

BRASIL TELECOM SA  
Form 6-K  
February 13, 2004

BRT03: R\$13.10 / 1,000 shares  
BRT04: R\$16,49 / 1,000 shares  
BTM: US\$16,70 / ADR  
**Market Value: R\$8,144 million**  
Closing Price: February 11, 2004

# **Brasil Telecom S.A.**

## **Consolidated Earnings Release**

**4th Quarter of 2003**  
Non-audited

**Brasília, February 12, 2004.**

**Table of Contents**

Highlights

Consolidated Income Statement

Table 1: Consolidated Income Statement

Operating Performance

Plant

Table 2: Plant

Graph 1: Plant Evolution

Graph 2: ADSL Accesses

Targets

Traffic

Table 3: Traffic

Graph 3: DLD Market Share

Tariffs

Subsidiaries

Financial Performance

Revenue

Table 4: Consolidated Operating Gross Revenues

Graph 4: Gross Revenue Breakdown

Graph 5: Revenues from Data Communication

Costs and Expenses

Table 5: Consolidated Operating Costs and Expenses

Graph 6: Operating Costs and Expenses Breakdown (Excluding Depreciation, Provisions and Losses)

Graph 7: LIS/Employee

Gráfico 8: Accounts Receivable / Gross Revenue Ratio

Table 6: Gross Accounts Receivable

Ebitda

Table 7: EBITDA Margin Gains and Losses

Financial Result

Table 8: Consolidated Financial Result

Other Items

Net Earnings

Balance Sheet

Table 9: Consolidated Balance Sheet

Indebtedness

Table 10: Indebtedness

Tabela 11: Indebtedness by Currency

Table 12: Amortization Schedule of Long Term Debt

Investments in the Permanent Assets

Table 13: Breakdown of Investments in the Permanent Assets

Cash flow

Table 14: Consolidated Cash Flow

Stock Market

[Table 15: Stock Performance](#)

[Graph 9: Stock Performance in 4Q03 Bovespa and NYSE](#)

[Table 16: Share in the Theoretical Portfolio](#)

[Shareholders Structure](#)

[Table 17: Shareholders Structure](#)

[Corporate Governance](#)

[New Products and Services](#)

[Recognition](#)

[Recent Events](#)

[Indicators](#)

[Table 18: Evolution of the Indicators](#)

[Next Events](#)

[IR Contacts](#)

[Media Contact](#)

**FOCUS ON THE QUARTER**

Increase of 17.8% in the ADSL accesses in service

Focus on the Quarter

Increase of 17.8% in the ADSL accesses in service

Data communication revenue 15.3% higher

Decrease of 4.5% in the Gross Accounts Receivable

Net debt (ex-interco with BRP) 26.7% lower

Free cash flow of R\$502.5 million

EBITDA of R\$943.6 million, not considering the non-recurring items

EBITDA margin of 45.5%, not considering the non-recurring items

Total CAPEX of R\$398.9 million, a decrease of 50.9% in relation to 4Q02

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**Highlights**

Brasilia, February 12, 2004 **Brasil Telecom S.A. (NYSE: BTM; BOVESPA: BRTO3/BRTO4)** announces its consolidated results for the fourth quarter of 2003 (4Q03).

Anatel approved the **Brasil Telecom targets certification** on January 15, 2004. On January 20, 2004, the Company made public the intention to exercise the call option on MetroRed and Vant. On the 22 nd , following the publication of the amendment to the concession agreements in the Federal Official Journal, Brasil Telecom began to offer inter-regional and international long-distance services.

With the targets certification, Brasil Telecom is also able to launch its mobile operation, which coverage already reaches more than 50% of the metropolitan areas of all Region II capital cities.

**Operating Performance**

The **installed plant** of Brasil Telecom reached 10,686 thousand lines, an increase of 0.1% and 1.3% in relation to 3Q03 and 4Q02, respectively.

The **plant in service** achieved 9,851 thousand lines, 0.4% and 4.1% above the amount registered in the 3Q03 and 4Q02, respectively.

The 42 thousand lines in service added in the quarter contributed to the **utilization rate** growth, which reached 92.2% at the end of December, 0.3 p.p. and 2.4 p.p. above the amount registered in 3Q03 and 4Q02, respectively.

At the end of 4Q03, Brasil Telecom reached 281.9 thousand **ADSL accesses in service** , representing a growth of 17.8% and 100.4% in relation to 3Q03 and 4Q02, respectively.

**Productivity Ratio** stood at 1,873 LIS/employee at the end of 4Q03, against 1,861 in 3Q03. The higher productivity ratio was due to a 0.4% increase in the plant in service combined with a net reduction of 13 employees in 4Q03.

The **local traffic** remained stable in relation to 3Q03 and **DLD traffic** grew 2.0% at the same comparison, before excluding the identified frauds.

Brasil Telecom launched **BrTurbo Asas** , a Wi-Fi technology service that allows high speed Internet access through a wireless network.

**Financial Performance**

**Net revenue** in 4Q03 reached R\$2,073.2 million, a growth of 1.0% and 10.6% in relation to the one observed in 3Q03 and 4Q02, respectively.

**Net revenue/Average LIS /month** in 4Q03 reached R\$70.3, against R\$70,0 in 3Q03.

**Revenue from data communication** in 4Q03 reached R\$220.4 million, 15.3% and 57.3% above the amount registered in 3Q03 and 4Q02, respectively.

**EBITDA** of R\$943.6 million in 4Q03, not considering the non-recurring items. Thus, **EBITDA margin** would be 45.5%.

Considering the non-recurring items, **EBITDA** in the 4Q03 was R\$578.6 million and EBITDA margin was 27.9%.

**Focus on 12 Months**

Increase of 100.4% in the ADSL accesses in service

Net Revenue of 2003 grows 11.9%, reaching R\$7.9 billion

Data communication revenue 51.9% higher

EBITDA of R\$3,679.0 million, not considering the non-recurring items

EBIT of R\$1,231.6 million

Net debt (ex-interco with BRP) is 21.6% lower

Capex in fixed telephony of R\$1.3 billion, a reduction of 32,8% in relation to 2002

Free cash flow of R\$835.4 million in 2003

Average debt cost of 78.5% of CDI, or 18.3% a.a.

**EBITDA of R\$3,679.0 million in 2003**, not considering the non-recurring items. **EBITDA margin would be 46.5% at the year**. Brasil Telecom **hedged** 58.4% of the debt pegged to exchange variations.

Considering the non-recurring items related to 4Q03, EBITDA of 2003 was R\$3,314.0 million.

Due to the **credit recovery campaign**, R\$26.2 million was recovered in 4Q03, against R\$18.1 million in 3Q03.

The accumulated **debt cost** in 2003 is 18.3% or 78.5% of Interbank Domestic Rate for the period.

The **financial result** in 4Q03 registered an improvement of R\$13.4 million in relation to 3Q03.

In 4Q03, Brasil Telecom generated a positive **operating cash flow** of R\$977.8 million, against R\$814.1 million in 3Q03.

**Net Debt**

Debt BTM (R\$ Million)	Dec 2002	Sep 2003	Dec 2003	Δ Quarter	Δ Year
<b>Total Debt</b>	<b>5,081.8</b>	<b>4,798.1</b>	<b>4,635.8</b>	<b>-3.4%</b>	<b>-8.8%</b>
(-) Cash	1,422.9	1,138.4	1,465.8	28.8%	3.0%
(-) Inter Company with BRP	1,525.3	1,379.6	1,497.8	8.6%	-1.8%
<b>Net Debt Ex-Inter Company with BRP</b>	<b>2,133.6</b>	<b>2,280.2</b>	<b>1,672.2</b>	<b>-26.7%</b>	<b>-21.6%</b>

**Consolidated net debt** (excluding interco and debentures with the holding company) was reduced to R\$1,672.2 million by the end of December.

The **consolidated net debt / shareholder's equity** ratio of the Company was 25.1% at the end of 4Q03, against 30.6% at the end of 4Q02.

The **dollar-denominated debt** represented 5.3% of the total debt, totaling R\$245.6 million at the end of 4Q03, including the hedge adjustment.

**Free cash flow** in the year, taking into account the operating cash flow, excluding investment cash flow and paid interest, was positive at R\$835.4 million, an increase of 70.6% in relation to 2002.

Excluding the amount disbursed in Globenet, MetroRed and iBest acquisitions, the **free cash flow** would be R\$1,097.1 million.

**Financial Indicators**

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Financial Indicators	4Q02	3Q03	4Q03	Δ Quarter	Δ 12 Months
EBITDA / Interest Expenses	5.56	4.30	5.35	24.5%	-3.7%
Net Debt / EBITDA (x4)	0.58	0.58	0.45	-21.7%	-21.7%
Total Debt / (EBITDA + Financial Income) (x4)	1.30	1.19	1.12	-5.7%	-13.9%
EBITDA (x4) / Lines in Service	R\$ 391	R\$ 393	R\$ 390	-0.8%	-0.4%
EBITDA (x4) / Employees (thousand)	R\$ 665	R\$ 731	R\$ 730	-0.2%	9.7%

\* EBITDA without effects of non-recurrent itens

## Consolidated Income Statement

Table 1 : Consolidated Income Statement

R\$ Million	4Q02	3Q03	4Q03	Δ Quarter	Δ12 Months	12M02	12M03	Δ Year
<b>GROSS REVENUES</b>	<b>2,619.3</b>	<b>2,877.1</b>	<b>2,899.8</b>	<b>0.8%</b>	<b>10.7%</b>	<b>9,839.7</b>	<b>11,077.4</b>	<b>12.6%</b>
Local Service	1,108.5	1,180.8	1,165.7	-1.3%	5.2%	4,121.1	4,442.5	7.8%
Public Telephony	87.0	92.3	115.4	25.0%	32.6%	341.8	394.5	15.4%
Long Distance Service	339.8	391.0	377.1	-3.5%	11.0%	1,363.7	1,450.5	6.4%
Fixed-Mobile Calls	576.0	643.9	613.9	-4.7%	6.6%	2,169.1	2,536.0	16.9%
Interconnection	221.8	203.9	215.7	5.8%	-2.7%	785.8	835.3	6.3%
Lease of Means	54.8	51.8	60.9	17.6%	11.1%	235.5	215.5	-8.5%
Data Communication	140.1	191.1	220.4	15.3%	57.3%	503.1	764.1	51.9%
Supplementary and Value Added Services	82.7	95.8	91.0	-5.0%	10.1%	286.6	348.2	21.5%
Other	8.7	26.6	39.6	48.9%	356.8%	33.2	90.9	173.9%
Deductions	(745.4)	(823.7)	(826.6)	0.4%	10.9%	(2,768.3)	(3,162.2)	14.2%
<b>NET REVENUES</b>	<b>1,873.9</b>	<b>2,053.4</b>	<b>2,073.2</b>	<b>1.0%</b>	<b>10.6%</b>	<b>7,071.4</b>	<b>7,915.2</b>	<b>11.9%</b>
<b>COSTS &amp; OPERATING EXPENSES</b>	<b>(948.3)</b>	<b>(1,090.2)</b>	<b>(1,494.5)</b>	<b>37.1%</b>	<b>57.6%</b>	<b>(3,718.2)</b>	<b>(4,601.2)</b>	<b>23.7%</b>
Personnel	(85.7)	(96.1)	(144.6)	50.4%	68.6%	(396.0)	(429.8)	8.6%
Materials	(20.6)	(22.3)	(24.6)	10.4%	19.3%	(85.3)	(89.7)	5.2%
Subcontracted Services	(300.7)	(328.3)	(363.6)	10.7%	20.9%	(1,122.7)	(1,288.9)	14.8%
Interconnection	(406.4)	(455.6)	(461.3)	1.2%	13.5%	(1,526.5)	(1,772.1)	16.1%
Advertising and Marketing	(26.0)	(28.5)	(28.3)	-0.8%	8.8%	(117.6)	(85.5)	-27.3%
Provisions and Losses	(56.2)	(85.2)	(410.4)	381.4%	N.A.	(292.7)	(657.8)	124.7%
Other	(52.7)	(74.2)	(61.8)	-16.7%	17.3%	(174.3)	(277.4)	59.2%
<b>EBITDA</b>	<b>925.7</b>	<b>963.2</b>	<b>578.6</b>	<b>-39.9%</b>	<b>-37.5%</b>	<b>3,353.2</b>	<b>3,314.0</b>	<b>-1.2%</b>
Depreciation and Amortization	(520.6)	(530.0)	(505.2)	-4.7%	-2.9%	(2,002.7)	(2,082.4)	4.0%
<b>OPERATING PROFIT BEFORE FINANCIAL RESULT</b>	<b>405.1</b>	<b>433.2</b>	<b>73.4</b>	<b>-83.1%</b>	<b>-81.9%</b>	<b>1,350.5</b>	<b>1,231.6</b>	<b>-8.8%</b>
Financial Result	(226.5)	(211.7)	(198.3)	-6.4%	-12.5%	(943.5)	(1,091.0)	15.6%
Financial Revenues	50.9	46.7	74.9	60.5%	47.1%	201.6	288.4	43.0%
Financial Expenses	(187.4)	(258.4)	(273.1)	5.7%	45.7%	(820.5)	(1,133.2)	38.1%
Interest on Shareholders' Equity	(90.0)	-	-	N.A.	N.A.	(324.7)	(246.2)	-24.2%
<b>OPERATING PROFIT AFTER FINANCIAL RESULT</b>	<b>178.6</b>	<b>221.5</b>	<b>(124.9)</b>	<b>N.A.</b>	<b>N.A.</b>	<b>407.0</b>	<b>140.6</b>	<b>-65.5%</b>
Non-Operating Revenues (Expenses)	(33.0)	(30.2)	(360.5)	N.A.	N.A.	(138.7)	(469.0)	238.1%
Goodwill Amortization - CRT Acquisition	(31.0)	(31.0)	(31.0)	0.0%	0.0%	(124.0)	(124.0)	0.0%
Other	(2.0)	0.8	(329.5)	N.A.	N.A.	(14.7)	(345.0)	N.A.
<b>EARNINGS BEFORE INCOME AND SOCIAL</b>	<b>145.6</b>	<b>191.3</b>	<b>(485.4)</b>	<b>N.A.</b>	<b>N.A.</b>	<b>268.3</b>	<b>(328.5)</b>	<b>N.A.</b>

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CONTRIBUTION TAXES

Income and Social Contribution Taxes	(41.6)	(78.8)	140.3	N.A.	N.A.	(111.4)	58.0	N.A.
<b>EARNINGS BEFORE PROFIT SHARING</b>	<b>104.0</b>	<b>112.5</b>	<b>(345.1)</b>	<b>N.A.</b>	<b>N.A.</b>	<b>156.9</b>	<b>(270.4)</b>	<b>N.A.</b>
Profit Sharing	(12.7)	(14.0)	33.9	N.A.	N.A.	(41.4)	(1.1)	-97.4%
<b>EARNINGS BEFORE REVERSION OF INTEREST ON SHAREHOLDERS' EQUITY</b>	<b>91.2</b>	<b>98.5</b>	<b>(311.2)</b>	<b>N.A.</b>	<b>N.A.</b>	<b>115.5</b>	<b>(271.5)</b>	<b>N.A.</b>
Reversion of Interest on Shareholders' Equity	90.0	-	-	N.A.	N.A.	324.7	246.2	-24.2%
<b>NET EARNINGS (LOSSES)</b>	<b>181.2</b>	<b>98.5</b>	<b>(311.2)</b>	<b>N.A.</b>	<b>N.A.</b>	<b>440.1</b>	<b>(25.3)</b>	<b>N.A.</b>
Goodwill Amortization - CRT Acquisition	31.0	31.0	31.0	0.0%	0.0%	124.0	124.0	0.0%
<b>NET EARNINGS (LOSSES) ADJUSTED BY GOODWILL AMORTIZATION</b>	<b>212.2</b>	<b>129.5</b>	<b>(280.2)</b>	<b>N.A.</b>	<b>N.A.</b>	<b>564.1</b>	<b>98.7</b>	<b>-82.5%</b>
Net Earnings (Losses)/1,000 shares - R\$	0.3361	0.1806	(0.5709)	N.A.	N.A.	0.8163	(0.0464)	N.A.
Net Earnings (Losses)/ADR - US\$	0.2849	0.1854	(0.5928)	N.A.	N.A.	0.6918	(0.0482)	N.A.

Operating Performance

Plant

Table 2 : Plant

PLANT	4Q02	3Q03	4Q03	Δ Quarter	Δ 12 Months
<b>Lines Installed (Thousand)</b>	<b>10,548</b>	<b>10,678</b>	<b>10,686</b>	<b>0.1%</b>	<b>1.3%</b>
Additional Lines Installed (Thousand)	4	22	9	-58.7%	137.9%
<b>Lines in Service - LIS (Thousand)</b>	<b>9,465</b>	<b>9,809</b>	<b>9,851</b>	<b>0.4%</b>	<b>4.1%</b>
Residential	6,862	7,168	7,166	0.0%	4.4%
Non-Residential	1,540	1,567	1,566	-0.1%	1.7%
Public Telephones	293	297	296	-	1.0%
Pre-paid	206	232	266	15.1%	29.3%
Other (including PBX)	564	544	546	0.2%	-3.3%



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Additional LIS (Thousand)	237	68	42	-38.8%	-82.4%
<b>Average LIS (Thousand)</b>	<b>9,347</b>	<b>9,775</b>	<b>9,830</b>	<b>0.6%</b>	<b>5.2%</b>
LIS/100 Inhabitants	23	23	23	-0.1%	1.5%
Public Telephones/1,000 Inhabitants	7	7	7	-0.6%	-1.4%
Public Telephones/100 Lines Installed	3	3	3	-0.2%	-0.3%
<b>Utilization Rate</b>	<b>89.7%</b>	<b>91.9%</b>	<b>92.2%</b>	<b>0.3 p.p.</b>	<b>2.4 p.p.</b>
<b>Digitization Rate</b>	<b>99.0%</b>	<b>99.0%</b>	<b>99.0%</b>	<b>0.1 p.p.</b>	<b>0.2 p.p.</b>
<b>ADSL Lines in Service (Thousand)</b>	<b>141</b>	<b>239</b>	<b>282</b>	<b>17.8%</b>	<b>100.4%</b>

**Lines Installed**

**In 4Q03, Brasil Telecom installed 8.9 thousand lines, ending the year with 10.7 million terminals** . In relation to 4Q02, the plant registered an increase of 138.5 thousand lines.

**Graph 1 : Plant Evolution**

**Lines in Service**

**Plant in service totaled 9.9 million lines in 2003** , due to the addition of 385.7 thousand lines in the year, representing a growth of 4.1% during 2003. The addition of residential lines accounted for 78.8% of this total amount. Pre-paid lines increased by 29.3% in the year.

During the quarter, Brasil Telecom continued with its policy of not disconnecting defaulting customers at switching centers with idle capacity.

**Utilization Rate**

**The utilization rate stood at 92.2% in 4Q03, against 89.7% in 4Q02** , resulting from the growth of 1.3% in the plant installed, combined with an increase of 4.1% in the plant in service.

**ADSL**

**Brasil Telecom doubled its ADSL accesses in service in just the year** , reaching 281.9 thousand accesses at the end of 2003.

**In December 2003, average gross revenue per subscriber reached R\$94.0** , a 26% growth in relation to the rate registered in December 2002. This growth was a result of the incentive to sell

accesses with greater speeds, migration of plans and the tariff adjustment of June.

**Graph 2 : ADSL Accesses**

**Targets**

**Quality Targets**

**In 4Q03, Brasil Telecom accomplished all of the quality goals predicted in the General Plan of Quality Targets** established by Anatel in relation to the offering of switched fixed telephony service, in long-distance and local segments.

**Universalization Targets**

**At a meeting held by Anatel's Board of Directors on January 14 and 15, 2004, Brasil Telecom received approval for the achievement of the universalization targets** . At the same occasion, Brasil Telecom received authorization to:

1. provide local and DLD fixed telephone services in Regions I (Telemar's Region) and III (Telefonica's Region), as well as in the sectors 20, 22 and 25 of Region II, corresponding to the operation areas of the concessionaries Sercomtel (Londrina, PR) and CTBC Telecom (partial territories of São Paulo, Minas Gerais, Goiás and Mato Grosso do Sul states);
2. provide international long distance (ILD) fixed telephone service in Regions I, II and III of the General Concession Plan;
3. originate DLD calls, through Amendment to the Concession Contracts, to any place within the Brazilian territory;  
Regarding the PCS, Anatel authorized Brasil Telecom to use radio frequency for its mobile operation.

**Traffic**

**Table 3 : Traffic**

TRAFFIC	4Q02	3Q03	4Q03	Δ Quarter	Δ 12 Months
Exceeding Local Pulses (Million)	3,255.6	3,098.9	2,927.4	-5.5%	-10.1%

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<b>Domestic Long Distance Minutes (Million)</b>	<b>1,755.9</b>	<b>1,709.4</b>	<b>1,559.4</b>	<b>-8.8%</b>	<b>-11.2%</b>
<b>Fixed-Mobile Minutes (Million)</b>	<b>1,142.9</b>	<b>978.5</b>	<b>991.0</b>	<b>1.3%</b>	<b>-13.3%</b>
Exceeding Pulses/Average LIS/Month	116.1	105.7	99.3	-6.1%	-14.5%
DLD Minutes/Average LIS/Month	62.6	58.3	52.9	-9.3%	-15.6%
Fixed-Mobile Minutes/Average LIS/Month	40.8	33.4	33.6	0.7%	-17.6%

**Exceeding Local Pulses**      **Billed local traffic** remained stable in comparison to 3Q03. However, due to the ongoing improvement of the ascertainment revenue process and to the implementation of tools aiming at fraud's detection and elimination, the Company has been carrying out, in a more promptly way, the interruption of that traffic and not considering that in revenues anymore. Due to these measures, local traffic registered a 5.5% drop.

**Domestic Long-Distance Traffic**      In 4Q03, **DLD traffic** grew 2.0% in relation to the previous quarter, before excluding the effects of the identified frauds.

**DLD Market Share**      **The DLD market share of Brasil Telecom in the intra-sector segment reached 89.4% in 4Q03, while in the intra-regional segment Brasil Telecom registered 76.0%.**

**Graph 3 : DLD Market Share**

**Fixed-Mobile Traffic**      **Fixed-Mobile traffic grew 3.1% in 4Q03** , before excluding the effects of the identified frauds. After this effect fixed-mobile traffic totaled 1.0 billion minutes in 4Q03, out of which 91.7% refers to VC-1 calls, 6.7% to VC-2 calls and 1.6% to VC-3 calls.

**Tariffs**

**Recent Higher Justice Court Decision keeps IPCA Adjustment** The recent decision of Higher Justice Court in relation to the rate readjustment did not alter the current situation in relation to the percentages granted and applied on June 29, 2003. It is worth mentioning that the merit of the question has not yet been judged.

**Fixed-Mobile Adjustment** Anatel released, on February 09, 2004, the authorized fixed-mobile tariff adjustments. The average adjustments were 6.99% and 9.17% for VC and VU-M, respectively.

## Subsidiaries

**Brasil Telecom Celular** In 2003, the main platforms which will be used for the mobile service operation , with emphasis on the prepaid service, voice mail, short messages (SMS), multimedia messages (MMS), data services (WAP, OTA, Middleware) and anti-fraud platforms were defined and contracted.

**Brasil Telecom Celular already counts on 146 installed Base Transceiver Stations - BTS, which assures the coverage of more than 50% of the metropolitan area in the ten capital cities of Region II** , well over the amount required by Anatel. The minimum coverage required was of at least 50% of the metropolitan area in at least six capital cities in Region II, since there are no cities in the region with more than 500 thousand inhabitants.

The detailing of the mobile strategy was concluded and the bases of the launching offers aimed at attracting and maintaining the clients were outlined. In this stage, innovative and isonomic offers related to the synergy existing between the fixed and mobile operations were enhanced. **The first test performed was an offer extended to the employees of Brasil Telecom and their appointees** , which were able to acquire accesses with special financing conditions. **The offer was successful considering that 11,000 people showed an interest in acquiring postpaid accesses from Brasil Telecom Celular .**

## Financial Performance

### Revenue

**Table 4 : Consolidated Operating Gross Revenues**

R\$ Million	4Q02	3Q03	4Q03	Δ Quarter	Δ 12 Months	12M02	12M03	Δ Year
<b>GROSS REVENUES</b>	<b>2,619.3</b>	<b>2,877.1</b>	<b>2,899.8</b>	<b>0.8%</b>	<b>10.7%</b>	<b>9,839.7</b>	<b>11,077.4</b>	<b>12.6%</b>
<b>Local Service</b>	<b>1,108.5</b>	<b>1,180.8</b>	<b>1,165.7</b>	<b>-1.3%</b>	<b>5.2%</b>	<b>4,121.1</b>	<b>4,442.5</b>	<b>7.8%</b>
Installation	6.0	12.9	8.9	-31.2%	48.8%	32.6	35.5	8.9%
Basic Subscription	727.7	749.5	748.6	-0.1%	2.9%	2,656.6	2,867.2	7.9%
Measured Service	345.9	388.5	378.7	-2.5%	9.5%	1,314.8	1,427.2	8.5%
Lease of Lines	0.8	0.6	0.6	5.3%	-21.3%	5.2	2.2	-57.3%
Other	28.2	29.3	29.0	-1.2%	2.8%	111.8	110.3	-1.4%
<b>Public Telephony</b>	<b>87.0</b>	<b>92.3</b>	<b>115.4</b>	<b>25.0%</b>	<b>32.6%</b>	<b>341.8</b>	<b>394.5</b>	<b>15.4%</b>
<b>Long Distance Service</b>	<b>339.8</b>	<b>391.0</b>	<b>377.1</b>	<b>-3.5%</b>	<b>11.0%</b>	<b>1,363.7</b>	<b>1,450.5</b>	<b>6.4%</b>
Intra-Sector	256.6	295.3	281.6	-4.6%	9.8%	1,029.0	1,088.3	5.8%
Intra-Region	83.1	95.5	95.3	-0.2%	14.7%	334.1	361.7	8.3%
Borderline	0.1	0.1	0.1	-0.9%	1.0%	0.6	0.6	-5.3%
<b>Fixed-Mobile Calls</b>	<b>576.0</b>	<b>643.9</b>	<b>613.9</b>	<b>-4.7%</b>	<b>6.6%</b>	<b>2,169.1</b>	<b>2,536.0</b>	<b>16.9%</b>
VC-1	464.2	516.2	525.8	1.9%	13.3%	1,791.8	2,062.8	15.1%
VC-2	99.0	105.4	69.5	-34.1%	-29.8%	331.6	399.9	20.6%
VC-3	12.8	22.4	18.6	-16.9%	44.9%	45.7	73.2	60.1%

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<b>Interconnection</b>	<b>221.8</b>	<b>203.9</b>	<b>215.7</b>	<b>5.8%</b>	<b>-2.7%</b>	<b>785.8</b>	<b>835.3</b>	<b>6.3%</b>
Fixed-Fixed	169.0	150.6	151.3	0.4%	-10.5%	604.5	607.1	0.4%
Mobile-Fixed	52.8	53.2	64.5	21.1%	22.1%	181.3	228.2	25.9%
<b>Lease of Means</b>	<b>54.8</b>	<b>51.8</b>	<b>60.9</b>	<b>17.6%</b>	<b>11.1%</b>	<b>235.5</b>	<b>215.5</b>	<b>-8.5%</b>
<b>Data Communication</b>	<b>140.1</b>	<b>191.1</b>	<b>220.4</b>	<b>15.3%</b>	<b>57.3%</b>	<b>503.1</b>	<b>764.1</b>	<b>51.9%</b>
<b>Supplementary and Value Added Services</b>	<b>82.7</b>	<b>95.8</b>	<b>91.0</b>	<b>-5.0%</b>	<b>10.1%</b>	<b>286.6</b>	<b>348.2</b>	<b>21.5%</b>
<b>Other</b>	<b>8.7</b>	<b>26.6</b>	<b>39.6</b>	<b>48.9%</b>	<b>356.8%</b>	<b>33.2</b>	<b>90.9</b>	<b>173.9%</b>
Deductions	(745.4)	(823.7)	(826.6)	0.4%	10.9%	(2,768.3)	(3,162.2)	14.2%
<b>NET REVENUES</b>	<b>1,873.9</b>	<b>2,053.4</b>	<b>2,073.2</b>	<b>1.0%</b>	<b>10.6%</b>	<b>7,071.4</b>	<b>7,915.2</b>	<b>11.9%</b>

**Graph 4 : Gross Revenue Breakdown**

**3Q03**  
**R\$2,877 million**

**4Q03**  
**R\$2,900 million**

**Local Service**

**Gross revenue from local service reached R\$1,165.7 million in 4Q03**, a 5.2% increase in relation to 4Q02, basically accompanied by the growth of the average plant in service during the period.

**Gross revenue from activation fee totaled R\$8.9 million in 4Q03**, 48.8% more than the amount registered in 4Q02. This performance is a result of the 480.1 thousand lines activated in the quarter, of which 30% were benefited with promotions.

**Gross revenue from basic subscription reached R\$748.6 million in the quarter**, a growth of 2.9% in comparison to R\$727.7 million in 4Q02. This variation can be explained by a 5.2% increase in the average lines in service, compensated by the greater presence of alternative plans.

**Gross revenue from measured service totaled R\$378.7 million in the 4Q03**, an increase of 9.5% in relation to 4Q02, basically due to the tariff readjustment, offset by the effect of frauds.

**Public Telephony**

Gross revenue from public telephony reached R\$115.4 million in 4Q03, a 25.0% increase in comparison to 3Q03.

In spite of the stability in card sales for public phones, there was a higher credit usage in Brasil Telecom concession area and a CSC 14 supremacy in long distance calls originated in public telephones.

**Domestic Long Distance**

**Gross revenue from DLD reached R\$377.1 million in 4Q03**, representing an increase of 11.0% in comparison with 4Q02 due to the tariff readjustment.

**Inter-Networks**

**Gross revenue from fixed-mobile calls reached R\$613.9 million in 4Q03**, a 6.6% increase in relation to 4Q02, explained by the tariff readjustment, partially offset by traffic reduction.

The operation of CSC 14 in the calls originated from cell phones contributed with revenue of R\$37.4 million in 4Q03, against R\$42.0 million in 3Q03.

**Interconnection**

In 4Q03, gross revenue from interconnection grew 5.8% in comparison with 3Q03, performance explained by the 21.1% increase in mobile-fixed calls. The mobile plant in Region II grew 14.6% in 4Q03, jumping from 11.3 million accesses in September to 13.0 million accesses in December of 2003.

**Data  
Communication**

**In 4Q03, gross revenue from data communication registered a 15.3% increase, reaching R\$220.4 million.**

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The following trends were registered in the quarter:

Growth of 17.8% in the number of ADSL accesses in service;  
Growth of 8.8% in the number of billed IP dedicated accesses; and  
Growth of 5.4% in the number of billed Frame-Relay accesses.

A year ago, gross revenue from data communication represented 5.4% of total revenue, while in 4Q03 the segment started to represent 7.6% of total gross revenue.

### Graph 5: Revenues from Data Communication

#### Supplementary and Value-Added Services

**Gross revenue from supplementary and value-added services increased 10.1% in 4Q03, in comparison with 4Q02, totaling R\$91.0 million.**

In December 2003 there was 5.7 million activated intelligent services, against 4.1 million in December 2002.

#### Other Revenues

In 4Q03, other revenues reached R\$39.6 million, **a growth of 356.8% in relation to 4Q02**, mainly derived from the services offered by iBest and Globenet.

#### Gross Revenue Deductions

**Gross revenue deductions registered R\$826.6 million in the 4Q03**, representing 28.5% of gross revenue in the quarter, against 28.6% in the 3Q03.

#### Net Revenue/Avg LIS/month

**Net operating revenue/Average LIS/month registered in the 4Q03 was R\$70.3**, against R\$70.0 in the 3Q03.

## Costs and Expenses

Table5: Consolidated Operating Costs and Expenses

R\$ Million	4Q02	3Q03	4Q03	Δ Quarter	Δ12 Months
<b>NET REVENUES</b>	<b>1,873.9</b>	<b>2,053.4</b>	<b>2,073.2</b>	<b>1.0%</b>	<b>10.6%</b>
<b>Costs</b>	<b>(1,151.6)</b>	<b>(1,226.7)</b>	<b>(1,242.4)</b>	<b>1.3%</b>	<b>7.9%</b>
Personnel	(26.2)	(29.8)	(42.0)	41.1%	60.5%
Materials	(18.4)	(20.4)	(23.2)	13.7%	25.9%
Subcontracted Services	(547.6)	(605.5)	(623.9)	3.0%	13.9%
Interconnection	(406.4)	(455.6)	(461.3)	1.2%	13.5%
Other	(141.2)	(149.9)	(162.6)	8.5%	15.1%
Depreciation and Amortization	(493.6)	(487.0)	(456.6)	-6.2%	-7.5%
Other	(65.8)	(84.1)	(96.7)	15.0%	46.9%
<b>GROSS PROFIT</b>	<b>722.3</b>	<b>826.7</b>	<b>830.8</b>	<b>0.5%</b>	<b>15.0%</b>
<b>Sales Expenses</b>	<b>(132.5)</b>	<b>(134.4)</b>	<b>(158.4)</b>	<b>17.8%</b>	<b>19.5%</b>
Personnel	(29.3)	(31.6)	(44.9)	42.4%	53.3%
Materials	(0.6)	(0.8)	(0.6)	-31.1%	0.8%
Subcontracted Services	(94.2)	(99.1)	(110.8)	11.8%	17.6%
Advertising and Marketing	(26.0)	(28.5)	(28.3)	-0.8%	8.8%
Other	(68.2)	(70.6)	(82.5)	16.9%	21.0%
Depreciation and Amortization	(1.4)	(1.3)	(1.3)	1.7%	-8.7%
Other	(7.0)	(1.7)	(0.7)	-56.2%	-89.6%
<b>General and Administrative Expenses</b>	<b>(110.3)</b>	<b>(129.8)</b>	<b>(155.1)</b>	<b>19.6%</b>	<b>40.6%</b>
Personnel	(25.3)	(29.0)	(47.7)	64.5%	88.5%
Materials	(1.1)	(0.7)	(0.5)	-17.0%	-51.4%
Subcontracted Services	(78.2)	(90.3)	(95.9)	6.2%	22.6%
Depreciation and Amortization	(3.5)	(6.1)	(7.2)	18.3%	105.1%
Other	(2.2)	(3.7)	(3.8)	2.0%	73.3%
<b>Information Technology</b>	<b>(54.1)</b>	<b>(71.5)</b>	<b>(84.1)</b>	<b>17.6%</b>	<b>55.6%</b>
Personnel	(5.0)	(5.8)	(9.9)	72.0%	100.5%
Materials	(0.5)	(0.4)	(0.3)	-25.6%	-42.0%
Subcontracted Services	(13.0)	(17.6)	(22.6)	28.5%	73.4%
Depreciation and Amortization	(22.0)	(35.6)	(40.1)	12.6%	82.3%
Other	(13.6)	(12.2)	(11.3)	-7.7%	-17.3%
<b>Provisions and Losses</b>	<b>(56.2)</b>	<b>(85.2)</b>	<b>(410.4)</b>	<b>381.4%</b>	<b>N.A.</b>
Doubtful Accounts	(63.7)	(65.6)	(102.6)	56.3%	61.0%
Contingencies	7.5	(19.6)	(307.8)	N.A.	N.A.
<b>Other Operating Revenues (Expenses)</b>	<b>35.9</b>	<b>27.4</b>	<b>50.6</b>	<b>84.5%</b>	<b>41.1%</b>
<b>OPERATING PROFIT BEFORE FINANCIAL RESULTS</b>	<b>405.1</b>	<b>433.2</b>	<b>73.4</b>	<b>-83.1%</b>	<b>-81.9%</b>
<b>R\$ Million</b>	<b>4Q02</b>	<b>3Q03</b>	<b>4Q03</b>	<b>Δ Quarter</b>	<b>Δ12 Months</b>
<b>COSTS AND OPERATING EXPENSES</b>	<b>(1,468.8)</b>	<b>(1,620.3)</b>	<b>(1,999.8)</b>	<b>23.4%</b>	<b>36.1%</b>
Depreciation and Amortization	(520.6)	(530.0)	(505.2)	-4.7%	-2.9%
Interconnection	(406.4)	(455.6)	(461.3)	1.2%	13.5%



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Subcontracted Services	(300.7)	(328.3)	(363.6)	10.7%	20.9%
Personnel	(85.7)	(96.1)	(144.6)	50.4%	68.6%
Provisions and Losses	(56.2)	(85.2)	(410.4)	381.4%	N.A.
Materials	(20.6)	(22.3)	(24.6)	10.4%	19.3%
Advertising and Marketing	(26.0)	(28.5)	(28.3)	-0.8%	8.8%
Other	(52.7)	(74.2)	(61.8)	-16.7%	17.3%

R\$ Million	4Q02	3Q03	4Q03	Δ Quarter	Δ12 Months
COSTS AND OPERATING EXPENSES	(1,468.8)	(1,620.3)	(1,999.8)	23.4%	36.1%
(+) Depreciation and Amortization	520.6	530.0	505.2	-4.7%	-2.9%
(+) Provisions and Losses	56.2	85.2	410.4	381.4%	N.A.
(=) CASH COST	(892.1)	(1,005.0)	(1,084.2)	7.9%	21.5%

**Graph 6: Operating Costs and Expenses Breakdown (Excluding Depreciation, Provisions and Losses)**

**3Q03**

**R\$1,005 million**

**4Q03**

**R\$1,084 million**

**Operating Costs and Expenses**

**Operating costs and expenses totaled R\$1,999.8 million in 4Q03**, against R\$1,620.3 million in the previous quarter.

Cash cost (operating costs and expenses excluding depreciation, amortization, provisions and losses) was R\$1,084.2 million in 4Q03.

**Net reduction of 13 employees in the quarter**

At the end of 4Q03, 5,259 employees were working for Brasil Telecom, against 5,272 in the previous quarter. This reduction is a result of the 130 admissions and 165 dismissals which occurred in the period. In addition, 22 employees of Globenet became employees of Brasil Telecom.

**Personnel**

**Costs and expenses with personnel reached R\$144.6 million**, due to a change in the profit sharing accounting, reclassified as an operating disbursement.

Excluding the effect of the profit sharing change, the costs and expenses with personnel would have been R\$98.3 million, stable in relation to 3Q03.

**Productivity**

Brasil Telecom reached a productivity ratio of 1,873 LIS/employee in 4Q03, representing an increase of 0.7% in relation to the presented in 3Q03.

**Graph 7: LIS/Employee**

**Subcontracted services**

**The costs and expenses for third party services**, excluding interconnection and advertising & marketing, **totaled R\$363.6 million in 4Q03**.

The R\$35.3 million increase in comparison to 3Q03 can basically be explained by higher expenses with: (i) software maintenance; (ii) collection services due to the loss recovery program performed in the quarter; (iii)

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utilities costs; (iv) maintenance of the data processing plant and equipment; and (v) readjustments related to call center contracts.

### Interconnection

**Interconnection costs totaled R\$461.3 million in 4Q03**, stable in relation to the previous quarter.

### Expenses with Advertisement and Marketing

**Expenses with advertising and marketing totaled R\$28.3 million in 4Q03**, 0.8% lower in comparison to the previous period.

### Losses with Accounts Receivable

**The ratio of Losses with Accounts Receivable with gross revenue for 2003 was stable at 2.7%**, stable in relation to 2002. Losses with Accounts Receivable totaled R\$298.0 million in 2003.

### Accounts Receivable

**In 4Q03, gross accounts receivable registered a reduction of R\$96.7 million in relation to 3Q03.**

**Net losses in 4Q03 were lower than those observed in 3Q03 due to the credit recovery campaign promoted in the last quarter.** A total of R\$26.2 million was recovered in 4Q03 against R\$18.1 million in 3Q03.

With basis on the evolution of the balance for installments of accounts receivable, Brasil Telecom noticed that a few defaulting clients, in light of the economic slowdown, were not able to honor the commitments assumed. As a result, the Company increased the provisions for doubtful accounts by R\$34.9 million.

By deducting allowance for doubtful accounts worth R\$183.0 million, **Brasil Telecom's net receivable accounts totaled R\$1,859.7 million at the end of 2003.**

### Graph 8: Accounts Receivable / Gross Revenue Ratio

**Table 6: Gross Accounts Receivable**

	Dec/02	Mar/03	Jun/03	Sep/03	Dec/03
<b>Total (R\$ Million)</b>	<b>1,696.6</b>	<b>1,890.1</b>	<b>2,033.0</b>	<b>2,139.5</b>	<b>2,042.7</b>
Due	56.4%	58.5%	61.6%	64.0%	60.8%
Overdue (up to 30 days)	19.3%	16.1%	14.4%	12.9%	14.6%
Overdue (between 31-60 days)	7.1%	7.1%	6.1%	7.3%	4.7%
Overdue (between 61-90 days)	4.0%	5.0%	3.3%	2.4%	3.9%
Overdue (over 90 days)	13.3%	13.3%	14.6%	13.5%	11.5%

### Provision for Contingencies

**In 4Q03, provisions for contingencies totaled R\$307.8 million.**

According to Brasil Telecom's legal counsel opinion, **contingent liabilities were registered in 4Q03, which amounted to R\$245.5 million, related to the operations of the Rio Grande do Sul branch, former Companhia Riograndense de Telecomunicações S.A. - CRT**, due to events occurred prior to the acquisition of that company, such as labor, civil and tax proceedings, and court costs and success fees.

The appeals filed in higher courts have not reversed the scenario of such legal proceedings. Besides that, recent court decisions regarding such matters indicate the need for reviewing the risk of loss to probable .

### Other Operating Costs and Expenses/Revenues

**Other Operating Costs and Revenues/Expenses totaled R\$61.8 million in expenses in 4Q03**, a 16.7% reduction in comparison with 3Q03.

## Ebitda

Table7: EBITDA Margin Gains and Losses

R\$ Million	4Q02	Vertical	3Q03	Vertical	4Q03	Vertical
<b>GROSS REVENUES</b>	<b>2,619.3</b>	<b>139.8%</b>	<b>2,877.1</b>	<b>140.1%</b>	<b>2,899.8</b>	<b>139.9%</b>
Local Service	1,108.5	59.2%	1,180.8	57.5%	1,165.7	56.2%
Public Telephony	87.0	4.6%	92.3	4.5%	115.4	5.6%
Long Distance Service	339.8	18.1%	391.0	19.0%	377.1	18.2%
Fixed-Mobile Calls	576.0	30.7%	643.9	31.4%	613.9	29.6%
Interconnection	221.8	11.8%	203.9	9.9%	215.7	10.4%
Lease of Means	54.8	2.9%	51.8	2.5%	60.9	2.9%
Data Communication	140.1	7.5%	191.1	9.3%	220.4	10.6%
Supplementary and Value Added Services	82.7	4.4%	95.8	4.7%	91.0	4.4%
Other	8.7	0.5%	26.6	1.3%	39.6	1.9%
Deductions	(745.4)	-39.8%	(823.7)	-40.1%	(826.6)	-39.9%
<b>NET REVENUES</b>	<b>1,873.9</b>	<b>100.0%</b>	<b>2,053.4</b>	<b>100.0%</b>	<b>2,073.2</b>	<b>100.0%</b>
<b>COSTS &amp; OPERATING EXPENSES</b>	<b>(948.3)</b>	<b>-50.6%</b>	<b>(1,090.2)</b>	<b>-53.1%</b>	<b>(1,494.5)</b>	<b>-72.1%</b>
Personnel	(85.7)	-4.6%	(96.1)	-4.7%	(144.6)	-7.0%
Materials	(20.6)	-1.1%	(22.3)	-1.1%	(24.6)	-1.2%
Subcontracted Services	(300.7)	-16.0%	(328.3)	-16.0%	(363.6)	-17.5%
Interconnection	(406.4)	-21.7%	(455.6)	-22.2%	(461.3)	-22.2%
Advertising and Marketing	(26.0)	-1.4%	(28.5)	-1.4%	(28.3)	-1.4%
Provisions and Losses	(56.2)	-3.0%	(85.2)	-4.2%	(410.4)	-19.8%
Other	(52.7)	-2.8%	(74.2)	-3.6%	(61.8)	-3.0%
<b>EBITDA</b>	<b>925.7</b>	<b>49.4%</b>	<b>963.2</b>	<b>46.9%</b>	<b>578.6</b>	<b>27.9%</b>

**EBITDA of R\$3,679.0 million in 2003, without considering non-recurring items**

**EBITDA of Brasil Telecom was R\$3,679.0 million in 2003, without considering the non-recurring items.** Taking these items into account, Brasil Telecom ended the year of 2003 with an EBITDA of R\$3,314.0 million.

**EBITDA of 4Q03 would be R\$943,6 million, if the non-recurring items registered in 4Q03 weren't considered. Thus, EBITDA margin would have been 45.5%.**

## Financial Result

Table 8: Consolidated Financial Result

R\$ million	3Q03	4Q03	Δ
<b>Financial Revenue</b>	<b>48.9</b>	<b>78.6</b>	60.7%
Local Currency	52.9	66.9	26.5%
Foreign Currency	(4.0)	11.7	N.A.
<b>Financial Expense</b>	<b>(260.6)</b>	<b>(276.9)</b>	6.2%
Local Currency	(263.1)	(259.7)	-1.3%
Foreign Currency	2.5	(17.2)	N.A.

<b>Financial Result</b>	<b>(211.7)</b>	<b>(198.3)</b>	<b>-6.4%</b>
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**Financial Result**

**In 4Q03, Brasil Telecom registered a negative net financial result of R\$198.3 million, 6.4% better than the amount registered in 3Q03.**

**Other Items**

**Amortization of Reconstituted Goodwill**

**In 4Q03, Brasil Telecom amortized R\$31.0 million of reconstituted goodwill referent to the acquisition of CRT (without affecting the cash flow and the distribution of dividends), accounted for as non-operating expenses.**

**PP&E write-offs**

**Brasil Telecom booked property, plant & equipment write-offs related to the Rio Grande do Sul branch, former Companhia Riograndense de Telecomunicações S.A. (CRT), as a result of the physical inventory performed for transmission equipment, tools and instruments and multi-pair cables, among others, at the amount of R\$302.7 million. Other write-offs, worth R\$20.0 million, were added to this amount. These amounts do not represent any disbursement above those already made by the Company.**

**Net Earnings**

Net loss totaled R\$311.2 million in 4Q03 (-R\$0.5709/1,000 shares). Net loss/ADR was -US\$0.5928 in 4Q03. **Net loss in 2003 was R\$25.3 million due to the non-recurring items.**

Net loss adjusted by goodwill totaled R\$280.2 million in 4Q03. **In 2003, the net earnings adjusted by goodwill was R\$98.7 million.**

## Balance Sheet

Table9: Consolidated Balance Sheet

R\$ Million	Dec/02	Dec/03
<b>CURRENT ASSETS</b>	<b>3,469.7</b>	<b>3,985.5</b>
Cash and Equivalents	1,422.9	1,465.8
Accounts Receivables (Net)	1,542.9	1,859.7
Deferred and Recoverable Taxes	314.1	501.3
Other Recoverable Amounts	112.4	107.4
Inventory	23.3	8.0
Other	54.2	43.3
<b>LONG TERM ASSETS</b>	<b>1,106.4</b>	<b>1,363.1</b>
Loans and Financing	6.6	7.5
Deferred and Recoverable Taxes	657.7	736.4
Other	442.1	619.2
<b>PERMANENT ASSETS</b>	<b>10,814.4</b>	<b>9,977.4</b>
Investment (Net)	112.2	286.4
Property, Plant and Equipment (Net)	10,040.5	9,046.0
Property, Plant and Equipment (Gross)	24,077.2	22,915.0
Accumulated Depreciation	(14,036.7)	(13,869.1)
Deferred Assets (Net)	661.7	645.0
<b>TOTAL ASSETS</b>	<b>15,390.5</b>	<b>15,326.0</b>
<b>CURRENT LIABILITIES</b>	<b>2,623.9</b>	<b>3,957.8</b>
Loans and Financing	683.3	1,990.3
Suppliers	919.0	935.7
Taxes and Contributions	371.0	462.1
Dividends Payable	349.6	296.2
Provisions	95.4	76.5
Salaries and Benefits	44.1	61.6
Consignment for Third Parties	78.6	51.7
Other	82.9	83.7
<b>LONG TERM LIABILITIES</b>	<b>5,792.0</b>	<b>4,693.9</b>
Loans and Financing	4,398.5	2,645.6
Provisions	795.7	1,128.3
Taxes and Contributions	391.9	633.1
Authorization for Services Exploration	175.0	211.8
Other	30.9	75.1
<b>DEFERRED INCOME</b>	<b>11.0</b>	<b>11.4</b>

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<b>SHAREHOLDERS' EQUITY</b>	<b>6,963.5</b>	<b>6,662.8</b>
Capital Stock	3,335.8	3,373.1
Capital Reserves	1,613.3	1,579.8
Profit Reserves	273.2	273.2
Retained Earnings	1,802.0	1,512.3
Treasury Shares	(60.8)	(75.6)
<b>TOTAL LIABILITIES</b>	<b>15,390.5</b>	<b>15,326.0</b>

## Indebtedness

Table 10: Indebtedness

R\$ Million	Currency	Cost	Maturity	% Total	Balance Dec/03
<b>Short Term</b>				<b>42.9%</b>	<b>1,990.3</b>
Private Debenture (BRP)	R\$	100% CDI	Jul/2006		498.2
Inter Company (BRP)	US\$	1.75% p.a.	Jul/2014		9.1
BNDES	R\$	TJLP + 6.5% p.a.	Dec/2007		15.6
BNDES	R\$	TJLP + 3.85% p.a.	Dec/2007		338.3
BNDES	R\$	TJLP + 3.85% p.a.	Oct/2007		80.7
BNDES	R\$	Basket + 6.5%	Dec/2007		41.2
BNDES	R\$	Basket + 3.85%	Nov/2007		13.8
BRDE	R\$	IGP-M + 12.0% p.a.	Sep/2006		7.5
FCO	R\$	14% p.a.	Jan/2008		5.0
Public Debenture - 1 <sup>st</sup> Issuance	R\$	109% CDI	May/2004		514.3
Public Debenture - 2 <sup>nd</sup> Issuance	R\$	109% CDI	Dec/2004		405.6
Financial Institutions II	US\$	Lib6 + 4.0% p.a.	Mar/2006		12.9
Financial Institutions III	US\$	Lib6 + 2.4% p.a.	Dec/2005		10.3
Financial Institutions IV	US\$	Lib6 + 0.5% p.a.	Jul/2008-Jul/2011		13.5
Suppliers I	US\$	Lib3 + 2.95% p.a.	Jun/2007		0.3
Suppliers II	US\$	1.75% p.a.	Feb/2014		0.2
Hedge Adjustmest					23.6
<b>Long Term</b>				<b>57.1%</b>	<b>2,645.6</b>
Private Debenture (BRP)	R\$	100% CDI	Jul/2006		910.0
Inter Company (BRP)	US\$	1.75% p.a.	Jul/2014		80.5
BNDES	R\$	TJLP + 6.5% p.a.	Dec/2007		43.8
BNDES	R\$	TJLP + 3.85% p.a.	Dec/2007		1,063.6
BNDES	R\$	TJLP + 3.85% p.a.	Oct/2007		224.0
BNDES	R\$	Basket + 6.5%	Dec/2007		114.8
BNDES	R\$	Basket + 3.85%	Nov/2007		39.3
BRDE	R\$	IGP-M + 12.0% p.a.	Sep/2006		14.2
FCO	R\$	14% p.a.	Jan/2008		15.4
Financial Institutions II	US\$	Lib6 + 4.0% p.a.	Mar/2006		18.6
Financial Institutions III	US\$	Lib6 + 2.4% p.a.	Dec/2005		10.3
Financial Institutions IV	US\$	Lib6 + 0.5% p.a.	Jul/2008-Jul/2011		76.5
Suppliers I	US\$	Lib3 + 2.95% p.a.	Jun/2007		1.5
Suppliers II	US\$	1.75% p.a.	Feb/2014		2.0
Ajuste de Hedge					31.1
<b>Total Debt</b>				<b>100.0%</b>	<b>4,635.8</b>

**Total Debt**

At the end of December, Brasil Telecom's total consolidated debt was R\$4.6 billion, 3.4% less than the amount registered in 3Q03.

**Average Cost of Debt**

Brasil Telecom's debt had an average accumulated cost for the year of 2003 of 18.3% or 78.5% of CDI (Domestic Interbank Rate).

**Net Debt**

Net debt totaled R\$3,170.1 million, a reduction of 13.4% in relation to September of 2003. Excluding the interco and the private debenture with the holding company, the net debt at the end of December was R\$1,672.2 million.

Table 11: Indebtedness by Currency

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Debt BTM (R\$ Million)	Dec 2002	Sep 2003	Dec 2003	Δ Quarter	Δ Year
<b>Short Term</b>	<b>683.3</b>	<b>1,673.4</b>	<b>1,990.3</b>	<b>18.9%</b>	<b>191.3%</b>
In R\$	552.8	1,524.6	1,865.3	22.4%	237.4%
In US\$	57.5	45.1	52.4	16.1%	-8.9%
In Currency Basket	72.9	103.7	72.5	-30.0%	-0.6%
<b>Long Term</b>	<b>4,398.5</b>	<b>3,124.7</b>	<b>2,645.6</b>	<b>-15.3%</b>	<b>-39.9%</b>
In R\$	3,877.8	2,761.2	2,271.0	-17.8%	-41.4%
In US\$	277.1	195.8	193.2	-1.4%	-30.3%
In Currency Basket	243.6	167.7	181.4	8.2%	-25.6%
<b>Total Debt</b>	<b>5,081.8</b>	<b>4,798.1</b>	<b>4,635.8</b>	<b>-3.4%</b>	<b>-8.8%</b>
(-) Cash	1,422.9	1,138.4	1,465.8	28.8%	3.0%
(-) Inter Company with BRP	1,525.3	1,379.6	1,497.8	8.6%	-1.8%
<b>Net Debt Ex-Inter Company with BRP</b>	<b>2,133.6</b>	<b>2,280.2</b>	<b>1,672.2</b>	<b>-26.7%</b>	<b>-21.6%</b>

**Long term debt**

At the end of 4Q03, 57.1% of the total debt was registered in the long term with the following amortization schedule:

**Table 12: Amortization Schedule of Long Term Debt**

Maturity	% Long Term Debt
2005	36.1%
2006	40.3%
2007	20.0%
2008 and after	3.6%

**Indebtedness denominated in U.S. dollars** At the end of December 2003, the dollar-pegged debt totaled R\$245.6 million and the currency basket denominated debt represented R\$253.9 million, all the amounts considering their respective hedge adjustments

In 4Q03, Brasil Telecom changed the registering form of hedge contracts, breaking it down according to short and long term foreign currency denominated debt.

On December 31, 2003, Brasil Telecom was hedged for 58.4% of the debt pegged to exchange variation, including the currency basket debt.

**Leverage Degree**

On December 31, 2003, Brasil Telecom's financial leverage, represented by the ratio of its net debt (excluding the debt with the holding company) was equal to 25.1%, against 32.7% in September.



## Investments in the Permanent Assets

Table 13: Breakdown of Investments in the Permanent Assets

R\$ Million	4Q02	3Q03	4Q03	12M02	12M03	Δ Quarter	Δ Year
<b>Network Expansion</b>	<b>294.3</b>	<b>168.9</b>	<b>159.0</b>	<b>809.5</b>	<b>674.3</b>	<b>-5.9%</b>	<b>-16.7%</b>
Conventional Telephony	109.4	60.7	62.7	416.5	302.8	3.2%	-27.3%
Transmission Backbone	21.8	23.3	5.4	73.3	57.3	-76.7%	-21.8%
Data Network	138.8	75.2	61.2	231.3	264.9	-18.6%	14.5%
Intelligent Network	12.1	7.0	19.8	34.6	28.8	182.8%	-16.8%
Network Management Systems	8.9	2.0	7.6	23.4	14.7	279.0%	-37.4%
Other	3.3	0.8	2.3	30.3	5.9	190.5%	-80.6%
<b>Network Operation</b>	<b>124.5</b>	<b>68.4</b>	<b>68.2</b>	<b>372.8</b>	<b>251.6</b>	<b>-0.2%</b>	<b>-32.5%</b>
Public Telephony	1.3	1.2	0.2	12.4	8.3	-85.6%	-33.3%
Information Technology	144.9	42.8	81.8	366.8	210.1	91.0%	-42.7%
Expansion Personnel	23.5	20.2	18.5	98.4	83.0	-8.6%	-15.7%
Other	199.1	22.3	62.3	188.4	468.5	178.8%	148.6%
<b>Total Investments in Permanent Assets</b>	<b>787.5</b>	<b>323.8</b>	<b>389.9</b>	<b>1,848.3</b>	<b>1,695.8</b>	<b>20.4%</b>	<b>-8.3%</b>
<b>Expansion Financial Expenses</b>	<b>25.5</b>	<b>16.5</b>	<b>(0.2)</b>	<b>129.4</b>	<b>61.3</b>	<b>N.A.</b>	<b>-52.6%</b>
Expansion Financial Expenses PCS	-	5.4	9.2	-	36.9	72.5%	N.A.
<b>Total</b>	<b>813.0</b>	<b>345.7</b>	<b>398.9</b>	<b>1,977.7</b>	<b>1,794.0</b>	<b>15.4%</b>	<b>-9.3%</b>

**Investments in permanent assets** Investments in fixed telephony of Brasil Telecom S.A. totaled R\$1,328.2 million in the year of 2003, 32.8% lower than the amount registered in 2002. In 4Q03, R\$350.4 million was invested, against R\$323.3 million in the previous quarter

The investments in the subsidiaries, Brasil Telecom Celular, Globenet, Metrored and iBest, are included in the account "others". A total of R\$109.2 million was invested in the PCS operation throughout 2003. The acquisitions of Globenet, MetroRed and iBest, represented a disbursement of R\$356.7 million in the year.

## Cash flow

Table 14: Consolidated Cash Flow

R\$ Million	4Q02	3Q03	4Q03
<b>OPERATING ACTIVITIES</b>			
(+) Net Income of the Period	181.2	98.5	(311.2)
(+) Minority Participation		(0.0)	(0.0)
(+) Items with no Cash Effects	697.7	918.6	1,528.8
Depreciation and Amortization	520.6	523.9	510.8
Losses with Accounts Receivable from Services	76.2	68.1	67.8
Provision for Doubtful Accounts	(2.8)	(2.4)	34.8
Provision for Contingencies	(12.0)	19.6	309.5
Deferred Taxes	10.3	(41.4)	50.5
Amortization of Goodwill Paid in the Acquisition of Investments	31.0	37.2	24.5
Result from the Write-off of Permanent Assets	8.9	1.2	329.9
Financial Expenses	126.3	312.6	211.2
Other Expenses/Revenues with no Cash Effects	(60.8)	(0.1)	(10.0)
(-) Equity Changes	(134.6)	203.0	239.7
(=) Cash Flow from Operating Activities	1,013.5	814.1	977.8
<b>INVESTMENT ACTIVITIES</b>			
Financial Investments	0.8	0.0	(1.2)
Investment Suppliers	141.0	64.0	56.7
Funds from Sales of Permanent Assets	9.1	4.0	2.2
Investments in Permanent Assets	(787.5)	(332.7)	(361.9)
Acquisition of New Companies	-	-	-
Other Investment Flows	(16.0)	(0.0)	0.0
(=) Cash Flow from Investment Activities	(652.6)	(264.7)	(304.2)
<b>FINANCING ACTIVITIES</b>			
Dividends/Interests on Shareholders' Equity paid in the Period	(0.6)	(1.2)	(3.9)
Loans and Financing	494.9	(365.9)	(345.4)
Loans Obtained	718.0	60.0	0.8
Loans Paid	(111.5)	(144.9)	(175.1)
Interest Paid	(111.6)	(281.0)	(171.1)
Acquisition of Own Shares	(21.9)	(14.8)	-
Other Financing Flows	0.3	(3.9)	3.0
(=) Cash Flow from Financing Activities	472.8	(385.9)	(346.3)
<b>CASH FLOW OF THE PERIOD</b>			
	833.7	163.5	327.3
<b>Cash and Cash Equivalents - current balance</b>			
	1,422.9	1,138.4	1,465.8
<b>Cash and Cash Equivalents - previous balance</b>			
	589.3	974.9	1,138.4
<b>Variation in Cash and Cash Equivalents</b>			
	833.6	163.5	327.3

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<b>OPERATING CASH FLOW</b>	<b>1,013.5</b>	<b>814.1</b>	<b>977.8</b>
(-) Investments on Permanent Assets (includes Investment Suppliers)	(652.6)	(264.7)	(304.2)
(-) Interest Paid	(111.6)	(281.0)	(171.1)
<hr/>			
<b>(=) FREE CASH FLOW</b>	<b>249.3</b>	<b>268.4</b>	<b>502.5</b>
<hr/>			

**Operating cash flow in 4Q03 was R\$977.8 million** The operating generation of Brasil Telecom reached **R\$977.8 million in 4Q03**, surpassing by 20.1% the amount registered in the previous quarter.

By deducting from the operating activities generation, the flow of investments for the period in the amount of R\$304.2 million in 4Q03, net operating generation of Brasil Telecom reached R\$673.6 million in the period, against R\$549.4 million in 3Q03.

**Free cash flow in 4Q03 was R\$502.5 million** Brasil Telecom free cash flow in **4Q03 was R\$502.5 million**, against R\$268.4 million in 3Q03, 87.2% above the amount registered in the previous quarter.

## Stock Market

**Table 15: Stock Performance**

	Closing Price as of Dec/31/03	Performance		
		In 4Q03	In 12 months	In 24 months
Common Shares (BRT03) (in R\$/1,000 shares)	15.95	25.6%	41.2%	51.9%
Preferred Shares (BRT04) (in R\$/1,000 shares)	15.20	17.0%	29.6%	15.2%
ADR (BTM) (in US\$/ADR)	15.86	17.0%	52.2%	-10.6%
Ibovespa (points)	22,236	38.9%	97.3%	63.8%
Itel (points)	888	23.5%	66.8%	32.9%
IGC (points)	1,845	35.7%	79.7%	82.5%
Dow Jones (points)	10,425	12.4%	25.0%	4.0%

**Graph 9: Stock Performance in 4Q03 Bovespa and NYSE**

(Base 100 = September 30, 2003)

**Table 16: Share in the Theoretical Portfolio**

	Ibovespa		Itel		IGC	
	Sep /Dec	Jan/ Apr	Sep/Dec	Jan/ Apr	Sep/Dec	Jan/ Apr
BRT03	-	-	0.3950%	0.3610%	0.1420%	0.1070%
BRT04	2.3660%	2.4750%	8.9420%	7.4310%	3.2200%	2.2110%

## Shareholders Structure

**Table 17: Shareholders Structure**

Dec 2003	Common Shares	%	Preferred Shares	%	Total	%
Brasil Telecom Participações	247,231,759,431	99.1%	109,202,099,844	36.9%	356,433,859,275	65.4%
ADR	-	-	18,114,369,000	6.1%	18,114,369,000	3.3%
Treasury	-	-	5,718,771,117	1.9%	5,718,771,117	1.0%
Other	2,365,290,111	0.9%	162,533,850,437	55.0%	164,899,140,548	30.2%
<b>Total</b>	<b>249,597,049,542</b>	<b>100.0%</b>	<b>295,569,090,398</b>	<b>100.0%</b>	<b>545,166,139,940</b>	<b>100.0%</b>

  

Sep 2003	Common Shares	%	Preferred Shares	%	Total	%
Brasil Telecom Participações	241,646,691,695	96.8%	114,787,167,580	38.8%	356,433,859,275	65.4%
ADR	-	-	18,458,166,000	6.2%	18,458,166,000	3.4%
Treasury	-	-	6,331,110,503	2.1%	6,331,110,503	1.2%

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Other	7,950,357,847	3.2%	155,992,646,315	52.8%	163,943,004,162	30.1%
<b>Total</b>	<b>249,597,049,542</b>	<b>100.0%</b>	<b>295,569,090,398</b>	<b>100.0%</b>	<b>545,166,139,940</b>	<b>100.0%</b>

### Corporate Governance

#### Public Offering

In an official letter issued on October 21, 2003, **the Brazilian Securities and Exchange Commission (CVM) granted concession of a Public Offer for the acquisition of common shares for preferred shares, of Brasil Telecom S.A. issuance**, in the condition of Object Company , to be conducted by Brasil Telecom Participações S.A., in the condition of Offering Company .

Presently, **71% of the common shares permissible for this operation were exchanged for preferred shares at the request of the shareholders**. Despite the adhesion period of the Public Acquisition Offer (OPA) having ended on December 2, 2003, **the acceptance of the OPA may still occur until December 10, 2004**, which is the put period defined in the bid notice. This is a good opportunity for the investors of common shares of Brasil Telecom S.A. to migrate to preferred shares of the Company, which have higher liquidity.

#### Change in the By-Laws

At the Special Shareholders Meeting held on January 16, 2004, the alteration of the restrictions set forth in article 24, subparagraph VIII, of the Company Bylaws was approved through the following text:

Article 24 Besides the attributions set forth by law, it is the responsibility of the Board of Directors to: (...) VIII. authorize the alienation or payment of assets which integrate the permanent assets of the Company, of which the individual value of the asset is equal to or over R\$500,000.00 (five hundred thousand reais), readjusted, as of September 30, 1999, with basis on the IGP-DI price index variation or, in its absence, by the index which comes to replace it. Sole Paragraph: The Board of Directors may delegate to any member of the board, the power to deliberate over subparagraph VIII of this article, by determining or not the limits of the said functions

### New Products and Services

#### BrTurbo Asas

Brasil Telecom launched **BrTurbo Asas**, a service which offers Internet at high speed through a wireless network. Besides the convenience of accessing applications and services without the need of cables, BrTurbo Asas also offers the exclusive Travel Channel, a gateway packed with tips about cultural programs in the cities where the access is being made, besides information about restaurants, pharmacies, body shops, maps of locations and many other facilities and conveniences.

The new solution makes easier the life of those who are traveling for business or leisure, since the person can connect to the Internet or the private network of airports, hotels, cafes or any other establishment accredited as an Asas Center (area where the BrTurbo Asas service can be used).

BrTurbo Asas may be acquired through two plans: eventual use or subscription . Until January 31, 2004, the clients paid nothing and, after this date, those who chose the subscription plan will receive a 50% discount for the year. In line with a philosophy aimed at the client, BrTurbo offers a new solution integrated to a network with points scattered throughout several Brazilian cities.

#### 102 Plus

Brasil Telecom and Mídia Telecom are launching a new media which uses our Directory Assistance service - 102. It is dubbed **102 Plus**, a new channel that enables companies and professionals to sponsor queries made to 102 through an ad or by offering to the user, free of charge, search by activity or business profile.

102 Plus is available in the entire coverage area of Brasil Telecom. Through it, searches can be carried out by activity, operating hours or, even, payment methods of the establishments.

Besides the benefits to the clients, 102 Plus places the advertiser in direct contact with its target market. The client-company can make use of jingles or detailed messages about services and products with a maximum duration of 15 seconds, which exclusively reach the people who are interested in the information.

The 102 is the most popular service on the market with around 20 million calls a month and more than seven million monthly Internet accesses.

## Vetor

**Brasil Telecom launched in 2003 its main data communication product for corporate and business clients: the Vetor.**

Vetor was created with the objective of offering an integrated, virtual, unique and safe solution to the clients and is delivered through the IP network of Brasil Telecom using Broadband access.

It is fundamentally aimed at private virtual networks - VPN and it offers, at high speed and with considerable savings, the possibility of different simultaneous applications such as e-mails, data transmission, voice and multimedia. While typical accesses are restricted to a range between 64Kb and 128Kb, Vetor offers a range of between at least 256Kb up to 155Mb.

Through Vetor, the client pays a simple subscription fee, regardless of usage time, for each effectively installed point, with direct transmission which enables a 20% shrink in total communication costs.

Therefore, Brasil Telecom offers flexible and innovative services to the market aiming at excellence in the provision of data communication services while propitiating savings to the client.

## Recognition

### **Most Innovative from Information Week Magazine**

The October edition of the Information Week magazine showed the result of a study which pointed out the 100 most innovative Brazilian companies to use information technology. **This year, in the third edition of this award, Brasil Telecom ranked in 16th place in the general ranking (in last year's study, BrT was in 36th place) and it came in first place for telecommunication companies.**

This study took into consideration three main topics – collaboration, metrics and knowledge management – evaluated using a 30-question survey. A total of 220 companies participated in the research.

### **ABRH/DF Award**

The Program Prominent People (*Gente em Destaque*) was recognized by the Brazilian Human Resource Association (*Associação Brasileira de Recursos Humanos- FD*) with the Candango Award of Excellence in Human Resources.

### **2003 Abraforte Award**

The president of BrTurbo, Serhan Ozmen, was the winner of the Abraforte 2003 Award, in the category Internet Provider. With only two years of operation, the provider whose content is 100% broadband of BrT Serviços de Internet, an integral subsidiary of Brasil Telecom, was honored with an important award of the sector. The award was given by the Brazilian Association for the Development of Telecommunication Network Business (*Associação Brasileira para Fomento de Negócios em Rede de Telecomunicações - Abraforte*) to the most prominent executives in the telecommunications segment in 2003.

## Recent Events

**Exercise of call option on Vant and MetroRed** With the target approval, **Brasil Telecom manifested** on January 20, 2004, before MetroRED Telecommunications Group Ltd. ( **MetroRED** ) and FTT Ventures, Limited ( **FTT** ), as well as before Aescom Sul Ltda. ( **Aescom** ), **its intention to exercise its option to buy the remaining capital, respectively, of MTH do Brasil Ltda. ( MTH ), the company which holds 99.9% of the capital stock of MetroRED Telecomunicações Ltda. ( MetroRED Brasil ), and of Vant Telecomunicações S.A. ( Vant )**.

With the conclusion of the acquisitions, Brasil Telecom will directly or indirectly become the holder of 100% of the capital stock of the above mentioned companies. It is worth noting that the Company has already previously acquired 19.9% of the capital stock of MTH and Vant. It is worth noting that the Company has already previously acquired 19.9% of the capital stock of MTH and Vant. The total amount for the purchase of the remaining 80.1% of capital stock of MTH will be equivalent to US\$51.0 million, while the total amount for the purchase of the remaining 80.1% of the voting capital of Vant will be equivalent to R\$15.6 million.

MetroRED established itself in Brazil in August 1997 and, on December 1998, it began its commercial operations to provide a wide range of telecommunication services through optical fiber digital networks. The MetroRED Brasil system has 339 kilometers of local network in São Paulo, Rio de Janeiro and Belo Horizonte and 1,485 kilometers of long distance network connecting the largest metropolitan commercial centers. MetroRED Brasil also has an Internet Solution Center in São Paulo, which offers co-location, hosting and other value-added service.

In turn, Vant is a company which provides corporate network services and was founded in October 1999. Initially focused on the TCP/IP network, Vant was the first carrier in Brazil to offer services with a network 100% based on this technology. Vant services the whole country by being present in the main Brazilian capital cities and offers a vast portfolio of voice and data products.

The conclusion of the above mentioned transactions is conditioned to verification of certain usual conditions for operations of this nature, including approval by Anatel to transfer the control of MetroRED and Vant.

**Interest on Shareholders Equity** **Brasil Telecom credited the amount of R\$238.1 million as interest on shareholder equity on January 30, 2004**, equivalent to R\$0.441377628 gross per thousand shares and R\$0.375170984 net of income tax per thousand preferred and ordinary shares, according to Article 9 of Law 9249 of December 26, 1995 e Deliberation # 207/96 of Brazilian SEC - CVM.

Interest on Shareholders Equity may be credited to dividends relative to fiscal year 2004 and is subject to the approval of the 2005 Ordinary General Shareholders Meeting, which will indicate the date of the payment.

## Indicators

Table 18: Evolution of the Indicators

PLANT	4Q02	1Q03	2Q03	3Q03	4Q03
Lines installed (thousand)	10,548	10,608	10,656	10,678	10,686
Additional lines installed (thousand)	4	60	48	22	9
Lines in service - US (thousand)	9,465	9,595	9,741	9,809	9,851
Residential (thousand)	6,862	6,979	7,107	7,168	7,166
Non-residential (thousand)	1,540	1,548	1,565	1,567	1,566
Public phones (thousand)	293	296	297	297	296
Pre-paid (thousand)	206	215	218	232	266
Other (including PBX) (thousand)	564	557	554	546	557
Additional lines in service (thousand)	237	130	146	68	42
Average lines in service (thousand)	9,347	9,530	9,668	9,775	9,830
Utilization rate	89.7%	90.5%	91.4%	91.9%	92.2%
Teledensity (US/100 inhabitants)	23.1	23.2	23.5	23.5	23.4
ADSL lines in service (thousand)	140.7	165.1	194.8	239.4	281.9
<b>TRAFFIC</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
Exceeding local pulses (million)	3,256	2,973	2,959	3,099	2,927
Domestic long distance - DLD (million minutes)	1,756	1,611	1,744	1,709	1,559
Fixed-mobile (million minutes)	1,143	1,058	1,058	979	
VC-1 (million minutes)	1,021	939	947	877	909
VC-2 (million minutes)	108	104	98	85	66
VC-3 (million minutes)	14	14	13	16	16
<b>PRODUCTIVITY</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
# of employees	5,565	5,543	5,311	5,272	5,259
Average # of employees	5,669	5,554	5,427	5,292	5,266
LIS/employee	1,701	1,731	1,834	1,861	1,873
Net revenue/average # of employees/month (R\$ thousand)	110.2	112.5	117.6	129.4	131.2
EBITDA/average # of employees/month (R\$ thousand)	54.4	52.3	55.3	60.3	36.6



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Net earnings/average # of employees/month (R\$ thousand)	10.7	8.3	3.0	6.2	(19.7)
Exceeding local pulses/average US/month	116.1	104.0	102.0	105.7	99.3
DLD minutes/average US/month	62.6	56.3	60.1	58.3	52.9
Fixed-mobile minutes/average US/month	40.8	37.0	36.5	33.4	33.6
Net revenue/average US/month (R\$)	66.8	65.5	66.0	70.0	70.3
EBITDAjaverage US/month (R\$)	33.0	30.5	31.0	32.6	19.6
Net earnings/average US/month (R\$)	6.5	4.8	1.7	3.4	(10.6)

QUALITY	4Q02	1Q03	2Q03	3Q03	4Q03
Quality goals achieved	34/35/35	35/35/35	35/35/35	35/35/34	35/35/35
Digitization rate	99.0%	99.0%	99.0%	99.0%	99.0%

PROFITABILITY	4Q02	1Q03	2Q03	3Q03	4Q03
EBITDA margin	49.4%	46.5%	47.0%	46.6%	27.9%
Net margin	9.7%	7.4%	2.6%	4.8%	-15.0%
Return on equity - ROE	2.6%	2.0%	0.7%	1.4%	-4.7%

CAPITAL STRUCTURE	4Q02	1Q03	2Q03	3Q03	4Q03
Cash and cash equivalents (R\$ million)	1,423	1,388	975	1,138	1,466
Total debt (R\$ million)	5,082	4,997	4,857	4,798	4,636
Short term debt	13.4%	14.2%	25.5%	34.9%	42.9%
Long term debt	86.6%	85.8%	74.5%	65.1%	57.1%
Net debt (R\$ million)	3,659	3,608	3,882	3,660	3,170
Debt with BRP (inter-company + debenture) (R\$ million)	1,525	1,461	1,524	1,439	1,498
Net debt excluding debt with BRP (R\$ million)	2,134	2,148	2,359	2,221	1,672
Shareholders' equity (R\$ million)	6,964	6,838	6,887	6,974	6,663
Net debt/shareholders' equity	52.5%	52.8%	56.4%	52.5%	47.6%
Net debt excluding debt with BRP/shareholders' equity	30.6%	31.4%	34.3%	31.8%	25.1%

## Next Events

### Teleconference: 4Q03 Results

**Phone:** (719) 457-2657

**Date:** February 13 (Friday)

**Time:** 9:00 a.m. (Eastern time)

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