

BRASIL TELECOM HOLDING CO

Form 20-F

July 13, 2009

Table of Contents

As filed with the Securities and Exchange Commission on July 13, 2009

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 20-F

.. **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008**

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR**

.. **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 001-14477

BRASIL TELECOM PARTICIPAÇÕES S.A.

(Exact Name of Registrant as Specified in Its Charter)

Brazil Telecom Holding Company
(Translation of Registrant's Name into English)

The Federative Republic of Brazil
(Jurisdiction of Incorporation or Organization)

SIA/Sul, ASP, Lote D, Bloco B

71215-000 Setor de Indústria, Brasília, DF, Brazil

(Address of Principal Executive Offices)

Roberto Terziani

Investor Relations Director

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RTerziani@oi.net.br

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class

Name of Each Exchange on which Registered

Preferred Shares, without par value, each represented by
American Depositary Shares

New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

The total number of issued shares of each class of stock of Brasil Telecom Participações S.A. as of December 31, 2008 was:

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134,031,688 common shares, without par value

229,937,525 preferred shares, without par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Table of Contents**TABLE OF CONTENTS**

<u>PRESENTATION OF FINANCIAL AND OTHER INFORMATION</u>		ii
<u>CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS</u>		iv
PART I		
Item 1.	<u>Identity of Directors, Senior Management and Advisers</u>	1
Item 2.	<u>Offer Statistics and Expected Timetable</u>	1
Item 3.	<u>Key Information</u>	1
Item 4.	<u>Information on the Company</u>	22
Item 4A.	<u>Unresolved Staff Comments</u>	64
Item 5.	<u>Operating and Financial Review and Prospects</u>	64
Item 6.	<u>Directors, Senior Management and Employees</u>	111
Item 7.	<u>Major Shareholders and Related Party Transactions</u>	122
Item 8.	<u>Financial Information</u>	129
Item 9.	<u>The Offer and Listing</u>	137
Item 10.	<u>Additional Information</u>	142
Item 11.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	163
Item 12.	<u>Description of Securities Other than Equity Securities</u>	164
PART II		
Item 13.	<u>Defaults, Dividend Arrearages and Delinquencies</u>	165
Item 14.	<u>Material Modifications to the Rights of Security Holders and Use of Proceeds</u>	165
Item 15.	<u>Controls and Procedures</u>	165
Item 16A.	<u>Audit Committee Financial Expert</u>	168
Item 16B.	<u>Code of Ethics</u>	168
Item 16C.	<u>Principal Accountant Fees and Services</u>	168
Item 16D.	<u>Exemptions From the Listing Standards for Audit Committees</u>	169
Item 16E.	<u>Purchases of Equity Securities by the Issuer and Affiliated Purchasers</u>	169
Item 16F.	<u>Change in Registrant's Certifying Accountant</u>	169
Item 16G.	<u>Corporate Governance</u>	169
PART III		
Item 17.	<u>Financial Statements</u>	173
Item 18.	<u>Financial Statements</u>	173
Item 19.	<u>Exhibits</u>	173
<u>SIGNATURES</u>		175

Table of Contents

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references herein to *real*, *reais* or R\$ are to the Brazilian *real*, the official currency of Brazil. All references to U.S. dollars, dollars or U are to U.S. dollars.

On July 6, 2009, the exchange rate for *reais* into U.S. dollars was R\$1.971 to US\$1.00, based on the selling rate as reported by the Central Bank of Brazil (*Banco Central do Brasil*), or the Central Bank. The selling rate was R\$2.337 to US\$1.00 at December 31, 2008, R\$1.771 to US\$1.00 at December 31, 2007 and R\$2.138 to US\$1.00 at December 31, 2006, in each case, as reported by the Central Bank. The *real*/U.S. dollar exchange rate fluctuates widely, and the selling rate at July 6, 2009 may not be indicative of future exchange rates. See Item 3. Key Information Exchange Rates for information regarding exchange rates for the *real* since January 1, 2004.

Solely for the convenience of the reader, we have translated some amounts included in Item 3. Key Information Selected Financial Information and elsewhere in this annual report from *reais* into U.S. dollars using the selling rate as reported by the Central Bank at December 31, 2008 of R\$2.337 to US\$1.00. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate.

Unless otherwise indicated or the context otherwise requires:

all references to Brasil Telecom Holding are to Brasil Telecom Participações S.A.;

all references to Brasil Telecom are to our subsidiary, Brasil Telecom S.A.;

all references to our company, we, our, ours, us or similar terms are to Brasil Telecom Participações S.A. and its consolidated subsidiaries;

all references to Brazil are to the Federative Republic of Brazil; and

all references to the Brazilian government are to the federal government of the Federative Republic of Brazil.

Financial Statements

We maintain our books and records in *reais*.

Our consolidated financial statements at December 31, 2008 and 2007 and for the three years ended December 31, 2008, as adjusted and restated for the changes in accounting practices described below, have been audited, as stated in the report appearing herein, and are included in this annual report.

We prepare our consolidated financial statements in accordance with accounting practices adopted in Brazil, or Brazilian GAAP, which are based on:

Brazilian Law No. 6,404/76, as amended, which we refer to as the Brazilian Corporation Law; and

the rules and regulations of the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or the CVM. On December 28, 2007, the Brazilian government enacted Law No. 11,638/07, which became effective on January 1, 2008, amended the Brazilian Corporation Law and changed certain accounting policies under Brazilian GAAP. In December 2008, the CVM issued *Deliberação*

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565/08, or Deliberation 565/08, implementing these changes in accounting policies. For a discussion of the principal changes introduced by Law No. 11,638/07 and Deliberation 565/08 as they relate to our financial statements, see Item 5. Operating and Financial Review and Prospects Financial Presentation and Accounting Policies Presentation of Financial Statements and notes 2(a) and 2(f) to our audited consolidated financial statements included elsewhere in this annual report.

Table of Contents

In order to make our financial statements at December 31, 2007 and for the two years ended December 31, 2007 comparable to our financial statements at December 31, 2008 and for the year ended December 31, 2008, we have restated our previously issued financial statements at December 31, 2007 and for the two years ended December 31, 2007 included in our consolidated financial statements at December 31, 2008 and for the year ended December 31, 2008 to conform to the changes in accounting policy introduced by Law No. 11,638/07 and Deliberation No. 565/08.

Brazilian GAAP differs in certain important respects from accounting principles generally accepted in the United States, or U.S. GAAP. For a discussion of certain differences relating to our financial statements, see note 36 to our audited consolidated financial statements included elsewhere in this annual report.

The U.S. GAAP reconciliation of our financial statements as of December 31, 2007 and for the two years ended December 31, 2007 included in our audited consolidated financial statements has been restated to correct errors in the calculation of our net income and shareholders' equity under U.S. GAAP. For a discussion of these errors and their effect on our U.S. GAAP net income and shareholders' equity, see Item 5. Operating and Financial Review and Prospects U.S. GAAP Reconciliation and note 36(n) to our audited consolidated financial statements included elsewhere in this annual report.

Share Split

On April 27, 2007, we authorized the reverse split of all of our issued common shares and preferred shares into one share for each 1,000 issued shares. This reverse share split became effective on May 30, 2007. In connection with this reverse share split, we authorized a change in the ratio of our American Depositary Shares, or ADSs. Upon the effectiveness of our reverse share split and the ratio change, the ratio of our preferred shares to ADSs changed from 5,000 preferred shares per ADS to five preferred shares per ADS. All references to numbers of shares and dividend amounts in this annual report have been adjusted to give effect to the 1,000-for-one reverse share split.

Market Share and Other Information

We make statements in this annual report about our market share and other information relating to the telecommunications industry in Brazil. We have made these statements on the basis of information obtained from third-party sources and publicly available information that we believe are reliable, such as information and reports from the Brazilian federal telecommunications regulator (*Agência Nacional de Telecomunicações*), or ANATEL, among others. Notwithstanding any investigation that we may have conducted with respect to the market share, market size or similar data provided by third parties or derived from industry or general publications, we assume no responsibility for the accuracy or completeness of any such information.

Rounding

We have made rounding adjustments to reach some of the figures included in this annual report. As a result, numerical figures shown as totals in some tables may not be arithmetic aggregations of the figures that precede them.

Table of Contents

CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements. Some of the matters discussed concerning our business operations and financial performance include forward-looking statements within the meaning of the U.S. Securities Act of 1933, as amended, which we refer to as the Securities Act, or the U.S. Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act.

Statements that are predictive in nature, that depend upon or refer to future events or conditions or that include words such as expects, anticipates, intends, plans, believes, estimates and similar expressions are forward-looking statements. Although we believe that these forward-looking statements are based upon reasonable assumptions, these statements are subject to several risks and uncertainties and are made in light of information currently available to us.

Our forward-looking statements may be influenced by factors, including the following:

competition in the Brazilian telecommunications sector;

our management's current expectations and estimates concerning our future financial performance, financing plans, and programs;

changes in the legal and regulatory environment that affect the telecommunications industry and our business in general, including issues relating to the remuneration for the use of our network;

the Brazilian government's telecommunications policies, and changes in or developments of ANATEL regulations applicable to us;

the cost and availability of financing;

the general level of demand for, and changes in the market prices of, our services;

our ability to implement our corporate strategies in order to increase our average revenue per user;

our ability to implement our corporate strategies in order to increase our average revenue per user;

political, regulatory and economic conditions in Brazil and the specific Brazilian states in which we operate;

a longer than anticipated continuation of the current worldwide economic downturn or further deterioration in the Brazilian and world economies;

inflation and fluctuations in exchange rates;

legal and administrative proceedings to which we are or become a party; and

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other factors identified or discussed under Item 3. Key Information Risk Factors.

Our forward-looking statements are not guarantees of future performance, and our actual results or other developments may differ materially from the expectations expressed in the forward-looking statements. As for forward-looking statements that relate to future financial results and other projections, actual results will be different due to the inherent uncertainty of estimates, forecasts and projections. Because of these uncertainties, potential investors should not rely on these forward-looking statements.

We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

Table of Contents

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

Selected Financial Information

The following selected financial data have been derived from our consolidated financial statements. The selected financial data at December 31, 2008 and 2007 and for the three years ended December 31, 2008 have been derived from our audited consolidated financial statements included elsewhere in this annual report. The selected financial data at December 31, 2006, 2005 and 2004 and for the years ended December 31, 2005 and 2004 have been derived from our audited consolidated financial statements that are not included in this annual report, other than the U.S. GAAP reconciliation of this selected financial data as described below.

On December 28, 2007, the Brazilian government enacted Law No. 11,638/07, which became effective on January 1, 2008, amended the Brazilian Corporation Law, and changed certain accounting policies under Brazilian GAAP. In December 2008, the CVM issued Deliberation 565/08 implementing these changes in accounting policies. For a discussion of the principal changes introduced by Law No. 11,638/07 and Deliberation 565/08 as they relate to our financial statements, see Item 5. Operating and Financial Review and Prospects Financial Presentation and Accounting Policies Presentation of Financial Statements and notes 2(a) and 2(f) to our audited consolidated financial statements included elsewhere in this annual report.

In order to make our financial statements at December 31, 2007 and for the two years ended December 31, 2007 comparable to our financial statements at December 31, 2008 and for the year ended December 31, 2008, we have restated our previously issued financial statements at December 31, 2007 and for the two years ended December 31, 2007 included in our consolidated financial statements at December 31, 2008 and for the year ended December 31, 2008 to conform to the changes in accounting policy introduced by Law No. 11,638/07 and Deliberation No. 565/08. We have not restated our financial statements at December 31, 2006, 2005 or 2004 and for the two years ended December 31, 2005 to conform these changes in accounting policy because we cannot provide this information without unreasonable effort and expense and, therefore, the selected financial data at and for these periods may not be comparable.

Our consolidated financial statements are prepared in accordance with Brazilian GAAP, which differs in certain important respects from U.S. GAAP. For a discussion of certain differences relating to our financial statements, see note 36 to our audited consolidated financial statements included elsewhere in this annual report.

The U.S. GAAP reconciliation of our financial statements as of December 31, 2007 and for the two years ended December 31, 2007 included in our audited consolidated financial statements has been restated to correct errors in the calculation of our U.S. GAAP net income and shareholders' equity at this date and for these periods. The U.S. GAAP reconciliation of the selected financial data at December 31, 2006, 2005 and 2004 and for the years ended December 31, 2005 and 2004 have also been restated to correct errors in the calculation of our U.S. GAAP net income and shareholders' equity at this date and for these periods, however, the restatement of the U.S. GAAP reconciliation of this selected financial data has not been audited. For a discussion of these errors and their effect on our U.S. GAAP net income and shareholders' equity, see Item 5. Operating and Financial Review and Prospects U.S. GAAP Reconciliation and note 36 to our audited consolidated financial statements included elsewhere in this annual report.

We have included information with respect to the dividends and/or interest attributable to shareholders' equity paid to holders of our common shares and preferred shares since January 1, 2004 in *reais* and in U.S. dollars translated from *reais* at the commercial market selling rate in effect as of the payment date under the caption Item 8. Financial Information Dividends and Dividend Policy Payment of Dividends.

Table of Contents

This selected financial data should be read in conjunction with Item 5. Operating and Financial Review and Prospects and our audited consolidated financial statements included elsewhere in this annual report.

	For the Year Ended December 31,						2008(1) (in millions of US\$, except per share amounts)
	2004	2005	2006 as restated	2007 as restated	2008		
(in millions of <i>reais</i> , except per share amounts and as otherwise indicated)							
Statement of Operations Data							
Brazilian GAAP:							
Net operating revenue	R\$ 9,065	R\$ 10,139	R\$ 10,297	R\$ 11,059	R\$ 11,297	US\$ 5,731	
Cost of sales and services	(5,840)	(6,521)	(6,460)	(6,382)	(6,209)	(3,150)	
Gross profit	3,225	3,618	3,837	4,677	5,088	2,581	
Operating expenses	(2,181)	(3,580)	(2,995)	(3,332)	(3,224)	(1,636)	
Operating income before financial expense, net	1,044	38	842	1,345	1,864	945	
Financial expense, net	(400)	(387)	(105)	(50)	(154)	(78)	
Operating income (loss)	644	(349)	737	1,295	1,710	867	
Non-operating income (expenses), net	(168)	(147)					
Income (loss) before taxes and minority interest	476	(496)	737	1,295	1,710	867	
Income tax and social contribution tax benefit (expense)	(121)	373	(114)	(359)	(591)	(300)	
Minority interest	(102)	94	(145)	(262)	(337)	(171)	
Net income (loss)	R\$ 253	R\$ (29)	R\$ 478	R\$ 674	R\$ 782	US\$ 396	
Number of shares outstanding at year end, excluding treasury shares (in thousands)	358,559	362,488	362,488	362,488	362,488	362,488	
Net income per share at year end	R\$ 0.70	R\$ (0.08)	R\$ 1.32	R\$ 1.86	R\$ 2.16	US\$ 1.09	
Net income per ADS at year end	3.52	(0.41)	6.07	9.31	10.79	5.46	

- (1) Translated for convenience only using the selling rate as reported by the Central Bank at July 6, 2009 for *reais* into U.S. dollars of R\$1.971=US\$1.00.

	For the Year Ended December 31,						2008(2) (in millions of US\$, except per share amounts)
	2004 (1) as restated	2005 (1) as restated	2006 (1) as restated	2007 (1) as restated	2008		
(in millions of <i>reais</i> , except per share amounts and as otherwise indicated)							
Statement of Operations Data							
U.S. GAAP:							
Net operating revenue	R\$ 9,070	R\$ 10,149	R\$ 10,306	R\$ 11,058	R\$ 11,298	US\$ 5,732	

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Net income (loss)		235	255	568	778	875	444
Net income per share: (3)							
Common shares	basic and diluted	0.66	0.71	1.57	2.15	2.41	1.22
Preferred shares	basic and diluted	0.66	0.71	1.57	2.15	2.41	1.22

Table of Contents

	For the Year Ended December 31,					2008(2) (in millions of US\$, except per share amounts)
	2004 (1) as restated	2005 (1) as restated	2006 (1) as restated	2007 (1) as restated	2008	
	(in millions of <i>reais</i> , except per share amounts and as otherwise indicated)					
ADSs basic and diluted	3.30	3.55	7.85	10.75	12.05	6.11
Weighted average shares outstanding (in thousands):						
Common shares basic and diluted	132,551	132,551	132,551	132,551	132,551	132,551
Preferred shares basic and diluted	226,008	229,938	229,938	229,938	229,938	229,938

- (1) Subsequent to the issuance of our financial statements for the year ended December 31, 2007, our management identified certain errors relating to the U.S. GAAP adjustments for capitalized interest and the depreciation of the step-up in basis of companies under common control that are included in the reconciliation of shareholders' equity and net income between Brazilian GAAP and U.S. GAAP as of December 31, 2007 and for the two years in the period then ended. These errors relate to the calculations used to determine the U.S. GAAP adjustments relating to (1) capitalized interest and (2) the step-up in the basis of the fixed assets of certain entities under common control that were contributed to our company, as described in Notes 36(a) and 36(k)(vi), respectively, to our audited consolidated financial statements included elsewhere in this annual report. The errors related to the U.S. GAAP adjustment for capitalized interest arose from miscalculations of (1) the rates used to depreciate capitalized interest and (2) the inclusion of fully depreciated assets in the calculation. This resulted in a restatement to the components of the calculation for this difference included in Note 36(a) to our audited consolidated financial statements included elsewhere in this annual report. While the Brazilian GAAP numbers in this disclosure have been restated, our financial statements prepared under Brazilian GAAP were not impacted as these amounts are estimates used solely for the purpose of the U.S. GAAP adjustment. The error relating to the U.S. GAAP adjustment for the step-up in basis of fixed assets arose from an error in the calculation of the rates used to calculate the depreciation for this item. As a result, the related adjustments in the reconciliation of shareholders' equity and net income have been restated from the amounts previously reported. The following table sets forth the reconciliation between our net income under U.S. GAAP as previously reported and as restated.

	For the Year Ended December 31,			
	2004	2005	2006	2007
	(in millions of <i>reais</i> , except per share amounts)			
Net income under U.S. GAAP (as previously reported)	R\$ 271	R\$ 2		