -1.0% | 8.1% | 2,048.6 | 2,203.9 | 7.6% |
| Intra-Sector | 220.7 | 212.3 | 219.3 | 3.3% | -0.6% | 663.1 | 645.5 | -2.7% |
| Intra-Region | 74.5 | 66.2 | 66.0 | -0.3% | -11.4% | 230.0 | 200.6 | -12.8% |
| Inter-Region | 62.8 | 61.0 | 60.6 | -0.8% | -3.6% | 196.3 | 182.4 | -7.1% |
| International | 11.0 | 11.3 | 9.9 | -12.7% | -10.1% | 34.0 | 32.9 | -3.3% |
| VC-2 | 171.0 | 190.8 | 196.0 | 2.7% | 14.6% | 519.2 | 589.3 | 13.5% |
| Fixed Origin | 70.6 | 70.7 | 72.1 | 1.9% | 2.1% | 209.2 | 216.6 | 3.5% |
| Mobile Origin | 100.4 | 120.0 | 123.9 | 3.2% | 23.4% | 310.0 | 372.8 | 20.3% |
| VC-3 | 126.3 | 186.0 | 168.3 | -9.5% | 33.2% | 405.9 | 553.1 | 36.3% |
| Fixed Origin | 53.3 | 95.6 | 77.1 | -19.3% | 44.8% | 166.1 | 270.0 | 62.6% |
| Mobile Origin | 73.1 | 90.4 | 91.1 | 0.8% | 24.7% | 239.8 | 283.1 | 18.0% |
| Interconnection | 120.0 | 82.4 | 82.5 | 0.1% | -31.2% | 328.2 | 249.9 | -23.9% |
| Fixed-Fixed | 84.9 | 54.8 | 56.7 | 3.6% | -33.1% | 223.3 | 168.3 | -24.6% |
| Mobile-Fixed | 35.2 | 27.6 | 25.8 | -6.8% | -26.7% | 105.0 | 81.6 | -22.2% |
| Lease of Means | 83.9 | 86.0 | 86.6 | 0.7% | 3.2% | 246.9 | 262.4 | 6.3% |
| Supplementary and Value Added Services | 91.6 | 95.9 | 92.4 | -3.6% | 0.9% | 264.6 | 294.6 | 11.4% |
| Other | 11.0 | 8.6 | 7.8 | -9.5% | -28.9% | 31.7 | 26.4 | -16.6% |
| MOBILE TELEPHONY | 405.7 | 511.5 | 539.6 | 5.5% | 33.0% | 939.5 | 1,480.8 | 57.6% |
| Services | 340.0 | 428.8 | 478.8 | 11.7% | 40.8% | 749.6 | 1,285.1 | 71.4% |

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| | | | | | | | | |
|-----------------------------------|------------------|------------------|------------------|---------------|--------------|------------------|------------------|--------------|
| Subscription | 78.1 | 113.7 | 114.3 | 0.5% | 46.4% | 200.9 | 329.4 | 63.9% |
| Utilization | 100.2 | 128.1 | 157.9 | 23.2% | 57.7% | 269.0 | 395.5 | 47.0% |
| Additional for Calls | | | | | | | | |
| Received | 1.8 | 1.4 | 2.1 | 46.0% | 12.0% | 4.5 | 5.0 | 12.5% |
| Roaming | 3.5 | 4.2 | 4.5 | 6.9% | 27.1% | 9.4 | 13.4 | 42.9% |
| Interconnection | 119.6 | 149.4 | 163.9 | 9.7% | 37.0% | 172.7 | 453.0 | 162.3% |
| Other Services | 6.7 | 5.7 | 6.5 | 13.1% | -3.6% | 17.3 | 15.7 | -9.4% |
| Comunicação de Dados | 30.1 | 26.2 | 29.6 | 13.1% | -1.4% | 75.8 | 73.1 | -3.6% |
| Merchandise Sales | | | | | | | | |
| (Handsets and Accessories) | 65.7 | 82.7 | 60.8 | -26.5% | -7.5% | 189.8 | 195.7 | 3.1% |
| DATA | | | | | | | | |
| COMMUNICATIONS | 586.0 | 686.0 | 704.9 | 2.8% | 20.3% | 1,641.3 | 2,033.9 | 23.9% |
| Fixed | 586.0 | 686.0 | 704.9 | 2.8% | 20.3% | 1,641.3 | 2,033.9 | 23.9% |
| Fixed | 494.4 | 573.8 | 587.2 | 2.3% | 18.8% | 1,378.4 | 1,701.2 | 23.4% |
| Other Services of the | | | | | | | | |
| Main Activity | 91.6 | 112.2 | 117.8 | 5.0% | 28.6% | 262.9 | 332.7 | 26.5% |
| Deductions | (1,207.2) | (1,229.5) | (1,249.0) | 1.6% | 3.5% | (3,553.8) | (3,684.7) | 3.7% |
| % of Gross Revenue | 31.5% | 30.9% | 31.2% | 0.3 p.p. | -0.2 p.p. | 32.0% | 31.0% | 0.0 p.p. |
| NET REVENUES | 2,628.0 | 2,743.3 | 2,748.3 | 0.2% | 4.6% | 7,555.6 | 8,182.5 | 8.3% |
| Net Service Revenues | 2,584.8 | 2,694.3 | 2,709.7 | 0.6% | 4.8% | 7,429.7 | 8,064.1 | 8.5% |
| Net Handsets Revenues | 43.2 | 49.1 | 38.6 | -21.3% | -10.6% | 125.9 | 118.4 | -6.0% |

Brasil Telecom s gross revenue reached **R\$3,997.3 million in the 3Q07**, 4.2% higher than in the 3Q06. The increased participation of data communication and mobile telephony services underline the success of the company s revenue diversification strategy.

Local service gross revenue totaled R\$1,624.5 million in the 3Q07, 6.4% down on the 3Q06. The quarter's highlights were: the 2.7% increase in gross revenue from subscription fees due to the migration of clients to alternative plans and tariff increase of 2.14% for local services and 3.29% for VCs. To guarantee the transparency in the process of conversion from pulses to minutes, the tariffs previously used for the local wireline-wireline pulse and minute were maintained till September 30, 2007. However, this upturn was more than offset by the 24.9% decline in gross revenue from local traffic and a slide of 7.4% in VC-1 calls.

Gross revenue from public telephony stood at R\$138.8 million, 2.4% up on the 3Q06 due to the increase of 2.14% in tariffs.

Gross revenue from long-distance services came to R\$720.0 million, 8.1% up on the 3Q06, chiefly fueled by the increase in VC-2, VC-3 traffic and the tariff increase of 2.14% in long-distance services and 3.29% in VCs.

Interconnection revenue amounted to R\$82.5 million, 31.2% down on the R\$ 120.0 million recorded in the 3Q06 chiefly due to lower traffic and the 20% reduction in TU-RL as of January 1, 2007.

Wireline ARPU (excluding data communications) totaled R\$ 77.9, 9.1% up on the 3Q06, reflecting the company's strategy of curbing the decline in wireline revenue. **Including data communications**, ARPU stood at R\$ 97.9, 12.7% higher than in the 3Q06, thanks to growing ADSL user penetration.

Gross revenue from data communications and other services totaled R\$ 704.9 million, 20.3% up on the 3Q06 chiefly due to the increase of 21.6% in the ADSL client base.

ADSL ARPU amounted to R\$ 71.2, 1.4% up on the 3Q06 due to the strategy of prioritizing the sale of more profitable products with higher access speeds.

Consolidated mobile telephony gross revenue moved up 40.8% year-on-year due to the expansion of the client base and the launch of new service plans.

Consolidated mobile telephony gross revenue stood at R\$ 539.6 million, R\$ 478.8 million of which from services and R\$60.8 million from the sale of handsets and accessories.

Table 6: ARPU Calculation Mobile Telephony

| R\$ Thousand | 3Q06 | 4Q06 | 1Q07 | 2Q07 | 3Q07 |
|---|--------------|--------------|--------------|--------------|--------------|
| (+) Gross Revenues | 494.5 | 590.3 | 541.3 | 609.1 | 638.3 |
| (-) Handsets | (65.7) | (96.4) | (52.2) | (82.7) | (60.8) |
| Gross Service Revenues | 428.8 | 493.9 | 489.1 | 526.4 | 577.5 |
| (-) Taxes and Deductions | (116.8) | (142.9) | (134.8) | (145.9) | (167.6) |
| Net Service Revenues | 311.9 | 351.1 | 354.3 | 380.5 | 409.9 |
| Mobile-Mobile Interconnection Fee (Full Bill) | 75.6 | 94.6 | 98.4 | 98.4 | 107.6 |
| Other Net Service Revenues | 236.4 | 256.4 | 255.9 | 282.1 | 302.3 |
| (-) Roaming | (0.7) | (1.1) | (1.8) | (1.8) | (1.8) |
| Net Quarterly Revenues | 311.2 | 349.9 | 352.5 | 378.7 | 408.2 |
| Qet Monthly Revenues | 103.7 | 116.6 | 117.5 | 126.2 | 136.1 |
| Average Number of Clients | 2,911.8 | 3,153.7 | 3,514.0 | 3,736.1 | 3,894.9 |
| ARPU (R\$) | 35.6 | 37.0 | 33.4 | 33.8 | 34.9 |

Mobile telephony ARPU amounted to R\$ 34.9 : post-paid user ARPU came to R\$57.7 and prepaid user ARPU stood at R\$28.3.

Brasil Telecom s consolidated net revenue totaled R\$ 2,748.3 million in 3Q07, 4.6% higher than the R\$ 2,628.0 million recorded in the 3Q06.

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

| R\$ Million | 3Q06 | 2Q07 | 3Q07 | Δ Quarter | Δ 12 Months | 9M06 | 9M07 | Δ Year |
|--|------------------|------------------|------------------|----------------------|------------------------|------------------|------------------|---------------|
| GROSS REVENUES | 3,835.2 | 3,972.9 | 3,997.3 | 0.6% | 4.2% | 11,109.4 | 11,867.2 | 6.8% |
| Deductions | (1,207.2) | (1,229.5) | (1,249.0) | 1.6% | 3.5% | (3,553.8) | (3,684.7) | 3.7% |
| NET REVENUES | 2,628.0 | 2,743.3 | 2,748.3 | 0.2% | 4.6% | 7,555.6 | 8,182.5 | 8.3% |
| Costs | (1,606.1) | (1,601.8) | (1,542.3) | -3.7% | -4.0% | (4,737.5) | (4,756.4) | 0.4% |
| Personnel | (47.1) | (41.8) | (41.7) | -0.3% | -11.6% | (151.1) | (123.6) | -18.2% |
| Materials | (88.1) | (89.5) | (75.2) | -16.0% | -14.6% | (252.9) | (234.2) | -7.4% |
| Subcontracted Services | (783.2) | (802.0) | (789.1) | -1.6% | 0.8% | (2,213.9) | (2,406.4) | 8.7% |
| Interconnection | (562.0) | (570.4) | (558.0) | -2.2% | -0.7% | (1,541.1) | (1,705.0) | 10.6% |
| Other | (221.2) | (231.6) | (231.1) | -0.2% | 4.5% | (672.8) | (701.4) | 4.2% |
| Depreciation and Amortization | (554.9) | (521.4) | (493.9) | -5.3% | -11.0% | (1,693.9) | (1,557.1) | -8.1% |
| Other | (132.7) | (147.1) | (142.5) | -3.1% | 7.4% | (425.6) | (435.1) | 2.2% |
| GROSS PROFIT | 1,021.9 | 1,141.5 | 1,205.9 | 5.6% | 18.0% | 2,818.1 | 3,426.1 | 21.6% |
| Sales Expenses | (258.3) | (275.3) | (284.9) | 3.5% | 10.3% | (801.1) | (833.8) | 4.1% |
| Personnel | (61.0) | (61.6) | (63.6) | 3.2% | 4.2% | (194.6) | (185.4) | -4.8% |
| Materials | (5.9) | (11.3) | (16.7) | 47.4% | 181.6% | (20.1) | (34.9) | 73.5% |
| Subcontracted Services | (178.2) | (179.8) | (181.0) | 0.7% | 1.5% | (545.1) | (535.9) | -1.7% |
| Advertising and Marketing | (39.2) | (35.6) | (39.3) | 10.6% | 0.4% | (101.7) | (99.7) | -2.0% |
| Other | (139.1) | (144.2) | (141.7) | -1.8% | 1.9% | (443.4) | (436.2) | -1.6% |
| Depreciation and Amortization | (4.1) | (4.7) | (4.8) | 0.7% | 15.1% | (12.4) | (14.3) | 15.3% |
| Other | (9.0) | (17.9) | (18.9) | 5.3% | 109.7% | (28.9) | (63.4) | 119.8% |
| General and Administrative Expenses | (193.7) | (203.3) | (199.9) | -1.7% | 3.2% | (611.2) | (602.4) | -1.4% |
| Personnel | (42.1) | (45.7) | (47.1) | 3.0% | 11.8% | (141.5) | (136.6) | -3.5% |
| Materials | (5.8) | (0.6) | (0.6) | -4.6% | -90.3% | (15.2) | (1.7) | -88.5% |
| Subcontracted Services | (137.7) | (148.9) | (144.0) | -3.3% | 4.6% | (428.9) | (439.4) | 2.4% |
| Depreciation and Amortization | (6.0) | (6.2) | (5.5) | -11.3% | -8.2% | (17.9) | (18.1) | 0.7% |
| Other | (2.1) | (1.9) | (2.7) | 42.6% | 31.1% | (7.6) | (6.6) | -13.6% |
| Information Technology | (128.5) | (128.0) | (130.6) | 2.0% | 1.6% | (365.5) | (374.6) | 2.5% |
| Personnel | (6.7) | (6.0) | (5.9) | -2.6% | -12.4% | (20.4) | (17.8) | -12.4% |
| Materials | (0.3) | (0.3) | (0.4) | 38.5% | 42.4% | (0.9) | (1.0) | 11.0% |
| Subcontracted Services | (31.0) | (37.1) | (39.7) | 7.2% | 28.2% | (97.9) | (103.8) | 6.1% |
| Depreciation and Amortization | (82.4) | (75.6) | (75.7) | 0.2% | -8.2% | (223.8) | (228.3) | 2.0% |
| Other | (8.1) | (9.1) | (8.9) | -1.9% | 9.3% | (22.6) | (23.6) | 4.8% |

| | | | | | | | | |
|--|----------------|----------------|----------------|---------------|--------------|----------------|----------------|---------------|
| Provisions and Losses | (210.6) | (271.5) | (210.8) | -22.4% | 0.1% | (623.0) | (700.5) | 12.5% |
| Doubtful Accounts | (91.4) | (112.5) | (56.0) | -50.2% | -38.7% | (288.5) | (264.2) | -8.4% |
| Contingencies | (119.2) | (159.0) | (154.8) | -2.7% | 29.9% | (334.5) | (436.3) | 30.5% |
| Other Operating Revenues (Exp.) | 11.3 | 87.3 | (11.5) | N.A. | N.A. | 132.9 | 111.1 | -16.4% |
| Goodwill Amortization | (18.4) | (17.0) | (26.5) | 56.4% | 44.5% | (56.4) | (62.9) | 11.5% |
| Other | 29.7 | 104.2 | 15.0 | -85.6% | -49.4% | 189.3 | 174.0 | -8.1% |
| EARNINGS BEFORE FINANCIAL RESULT (EBIT) | 242.1 | 350.7 | 368.2 | 5.0% | 52.1% | 550.2 | 1,025.8 | 86.4% |

| R\$ Million | 3Q06 | 2Q07 | 3Q07 | Δ Quarter | Δ 12 Months | 9M06 | 9M07 | Δ Year |
|---|------------------|------------------|------------------|----------------------|------------------------|------------------|------------------|---------------|
| OPERATING COSTS AND EXPENSES | (2,385.8) | (2,392.7) | (2,380.0) | -0.5% | -0.2% | (7,005.4) | (7,156.6) | 2.2% |
| Personnel | (156.9) | (155.1) | (158.1) | 2.0% | 0.8% | (507.6) | (463.4) | -8.7% |
| Materials | (100.1) | (101.7) | (92.9) | -8.7% | -7.2% | (289.1) | (271.9) | -6.0% |
| Subcontracted Services | (529.0) | (561.7) | (556.5) | -0.9% | 5.2% | (1,643.0) | (1,680.8) | 2.3% |
| Interconnection | (562.0) | (570.4) | (558.0) | -2.2% | -0.7% | (1,541.1) | (1,705.0) | 10.6% |
| Advertising and Marketing | (39.2) | (35.6) | (39.3) | 10.6% | 0.4% | (101.7) | (99.7) | -2.0% |
| Provisions and Losses | (210.6) | (271.5) | (210.8) | -22.4% | 0.1% | (623.0) | (700.5) | 12.5% |
| Other | (122.2) | (71.7) | (158.0) | 120.2% | 29.2% | (295.4) | (354.8) | 20.1% |
| Depreciation and Amortization | (665.9) | (624.9) | (606.4) | -3.0% | -8.9% | (2,004.4) | (1,880.5) | -6.2% |

Operating costs and expenses stood at R\$ 2,380.0 million, virtually flat when compared to the R\$2,385.8 million recorded in the 3Q06.

Graph 7: Operating Costs and Expenses Breakdown
(Excludes Depreciation and Amortization)

3Q07
R\$1,773.6 million

3Q06
R\$1,720.0 million

Personnel costs and expenses came to R\$158.1 million, 0.8% up on the 3Q06. At the end of the 3Q07, the BrT group had a total of 5,885 employees, 2.1% more than in September 2006. These employees were allocated as follows: 5,280 in the wireline, data and Internet provider segment and 605 in BrT Mobile.

Third-party costs and expenses, excluding interconnection, advertising and marketing, **totaled R\$ 556.5 million**, 5.2% up on the 3Q06.

The ratio between losses on accounts receivable and gross revenue reached 1.4%, totaling R\$56.0 million, 1.0 p.p. down on the 2.4% recorded in the 3Q06. Losses on accounts receivable declined as a result of the improved phone collection performance.

Table 8: Consolidated Accounts Receivable

| | 3Q06 | 4Q06 | 1Q07 | 2Q07 | 3Q07 |
|------------------------------|----------------|----------------|----------------|----------------|----------------|
| Total (R\$ Million) | 2,411.8 | 2,485.3 | 2,522.7 | 2,534.0 | 2,627.7 |
| Due | 66.0% | 65.7% | 62.9% | 64.0% | 66.2% |
| Overdue (up to 30 days) | 16.0% | 16.7% | 16.3% | 15.6% | 15.4% |
| Overdue (between 31-60 days) | 4.8% | 5.0% | 5.9% | 4.8% | 4.5% |
| Overdue (between 61-90 days) | 2.8% | 3.1% | 3.9% | 3.1% | 2.9% |
| Overdue (more than 90 days) | 10.4% | 9.5% | 11.0% | 12.5% | 11.0% |

Provisions for contingencies stood at R\$ 154.8 million, R\$ 35.6 million up on the 3Q06, chiefly due to monetary restatement and the booking of increased provisions for civil, tax and labor dispute losses.

Material costs and expenses came to R\$92.9 million, down by 7.2% on the 3Q06. **BrT Mobile s material costs and expenses amounted to R\$ 69.8 million**, representing 75.1% of the Group s total material costs and expenses, since cost of goods sold is accounted for in this line.

Depreciation and amortization costs totaled R\$ 606.4 million, 8.9% down on the 3Q06 due to fully depreciated items.

Other operating costs and expenses stood at R\$ 158.0 million, 29.2% higher than in the 3Q06. This increase was driven by the booking of close to R\$ 27 million in actuarial liabilities in the 3Q07 and the R\$ 2.9 million negative adjustment of the company's handset inventories to market value.

EBITDA

Table 9: EBITDA Margin Gains and Losses

| R\$ Million | 3Q06 | Vertical | 2Q07 | Vertical | 3Q07 | Vertical |
|--|------------------|---------------|------------------|---------------|------------------|---------------|
| GROSS REVENUES | 3,835.2 | 145.9% | 3,972.9 | 144.8% | 3,997.3 | 145.4% |
| FIXED TELEPHONY | 2,843.4 | 108.2% | 2,775.3 | 101.2% | 2,752.7 | 100.2% |
| Local Service | 1,735.1 | 66.0% | 1,634.4 | 59.6% | 1,624.5 | 59.1% |
| Public Telephony | 135.5 | 5.2% | 140.4 | 5.1% | 138.8 | 5.1% |
| Long Distance Service | 666.3 | 25.4% | 727.6 | 26.5% | 720.0 | 26.2% |
| Interconnection | 120.0 | 4.6% | 82.4 | 3.0% | 82.5 | 3.0% |
| Lease of Means | 83.9 | 3.2% | 86.0 | 3.1% | 86.6 | 3.2% |
| Supplementary and Value Added Services | 91.6 | 3.5% | 95.9 | 3.5% | 92.4 | 3.4% |
| Other | 11.0 | 0.4% | 8.6 | 0.3% | 7.8 | 0.3% |
| MOBILE TELEPHONY | 405.7 | 15.4% | 511.5 | 18.6% | 539.6 | 19.6% |
| DATA COMMUNICATIONS | 586.0 | 22.3% | 686.0 | 25.0% | 704.9 | 25.7% |
| Deductions | (1,207.2) | -45.9% | (1,229.5) | -44.8% | (1,249.0) | -45.4% |
| NET REVENUES | 2,628.0 | 100.0% | 2,743.3 | 100.0% | 2,748.3 | 100.0% |
| OPERATING COSTS AND EXPENSES | (1,720.0) | -65.4% | (1,767.8) | -64.4% | (1,773.6) | -64.5% |
| Personnel | (156.9) | -6.0% | (155.1) | -5.7% | (158.1) | -5.8% |
| Materials | (100.1) | -3.8% | (101.7) | -3.7% | (92.9) | -3.4% |
| Subcontracted Services | (529.0) | -20.1% | (561.7) | -20.5% | (556.5) | -20.2% |
| Interconnection | (562.0) | -21.4% | (570.4) | -20.8% | (558.0) | -20.3% |
| Advertising and Marketing | (39.2) | -1.5% | (35.6) | -1.3% | (39.3) | -1.4% |
| Provisions and Losses | (210.6) | -8.0% | (271.5) | -9.9% | (210.8) | -7.7% |
| Other | (122.2) | -4.7% | (71.7) | -2.6% | (158.0) | -5.7% |
| EBITDA | 908.0 | 34.6% | 975.6 | 35.6% | 974.6 | 35.5% |

Table 10: EBITDA Margin of Services

| R\$ Million | | | | Δ | | | | Δ Year |
|-----------------------|------------------|------------------|------------------|--------------|-------------|------------------|------------------|--------------|
| | 3Q06 | 2Q07 | 3Q07 | Quarter | Δ 12 Months | 9M06 | 9M07 | |
| GROSS REVENUES | 3,835.2 | 3,972.9 | 3,997.3 | 0.6% | 4.2% | 11,109.4 | 11,867.2 | 6.8% |
| Services | 3,769.5 | 3,890.2 | 3,936.5 | 1.2% | 4.4% | 10,919.6 | 11,671.5 | 6.9% |
| Products | 65.7 | 82.7 | 60.8 | -26.5% | -7.5% | 189.8 | 195.7 | 3.1% |
| DEDUCTIONS | (1,207.2) | (1,229.5) | (1,249.0) | 1.6% | 3.5% | (3,553.8) | (3,684.7) | 3.7% |
| Services | (1,184.7) | (1,195.9) | (1,226.8) | 2.6% | 3.6% | (3,489.9) | (3,607.4) | 3.4% |
| Products | (22.5) | (33.6) | (22.2) | -34.0% | -1.4% | (63.9) | (77.3) | 21.0% |
| NET REVENUES | 2,628.0 | 2,743.3 | 2,748.3 | 0.2% | 4.6% | 7,555.6 | 8,182.5 | 8.3% |
| Services | 2,584.8 | 2,694.3 | 2,709.7 | 0.6% | 4.8% | 7,429.7 | 8,064.1 | 8.5% |
| Products | 43.2 | 49.1 | 38.6 | -21.3% | -10.6% | 125.9 | 118.4 | -6.0% |
| EBITDA | 908.0 | 975.6 | 974.6 | -0.1% | 7.3% | 2,554.6 | 2,906.4 | 13.8% |
| EBITDA Margin | 34.6% | 35.6% | 35.5% | -0.1 p.p. | 0.9 p.p. | 33.8% | 35.5% | 1.7 p.p. |
| EBITDA Margin - | | | | | | | | |
| Services | 35.1% | 36.2% | 36.0% | -0.2 p.p. | 0.8 p.p. | 34.4% | 36.0% | 1.7 p.p. |
| Variation | 0.6 p.p. | 0.6 p.p. | 0.5 p.p. | -0.1 p.p. | -0.1 p.p. | 0.6 p.p. | 0.5 p.p. | -0.1 p.p. |

Brasil Telecom s consolidated EBITDA totaled R\$ 974.6 million, accompanied by a consolidated EBITDA margin of 35.5% , versus R\$ 908.0 million and 34.6%, respectively, in the 3Q06.

Graph 8 - EBITDA

Brasil Telecom Mobile s EBITDA stood at R\$ 34.0 million, reversing the previous year s negative figures. It was accompanied by an EBITDA margin of 7.6% .

FINANCIAL INCOME

Table 11: Consolidated Financial Income

| R\$ Million | 3Q06 | 2Q07 | 3Q07 | Δ Quarter | Δ 12 Months | 9M06 | 9M07 | Δ Year |
|--------------------------------|----------------|----------------|----------------|--------------|----------------|----------------|----------------|---------------|
| Financial Revenue | 108.5 | 95.3 | 100.5 | 5.4% | -7.4% | 334.7 | 303.1 | -9.4% |
| Local Currency | 106.4 | 93.1 | 94.4 | 1.3% | -11.3% | 327.7 | 294.9 | -10.0% |
| Foreign Currency | 2.0 | 2.2 | 6.1 | 180.9% | 196.6% | 7.0 | 8.3 | 18.2% |
| Financial Expenses | (244.8) | (157.2) | (161.7) | 2.8% | -34.0% | (664.0) | (526.1) | -20.8% |
| Local Currency | (205.3) | (140.4) | (139.7) | -0.4% | -31.9% | (544.3) | (462.8) | -15.0% |
| Foreign Currency | (39.5) | (16.9) | (21.9) | 30.1% | -44.4% | (119.6) | (63.3) | -47.1% |
| Interest on Own Capital | - | - | - | N.A. | N.A. | (245.0) | (245.0) | 0.0% |
| Financial Result | (136.3) | (61.9) | (61.2) | -1.2% | -55.1% | (574.3) | (468.0) | -18.5% |

Brasil Telecom's financial result was an expense of R\$ 61.2 million, versus an expense of R\$ 136.3 million in the 3Q06. The main variations were: (i) the 15.4% depreciation of the US dollar and the 13.0% depreciation of the Japanese Yen compared to the 3Q06; (ii) lower financial revenue as a result of lower interest rates; and (iii) lower financial expenses due to the amortization of debentures in the amount of R\$ 500 million.

NET INCOME

Brasil Telecom recorded in the 3Q07 net income of R\$ 195.7 million, equivalent to R\$ 0.3577 per share. Net earnings per ADR stood at US\$ 0.5835. In the 3Q06, net income stood at R\$ 54.7 million, equivalent to R\$ 0.1000 per 1,000 shares or US\$ 0.1379 per ADR.

INDEBTEDNESS

Table 12: Indebtedness

| Debt (R\$ Million) | 3Q06 | 2Q07 | 3Q07 | Δ 12 | |
|---|----------------|----------------|----------------|---------------|---------------|
| | | | | Δ Quarter | Months |
| Short Term | 1,107.0 | 782.6 | 654.4 | -16.4% | -40.9% |
| In R\$ | 826.3 | 514.1 | 412.8 | -19.7% | -50.0% |
| In US\$ | 22.9 | 25.6 | 13.7 | -46.5% | -40.0% |
| In Yen | 79.9 | 69.9 | 69.6 | -0.4% | -12.9% |
| In Currency Basket | 74.2 | 48.2 | 37.8 | -21.5% | -49.0% |
| Hedge Adjustment | 103.7 | 124.8 | 120.5 | -3.4% | 16.2% |
| Long Term | 3,735.5 | 3,520.3 | 3,354.4 | -4.7% | -10.2% |
| In R\$ | 2,500.2 | 2,508.2 | 2,453.0 | -2.2% | -1.9% |
| In US\$ | 529.8 | 408.9 | 386.0 | -5.6% | -27.1% |
| In Yen | 278.6 | 203.1 | 173.0 | -14.8% | -37.9% |
| In Currency Basket | 133.7 | 86.5 | 75.7 | -12.5% | -43.4% |
| Hedge Adjustment | 293.2 | 313.6 | 266.7 | -14.9% | -9.0% |
| Total Debt | 4,842.5 | 4,302.9 | 4,008.8 | -6.8% | -17.2% |
| (-) Cash | 1,682.6 | 1,505.2 | 1,604.1 | 6.6% | -4.7% |
| (-) Contractual Retentions | 192.2 | - | - | N.A. | -100.0% |
| (-) Temporary Investments | 197.0 | 200.8 | 205.2 | 2.2% | 4.2% |
| Net Debt | 2,770.7 | 2,597.0 | 2,199.5 | -15.3% | -20.6% |
| (-) Inter Company with BRP | 48.0 | - | - | N.A. | -100.0% |
| Net Debt Ex-Inter Company with BRP | 2,722.7 | 2,597.0 | 2,199.5 | -15.3% | -19.2% |

At the end of September 2007, Brasil Telecom's consolidated gross debt totaled R\$ 4,008.8 million, 17.2% lower than in the same period the year before chiefly due to the amortization of debentures in the amount of R\$ 500 million in April 2007 and the appreciation of the Brazilian Real, which reduced the debt denominated in foreign currency. In September, 83.7% of total debt was long-term.

Consolidated net debt came to R\$ 2,199.5 million, 20.6% down on September 2006.

At the end of September 2007, the debt linked to the exchange rate variation, excluding hedge adjustments, totaled R\$ 755.8 million, of which R\$ 399.7 million in US Dollars, R\$ 113.5 million in currency basket and R\$ 242.6 million in Japanese Yen. On September 30, 2007, 45.3% of the debt linked to the exchange rate variation was hedged, resulting in a total exposure of 11.4%.

Table 13: Indebtedness

| Description | Currency | Annual Cost | Maturity | R\$ Million | | | Long Term % |
|--|----------|--------------------|--------------------|----------------|--------------|----------------|--------------|
| | | | | Total | Short Term | Long Term | |
| Foreign Currency | | | | | | | |
| Financial Institutions I | US\$ | Lib6+0.5% | Jul/08 - Jul/13 | 26.4 | 8.9 | 17.5 | 66.3% |
| Bonds - US\$200 MM | US\$ | 9.38% | Feb-14 | 372.5 | 4.7 | 367.8 | 98.7% |
| Financial Institutions II | Yen | Jibor6 + 1.92% | Mar-11 | 242.1 | 69.3 | 172.8 | 71.4% |
| Financial Institutions III | Yen | 3.36% | Feb-09 | 0.5 | 0.4 | 0.2 | 33.2% |
| Suppliers I | US\$ | 1.75% | Feb-14 | 0.9 | 0.1 | 0.7 | 84.4% |
| Foreign Currency Total | | | | 642.3 | 83.3 | 559.0 | 87.0% |
| Local Currency | | | | | | | |
| BRB - Fixed Line | R\$ | 2.43% | Dec-33 | 5.8 | 0.1 | 5.7 | 98.2% |
| BRB - GSM | R\$ | 2.43% | Dec-33 | 19.8 | 0.4 | 19.4 | 98.2% |
| BNDES | UMBNDDES | 5.85% | Nov-07 | 2.1 | 2.1 | - | 0.0% |
| BNDES | UMBNDDES | 6.50% | Oct-07 | 6.1 | 6.1 | - | 0.0% |
| BNDES | UMBNDDES | 5.50% | Apr-11 | 105.4 | 29.7 | 75.7 | 71.9% |
| BNDES | R\$ | 5.85% | Oct-07 | 21.0 | 21.0 | - | 0.0% |
| Public Debenture 4th Emission | R\$ | 104% of the CDI | Jun-13 | 1,121.2 | 41.2 | 1,080.0 | 96.3% |
| FCO I | R\$ | 10.94% | Jan-08 | 1.7 | 1.7 | - | 0.0% |
| FCO II | R\$ | 11.50% | Apr-11 | 27.1 | 7.7 | 19.4 | 71.5% |
| BNDES | R\$ | TJLP + 5,85% | Dec-07 | 106.3 | 106.3 | - | 0.0% |
| BNDES | R\$ | TJLP + 6,5% | Dec-07 | 4.0 | 4.0 | 0.0 | 0.0% |
| BNDES | R\$ | TJLP + 5,5% | Feb-11 | 745.8 | 220.3 | 525.4 | 70.5% |
| BNDES | R\$ | TJLP + 2,3% | May-14 | 30.4 | 0.3 | 30.1 | 99.0% |
| BNDES | R\$ | TJLP + 4,3% | May-14 | 782.7 | 9.7 | 773.0 | 98.8% |
| Local Currency Total | | | | 2,979.3 | 450.6 | 2,528.7 | 84.9% |
| Total Debt before Hedge Adjustments | | | | 3,621.7 | 533.9 | 3,087.7 | 85.3% |
| Hedge Adjustments | | | | 387.2 | 120.5 | 266.7 | 68.9% |
| TOTAL DEBT | | | | 4,008.8 | 654.4 | 3,354.4 | 83.7% |

Table 14: Long Term Debt Amortization Schedule

| Maturity | % Long Term Debt |
|-----------------|-------------------------|
| 2008 | 1.9% |
| 2009 | 16.0% |
| 2010 | 17.8% |
| 2011 | 19.6% |
| 2012 | 15.5% |
| 2013 | 15.5% |
| > 2014 | 13.7% |

CAPEX

Table 15: Investments Breakdown

| R\$ Million | 3Q06 | 2Q07 | 3Q07 | Δ Quarter | Δ 12 Months | 9M06 | 9M07 | Δ Year |
|---|--------------|--------------|--------------|--------------|----------------|--------------|--------------|---------------|
| Network Expansion | 102.6 | 84.3 | 82.2 | -2.5% | -19.9% | 246.7 | 214.5 | -13.0% |
| Conventional Telephony | 1.6 | 0.0 | 0.0 | 477.7% | -97.5% | 17.7 | 2.0 | -88.8% |
| Transmission Backbone | 14.1 | 21.1 | 12.2 | -42.4% | -14.0% | 26.3 | 40.9 | 55.4% |
| Data Network | 84.8 | 57.1 | 59.0 | 3.3% | -30.4% | 197.7 | 154.6 | -21.8% |
| Intelligent Network | 0.7 | 2.2 | 7.7 | 250.5% | 1066.0% | 1.5 | 10.0 | 583.5% |
| Network Management Systems | 0.6 | 4.0 | 2.8 | -29.4% | 354.8% | 1.5 | 7.4 | 395.0% |
| Other Investments for Network Expansion | 0.8 | (0.1) | 0.5 | N.A. | -34.7% | 2.0 | (0.2) | N.A. |
| Network Operation | 60.2 | 54.0 | 55.1 | 2.2% | -8.5% | 164.2 | 158.0 | -3.8% |
| Public Telephony | 4.6 | 0.6 | 1.4 | 140.2% | -70.0% | 7.9 | 2.8 | -64.1% |
| Information Technology | 23.0 | 30.2 | 13.7 | -54.7% | -40.5% | 46.3 | 52.1 | 12.6% |
| Expansion Personnel | 19.7 | 19.9 | 20.1 | 1.0% | 2.0% | 66.1 | 58.6 | -11.4% |
| Other | 105.5 | 63.3 | 70.1 | 10.8% | -33.5% | 268.5 | 156.0 | -41.9% |
| Expansion Financial Expenses | - | 5.2 | 9.1 | 76.8% | N.A. | 0.0 | 15.5 | N.A. |
| TOTAL - FIXED LINE TELEPHONY | 315.6 | 257.3 | 251.7 | -2.2% | -20.2% | 799.6 | 657.5 | -17.8% |

| R\$ Million | 3Q06 | 2Q07 | 3Q07 | Δ Quarter | Δ 12 Months | 9M06 | 9M07 | Δ Year |
|---------------------------------|--------------|-------------|-------------|--------------|----------------|--------------|--------------|---------------|
| Mobile Network | 109.0 | 45.2 | 82.9 | 83.2% | -23.9% | 174.4 | 132.4 | -24.1% |
| TOTAL - MOBILE TELEPHONY | 109.0 | 45.2 | 82.9 | 83.2% | -23.9% | 174.4 | 132.4 | -24.1% |

| R\$ Million | 3Q06 | 2Q07 | 3Q07 | Δ Quarter | Δ 12 Months | 9M06 | 9M07 | Δ Year |
|-------------------------|--------------|--------------|--------------|--------------|----------------|--------------|--------------|---------------|
| TOTAL INVESTMENT | 424.5 | 302.6 | 334.6 | 10.6% | -21.2% | 974.0 | 789.9 | -18.9% |

| R\$ Million | 3Q06 | 2Q07 | 3Q07 | Δ Quarter | Δ 12 Months | 9M06 | 9M07 | Δ Year |
|--|--------------|--------------|--------------|---------------|----------------|----------------|--------------|---------------|
| CASH FLOW CONCILIATION | | | | | | | | |
| Variation of Economic and Financial Investment | (80.8) | 24.8 | (87.0) | N.A. | 7.7% | 266.7 | 163.1 | -38.9% |
| INVESTMENT CASH FLOW | 343.7 | 327.4 | 247.6 | -24.4% | -28.0% | 1,240.7 | 953.0 | -23.2% |

CAPEX totaled R\$ 334.6 million in the 3Q07, R\$334.6 million of which were invested in wireline, including voice, data and IT, as well as regulatory issues and R\$ 82.9 million in mobile telephony. CAPEX fell by 21.2% over the

3Q06 chiefly due to the optimization of investments and the decline in the exchange rate.

STOCK MARKET

At the end of the 3Q07, Brasil Telecom's market capitalization, calculated by weighing the price of common and preferred shares, totaled R\$13,585.7 million, up by 92.1% on the R\$ 7,071.7 million recorded at the end of September 2006. In the same period, the Ibovespa and the ITEL moved up by 65.9% and 49.5%, respectively.

In the quarter, the company's preferred shares (BRTO4) outperformed the Ibovespa by 11.6 p.p. and the ITEL by 17.7 p.p., while its common shares (BRTO3) depreciated. In the last twelve months, both common (BRTO3) and preferred (BRTO4) shares outperformed the Ibovespa and the ITEL.

The Company's ADR (BTM) outperformed the Dow Jones index by 20.0 p.p. in the 3Q07. In the last twelve and twenty-four months, it surpassed the Dow by 114.5 p.p. and 59.6 p.p., respectively.

Table 16: Stock Market Performance

| | Closing Price as of | | Performance | |
|--|---------------------|---------|--------------|--------------|
| | 9/28/2007 | In 3Q07 | In 12 Months | In 24 Months |
| Common Shares (BRTO3) (in R\$/shares) | 32.85 | -3.4% | 76.6% | 67.6% |
| Preferred Shares (BRTO4) (in R\$/shares) | 17.30 | 22.8% | 121.8% | 62.6% |
| ADR (BTM) (in US\$/ADR) | 51.65 | 23.6% | 133.5% | 91.1% |
| IBOVESPA (points) | 60,465 | 11.2% | 65.9% | 91.4% |
| ITEL (points) | 1,308 | 5.1% | 49.5% | 52.2% |
| IGC (points) | 6,970 | 9.9% | 66.6% | 113.0% |
| Dow Jones (points) | 13,896 | 3.6% | 19.0% | 31.5% |
| Market Capitalization (Million) | 13,585.7 | 5.5% | 92.1% | 66.8% |

Graph 9: Stock Market Performance in 3Q07 Bovespa and NYSE
(Base 100 = jun/2007)

Graph 10: Market Capitalization Evolution
(R\$ billion)

Table17: Theoretical Portfolio Weighting May / August

| | Ibovespa | Itel | IGC |
|-------|----------|--------|--------|
| BRTO3 | - | - | 0.010% |
| BRTO4 | 0.953% | 8.298% | 0.393% |

SHAREHOLDING STRUCTURE**Table 18: Shareholding Structure**

| Sep/07 | Common | | Preferred | | Total Shares | % |
|------------------------------|--------------------|---------------|--------------------|---------------|---------------------|---------------|
| | Shares | % | Shares | % | | |
| Brasil Telecom Participações | 247,317,180 | 99.1% | 120,911,021 | 38.8% | 368,228,201 | 65.6% |
| ADR Free Float | - | 0.0% | 24,254,040 | 7.8% | 24,254,040 | 4.3% |
| Treasury | - | 0.0% | 13,678,100 | 4.4% | 13,678,100 | 2.4% |
| Free Float at Bovespa | 2,279,869 | 0.9% | 152,510,079 | 49.0% | 154,789,948 | 27.6% |
| Total | 249,597,049 | 100.0% | 311,353,240 | 100.0% | 560,950,289 | 100.0% |

| Jun/07 | Common | | Preferred | | Total Shares | % |
|------------------------------|--------------------|---------------|--------------------|---------------|---------------------|---------------|
| | Shares | % | Shares | % | | |
| Brasil Telecom Participações | 247,276,380 | 99.1% | 120,911,121 | 38.8% | 368,187,501 | 65.6% |
| ADR Free Float | - | 0.0% | 23,148,453 | 7.4% | 23,148,453 | 4.1% |
| Treasury | - | 0.0% | 13,678,100 | 4.4% | 13,678,100 | 2.4% |
| Free Float at Bovespa | 2,320,669 | 0.9% | 153,615,566 | 49.3% | 155,936,235 | 27.8% |
| Total | 249,597,049 | 100.0% | 311,353,240 | 100.0% | 560,950,289 | 100.0% |

UPCOMING EVENTS**Portuguese Conference Call and Webcast: 3Q07 Results****Connection number:** (11) 2101-4848**Access Code:** Brasil Telecom**Link:** <http://www.brasiltelecom.com.br/ir>**Date:** October 24th, 2007 (Wednesday)**Time:** 08:00 a.m. (New York)

10:00 a.m. (Brasília)

1:00 p.m. (London)

English Conference Call and Webcast: 3Q07 Results**Connection number:** (+1 1973) 935-8893**Access Code:** 9261570**Link:** <http://www.brasiltelecom.com.br/ir>**Date:** October 24th, 2007 (Wednesday)**Time:** 10:00 a.m. (New York)

12:00 p.m. (Brasília)

3:00 p.m. (London)

Table 19: Consolidated Balance Sheet

| R\$ Million | Sep/06 | Jun/07 | Sep/07 |
|---|-----------------|-----------------|-----------------|
| CURRENT ASSETS | 5,429.7 | 5,346.4 | 5,561.8 |
| Cash, Bank Accounts and High-liquid Investments | 1,682.6 | 1,505.2 | 1,604.1 |
| Temporary Investments | 197.0 | 200.8 | 205.2 |
| Accounts Receivables (Net) | 2,066.6 | 2,144.2 | 2,257.6 |
| Deferred and Recoverable Taxes | 1,023.3 | 1,018.3 | 985.1 |
| Other Recoverable Amounts | 338.5 | 328.9 | 394.6 |
| Inventory | 48.2 | 36.7 | 38.5 |
| Contractual Retentions | | - | - |
| Other | 73.6 | 112.4 | 76.6 |
| LONG TERM ASSETS | 1,656.2 | 2,047.0 | 2,344.6 |
| Loans and Financing | 3.4 | 6.9 | 6.4 |
| Deferred and Recoverable Taxes | 1,324.8 | 1,364.5 | 1,400.6 |
| Other | 328.1 | 675.6 | 937.6 |
| PERMANENT ASSETS | 8,320.0 | 7,315.0 | 7,040.4 |
| Investment (Net) | 319.7 | 268.9 | 242.8 |
| Property, Plant and Equipment (Net) | 6,650.5 | 5,859.7 | 5,636.4 |
| Property, Plant and Equipment (Gross) | 25,551.7 | 26,257.1 | 26,473.7 |
| Accumulated Depreciation | (18,901.3) | (20,397.4) | (20,837.3) |
| Intangible (Net)* | 1,146.2 | 1,073.5 | 1,053.8 |
| Property, Plant and Equipment (Gross) | 2,232.0 | 2,427.0 | 2,501.5 |
| Accumulated Depreciation | (1,085.7) | (1,353.5) | (1,447.7) |
| Deferred Assets (Net) | 203.6 | 112.9 | 107.5 |
| TOTAL ASSETS | 15,405.9 | 14,708.4 | 14,946.8 |
| CURRENT LIABILITIES | 4,495.0 | 3,957.1 | 4,029.9 |
| Loans and Financing | 1,107.0 | 782.6 | 654.4 |
| Suppliers | 1,488.4 | 1,293.3 | 1,353.5 |
| Taxes and Contributions | 921.5 | 981.5 | 1,093.8 |
| Dividends Payable | 263.0 | 276.7 | 268.4 |
| Provisions | 217.2 | 191.6 | 187.2 |
| Salaries and Benefits | 158.9 | 129.0 | 107.1 |
| Consignment for Third Parties | 116.0 | 108.1 | 105.8 |
| Authorization for Services Exploration | 115.9 | 71.9 | 74.9 |
| Other | 107.1 | 122.4 | 184.5 |
| LONG TERM LIABILITIES | 5,457.5 | 5,066.8 | 5,030.6 |

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| | | | |
|--|-----------------|-----------------|-----------------|
| Loans and Financing | 3,735.5 | 3,520.3 | 3,354.4 |
| Provisions | 1,174.2 | 1,137.0 | 1,216.5 |
| Taxes and Contributions | 169.4 | 83.8 | 123.4 |
| Authorization for Services Exploration | 268.2 | 221.7 | 231.1 |
| Other | 110.2 | 104.0 | 105.1 |
| DEFERRED INCOME | - | - | - |
| MINORITY INTEREST | 14.0 | 11.0 | 9.4 |
| SHAREHOLDERS' EQUITY | 5,439.5 | 5,673.4 | 5,876.9 |
| Capital Stock | 3,470.8 | 3,470.8 | 3,470.8 |
| Capital Reserves | 1,482.6 | 1,482.6 | 1,482.6 |
| Profit Reserves | 287.7 | 309.3 | 309.3 |
| Retained Earnings | 353.1 | 565.4 | 768.9 |
| Treasury Shares | (154.7) | (154.7) | (154.7) |
| TOTAL LIABILITIES | 15,405.9 | 14,708.4 | 14,946.8 |

* In compliance with CVM Deliberation 488 and 489 the line of Intangible Permanent Asset was created.

Table 20: Consolidated Cash Flow

| R\$ Million | | | | Δ | | | | Δ Year |
|---|----------------|----------------|----------------|---------------|---------------|------------------|------------------|---------------|
| | 3Q06 | 2Q07 | 3Q07 | Quarter | Δ 12 Months | 9M06 | 9M07 | |
| OPERATING ACTIVITIES | | | | | | | | |
| (+) Net Income of the Period | 54.7 | 176.1 | 195.7 | 11.2% | 257.8% | 177.8 | 585.9 | 229.5% |
| (+) Minority Participation | (1.9) | 0.4 | (1.1) | N.A. | -41.7% | (1.6) | (1.3) | -18.2% |
| (+) Items with no Cash Effects | 896.0 | 892.7 | 816.4 | -8.5% | -8.9% | 2,981.9 | 2,510.1 | -15.8% |
| Depreciation and Amortization | 667.8 | 624.9 | 606.4 | -3.0% | -9.2% | 2,010.3 | 1,880.7 | -6.4% |
| Losses with Accounts Receivables | 103.1 | 87.1 | 74.6 | -14.4% | -27.7% | 305.0 | 249.5 | -18.2% |
| Provisions for Doubtful Accounts | (11.7) | 25.4 | (18.5) | N.A. | 58.7% | (16.5) | 14.7 | N.A. |
| Provision for Contingencies | 119.2 | 159.0 | 154.8 | -2.7% | 29.9% | 334.5 | 436.3 | 30.5% |
| Provision for Pension Funds | 8.5 | (27.2) | 27.8 | N.A. | 225.3% | 28.3 | 12.3 | -56.6% |
| Deferred Taxes | 3.5 | 23.4 | (27.5) | N.A. | N.A. | 316.8 | (82.3) | N.A. |
| Result from the Write-off of Permanent Assets | 5.5 | 0.1 | (1.1) | N.A. | N.A. | 3.7 | (1.0) | N.A. |
| (-) Equity Changes | (272.3) | (463.0) | (416.2) | -10.1% | 52.8% | (1,394.0) | (1,398.9) | 0.4% |
| Clients' Accounts Receivable | (52.2) | (99.0) | (169.4) | 71.1% | 224.5% | (202.3) | (394.2) | 94.8% |
| Inventories | 17.2 | 12.4 | (1.9) | N.A. | N.A. | 34.9 | 25.6 | -26.5% |
| Contract Retentions | (133.1) | - | - | N.A. | N.A. | (368.1) | - | N.A. |
| Court Deposits | (0.7) | (191.7) | (341.2) | 78.0% | N.A. | (11.6) | (652.9) | N.A. |
| Personnel, Charges and Social Benefits | 10.7 | 13.9 | 17.0 | 22.2% | 58.2% | 23.3 | 28.6 | 22.6% |
| Accounts Payable and Provisioned Expenses | (37.3) | 56.7 | (29.8) | N.A. | -20.3% | (58.6) | 60.4 | N.A. |
| Taxes | (55.2) | 81.3 | 174.7 | 114.9% | N.A. | (503.7) | 178.6 | N.A. |
| Financial Expenses | 45.1 | (62.0) | (50.3) | -18.8% | N.A. | 64.5 | (151.1) | N.A. |
| Authorization for Services | | | | | | | | |
| Exploration | 26.7 | (87.2) | 12.5 | N.A. | -53.1% | 76.3 | (49.3) | N.A. |
| Provision for Contingencies | 14.2 | (133.1) | (122.8) | -7.7% | N.A. | (277.1) | (355.4) | 28.3% |
| Provision for Pension Funds | (32.1) | (73.2) | 15.4 | N.A. | N.A. | (96.1) | (67.2) | N.A. |
| Other Assets and Liabilities' Accounts | (75.6) | 18.8 | 79.5 | 322.6% | N.A. | (75.5) | (21.9) | -71.0% |
| (=) Cash Flow from Operating Activities | 676.5 | 606.2 | 594.9 | 22.5% | -12.1% | 1,764.2 | 1,695.8 | -3.9% |
| INVESTMENT ACTIVITIES | | | | | | | | |
| Temporary Investments | (90.0) | (201.0) | (4.2) | -97.9% | -95.3% | (196.4) | (115.9) | -41.0% |
| Funds from Sales of Permanent Assets | 2.0 | 2.1 | 0.1 | -94.4% | -94.0% | 11.6 | 2.3 | -80.0% |
| Investments in Permanent Assets | (343.7) | (327.4) | (247.6) | -24.4% | -28.0% | (1,240.7) | (953.0) | -23.2% |
| (=) Cash Flow from Investment Activities | (431.6) | (526.2) | (251.7) | -52.2% | -41.7% | (1,425.5) | (1,066.5) | -25.2% |

Table 21: Operating Data and Indicators

| FIXED LINE PLANT | 3Q06 | 2Q07 | 3Q07 | Δ Quarter | Δ 12 Months |
|---|-----------------|-----------------|-----------------|------------------|------------------|
| Lines Installed (Thousand) | 10,794.5 | 10,375.2 | 10,368.1 | -0.1% | -4.0% |
| Additional Lines Installed (Thousand) | 0.0 | (13.3) | (7.1) | -46.9% | N.A. |
| Lines in Service - LIS (Thousand) | 8,623.2 | 8,129.4 | 8,064.2 | -0.8% | -6.5% |
| Residential | 5,651.5 | 5,470.3 | 5,443.7 | -0.5% | -3.7% |
| Non-Residential | 1,313.6 | 1,238.5 | 1,224.4 | -1.1% | -6.8% |
| Public Telephones | 288.8 | 276.0 | 282.0 | 2.1% | -2.4% |
| Hybrid Terminals | 694.6 | 507.7 | 465.7 | -8.3% | -32.9% |
| Other (Including PBX) | 674.8 | 636.9 | 648.4 | 1.8% | -3.9% |
| Additional LIS (Thousand) | (783.9) | (148.6) | (65.2) | -56.1% | -91.7% |
| Active Lines (LIS - Blocked Lines) | 8,225.0 | 7,901.5 | 7,862.1 | -0.5% | -4.4% |
| Blocked Lines | 398.2 | 227.9 | 202.1 | -11.3% | -49.3% |
| Average LIS (Thousand) | 9,015.2 | 8,203.7 | 8,096.8 | -1.3% | -10.2% |
| LIS/100 Inhabitants | 19.9 | 18.4 | 18.3 | -0.8% | -8.2% |
| Public Telephones/1,000 Inhabitants | 6.7 | 6.3 | 6.4 | 2.1% | -4.2% |
| Public Phones/100 Lines Installed | 2.7 | 2.7 | 2.7 | 2.2% | 1.7% |
| Utilization Rate | 79.9% | 78.4% | 77.8% | -0.6 p.p. | -2.1 p.p. |
| ADSL Accesses (Thousand) | 1,252.4 | 1,453.4 | 1,523.2 | 4.8% | 21.6% |
| Net Additions (Thousand) | 97.6 | 69.9 | 69.8 | 0% | -28% |
| ADSL Penetration (%) | 14.5% | 17.9% | 18.9% | 1.0 p.p. | 4.4 p.p. |
| PRODUCTIVITY | 3Q06 | 2Q07 | 3Q07 | Δ Quarter | Δ 12 Months |
| # of Employees - Fixed Telephony | 5,132 | 5,258 | 5,280 | 0.4% | 2.9% |
| Average # of Employees | 5,258 | 5,243 | 5,269 | 0.5% | 0.2% |
| LIS/Employee | 1,680 | 1,546 | 1,527 | -1.2% | -9.1% |
| Gross Revenue/Average # of Employees/Month (R\$ Thousand) | 180.3 | 176.5 | 174.1 | -1.3% | -3.4% |
| EBITDA/Average # of Employees/Month (R\$ Thousand) | 57.6 | 62.0 | 61.7 | -0.6% | 7.1% |
| Net Income/Average # of Employees/Month (R\$ Thousand) | 3.5 | 11.2 | 12.4 | 10.6% | 257.0% |
| Exceeding Pulses/Average LIS/Month | 82.4 | 49.4 | 15.5 | -68.6% | -81.1% |
| Exceeding Minutes/Average LIS/Month | - | 20.3 | 86.7 | 327.2% | N.A. |
| DLD Minutes/Average LIS/Month | 52.1 | 56.1 | 56.3 | 0.2% | 7.9% |
| Fixed-Mobile Minutes/Average LIS/Month | 35.9 | 41.4 | 39.9 | -3.5% | 11.4% |
| Gross Revenue (Fixed Line)/Average LIS/Month (R\$) | 105.1 | 112.8 | 113.3 | 0.5% | 7.8% |
| EBITDA/Average LIS/Month | 33.6 | 39.6 | 40.1 | 1.2% | 19.5% |
| Net Earnings/Average LIS/Month | 2.0 | 7.2 | 8.1 | 12.6% | 298.3% |

| PROFITABILITY | 3Q06 | 2Q07 | 3Q07 | Δ Quarter | Δ 12 Months |
|------------------------|-------------|-------------|-------------|----------------------|------------------------|
| EBITDA Margin | 34.6% | 35.6% | 35.5% | -0.1 p.p. | 0.9 p.p. |
| Net Margin | 2.1% | 6.4% | 7.1% | 0.7 p.p. | 5.0 p.p. |
| Return on Equity - ROE | 1.0% | 3.1% | 3.3% | 0.2 p.p. | 2.3 p.p. |

| CAPITAL STRUCTURE | 3Q06 | 2Q07 | 3Q07 | Δ Quarter | Δ 12 Months |
|---|-------------|-------------|-------------|----------------------|------------------------|
| Cash, Bank Accounts and High-liquid Investments (R\$ Million) | 1,682.6 | 1,505.2 | 1,604.1 | 6.6% | -4.7% |
| Temporary Investments (R\$ Million) | 197.0 | 200.8 | 205.2 | 2.2% | 4.2% |
| Contractual Retentions (R\$ Million) | 192.2 | - | - | N.A. | -100.0% |
| Total Debt (R\$ Million) | 4,842.5 | 4,302.9 | 4,008.8 | -6.8% | -17.2% |
| Short Term Debt | 1,107.0 | 782.6 | 654.4 | -16.4% | -40.9% |
| Long Term Debt | 3,735.5 | 3,520.3 | 3,354.4 | -4.7% | -10.2% |
| Short Term Debt (%) | 22.9% | 18.2% | 16.3% | -1.9 p.p. | -6.5 p.p. |
| Long Term Debt (%) | 77.1% | 81.8% | 83.7% | 1.9 p.p. | 6.5 p.p. |
| Net Debt (R\$ Million) | 2,770.7 | 2,597.0 | 2,199.5 | -15.3% | -20.6% |
| Shareholders' Equity (R\$ Million) | 5,439.5 | 5,673.4 | 5,876.9 | 3.6% | 8.0% |
| Net Debt/Shareholders' Equity | 50.9% | 45.8% | 37.4% | -8.3 p.p. | -13.5 p.p. |

GLOSSARY

ADSL: Asymmetrical Digital Subscriber Line. System that allows broadband signal transmission through metallic telephone cables. It is the most common DSL technology, which represents a midway transition to fully optical networks.

ARPU: Average Revenue per User, an indicator used in the telecom industry.

CAPEX: Capital Expenditure. The investments made by a company.

EBITDA: Earnings before Interest, Tax, Depreciation and Amortization.

GSM: Global System for Mobile communications. GSM is the world's most widely used mobile telephony technology and allows users to move around freely and easily with their handsets. The price of GSM handsets is also more attractive, the network is safer and there are constant technological advances.

IoE (Interest on Equity): Shareholder remuneration option, calculated on shareholders' equity and limited, for tax purposes, to the variation in the long-term interest rate (TJLP). The tax benefit is due to the reduction in the calculation base used for income tax and social contribution tax on net income, given that interest on equity represents a deductible expense in the calculation of these taxes. IoE payments are subject to withholding tax at 15%. Interest on equity may be paid as part of statutory dividends, net of withholding tax.

LIS: Lines in Service. All the lines in a network that are effectively being used.

SAC: Subscriber Acquisition Cost, the average amount spent by a company to acquire a new subscriber.

TUP: Public Phones.

Financial Leverage Ratio: Net Debt / EBITDA

This document contains forward-looking statements. Such statements do not constitute facts occurred in the past and reflect the expectations of the Company's managers only. The words "anticipates," "believes," "estimates," "expects," "forecasts," "intends," "plans," "predicts," "projects" and "aims", as well as other similar words, are intended to identify those forward-looking statements, which obviously involve risks or uncertainties predicted or not by the Company. Accordingly, the future results of the Company's operations may differ from the current expectations, and the reader should not rely exclusively on these forward-looking statements. Forward-looking statements speak only as of the date they are made, and the Company does not undertake any obligation to update them in light of new information or future developments.

SIGNATURE

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

Date: October 23, 2007

BRASIL TELECOM S.A.

By: /s/ Paulo Narcélio Simões
 Amaral

Name: Paulo Narcélio Simões
Amaral
Title: Chief Financial
Officer

FORWARD-LOOKING STATEMENTS

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