

BRASIL TELECOM SA
Form 6-K
January 31, 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 JANUARY 31, 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 REVENUES OF R\$ 4.0 BILLION AND
EBITDA OF R\$947.1 MILLION IN 4Q06**

Brasília, January 30th, 2007 - Brasil Telecom Participações S.A. (BOVESPA: BRTP3/BRTP4; NYSE: BRP) announces its consolidated results for the fourth quarter of 2006 (4Q06). The Company's unaudited financial statements are presented in million of Reais, except when stated otherwise, and are in conformity with generally accepted accounting principles in Brazil.

HIGHLIGHTS

- 3,376.8 thousand **mobile accesses** in 4Q06, 10.7% and 52.6% higher than 3Q06 and 4Q05, respectively, reaching a **market share** of 12.1%.
- 1,317.7 thousand **broadband accesses** in service in 4Q06, 5.2% and 30.0% superior than 3Q06 and 4Q05, respectively.
- **BrT's internet service providers** reached, as a whole, 1.1 million broadband subscribers, a 7.5% and 46.3% growth in comparison to 3Q06 and 4Q05, respectively.
- Brasil Telecom's **consolidated EBITDA** totaled R\$950.5 million in 4Q06, 4.7% superior than 3Q06. **Consolidated EBITDA margin** in 4Q06 reached 34.7%, in comparison to 34.6% in 3Q06 and in contrast to 12.2% in 4Q05. In 2006, the consolidated EBITDA amounted to R\$3,505.1 million, against R\$2,734.1 million in 2005. Consolidated EBITDA margin in 2006 reached 34.0%, in contrast to 26.7% in 2005.
- **Data communications and other services revenue** totaled R\$649.7 million in 4Q06, 17.5% higher than 4Q05.
- **Consolidated mobile revenue** totaled R\$459.6 million in 4Q06, 22.3% higher than 3Q05. In 2006, these revenues amounted to R\$1,323.3 million, 80.7% superior than the R\$732.3 million registered in 2005.
- **Consolidated gross revenue** amounted to R\$4,001.9 million in 4Q06, 4.3% increase when compared to 3Q06. In 2006, gross revenue totaled R\$15,111.3 million, a 2.9% increase in comparison to R\$14,687.2 million registered in 2005.
- **Consolidated net revenue** amounted to R\$2,741.0 million in 4Q06, an increase of 4.3% and 5.8% in comparison to 3Q06 and 4Q05, respectively.
- **Operating costs and expenses** in 4Q06 totaled R\$2,508.0 million, a 14.9% reduction in comparison to 4Q05. The ratio of operating costs and expenses (excluding depreciation and amortization) and gross revenues was of 44.8%, remaining stable in comparison to the previous quarter.
- **Net debt** in 4Q06 amounted to R\$2,744.2 million, 1.0% inferior than in 3Q06.
- **Net Income** in 2006 of R\$432.4 million, reverting a R\$303.7 million loss registered in the previous year. In 4Q06, the net income amounted to R\$254.6 million, against R\$54.7 million registered in 3Q06.

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Brasil Telecom S.A. is a telecommunications company which provides fixed line telephony services in local, domestic long distance, international long distance, mobile telephony, public telephony, data communication, network 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, as well as in the Federal District. Its coverage area corresponds to 24% of the population (approximately 44 million inhabitants), 27% of the GDP (approximately R\$420 billion in 2003) and 33% of the Brazilian territory (about 2.8 million km²).

FINANCIAL STATEMENT

R\$ Million	4Q05	3Q06	4Q06	Δ Quarter	Δ 12 Months	2005	2006	Δ Year
GROSS REVENUES	3,809.4	3,835.2	4,001.9	4.3%	5.1%	14,687.2	15,111.3	2.9%
FIXED TELEPHONY	3,004.3	2,843.4	2,892.7	1.7%	-3.7%	12,031.4	11,421.3	-5.1%
Local Service	1,819.6	1,735.1	1,722.5	-0.7%	-5.3%	7,227.1	6,929.0	-4.1%
Public Telephony	145.6	135.5	138.4	2.1%	-4.9%	496.8	540.6	8.8%
Long Distance Service	706.1	666.3	721.5	8.3%	2.2%	2,990.6	2,770.1	-7.4%
Interconnection	148.4	120.0	113.9	-5.1%	-23.2%	633.6	442.1	-30.2%
Lease of Means	84.5	83.9	81.5	-2.9%	-3.6%	307.8	328.4	6.7%
Supplementary and Value Added Services	90.3	91.6	103.0	12.4%	14.1%	338.1	367.6	8.7%
Other	9.7	11.0	11.8	7.6%	21.8%	37.5	43.5	16.0%
MOBILE TELEPHONY DATA COMMUNICATIONS	252.4	375.7	459.6	22.3%	82.1%	732.3	1,323.3	80.7%
Deductions	(1,217.5)	(1,207.2)	(1,260.9)	4.4%	3.6%	(4,548.6)	(4,814.7)	5.9%
NET REVENUES	2,591.9	2,628.0	2,741.0	4.3%	5.8%	10,138.7	10,296.7	1.6%
COSTS AND OPERATING EXPENSES	(2,275.9)	(1,720.0)	(1,790.5)	4.1%	-21.3%	(7,404.6)	(6,791.5)	-8.3%
Personnel	(161.6)	(156.9)	(154.4)	-1.6%	-4.4%	(628.4)	(662.0)	5.3%
Materials	(164.9)	(100.1)	(122.9)	22.8%	-25.5%	(477.0)	(412.0)	-13.6%
Subcontracted Services	(606.2)	(529.0)	(582.5)	10.1%	-3.9%	(2,209.9)	(2,225.5)	0.7%
Interconnection	(514.6)	(562.0)	(573.8)	2.1%	11.5%	(2,275.8)	(2,114.9)	-7.1%
Advertising and Marketing	(64.0)	(39.2)	(47.3)	20.9%	-26.0%	(232.6)	(149.1)	-35.9%
Provisions and Losses	(492.2)	(210.6)	(248.5)	18.0%	-49.5%	(930.7)	(871.5)	-6.4%
Other	(272.5)	(122.2)	(61.2)	-50.0%	-77.6%	(650.1)	(356.6)	-45.1%
EBITDA	316.0	908.0	950.5	4.7%	200.8%	2,734.1	3,505.1	28.2%
EBITDA Margin	12.2%	34.6%	34.7%	0.1 p.p.	22.5 p.p.	27.0%	34.0%	7.1 p.p.
Depreciation and Amortization	(672.8)	(665.9)	(717.4)	7.7%	6.6%	(2,668.6)	(2,721.8)	2.0%
EARNINGS BEFORE FINANCIAL RESULT (EBIT)	(356.8)	242.1	233.1	-3.7%	N.A.	65.5	783.3	N.A.
Financial Result	(625.1)	(136.3)	(64.3)	-52.8%	-89.7%	(1,222.7)	(638.6)	-47.8%
Financial Revenues	53.6	108.7	248.2	128.3%	363.1%	664.7	582.9	-12.3%
Financial Expenses	(292.3)	(245.0)	(208.6)	-14.9%	-28.6%	(1,260.9)	(872.5)	-30.8%
Interest on Own Capital	(386.4)	-	(103.9)	N.A.	-73.1%	(626.5)	(348.9)	-44.3%
EARNINGS AFTER FINANCIAL RESULT	(981.9)	105.8	168.8	59.5%	N.A.	(1,157.2)	144.7	N.A.
Non-Operating Revenues (Expenses)	(40.3)	(6.6)	54.6	N.A.	N.A.	(149.0)	30.9	N.A.

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Goodwill Amortization	(27.1)	(0.3)	(0.3)	0.0%	-99.1%	(126.0)	(1.0)	-99.2%
Other	(13.2)	(6.3)	54.8	N.A.	N.A.	(23.0)	31.9	N.A.
EARNINGS BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES	(1,022.2)	99.3	223.4	125.0%	N.A.	(1,306.3)	175.6	N.A.
Income and Social Contribution Taxes	373.6	(46.4)	(74.0)	59.6%	N.A.	389.1	(95.0)	N.A.
EARNINGS BEFORE PROFIT SHARING	(648.6)	52.9	149.3	182.5%	N.A.	(917.2)	80.6	N.A.
Minority Interest	(3.7)	1.9	1.3	-27.6%	N.A.	(13.0)	2.9	N.A.
EARNINGS BEFORE REVERSION OF INTEREST ON OWN CAPITAL	(652.3)	54.7	150.7	175.4%	N.A.	(930.2)	83.5	N.A.
Reversion of Interest on Own Capital	386.4	-	103.9	N.A.	-73.1%	626.5	348.9	-44.3%
NET INCOME	(265.9)	54.7	254.6	365.3%	N.A.	(303.7)	432.4	N.A.
Net Earnings (Losses)/1,000 shares - R\$	(0.7306)	0.1503	0.6995	365.3%	N.A.	(0.8343)	1.1880	N.A.
Net Earnings (Losses)/ADR - US\$	(1.5607)	0.3457	1.6358	373.2%	N.A.	(1.7822)	2.7783	N.A.

OPERATING PERFORMANCE

WIRELINE TELEPHONY

Network

By the end of 4Q06, Brasil Telecom's plant had 10.4 million installed lines, of which 8.4 million were in service (Annex XV and XVI). The utilization rate reached 80.8%, a 0.9 p.p. increase as compared to the previous quarter. In comparison to 4Q05, the utilization rate decreased 7.8 p.p. due to the adoption by the Company as of 3Q06 of stricter measures in its collection and charging policy

398.2 thousand terminals which were blocked and were not generating revenue by the end of 3Q06 were the focus of the intensification of efforts in the collection and charging, mainly via call center and subcontracted collectors. During the 4Q06, the Company cancelled 119.2 thousand of those blocked terminals. By the end of this period, Brasil Telecom had 8,139.6 thousand active lines and 279.0 thousand blocked lines.

Fixed line ARPU reached R\$73.5 in 4Q06, a 2.8% increase in comparison to the previous quarter.

TRAFFIC

In 4Q06, Brasil Telecom reached 2.1 billion billed pulses, a 5.1% reduction in comparison to 3Q06 (Annex XIV). This performance was impacted by fewer business days during the quarter, by the increase in the ADSL accesses and by the migration of fixed calls to mobile calls.

Long distance traffic increased 1.6% in comparison to 3Q06, thus Brasil Telecom **registered 1.4 billion minutes in 4Q06** (Annex XIV). Such performance is explained by the increase in VC-2 and VC-3 minutes, due to a restructuring of its line of products and strategic partnership.

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

At the end of 4Q06, Brasil Telecom reached a 62.9% market share in the interregional segment and a 36.6% market share in the international segment (quarterly average). By the end of December, Brasil Telecom's quarterly average long distance market share reached 85.8% in the intra-regional segment, 0.4 p.p. superior than the 85.4% market share registered in 3Q06. In the interregional and international segments, Brasil Telecom increased its market share by 4.3 p.p. and 2.8 p.p., respectively, in 12 months. In the intra-sector segment, Brasil Telecom reached 90.7% market share.

MOBILE TELEPHONY

BrT Mobile reached 3,376.8 thousand mobile accesses in service (Annex XIX), a net addition of 325.8 thousand accesses in the quarter and 1,163.9 thousand accesses in 2006, surpassing by 76.8 thousand accesses the 3.3 million accesses target established for the end of 2006. At the end of 4Q06, BrT Mobile's subscriber base was 10.7% higher than 3Q06 and had a 52.6% increase against 4Q05.

BrT Mobile's market share in region II reached 12.1% by the end of 4Q06, 0.7 p.p. above 3Q06's and 3.4 p.p. above 4Q05's. BrT Mobile is in third place in terms of market share in area 7 of the General Concession Plan (GO, TO, AC and RO) and in the Federal District (Annex XX).

In 4Q06, BrT Mobile launched new plans and promotions and readjusted the Plans Empresa (Corporate) and Conta (Post-paid). The new plans offered by BrT Mobile seek to adjust to the new regulatory condition of the Full Bill. In the post-paid plan, the minutes included (*franquia*) is designated for intra-network calls only and the incoming calls from other operators are transformed in credits for the client to make extra-network calls in the following month. The new pre-paid plan increased the bonus limit that each client is entitled to receive, from R\$30 to R\$100, however these credits can only be used in intra-network calls. Readjustments were also made in the subscription and exceeding minute prices for other operators of the post-paid plans, the main generators of traffic for other mobile operators, in the Plans Empresa (Corporate) and Conta (Post-paid). Despite these readjustments, BrT Mobile's prices are still very competitive and lower than most of our peers.

Throughout 4Q06, BrT Mobile increased its coverage to 819 localities. Currently, its coverage reaches 87% of Region II's population.

At the end of December, BrT Mobile s subscriber base was composed of 993.8 thousand post-paid subscribers (29.4% of total subscribers).

DATA

Brasil Telecom added 65.3 thousand accesses to its plant during 4Q06, amounting to 1,317.7 thousand broadband accesses in service by the end of December, 2006, an increase of 5.2% and 30.0% against 3Q06 and 4Q05, respectively (Annex XV). ADSL penetration (ADSL/LIS) reached 15.7% in 4Q06, against 14.5% in 3Q06 and 10.6% in 4Q05.

By the end of December, 2006, Brasil Telecom registered growth in the following data transmission services for the corporate market: (i) Interlan, a solution to connect more than two spots to a concentrating spot, transmitting voice and data,(ii) Vetor, a private virtual network which uses all the capacity of IP connections to form a unique network, complete and flexible, used for data, multimedia and voice transmission, (iii) *Serviço Plus*, which is a data transport service and (iv) IP Corporate services, which supply of Internet connectivity for large companies.

Internet Service Providers

Internet Group, Brasil Telecom's internet division, leading company in dial up internet access in the Brazilian market, has approximately 3.7 million active users of dial-up access which, altogether, generated 12.0 billion minutes in 4Q06, a 9.2% growth in comparison to the traffic generated in 3Q06, when it reached 10.9 billion minutes. Altogether, the three Internet Service Providers which compose Internet Group have approximately 1.4 million subscribers which pay for services, including broadband accesses and value added services, against 1.2 million clients in 3Q06.

By the end of 2006, the Internet Group had 1,073 thousand broadband customers in Brazil. The position in 4Q06 represents an increase of 7.5% as compared to the 998 thousand broadband clients in 3Q06 and 46.3% as compared to the 734 thousand clients in 4Q05. Internet ratings was another highlight for the Internet Group in 4Q06, when it registered 8.0 million one-time residential visitors in December 2006, a 19.2% increase as compared to December 2005.

iBest, the largest dial up ISP in Region II, with an estimated market share of 55.9% in 4Q06, had 1.6 million active users (dial-up).

iG generated 6.1 billion minutes in 4Q06, as compared to 5.5 billion minutes in the previous quarter, which places it a leading traffic generator in Regions I and III, where most of its 2.1 million active users are concentrated. **iG's broadband subscriber base increased 67% when compared to the same quarter of 2005 (4Q05)**, reaching 304 thousand clients by the end of 4Q06. In comparison to 3Q06, iG's broadband subscriber base increased approximately 9.5% .

BrTurbo reached 769 thousand clients in Region II by the end of 4Q06, 39.6% and 6.5% greater in comparison to 4Q05 and 3Q06, respectively. Approximately 57.4% of Brasil Telecom's broadband accesses were BrTurbo subscribers, a 0.4 p.p. increase as compared to 3Q06, placing it as market leader in Region II.

FINANCIAL PERFORMANCE

REVENUE

Brasil Telecom's total gross revenue amounted to R\$4,001.9 million in 4Q06, 4.3% and 5.1% superior than the revenue registered in 3Q06 and 4Q05, respectively.

Gross revenue from local service reached R\$1,722.5 million in 4Q06, a 0.7% reduction in comparison to 3Q06. The subscription and measured service revenues accounted for 70.4% and VC-1 calls accounted for 28.5% of the total revenue from local service (Annex IV).

In the fourth quarter, gross revenue from subscription fees totaled R\$881.4 million, a 1.1% increase in comparison to R\$871.6 million registered in 3Q06, explained by an average tariff readjustment of 8% in the alternative plans.

Gross revenue from measured service totaled R\$332.1 million in the 4Q06, 5.2% inferior to the previous quarter, reflecting a 5.1% decrease in the exceeding pulses. **In comparison to 4Q05, gross revenues from measured service decreased 12.2%**, due to the traffic reduction of 11.6%.

Gross revenues with VC-1 calls reached R\$490.5 million in 4Q06, 0.6% inferior than 3Q06. Despite a 1.0% increase in VC-1 traffic, the reduction in revenues is explained by the increase in volume of disputed calls in the period. **In comparison to 4Q05, gross revenues with VC-1 calls reduced 5.7%**, due to a 9.1% reduction in traffic.

Gross revenue with public telephony reached R\$138.4 million in 4Q06, a 2.1% increase in comparison to 3Q06 and 4.9% reduction in comparison with the revenue obtained in 4Q05. Gross revenue with public telephony reached R\$540.6 million, which represents a 8.8% increase in comparison to 2005.

Gross revenue from LD calls reached R\$721.5 million in 4Q06, representing an increase of 8.3% and 2.2% in comparison to 3Q06 and 4Q05, respectively. The increase in comparison with 3Q06 occurred due to a restructuring of its line of products and strategic partnerships, improving both traffic and revenue for VC-2 and VC-3 calls.

Interconnection revenue in 4Q06 amounted to R\$113.9 million, a reduction of 5.1% and 23.2% in comparison to 3Q06 and 4Q05, respectively. The reduction in comparison to the previous quarter is due to the recovery of revenue related to the remuneration for network usage with another telephony operator in 3Q06, while the reduction in comparison to 4Q05 is explained by the interconnection tariff reduction which amounted to 19.1% in January 2006.

In 4Q06, gross revenue from data communications and other services reached R\$649.7 million, a 5.4% increase as compared to the previous quarter and a 17.5% increase in comparison to 4Q05. ADSL revenues amounted to R\$288.9 million, representing 44.5% of the total data communications revenues.

In 4Q06, consolidated gross revenue from mobile telephony totaled R\$459.6 million, of which R\$363.2 million were related to services and R\$96.4 million to the sale of handsets and accessories. The consolidated gross revenue from mobile telephony in 4Q06 registered an increase of 22.3% and 82.1% in comparison to 3Q06 and 4Q05, respectively.

In comparison to 3Q06 and 4Q05, respectively, **gross revenues from services with mobile telephony in 4Q06 exceeded in 17.2% and 166.0%, respectively**, due to the increase in the subscriber base, the launch of new plans and services, the restructuring of the Pula-Pula plans and the Christmas sales. Gross revenues with sales of handsets and accessories were 46.7% greater than the revenues registered in 3Q06.

The blended mobile ARPU in the 4Q06 reached R\$37.0 (Annex XVII). The post-paid ARPU amounted to R\$50.9 and the pre-paid ARPU reached R\$30.9. In comparison to 3Q06, **the blended mobile ARPU increased 4.0%** due to the launch of new plans and the restructuring of the Pula-Pula plans.

Brasil Telecom's net revenue reached R\$2,741.0 million in 4Q06, 4.3% and 5.8% larger than the revenues registered in 3Q06 and 4Q05, respectively (Annex IV).

COSTS AND EXPENSES

In 4Q06, operating costs and expenses amounted to R\$2,508.0 million, compared to R\$2,385.8 million in 3Q06 and R\$2,984.7 million in the 4Q05. The main items that determined such performance in comparison to 3Q06 were: materials (+22.8%), marketing and advertising (+20.9%), losses and provisions (+18.0%) and others (-50.0%) (Annex V).

At the end of 4Q06, 5,199 employees worked in Brasil Telecom's wireline segment, against 5,132 employees in the previous quarter. **BrT Mobile ended 4Q06 with 636 employees**, as compared to 632 in 3Q06. By the end of December, Brasil Telecom had 5,835 employees, **a 1.2% increase in comparison to September. Total personnel costs and expenses reached R\$154.4 million, a 1.6% reduction as compared to the previous quarter.**

Costs and expenses with subcontracted services, excluding interconnection, marketing and advertisement, **totaled R\$582.5 million in 4Q06**, 10.1% superior to the amount registered in the previous quarter due to:

In the second semester of 2006, Brasil Telecom's call center operations were centralized in Goiânia, generating extraordinary expenses of R\$15.9 million in the quarter;

Contract readjustment in technical operational services of the plant;

Increase of mailing expenses related to the Christmas Charging and Collection Campaign;

Issuance of new phone books and implementation of marketing folders.

In the 4Q06, interconnection costs amounted to R\$573.8 million, a 2.1% and 11.5% increase in comparison to 3Q06 and 4Q05, respectively. The increase in comparison to 3Q06 is explained by the increase in the mobile operation while the increase in comparison to 4Q05 is related to the effects of the Full Bill, implemented in 3Q06.

Advertising and marketing expenses amounted to R\$47.3 million in 4Q06, a 26.0% decrease in comparison to 4Q05. The 20.9% increase in comparison to 3Q06 was due to Christmas advertising campaigns.

Losses from Accounts Receivable as a percentage of gross revenue in the 4Q06 amounted 2.4%, stable in comparison to the 2.4% registered in the 3Q06. Losses from accounts receivable totaled R\$95.8 million in the 4Q06, 4.9% increase in comparison to the previous quarter.

In 4Q06, provisions for contingencies totaled R\$152.7 million, an increase of R\$33.5 million as compared to the 3Q06, being (i) R\$22.8 million related to revaluation of fiscal contingencies and (ii) R\$10.4 million from the increase of civil suits.

Costs and expenses with materials totaled R\$122.9 million in 4Q06, an increase of 22.8% in comparison to 3Q06 due to Christmas sales. **BrT Mobile s costs and expenses with materials amounted to R\$98.1 million**, representing 79.9% of the Group s total costs and expenses with materials, because the cost of handsets sold is included there.

Other operating costs and expenses totaled R\$61.2 million in the 4Q06, a 50.0% reduction in comparison to 3Q06. In 4Q06, the company registered the recovery of state and federal taxes, including legal decisions, generating a positive impact of R\$58.4 million, and revenues of R\$53.1 million due to agreements made with other telephony operators to end litigations.

EBITDA

Brasil Telecom s consolidated EBITDA was of R\$950.5 million in the 4Q06 (Annex VI). **Consolidated EBITDA margin reached 34.7% in 4Q06**. In 3Q06, the EBITDA reached R\$908.0 million, representing an EBITDA margin of 34.6%, while in 4Q05 it amounted to R\$316.0 million with an EBITDA margin of 12.2% (Annex VI). **In 2006, the EBITDA reached R\$3,505.5 million, with an EBITDA margin of 34.0% .**

BrT Mobile's EBITDA in 4Q06 reached negative R\$33.8 million, which represents a negative EBITDA margin of 8.1% .

INTEREST ON OWN CAPITAL

In 2006, Brasil Telecom Participações declared R\$348.9 million in Interest on Own Capital, of which, R\$103.9 million were distributed in the fourth quarter. The payment date of the Interest on Own Capital for 2006 will be defined in the General Shareholders Meeting.

NET EARNINGS

Net income totaled R\$254.6 million in 4Q06 (R\$0.6995/1,000 shares). Net income/ADR in the period was of US\$1.6358. In 4Q05, the Company registered a net loss of R\$265.9 million, corresponding to a loss of R\$0.7306/1,000 shares, while net loss per ADR amounted US\$1.5607.

INDEBTEDNESS

On October 5, 2005, Brasil Telecom S.A. entered into a new loan agreement with BNDES, in the total amount of R\$2,104.3 million. The proceeds will be used to finance investments in network infrastructure (voice, data and image) and information technology in order to meet the Universalization and Quality Targets established by Anatel and support the consolidation of the Company as a multi provider of telecom services. From the total loan amount, R\$1,304.3 were financed directly from BNDES and R\$800.0 million through an intermediation via a pool of banks. The loan matures in 7.5 years, with a grace period of 2.5 years. The cost is equivalent to TJLP +4.3% p.a. for approximately 95% of the loan (sub-credit A) and to TJLP +2.3% p.a. for the remaining part of the loan (sub-credit B), which will be used to finance national high-end technology equipment.

The first tranche of the loan, in the total amount of R\$800.0 million, was disbursed on November 21 and 22, 2006. Approximately R\$495.9 million were made available directly by BNDES and R\$304.1 million via a pool of banks. From the total amount disbursed in the first tranche, R\$770 million were part of sub-credit A and R\$30 million part of sub-credit B. The remaining disbursements of the loan are expected to occur by the end of 2008.

At the end of December 2006, Brasil Telecom's consolidated total debt was of R\$5,375.2 million, 11.0% superior than the amount registered at the end of September (Annex IX). As of December, 79.4% of the total debt corresponded to long-term debt (Annex X).

In December 2006, Brasil Telecom S.A. entered into contractual amendments with BNDES and the pool of banks, which altered the structure of financial covenants which must be fulfilled by the Company and released the R\$192.2 million previously retained. Brasil Telecom S.A. ended 4Q06 with cash of R\$2,541.6 million, in comparison with R\$1,682.6 million in the end of September. The Company had, in 4Q06, R\$89.4 million related to temporary short term investments against R\$197.0 million in 3Q06. **The consolidated net debt totaled R\$2,744.2 million, 1.0% inferior to that registered in September 2006 (Annex IX).**

At the end of December 2006, the foreign-currency-denominated debt excluding hedge adjustments totaled R\$1,026.1 million, of which R\$488.4 million were denominated in US dollars, R\$185.9 million in currency basket and R\$351.8 million in Yens (Annex IX). On December 31, 2006, 53.2% of our debt affected by exchange rate variation was hedged against exchange rate risk. Of our total debt excluding hedge adjustments, 9.7% was exposed to exchange rate variations.

Brasil Telecom's consolidated debt had a year-to-date **cost equivalent to 12.0% p.a., or 79.8% of the Domestic Interbank Rate.**

At the end of December 2006, Brasil Telecom's financial leverage ratio, represented by the ratio of its net debt to shareholders equity, was equal to 49.6%, against 50.9% in the previous quarter.

CAPEX

Brasil Telecom s CAPEX totaled **R\$477.0 million in the 4Q06**, of which, R\$369.9 million were invested in the fixed-line network, including voice, data, information technology and regulatory, and R\$107.1 million in the mobile network (Annex VIII). In comparison to 3Q06, total investments increased by 12.4% and below the CAPEX schedule for 2006, of R\$1.6 billion. In the year, the Company s investments amounted to R\$1,451.1 million, in comparison to R\$1,977.8 million in 2005. The ratio of CAPEX and net revenue in 2006 reached 14.1%, a 5.4 p.p. reduction in comparison to 2005.

STOCK MARKET

By the end of 2006, Brasil Telecom s market cap, calculated by the weighed quote price of the common and preferred shares, totaled R\$9,571.9 million, an increase of 33.7% in comparison to R\$7,160.0 million registered in December 2005.

In 4Q06, the performance of Brasil Telecom s common shares (BRTO3) outperformed the IBOVESPA index by 28.6 p.p., while the preferred shares (BRTO4) outperformed the IBOVESPA index by 20.4 p.p.

Table 1: Stock Market Performance

	Closing Price as of		Performance	
	12/29/2006	In 4Q06	In 12 Months	In 24 Months
Common Shares (BRTO3) (in R\$/1,000 shares)	27.85	50.6%	62.9%	115.2%
Preferred Shares (BRTO4) (in R\$/1,000 shares)	10.95	42.4%	15.8%	-4.9%
ADR (BRP) (in US\$/ADR)	14.85	38.8%	22.1%	12.4%
IBOVESPA (points)	44,474	22.0%	32.9%	69.8%
ITEL (points)	1,053	20.4%	10.7%	14.6%
IGC (points)	5,170	23.6%	41.3%	103.1%
Dow Jones (points)	26,618	5.1%	6.3%	-7.1%

Table 2: Theoretical Portfolio Participation September / December

	Ibovespa	Itel	IGC
BRTO3	-	-	0.010%
BRTO4	1.373%	4.971%	0.313%

SHAREHOLDING STRUCTURE**Table 3: Shareholding Structure**

Dec/06	Common		Preferred		Total Shares	
	Shares	%	Shares	%		%
Brasil Telecom Participações	247,276,380,758	99.1%	120,911,021,299	38.8%	368,187,402,057	65.6%
ADR Free Float	-	0.0%	22,801,254,000	7.3%	22,801,254,000	4.1%
Treasury	-	0.0%	13,678,100,000	4.4%	13,678,100,000	2.4%
Free Float at Bovespa	2,320,668,784	0.9%	153,962,865,558	49.4%	156,283,534,342	27.9%
Total	249,597,049,542	100.0%	311,353,240,857	100.0%	560,950,290,399	100.0%

Sep/06	Common		Preferred		Total Shares	
	Shares	%	Shares	%		%
Brasil Telecom Participações	247,276,380,758	99.1%	120,911,021,299	38.8%	368,187,402,057	65.6%
ADR Free Float	-	0.0%	22,306,554,000	7.2%	22,306,554,000	4.0%
Treasury	-	0.0%	13,678,100,000	4.4%	13,678,100,000	2.4%
Free Float at Bovespa	2,320,668,784	0.9%	154,457,565,558	49.6%	156,778,234,342	27.9%
Total	249,597,049,542	100.0%	311,353,240,857	100.0%	560,950,290,399	100.0%

COMING EVENTS**Conference Call and Webcast: 4Q06 Results****Connection number: (+1 973) 935-8893****Access Code: 8315013****Link:** <http://www.brasiltelecom.com.br/ir/>**Date:** January 31st, 2007 (Wednesday)**Time:** 09:00 a.m. (New York time)

12:00 p.m. (Brasília time)

02:00 p.m. (London time)

FINANCIAL STATEMENTS**BRASIL TELECOM S.A.****Annex I: Consolidated Balance Sheet**

R\$ Million	Dec/05	Sep/06	Dec/06
CURRENT ASSETS	5,271.7	5,429.7	6,014.8
Cash	1,730.1	1,682.6	2,541.6
Equivalents	-	197.0	89.4
Accounts Receivables (Net)	2,152.8	2,066.6	2,127.7
Deferred and Recoverable Taxes	1,122.6	1,023.3	901.2
Other Recoverable Amounts	117.2	338.5	223.6
Inventory	83.0	48.2	64.2
Other	66.0	73.6	67.2
LONG TERM ASSETS	1,438.3	1,656.2	1,842.5
Loans and Financing	5.2	3.4	2.9
Deferred and Recoverable Taxes	1,225.6	1,324.8	1,369.5
Other	207.5	328.1	470.2
PERMANENT ASSETS	9,397.5	8,320.0	8,140.5
Investment (Net)	390.5	319.7	303.4
Property, Plant and Equipment (Net)	7,592.6	6,650.5	6,535.2
Property, Plant and Equipment (Gross)	24,963.1	25,551.7	26,000.0
Accumulated Depreciation	(17,370.5)	(18,901.3)	(19,464.7)
Intangible (Net)*	1,220.0	1,146.2	1,163.4
Property, Plant and Equipment (Gross)	2,051.4	2,232.0	2,340.0
Accumulated Depreciation	(831.4)	(1,085.7)	(1,176.7)
Deferred Assets (Net)	194.4	203.6	138.5
TOTAL ASSETS	16,107.4	15,405.9	15,997.8
CURRENT LIABILITIES	5,363.3	4,495.0	4,616.4
Loans and Financing	1,489.4	1,107.0	1,109.6
Suppliers	1,786.5	1,488.4	1,474.7
Taxes and Contributions	976.0	921.5	893.1
Dividends Payable	376.6	263.0	412.9
Provisions	265.1	217.2	218.8
Salaries and Benefits	142.7	158.9	154.9
Consignment for Third Parties	154.7	116.0	104.2
Authorization for Services Exploration	55.5	115.9	135.8
Other	116.8	107.1	112.5

LONG TERM LIABILITIES	5,146.3	5,457.5	5,840.7
Loans and Financing	3,418.8	3,735.5	4,265.6
Provisions	1,112.7	1,174.2	1,158.9
Taxes and Contributions	330.6	169.4	108.3
Authorization for Services Exploration	252.3	268.2	219.5
Other	31.9	110.2	88.3
DEFERRED INCOME	84.6	-	-
MINORITY INTEREST	16.7	14.0	12.4
SHAREHOLDERS' EQUITY	5,496.6	5,439.5	5,528.3
Capital Stock	3,435.8	3,470.8	3,470.8
Capital Reserves	1,517.6	1,482.6	1,482.6
Profit Reserves	287.7	287.7	309.3
Retained Earnings	410.3	353.1	420.3
Treasury Shares	(154.7)	(154.7)	(154.7)
TOTAL LIABILITIES	16,107.5	15,405.9	15,997.8

* In compliance with CVM Deliberation 488 and 489 the line of Tangible Permanent Asset is created

Annex II: Cash Flow

R\$ Million	4Q05	3Q06	4Q06	Δ Quarter	Δ 12 Months	2005	2006	Δ Year
OPERATING ACTIVITIES								
(+) Net Income of the Period	(265.9)	54.7	254.6	365.3%	N.A.	(303.7)	432.4	-242.4%
(+) Minority Participation	3.7	(1.9)	(1.3)	-27.6%	N.A.	13.0	(2.9)	-122.5%
(+) Items with no Cash Effects	1,590.8	896.1	518.0	-42.2%	6.2%	4,612.7	3,499.9	-24.1%
Depreciation and Amortization	699.9	667.8	719.4	7.7%	-3.7%	2,794.5	2,729.6	-2.3%
Losses with Accounts Receivables	78.9	103.1	79.1	-23.2%	23.0%	328.8	384.1	16.8%
Provisions for Doubtful Accounts	78.6	(11.7)	16.7	-242.9%	676.9%	120.5	0.2	-99.8%
Provision for Contingencies	334.8	119.2	152.7	28.1%	214.2%	481.5	487.2	1.2%
Provision for Pension Funds	172.3	8.5	0.4	-94.9%	434.7%	266.2	28.7	-89.2%
Deferred Taxes	214.2	3.5	(409.6)	N.A.	-3.0%	593.3	(92.8)	-115.6%
Result from the Write-off of Permanent Assets	12.2	5.5	(40.7)	-837.5%	N.A.	28.0	(37.1)	-232.6%
(-) Equity Changes	441.7	203.2	87.9	-56.8%	22.9%	1,977.8	1,759.9	-11.0%
Clients' Accounts Receivable	(21.3)	52.2	156.9	200.5%	-71.9%	490.5	359.2	-26.8%
Inventories	14.4	(17.2)	16.0	-193.0%	-76.8%	(91.0)	(18.9)	-79.3%
Contract Retentions	-	0.7	(192.2)	N.A.	N.A.	(31.0)	374.6	
Court Deposits	(176.8)	133.1	187.0	40.5%	-34.4%	(0.1)	(0.3)	144.4%
Personnel, Charges and Social Benefits	34.2	(10.7)	23.0	-313.8%	8.1%	(75.4)	377.1	-600.2%
Accounts Payable and Provisioned Expenses	(301.9)	(31.8)	40.3	-226.9%	N.A.	1,496.5	114.6	-92.3%
Taxes	809.1	55.2	(389.1)	-804.5%	-14.9%	(97.6)	25.6	-126.2%
Financial Expenses	(138.3)	(45.1)	90.1	-299.7%	2.3%	(2.2)	(47.6)	N.A.
Authorization for Services Exploration	19.6	(26.7)	28.8	-207.6%	N.A.	290.6	408.4	40.5%
Provision for Contingencies	157.1	(14.2)	131.3	-1024.2%	298.5%	98.3	107.6	9.5%
Provision for Pension Funds	24.3	32.1	11.4	-64.3%	23.2%	-	-	N.A.
Other Assets and Liabilities' Accounts	21.4	75.6	(15.7)	-120.7%	134.3%	(100.7)	59.8	-159.3%
(=) Cash Flow from Operating Activities	886.8	745.7	683.4	-8.4%	8.1%	2,344.2	2,169.5	-7.4%
INVESTMENT ACTIVITIES								

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Financial Investments	1.2	(90.0)	107.0	-218.9%	N.A.	0.5	(89.5)	N.A.
Funds from Sales of Permanent Assets	0.4	2.0	3.6	83.7%	N.A.	3.5	15.3	330.5%
Investments in Permanent Assets	(773.7)	(412.8)	(488.4)	18.3%	-35.2%	(1,956.6)	(1,452.0)	-25.8%
Investments Acquisition of New Companies	-	-	-	N.A.	N.A.	(44.3)	-	N.A.
Acquisition Value	-	-	-	N.A.	N.A.	(44.3)	-	N.A.
(=) Cash Flow from Investment Activities	(772.0)	(500.8)	(377.8)	-24.6%	-12.1%	(1,952.6)		