

BRASIL TELECOM SA
Form 6-K
April 26, 2004

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 6-K

**REPORT OF FOREIGN ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF THE
SECURITIES EXCHANGE ACT OF 1934**

THROUGH APRIL 26, 2004

(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):

**FEDERAL PUBLIC SERVICE
SECURITIES AND EXCHANGE COMMISSION (CVM)
STANDARDIZED FINANCIAL STATEMENTS
COMMERCIAL COMPANY INDUSTRIAL AND OTHERS**

CORPORATION LAW

Base Date - December 31, 2003

REGISTRATION AT THE CVM DOES NOT REQUIRE ANY EVALUATION OF THE COMPANY, BEING ITS DIRECTOR RESPONSIBLE FOR THE VERACITY OF THIS INFORMATION.

01.01 - IDENTIFICATION

1 - CVM CODE 01131-2	2 - COMPANY NAME BRASIL TELECOM S.A.	3 - GENERAL TAXPAYERS REGISTER 76.535.764/0001-43
4 - NIRE		

01.02 - ADDRESS OF COMPANY HEADQUARTERS

1 - COMPLETE ADDRESS SIA/SUL - ASP - LOTE D- BL B - 1º ANDAR		2 - DISTRICT SIA		
3 - ZIP CODE 71215-000	4 - MUNICIPALITY BRASILIA		5 - STATE DF	
6 - AREA CODE 61	7 - TELEPHONE NUMBER 415-1901	8 - TELEPHONE NUMBER 415-1256	9 - TELEPHONE NUMBER 415-1119	10 - TELEX
11 - AREA CODE 61	12 - FAX 415-1237	13 - FAX 415-1315	14 - FAX -	
15 - E-MAIL ri@brasitelecom.com.br				

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

1 - NAME CARLA CICO				
2 - COMPLETE ADDRESS SIA/SUL - ASP - LOTE D- BL B - 2º ANDAR			3 - DISTRICT SIA	
4 - ZIP CODE 71215-000	5 - MUNICIPALITY BRASILIA		6 - STATE DF	
7 - AREA CODE 61	8 - TELEPHONE NUMBER 415-1901	9 - TELEPHONE NUMBER -	10 - TELEPHONE NUMBER -	11 - TELEX
12 - AREA CODE 61	13 - FAX 415-1237	14 - FAX -	15 - FAX -	
16 - E-MAIL ccico@brasitelecom.com.br				

01.04 - REFERENCE / AUDITOR

FISCAL YEAR	1 - FISCAL YEAR BEGINNING DATE	2 - FISCAL YEAR ENDING DATE
1 - LAST FISCAL YEAR	01/01/2003	12/31/2003
2 - PENULTIMATE FISCAL YEAR	01/01/2002	12/31/2002
3 - ANTEPENULTIMATE FISCAL YEAR	01/01/2001	12/31/2001
4 - NAME/COMPANY NAME AUDITOR KPMG AUDITORES INDEPENDENTES		5 - CVM CODE 00418-9
6 - NAME TECHNICAL RESPONSIBLE MANUEL FERNANDES RODRIGUES DE SOUSA		7 - CPF TECHNICAL RESPONSIBLE 783.840.017-15

01.05 - COMPOSITION OF PAID CAPITAL

QUANTITY OF SHARES (IN THOUSANDS)	1 12/31/2003	2 12/31/2002	3 12/31/2001
PAID CAPITAL			
1 - COMMON	249,597,050	243,564,130	237,165,397
2 - PREFERRED	295,569,090	295,569,090	295,569,091
3 - TOTAL	545,166,140	539,133,220	532,734,488
TREASURY SHARES			
4 - COMMON	0	0	0
5 - PREFERRED	5,718,771	3,548,760	2,351,322
6 - TOTAL	5,718,771	3,548,760	2,351,322

01.06 - COMPANY S CHARACTERISTICS

1 - TYPE OF COMPANY INDUSTRIAL, COMMERCIAL COMPANIES AND OTHERS
2 - SITUATION OPERATING
3 - TYPE OF CAPITAL CONTROL NATIONAL PRIVATE
4 - ACTIVITY CODE 1990100 - TELECOMMUNICATIONS
5 - MAIN ACTIVITY EXPLOITATION OF THE SWITCHED FIXED TELEPHONE SERVICE (STFC)
6 - TYPE OF CONSOLIDATED TOTAL

01.07 - SUBSIDIARIES EXCLUDED FROM THE CONSOLIDATED STATEMENT

1 - ITEM	2 - GENERAL TAXPAYERS REGISTER	3 - NAME

01.08 - DIVIDENDS APPROVED AND/OR PAID DURING AND AFTER THE QUARTER

1 - ITEM	2 - EVENT	3 - APPROVAL	4 - DIVIDEND	5 - BEGINNING PAYMENT	6 - TYPE OF SHARE	7 - VALUE OF THE DIVIDEND PER SHARE
01	RCA	01/31/2003	INTEREST ON CAPITAL		ON	0.0001906302
02	RCA	01/31/2003	INTEREST ON CAPITAL		PN	0.0001906302
03	RCA	03/31/2003	INTEREST ON CAPITAL		ON	0.0001986514
04	RCA	03/31/2003	INTEREST ON CAPITAL		PN	0.0001986514

01.09 - MARKET RELATIONS DIRECTOR

1 - DATE	2 - SIGNATURE
03/18/2004	

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02.01 - BALANCE SHEET - ASSETS (IN THOUSANDS OF REAIS) - PARENT COMPANY

1 - CODE	2 - ACCOUNT DESCRIPTION	3 - 12/31/2003	4 - 12/31/2002	5 - 12/31/2001
1	TOTAL ASSETS	14,997,028	15,219,953	14,052,227
1.01	CURRENT ASSETS	3,918,130	3,422,330	2,074,976
1.01.01	CASH AND CASH EQUIVALENTS	1,413,334	1,377,432	331,258
1.01.02	CREDITS	1,850,940	1,548,634	1,230,937
1.01.02.01	ACCOUNTS RECEIVABLE FROM SERVICES	1,850,940	1,548,634	1,230,937
1.01.03	INVENTORIES	8,042	23,309	8,351
1.01.04	OTHER	645,814	472,955	504,430
1.01.04.01	LOANS AND FINANCING	1,963	1,525	622
1.01.04.02	DEFERRED AND RECOVERABLE TAXES	492,745	313,041	310,022
1.01.04.03	JUDICIAL DEPOSITS	40,363	724	58,663
1.01.04.04	OTHER ASSETS	110,743	157,665	135,123
1.02	NONCURRENT ASSETS	1,304,969	1,170,201	992,317
1.02.01	OTHER CREDITS	0	0	0
1.02.02	INTERCOMPANY RECEIVABLES	6,965	65,654	33,367
1.02.02.01	FROM ASSOCIATED COMPANIES	6,965	1,809	30,000
1.02.02.02	FROM SUBSIDIARIES	0	63,845	3,367
1.02.02.03	FROM OTHER RELATED PARTIES	0	0	0
1.02.03	OTHER	1,298,004	1,104,547	958,950
1.02.03.01	LOANS AND FINANCING	7,513	6,554	5,169
1.02.03.02	DEFERRED AND RECOVERABLE TAXES	732,010	657,725	665,797
1.02.03.03	JUDICIAL DEPOSITS	417,610	331,364	198,050
1.02.03.04	INVENTORIES	19,053	39,862	50,576
1.02.03.05	OTHER ASSETS	121,818	69,042	39,358
1.03	PERMANENT ASSETS	9,773,929	10,627,422	10,984,934
1.03.01	INVESTMENTS	540,975	129,059	87,226
1.03.01.01	ASSOCIATED COMPANIES	97,485	36,018	3,870
1.03.01.02	SUBSIDIARIES	377,449	26,840	18,341
1.03.01.03	OTHER INVESTMENTS	66,041	66,201	65,015
1.03.02	PROPERTY, PLANT AND EQUIPMENT	8,632,200	9,846,140	10,333,900
1.03.03	DEFERRED CHARGES	600,754	652,223	563,808

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

1 - CODE	2 - ACCOUNT DESCRIPTION	3 - 12/31/2003	4 - 12/31/2002	5 - 12/31/2001
2	TOTAL LIABILITIES	14,997,028	15,219,953	14,052,227
2.01	CURRENT LIABILITIES	3,902,759	2,628,346	2,669,851
2.01.01	LOANS AND FINANCING	572,139	553,431	431,786
2.01.02	DEBENTURES	1,418,137	129,845	98,875
2.01.03	SUPPLIERS	896,789	927,418	1,207,410
2.01.04	TAXES, DUTIES AND CONTRIBUTIONS	457,139	363,199	275,697
2.01.04.01	INDIRECT TAXES	435,782	348,520	271,681
2.01.04.02	TAXES ON INCOME	21,357	14,679	4,016
2.01.05	DIVIDENDS PAYABLE	247,242	310,297	230,483
2.01.06	PROVISIONS	76,531	95,376	105,071
2.01.06.01	PROVISION FOR CONTINGENCIES	48,509	3,232	63,403
2.01.06.02	PROVISION FOR PENSION PLAN	28,022	92,144	41,668
2.01.07	RELATED PARTY DEBTS	0	0	0
2.01.08	OTHER	234,782	248,780	320,529
2.01.08.01	PAYROLL AND SOCIAL CHARGES	59,417	43,808	91,459
2.01.08.02	CONSIGNMENTS IN FAVOR OF THIRD PARTIES	49,009	78,609	83,809
2.01.08.03	EMPLOYEE PROFIT SHARING	46,242	39,060	50,101
2.01.08.04	OTHER LIABILITIES	80,114	87,303	95,160
2.02	LONG-TERM LIABILITIES	4,422,381	5,617,040	4,507,072
2.02.01	LOANS AND FINANCING	1,735,563	2,198,532	2,204,489
2.02.02	DEBENTURES	910,000	2,200,000	1,300,000
2.02.03	PROVISIONS	1,125,894	795,688	764,151
2.02.03.01	PROVISION FOR CONTINGENCIES	647,826	385,992	315,075
2.02.03.02	PROVISION FOR PENSION PLAN	478,068	409,696	449,076
2.02.04	RELATED PARTY DEBTS	0	0	0
2.02.05	OTHER	650,924	422,820	238,432
2.02.05.01	PAYROLL AND SOCIAL CHARGES	7,850	11,439	0
2.02.05.02	SUPPLIERS	860	4,123	0
2.02.05.03	INDIRECT TAXES	582,495	344,452	182,815
2.02.05.04	TAXES ON INCOME	26,491	26,918	21,027
2.02.05.05	OTHER LIABILITIES	25,254	27,729	26,431
2.02.05.06	FUND FOR CAPITALIZATION	7,974	8,159	8,159
2.03	DEFERRED INCOME	9,044	11,032	10,991
2.05	SHAREHOLDERS EQUITY	6,662,844	6,963,535	6,864,313
2.05.01	REALIZED CAPITAL STOCK	3,373,097	3,335,770	3,296,179
2.05.02	CAPITAL RESERVES	1,524,953	1,591,454	1,647,290
2.05.03	REVALUATION RESERVES	0	0	0
2.05.03.01	COMPANY ASSETS	0	0	0
2.05.03.02	SUBSIDIARIES/ASSOCIATED COMPANIES	0	0	0
2.05.04	PROFIT RESERVES	273,244	273,244	251,238
2.05.04.01	LEGAL	273,244	273,244	251,238
2.05.04.02	STATUTORY	0	0	0
2.05.04.03	CONTINGENCIES	0	0	0
2.05.04.04	REALIZABLE PROFITS RESERVES	0	0	0
2.05.04.05	PROFIT RETENTION	0	0	0
2.05.04.06	SPECIAL RESERVE FOR UNDISTRIBUTED DIVIDENDS	0	0	0
2.05.04.07	OTHER PROFIT RESERVES	0	0	0
2.05.05	RETAINED EARNINGS	1,491,550	1,763,067	1,669,606

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

1 - CODE	2 - DESCRIPTION	3 - 01/01/2003 TO 12/31/2003	4 - 01/01/2002 TO 12/31/2002	5 - 01/01/2001 TO 12/31/2001
3.01	GROSS REVENUE FROM SALES AND SERVICES	11,063,096	9,858,833	8,458,496
3.02	DEDUCTIONS FROM GROSS REVENUE	(3,140,943)	(2,759,951)	(2,300,088)
3.03	NET REVENUE FROM SALES AND SERVICES	7,922,153	7,098,882	6,158,408
3.04	COST OF SALES	(4,752,516)	(4,395,146)	(3,989,177)
3.05	GROSS PROFIT	3,169,637	2,703,736	2,169,231
3.06	OPERATING EXPENSES	(3,035,379)	(2,295,980)	(1,832,712)
3.06.01	SELLING EXPENSES	(947,010)	(835,355)	(722,556)
3.06.02	GENERAL AND ADMINISTRATIVE EXPENSES	(777,631)	(632,443)	(585,329)
3.06.02.01	MANAGEMENT COMPENSATION	(6,748)	(5,612)	(4,384)
3.06.02.02	OTHER GENERAL AND ADMINISTRATIVE EXPENSES	(770,883)	(626,831)	(580,945)
3.06.03	FINANCIAL	(1,091,538)	(945,286)	(468,057)
3.06.03.01	FINANCIAL INCOME	293,351	199,508	178,120
3.06.03.02	FINANCIAL EXPENSES	(1,384,889)	(1,144,794)	(646,177)
3.06.04	OTHER OPERATING INCOME	269,830	257,079	248,976
3.06.05	OTHER OPERATING EXPENSES	(480,405)	(138,474)	(305,746)
3.06.06	EQUITY GAN (LOSS)	(8,625)	(1,501)	0
3.07	OPERATING INCOME (LOSS)	134,258	407,756	336,519
3.08	NONOPERATING INCOME (EXPENSES)	(471,721)	(138,710)	(141,736)
3.08.01	REVENUES	54,934	44,978	219,965
3.08.02	EXPENSES	(526,655)	(183,688)	(361,701)
3.09	INCOME (LOSS) BEFORE TAXES AND MINORITY INTEREST	(337,463)	269,046	194,783
3.10	PROVISION FOR INCOME TAX AND SOCIAL CONTRIBUTION	65,946	(112,192)	(94,407)
3.11	DEFERRED INCOME TAX	0	0	0
3.12	INTEREST/STATUTORY CONTRIBUTIONS	0	(41,387)	(50,833)
3.12.01	INTERESTS	0	(41,387)	(50,833)
3.12.02	CONTRIBUTIONS	0	0	0
3.13	REVERSAL OF INTEREST ON EQUITY	246,200	324,650	231,700
3.15	INCOME (LOSS) FOR THE PERIOD	(25,317)	440,117	281,243
	NUMBER OF SHARES OUTSTANDING (THOUSAND)	539,447,369	535,584,460	530,383,166
	EARNINGS PER SHARE (REAIS)		0.00082	0.00053
	LOSS PER SHARE (REAIS)	(0.00005)		

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04.01 - STATEMENT OF CHANGES IN FINANCIAL POSITION (SOURCE AND USE OF RESOURCES) (IN THOUSANDS OF REAIS - R\$) - PARENT COMPANY

1 - CODE	2 - DESCRIPTION	3 - 01/01/2003 TO 12/31/2003	4 - 01/01/2002 TO 12/31/2002	5 - 01/01/2001 TO 12/31/2001
4.01	SOURCE	3,210,149	4,341,645	4,526,700
4.01.01	OF OPERATIONS	3,107,668	2,975,808	2,485,410
4.01.01.01	PROFIT / LOSS IN THE FISCAL YEAR	(25,317)	440,117	281,243
4.01.01.02	AMOUNTS THAT HAVE NOT AFFECTED CURRENT ASSETS	3,132,985	2,535,691	2,204,167
4.01.01.02.01	DEPRECIATION AND AMORTIZATION	2,195,376	2,125,609	1,998,466
4.01.01.02.02	MONETARY VARIATIONS AND LONG-TERM INTERESTS	105,086	171,504	61,660
4.01.01.02.03	EQUITY INTEREST	8,625	1,501	0
4.01.01.02.04	PROVISION FOR CONTINGENCIES	299,196	17,188	12,972
4.01.01.02.05	FIXED ASSET WRITE-OFF PROFIT/LOSS	350,552	11,660	13,108
4.01.01.02.06	INDIRECT TAXES	154,019	154,751	73,895
4.01.01.02.07	DEFERRED DIRECT TAXES	23,720	42,039	53,986
4.01.01.02.08	OTHER	(3,589)	11,439	(9,920)
4.01.02	OF SHAREHOLDERS	0	0	0
4.01.03	OF THIRD PARTIES	102,481	1,365,837	2,041,290
4.01.03.01	INCREASE IN LONG-TERM LIABILITIES	23,731	1,322,502	1,966,635
4.01.03.02	TRANSFER FROM LONG-TERM RECEIVABLES TO CURRENT RECEIVABLES	45,167	10,714	43
4.01.03.03	OTHER	33,583	32,621	74,612
4.02	USES	3,988,762	2,952,786	4,603,245
4.02.01	INCREASE IN LONG-TERM RECEIVABLES	151,986	181,685	321,528
4.02.02	INCREASE IN PERMANENT ASSETS	1,670,705	1,773,284	3,445,540
4.02.03	DIVIDENDS / INTERESTS ON SHAREHOLDERS EQUITY	246,200	324,650	231,700
4.02.04	TRANSFER FROM LONG-TERM LIABILITIES TO CURRENT LIABILITIES	1,832,082	571,797	504,009
4.02.05	TRANSFER FROM CURRENT ASSETS TO LONG-TERM RECEIVABLES	53,674	79,518	60,861
4.02.06	OWN SHARES ACQUISITION	33,018	21,852	0
4.02.07	OTHER USES	1,097	0	39,607
4.03	WORKING CAPITAL INCREASE/DECREASE	(778,613)	1,388,859	(76,545)
4.04	CURRENT ASSETS VARIATION	495,800	1,347,354	(348,712)
4.04.01	CURRENT ASSETS AT THE BEGINNING OF THE FISCAL YEAR	3,422,330	2,074,976	2,423,688
4.04.02	CURRENT ASSETS AT THE END OF THE FISCAL YEAR	3,918,130	3,422,330	2,074,976
4.05	CURRENT LIABILITIES VARIATION	1,274,413	(41,505)	(272,167)
4.05.01	CURRENT LIABILITIES AT THE BEGINNING OF THE FISCAL YEAR	2,628,346	2,669,851	2,942,018
4.05.02	CURRENT LIABILITIES AT THE END OF THE FISCAL YEAR	3,902,759	2,628,346	2,669,851

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05.01 - STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY FROM 01/01/2003 TO 12/31/2003 (IN THOUSANDS OF REAIS - R\$) - PARENT COMPANY

1 - CODE	2 - DESCRIPTION	3 - CAPITAL STOCK	4 - CAPITAL RESERVE	5 - REVALUATION RESERVE	6 - PROFIT RESERVE	7 - RETAINED PROFIT / ACCUMULATED LOSS	8 - TOTAL NET EQUITY
5.01	BEGINNING BALANCE	3,335,770	1,519,454	0	273,244	1,763,067	6,963,535
5.02	PREVIOUS FISCAL YEARS ADJUSTMENTS	0	0	0	0	0	0
5.03	CAPITAL STOCK INCREASE / REDUCTION	37,327	(37,327)	0	0	0	0
5.04	REALIZATION OF RESERVES	0	0	0	0	0	0
5.05	TREASURY SHARES	0	(33,018)	0	0	0	(33,018)
5.06	PROFIT / LOSS IN THE FISCAL YEAR	0	0	0	0	(25,317)	(25,317)
5.07	ALLOCATIONS	0	0	0	0	(246,200)	(246,200)
5.07.01	DIVIDENDS / PROPOSED INTERESTS ON SHAREHOLDERS' EQUITY	0	0	0	0	(246,200)	(246,200)
5.08	OTHERS	0	3,844	0	0	0	3,844
5.08.01	FISCAL INCENTIVES FINAM (AMAZON INVESTMENT FUND)	0	3,844	0	0	0	3,844
5.09	ENDING BALANCE	3,373,097	1,524,953	0	273,244	1,491,550	6,662,844

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05.02 - STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY FROM 01/01/2002 TO 12/31/2002 (IN THOUSANDS OF REAIS - R\$) - PARENT COMPANY

1 - CODE	2 - DESCRIPTION	3 - CAPITAL STOCK	4 - CAPITAL RESERVE	5 - REVALUATION RESERVE	6 - PROFIT RESERVE	7 - RETAINED PROFIT / ACCUMULATED LOSS	8 - TOTAL NET EQUITY
5.01	BEGINNING BALANCE	3,296,179	1,647,290	0	251,238	1,669,606	6,864,313
5.02	PREVIOUS FISCAL YEARS ADJUSTMENTS	0	0	0	0	0	0
5.03	CAPITAL STOCK INCREASE / REDUCTION	39,591	(39,591)	0	0	0	0
5.04	REALIZATION OF RESERVES	0	0	0	0	0	0
5.05	TREASURY SHARES	0	(21,852)	0	0	0	(21,852)
5.06	PROFIT / LOSS IN THE FISCAL YEAR	0	0	0	0	440,117	440,117
5.07	ALLOCATIONS	0	0	0	22,006	(346,656)	(324,650)
5.07.01	TRANSFER AMONG RESERVES	0	0	0	22,006	(22,006)	0
5.07.02	DIVIDENDS / PROPOSED INTERESTS ON SHAREHOLDERS' EQUITY	0	0	0	0	(324,650)	(324,650)
5.08	OTHERS	0	5,607	0	0	0	5,607
5.08.01	DONATIONS AND INVESTMENT SUBSIDY	0	554	0	0	0	554
5.08.02	SOCIAL CONTRIBUTION ON NET INCOME ADDITIONAL RATE ADJUSTMENT	0	5,053	0	0	0	5,053
5.09	ENDING BALANCE	3,335,770	1,591,454	0	273,244	1,763,067	6,963,535

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05.03 - STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY FROM 01.01.2003 TO 12/31/2003 (IN THOUSANDS OF REAIS - R\$) - PARENT COMPANY

1 - CODE	2 - DESCRIPTION	3 - CAPITAL STOCK	4 - CAPITAL RESERVE	5 - REVALUATION RESERVE	6 - PROFIT RESERVE	7 - RETAINED PROFIT / ACCUMULATED LOSS	8 - TOTAL NET EQUITY
5.01	BEGINNING BALANCE	3,290,815	1,657,182	0	237,176	1,962,507	7,147,680
5.02	PREVIOUS FISCAL YEARS ADJUSTMENTS	0	0	0	0	(328,382)	(328,382)
5.03	CAPITAL STOCK INCREASE / REDUCTION	5,364	(5,364)	0	0	0	0
5.04	REALIZATION OF RESERVES	0	0	0	0	0	0
5.05	TREASURY SHARES	0	0	0	0	0	0
5.06	PROFIT / LOSS IN THE FISCAL YEAR	0	0	0	0	281,243	281,243
5.07	ALLOCATIONS	0	0	0	14,062	(245,762)	(231,700)
5.07.01	TRANSFER AMONG RESERVES	0	0	0	14,062	(14,062)	0
5.07.02	DIVIDENDS / PROPOSED INTERESTS ON SHAREHOLDERS' EQUITY	0	0	0	0	(231,700)	(231,700)
5.08	OTHERS	0	(4,528)	0	0	0	(4,528)
5.08.01	DONATIONS AND INVESTMENT SUBSIDY	0	15	0	0	0	15
5.08.02	FISCAL INCENTIVES FINAM (AMAZON INVESTMENT FUND)	0	510	0	0	0	510
5.08.03	SOCIAL CONTRIBUTION ON NET INCOME ADDITIONAL RATE ADJUSTMENT	0	(5,053)	0	0	0	(5,053)
5.08.04	REDUCTION IN TREASURY SHARES	0	0	0	0	0	0
5.09	ENDING BALANCE	3,296,179	1,647,290	0	251,238	1,669,606	6,864,313

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06.01 - BALANCE SHEET - ASSETS (IN THOUSANDS OF REAIS) - CONSOLIDATED

1 - CODE	2 - ACCOUNT DESCRIPTION	3 - 12/31/2003	4 - 12/31/2002	5 - 12/31/2001
1	TOTAL ASSETS	15,326,004	15,390,526	14,056,119
1.01	CURRENT ASSETS	3,985,525	3,469,740	2,088,203
1.01.01	CASH AND CASH EQUIVALENTS	1,465,765	1,422,899	331,363
1.01.02	CREDITS	1,859,713	1,542,851	1,230,937
1.01.02.01	ACCOUNTS RECEIVABLE FROM SERVICES	1,859,713	1,542,851	1,230,937
1.01.03	INVENTORIES	8,042	23,309	8,351
1.01.04	OTHER	652,005	480,681	517,552
1.01.04.01	LOANS AND FINANCING	2,446	6,795	622
1.01.04.02	DEFERRED AND RECOVERABLE TAXES	501,281	314,058	310,025
1.01.04.03	JUDICIAL DEPOSITS	40,367	724	58,663
1.01.04.04	OTHER ASSETS	107,911	159,104	148,242
1.02	NONCURRENT ASSETS	1,363,061	1,106,357	988,950
1.02.01	OTHER CREDITS	0	0	0
1.02.02	INTERCOMPANY RECEIVABLES	6,965	1,809	30,000
1.02.02.01	FROM ASSOCIATED COMPANIES	6,965	1,809	30,000
1.02.02.02	FROM SUBSIDIARIES	0	0	0
1.02.02.03	FROM OTHER RELATED PARTIES	0	0	0
1.02.03	OTHER	1,356,096	1,104,548	958,950
1.02.03.01	LOANS AND FINANCING	7,513	6,554	5,169
1.02.03.02	DEFERRED AND RECOVERABLE TAXES	736,367	657,726	665,797
1.02.03.03	JUDICIAL DEPOSITS	417,610	331,364	198,050
1.02.03.04	INVENTORIES	19,053	39,862	50,576
1.02.03.05	OTHER ASSETS	175,553	69,042	39,358
1.03	PERMANENT ASSETS	9,977,418	10,814,429	10,978,966
1.03.01	INVESTMENTS	286,418	112,219	68,885
1.03.01.01	ASSOCIATED COMPANIES	97,485	36,018	3,870
1.03.01.02	SUBSIDIARIES	0	0	0
1.03.01.03	OTHER INVESTMENTS	188,933	76,201	65,015
1.03.02	PROPERTY, PLANT AND EQUIPMENT	9,045,955	10,040,469	10,333,924
1.03.03	DEFERRED CHARGES	645,045	661,741	576,157

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06.02 - BALANCE SHEET - LIABILITIES (IN THOUSANDS OF REAIS) - CONSOLIDATED

1 - CODE	2 - ACCOUNT DESCRIPTION	3 - 12/31/2003	4 - 12/31/2002	5 - 12/31/2001
2	TOTAL LIABILITIES	15,326,004	15,390,526	14,056,119
2.01	CURRENT LIABILITIES	3,957,807	2,623,923	2,673,743
2.01.01	LOANS AND FINANCING	572,139	553,431	431,786
2.01.02	DEBENTURES	1,418,137	129,845	98,875
2.01.03	SUPPLIERS	935,656	919,041	1,210,669
2.01.04	TAXES, DUTIES AND CONTRIBUTIONS	461,878	366,584	275,697
2.01.04.01	INDIRECT TAXES	439,215	351,905	271,681
2.01.04.02	TAXES ON INCOME	22,663	14,679	4,016
2.01.05	DIVIDENDS PAYABLE	247,242	310,297	230,483
2.01.06	PROVISIONS	76,531	95,376	105,071
2.01.06.01	PROVISION FOR CONTINGENCIES	48,509	3,232	63,403
2.01.06.02	PROVISION FOR PENSION PLAN	28,022	92,144	41,668
2.01.07	RELATED PARTY DEBTS	0	0	0
2.01.08	OTHER	246,224	249,349	321,162
2.01.08.01	PAYROLL AND SOCIAL CHARGES	61,550	44,090	91,740
2.01.08.02	CONSIGNMENTS IN FAVOR OF THIRD PARTIES	51,747	78,629	83,847
2.01.08.03	EMPLOYEE PROFIT SHARING	49,006	39,327	50,415
2.01.08.04	OTHER LIABILITIES	83,921	87,303	95,160
2.02	LONG-TERM LIABILITIES	4,693,915	5,792,036	4,507,072
2.02.01	LOANS AND FINANCING	1,735,563	2,198,532	2,204,489
2.02.02	DEBENTURES	910,000	2,200,000	1,300,000
2.02.03	PROVISIONS	1,128,304	795,688	764,151
2.02.03.01	PROVISION FOR CONTINGENCIES	650,236	385,992	315,075
2.02.03.02	PROVISION FOR PENSION PLAN	478,068	409,696	449,076
2.02.04	RELATED PARTY DEBTS	0	0	0
2.02.05	OTHER	920,048	597,816	238,432
2.02.05.01	PAYROLL AND SOCIAL CHARGES	7,871	11,444	0
2.02.05.02	SUPPLIERS	860	4,123	0
2.02.05.03	INDIRECT TAXES	583,194	344,452	182,815
2.02.05.04	TAXES ON INCOME	27,005	26,918	21,027
2.02.05.05	AUTHORIZATION FOR TELECOM SERVICES EXPLORATION	211,847	174,991	0
2.02.05.06	OTHER LIABILITIES	81,297	27,729	26,431
2.02.05.07	FUND FOR CAPITALIZATION	7,974	8,159	8,159
2.03	DEFERRED INCOME	11,431	11,032	10,991
2.04	SHAREHOLDERS EQUITY	7	0	0
2.05	CAPITAL	6,662,844	6,963,535	6,864,313
2.05.01	REALIZED CAPITAL STOCK	3,373,097	3,335,770	3,296,179
2.05.02	CAPITAL RESERVES	1,524,953	1,591,454	1,647,290
2.05.03	REVALUATION RESERVES	0	0	0
2.05.03.01	COMPANY ASSETS	0	0	0
2.05.03.02	SUBSIDIARIES/ASSOCIATED COMPANIES	0	0	0
2.05.04	PROFIT RESERVES	273,244	273,244	251,238
2.05.04.01	LEGAL	273,244	273,244	251,238
2.05.04.02	STATUTORY	0	0	0
2.05.04.03	CONTINGENCIES	0	0	0
2.05.04.04	REALIZABLE PROFITS RESERVES	0	0	0
2.05.04.05	PROFIT RETENTION	0	0	0
2.05.04.06	SPECIAL RESERVE FOR UNDISTRIBUTED DIVIDENDS	0	0	0
2.05.04.07	OTHER PROFIT RESERVES	0	0	0
2.05.05	RETAINED EARNINGS	1,491,550	1,763,067	1,669,606

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07.01 - STATEMENT OF INCOME (IN THOUSANDS OF REAIS - R\$) - CONSOLIDATED

1 - CODE	2 - DESCRIPTION	3 - 01/01/2003 TO 12/31/2003	4 - 01/01/2002 TO 12/31/2002	5 - 01/01/2001 TO 12/31/2001
3.01	GROSS REVENUE FROM SALES AND SERVICES	11,077,381	9,839,680	8,458,496
3.02	DEDUCTIONS FROM GROSS REVENUE	(3,162,187)	(2,768,312)	(2,300,088)
3.03	NET REVENUE FROM SALES AND SERVICES	7,915,194	7,071,368	6,158,408
3.04	COST OF SALES	(4,853,373)	(4,446,632)	(3,989,177)
3.05	GROSS PROFIT	3,061,821	2,624,736	2,169,231
3.06	OPERATING EXPENSES	(2,921,228)	(2,217,746)	(1,832,712)
3.06.01	SELLING EXPENSES	(819,937)	(761,753)	(722,556)
3.06.02	GENERAL AND ADMINISTRATIVE EXPENSES	(795,336)	(630,939)	(585,329)
3.06.02.01	MANAGEMENT COMPENSATION	(7,094)	(5,612)	(4,384)
3.06.02.02	OTHER GENERAL AND ADMINISTRATIVE EXPENSES	(788,242)	(625,327)	(580,945)
3.06.03	FINANCIAL	(1,091,002)	(943,550)	(468,057)
3.06.03.01	FINANCIAL INCOME	302,563	201,631	178,120
3.06.03.02	FINANCIAL EXPENSES	(1,393,565)	(1,145,181)	(646,177)
3.06.04	OTHER OPERATING INCOME	270,362	257,008	248,976
3.06.05	OTHER OPERATING EXPENSES	(485,315)	(138,512)	(305,746)
3.06.06	EQUITY GAN (LOSS)	0	0	0
3.07	OPERATING INCOME (LOSS)	140,593	406,990	336,519
3.08	NONOPERATING INCOME (EXPENSES)	(469,045)	(138,710)	(141,736)
3.08.01	REVENUES	55,417	44,978	219,965
3.08.02	EXPENSES	(524,462)	(183,688)	(361,701)
3.09	INCOME (LOSS) BEFORE TAXES AND MINORITY INTEREST	(328,452)	268,280	194,783
3.10	PROVISION FOR INCOME TAX AND SOCIAL CONTRIBUTION	58,017	(111,426)	(94,407)
3.11	DEFERRED INCOME TAX	0	0	0
3.12	INTEREST/STATUTORY CONTRIBUTIONS	(1,076)	(41,387)	(50,833)
3.12.01	INTERESTS	(1,076)	(41,387)	(50,833)
3.12.02	CONTRIBUTIONS	0	0	0
3.13	REVERSAL OF INTEREST ON EQUITY	246,200	324,650	231,700
3.14	MINORITY INTERESTS	14	0	0
3.15	INCOME (LOSS) FOR THE PERIOD	(25,297)	440,117	281,243
	NUMBER OF SHARES OUTSTANDING (THOUSAND)	539,447,369	535,584,460	530,383,166
	EARNINGS PER SHARE (REAIS)		0.00082	0.00053
	LOSS PER SHARE (REAIS)	(0.00005)		

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08.01 - STATEMENT OF CHANGES IN FINANCIAL POSITION (SOURCE AND USE OF RESOURCES) (IN THOUSANDS OF REAIS - R\$) - CONSOLIDATED

1 - CODE	2 - DESCRIPTION	3 - 01/01/2003 TO 12/31/2003	4 - 01/01/2002 TO 12/31/2002	5 - 01/01/2001 TO 12/31/2001
4.01	SOURCE	3,262,596	3,990,820	4,526,700
4.01.01	OF OPERATIONS	3,112,616	2,976,290	2,485,410
4.01.01.01	PROFIT / LOSS IN THE FISCAL YEAR	(25,297)	440,117	281,243
4.01.01.02	AMOUNTS THAT HAVE NOT AFFECTED CURRENT ASSETS	3,137,913	2,536,173	2,204,167
4.01.01.02.01	DEPRECIATION AND AMORTIZATION	2,206,422	2,126,677	1,998,466
4.01.01.02.02	MONETARY VARIATIONS AND LONG-TERM INTERESTS	105,146	172,414	61,660
4.01.01.02.03	EQUITY INTEREST	0	0	0
4.01.01.02.04	PROVISION FOR CONTINGENCIES	299,141	17,188	12,972
4.01.01.02.05	FIXED ASSET WRITE-OFF PROFIT /LOSS	347,885	11,660	13,108
4.01.01.02.06	INDIRECT TAXES	154,019	154,751	73,895
4.01.01.02.07	DEFERRED DIRECT TAXES	23,720	42,039	53,986
4.01.01.02.08	MINORITY INTEREST	(14)	0	0
4.01.01.02.09	OTHER	1,594	11,444	(9,920)
4.01.02	OF SHAREHOLDERS	0	0	0
4.01.03	OF THIRD PARTIES	149,980	1,014,530	2,041,290
4.01.03.01	INCREASE IN LONG-TERM LIABILITIES	23,731	969,324	1,966,635
4.01.03.02	TRANSFER FROM LONG-TERM RECEIVABLES TO CURRENT RECEIVABLES	48,413	10,714	43
4.01.03.03	INCORPORATED NET WORKING CAPITAL IBEST AND GLOBENET	39,300	0	0
4.01.03.04	OTHER	38,536	34,492	74,612
4.02	USES	4,080,695	2,559,463	4,593,910
4.02.01	INCREASE IN LONG-TERM RECEIVABLES	155,666	112,118	318,161
4.02.02	INCREASE IN PERMANENT ASSETS	1,757,201	1,977,698	3,439,572
4.02.03	DIVIDENDS / INTERESTS ON SHAREHOLDERS EQUITY	246,200	324,650	231,700
4.02.04	TRANSFER FROM LONG-TERM LIABILITIES TO CURRENT LIABILITIES	1,832,877	43,627	504,009
4.02.05	TRANSFER FROM CURRENT ASSETS TO LONG-TERM RECEIVABLES	53,674	79,518	60,861
4.02.06	OWN SHARES ACQUISITION	33,018	21,852	0
4.02.07	OTHER USES	2,059	0	39,607
4.03	WORKING CAPITAL INCREASE/DECREASE	(818,099)	1,431,357	(67,210)
4.04	CURRENT ASSETS VARIATION	515,785	1,381,537	(335,485)
4.04.01	CURRENT ASSETS AT THE BEGINNING OF THE FISCAL YEAR	3,469,740	2,088,203	2,423,688
4.04.02	CURRENT ASSETS AT THE END OF THE FISCAL YEAR	3,985,525	3,469,740	2,088,203
4.05	CURRENT LIABILITIES VARIATION	1,333,884	(49,820)	(268,275)
4.05.01	CURRENT LIABILITIES AT THE BEGINNING OF THE FISCAL YEAR	2,623,923	2,673,743	2,942,018
4.05.02	CURRENT LIABILITIES AT THE END OF THE FISCAL YEAR	3,957,807	2,623,923	2,673,743

09.01 - INDEPENDENT AUDITORS REPORT

To the Board of Directors and Shareholders of
Brasil Telecom S.A.
Brasília DF

(A translation of the original report in Portuguese as published in Brazil containing financial statements prepared in accordance with accounting practices adopted in Brazil)

We have examined the balance sheets of Brasil Telecom S.A. and the consolidated balance sheets of the Company and its subsidiaries as of December 31, 2003 and 2002, and the related statements of income, changes in shareholders' equity and changes in financial position for the years then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements.

Our examination were conducted in accordance with auditing standards generally accepted in Brazil and included: (a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal accounting controls of the Company and its subsidiaries; (b) verification, on a test basis, of the evidence and records which support the amounts and the accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by Company management and its subsidiaries, as well as the presentation of the financial statements taken as a whole.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Brasil Telecom S.A. and the consolidated financial position of the Company and its subsidiaries as of December 31, 2003 and 2002, and the results of its operations, changes in its shareholders' equity and changes in its financial position for the years then ended, in conformity with accounting practices adopted in Brazil.

Our examinations were performed with the objective of expressing an opinion on the financial statements taken as a whole. The statements of cash flow are supplementary information to the aforementioned financial statements, and are presented to facilitate additional analysis. This supplementary information was submitted to the same audit procedures as applied to the aforementioned financial statements and, in our opinion, are presented fairly, in all material respects, in relation to the financial statements taken as a whole.

March 18, 2004.

KPMG Auditores Independentes
CRC SP-014.428- S - DF

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

BRASIL TELECOM S.A.

10.01 - MANAGEMENT REPORT 2003

To the Shareholders:

In compliance with the legal and statutory provisions, the Board of Directors of Brasil Telecom S.A. submits its Management Report, the Financial Statements and Consolidated of the Company and the Opinion of the Independent Auditors for the appreciation of the shareholders, referent to the calendar year ending on December 31, 2003.

Economic Situation

The year of 2003 will be remembered in history as the year in which Brazil consolidated itself as an economy that is able to recover quickly from crises. Although a certain skepticism regarding the governmental policy to be adopted was prevalent at the beginning of the year, the adoption and conduction, by the Federal Government, of a reform agenda showed political maturity which, allied to the battle against inflation, pleasantly surprised the market.

The biggest challenges in 2003 can be summarized as the fiscal responsibility, the maintenance of the floating exchange rate regime and the search for a better public debt profile. The Federal Government reduced its exposure to debt instruments denominated in foreign currency, as well as it replaced the floating rate portion of the liability for fixed rate securities linked to inflation.

As a result, the trend for high inflation, witnessed at the beginning of the year, was reverted. The accumulated IGP-DI price index for the year was 7.7% against 26.4% in 2002. The effective SELIC rate hit 16.9% p.a. in December 2003, after hitting the maximum level of 26.3% p.a. in March, April and May. At the end of 2003, exports exceeded imports by US\$ 24.8 billion, 89.2% over the amount registered the previous year, even though the exchange rate dropped significantly: the average quote of the American dollar in January 2003 was R\$ 3.44, against R\$ 2.92 in December.

The positive outlook of the Brazilian economy was, without a doubt, favored by the performance of the world economy, mainly as a result of a drastic reduction in interest rates promoted by developed countries. The basic interest rate in USA remained around 1% p.a., which resulted in an increase of liquidity in international capital markets and, as a consequence, in more availability of funds for investments in other parts of the globe.

For 2004, global economic growth is expected. According to estimates of the International Monetary Fund, global economic growth may reach around 4%, above the average registered in the 80s and 90s. In terms of the Brazilian economy, a GDP growth and a shrink in interest rates is expected. Therefore, a scenario that suggests opportunities to grow for Brasil Telecom.

The Telecommunications Sector

Throughout last year, the fixed telephony concessionaires gave total precedence in the data communication, Internet and voice over IP services, which registered the highest growth rates in the sector.

It is worth noting the emphasis given to high-speed Internet access services which, besides optimizing the already-installed infrastructure, generates additional revenues. In Brazil, the offer of broadband services based on ADSL technology reached around 983 thousand accesses in 2003, a growth of almost 100% in relation to accesses in the previous year.

Brasil Telecom focused on (i) the increase of average revenue per user, obtained through the offer of new voice and data services and through the creation of traffic generation mechanisms, (ii) the reduction of investments and (iii) the search for operational efficiency.

The plant in service of the fixed telephony concessionaires reached 37.3 million lines at the end of the year, representing an organic growth in comparison to the 37.0 million lines in service registered in 2002. This performance is a result of fully meeting the demand and the social-economic conditions present in the Brazilian economy: high unemployment rate, a drop in income and reduced GDP growth.

There is a consensus among the agents of the sector that economic recovery, with the rise in income of C and D class families, which are still not serviced enough, would lead to a growth in the fixed telephony market.

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On the other hand, the mobile telephony market registered a significant growth, triggered by the perception of value in the mobility attribute, through the new structure and behavior of the families, the possibility of controlling expenses, but mainly through prepaid access. The cellular phone plant reached 46.4 million lines in December 2003, surpassing the 31.6 million in service accesses registered at the end of 2002.

The Regulatory Environment

Even though the discussion of the role of the regulating entities in Brazil was present throughout the year, one of the questions that intensified the debate in relation to the regulatory model in effect was the predicted tariff readjustment for the fixed telephony companies. Anatel granted the readjustment based on the IGP-DI price index, as predicted by the concession agreements, preserving the interests of the investors in the regulated sectors, including the telecommunications sector. The Federal Justice, however, through a preliminary order, determined that the readjustment be based on the IPCA price index.

Also in 2003, after the Public Bid, the minutes of the new concession contracts for the Switched Fixed Telephone System (*Sistema Telefônico Fixo Comutado* - STFC), in the local and long distance modes for the period between 2006-2025 were published by Anatel. The following are the main points in the minutes of the local contract: reduction of interconnection rates, dissolution of the networks, numeric portability, resale, rating by minute instead of by pulse, reduction in the number of local areas, implementation of Telephone Service Posts (*Postos de Serviço Telefônico* - PST), implementation of Special Class Individual Access (*Acesso Individual Classe Especial* - AICE) and establishment of a General Plan for Competition Targets (*Plano Geral de Metas de Competição* - PGMC). These topics have been the subject of heated debates, of which some have already been submitted to the Public Bid, as a first step to their implementation.

For the Internet access sector, the target of Anatel and the Communications Ministry is to create bids for the concessions of the Digital Communications Service (*Serviço de Comunicações Digitais* - SCD) in 2004, aiming at universalizing the use of Internet in Brazil, and counting on the application of funds from the Telecommunication Universalization Fund (*Fundo de Universalização das Telecomunicações* - FUST). In mobile telephony, the performance of tests for the implementation of the 3G technology in Brazil is expected.

The Company

Area of Activity

The area of activity of Brasil Telecom, comprised of the states of Acre, Rondônia, Mato Grosso, Mato Grosso do Sul, Tocantins, Goiás, Santa Catarina, Paraná and Rio Grande do Sul, besides the Federal District, corresponds to 24% of the Brazilian population (approximately 41 million inhabitants), 25% of GDP (approximately R\$ 280 billion) and 33% of the national territory (approximately 2.8 million Km²). Region II has also four metropolitan areas with a population of over one million inhabitants and borders Peru, Bolivia, Paraguay, Argentina and Uruguay, and can be considered a corridor to Mercosur.

Corporate Structure

Brasil Telecom Participações S.A. which owns 99.1% of the common stock and 36.9% of the preferred shares, which corresponds to 65.4% of the total capital. The simplified corporate structure of the group is shown below:

BrT Serviços de Internet S.A.

BrT Serviços de Internet (BrTSI), an integral subsidiary of Brasil Telecom S.A., has the objective of becoming a benchmark in the market for distribution of interactive media. Through BrTurbo, a high-speed Internet access provider, BrTSI offers integrated solutions based on Internet.

During 2003, several partnerships were implemented to add value to the content of BrTurbo, a 100% broadband gateway. With emphasis given on partnerships with suppliers for games, music and news content, which, combined with transmissions and news articles about extreme sports, significantly contributed to the perception of value to the users.

BrTSI launched in December BrTurbo Asas (BrTurbo Wings), which utilizes Wi-Fi technology to provide high-speed Internet access to mobile users. The new service strengthens the strategy of Brasil Telecom to offer complete packages of telecommunication services to its customers.

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As a result of these actions, BrTurbo maintained its leading position in the number of active customers, reaching 107.8 thousand clients in December, double the amount registered the previous year. At the end of 2003, 40% of the Turbo clients used BrTurbo as an Internet access provider.

GlobeNet

On June 11, 2003, the acquisition of the entire optical fiber submarine cable system of the Globenet Group was concluded, linking connection points in the United States , Bermuda , Brazil and Venezuela . All the assets situated in the United States and Bermuda, as well as the controlling interest of the companies headquartered in Brazil and in Venezuela , were acquired for US\$ 46.7 million. Through the transaction, five companies were organized, all directly or indirectly controlled by Brasil Telecom S.A.: Brasil Telecom Cabos Submarinos (Holding) Ltda., Brasil Telecom Cabos Submarinos Ltda., Brasil Telecom of America, Inc., Brasil Telecom Subsea Cable System (Bermuda) Ltd. and Brasil Telecom de Venezuela, S.A.

Brasil Telecom of America, Inc. is headquartered in Boca Raton , Florida , and it coordinates all the activities of the Globenet Group, besides serving as a support point for international business.

The acquisition of Globenet strengthens the strategy of Brasil Telecom for consolidation and expansion as a provider of complete telecommunications solutions since it enables the Company to offer integrated service packages to national and international corporate clients, as well as strengthens its position to capture the value generated by the accentuated growth of data traffic between Brazil and the US.

Furthermore, it enabled Brasil Telecom to have the autonomy to carry its international IP traffic, reducing its interconnection costs, and the provision of international long distance services without having to rely on the capacity of international accesses from third parties .

The process of integration with Brasil Telecom enabled the renegotiation of agreements with third parties and the commercial efforts expended in 2003 enable it to create new business in regions that had not yet been approached by the group, such as the Caribbean and Venezuela . Therefore, in 2004, Brasil Telecom expects to increment the business of Globenet Group and it estimates saving US\$ 8 million in capacity leases.

SMP License

On November 19, 2002, Brasil Telecom acquired licenses for the provision of the Personal Mobile Service (*Serviço Móvel Pessoal* - SMP) in its area of activity for R\$ 191.5 million, as part of the strategy to defend its position in Region II. Besides the best paid price, in comparison with the result of the first auction, the payment conditions were more attractive: 10% payment at the execution of the contract, three years grace period and the balance paid in six annual installments. On the remaining balance, the IGP-DI price index, plus 1% per month, is applied.

Additionally, a retraction in the world market for equipment manufacturers made the cost to implement a new network drop significantly, even for the fact that Brasil Telecom is one of the last sales opportunities for the suppliers in the country.

Brasil Telecom Celular (BT Cel) adopted the Global System for Mobile Communications (GSM) technology which, as it is a worldwide technology, will enable the clients of BT Cel to move easily with theirhandsets , besides having access to handsets with lower costs, use a secure network and participate in a consistent technological evolution.

According to the norms set forth by Anatel, in each acquired license Midwest region plus the States of Acre and Rondônia; Rio Grande do Sul; Paraná; and Santa Catarina BT Cel should cover 50% of the urban area, in 50% of the capital cities and locations with more than 500 thousand inhabitants until December 18, 2003, which corresponds to:

- Porto Alegre ;
- Curitiba or Florianópolis; and
- Four capital cities in the Midwest region, including the Federal District capital.

The coverage was scaled giving priority to the regions with a low penetration of services and higher GDP, and will be expanded to other locations within the next three years. Exceeding the targets specified by Anatel, in December 2003, BT Cel covered more than 50% of the urban area of all 10 capital cities in Region II, through installed 146 Radio Base Stations (ERB - *Estações Radio Base*). To make this provision viable, R\$ 109 million was invested in coverage, information technology, distribution centers, stores, administrative and operational costs.

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During the year, BT Cel defined and contracted the main platforms which will be used to provide the mobile service, with emphasis on the prepaid service, the voice mail service, the short message service (SMS), and the multimedia message service (MMS), besides the other data service platforms (WAP, OTA, Middleware) and antifraud.

At the end of 2004, BT Cel plans to service 464 locations. The expectation is that after the project is concluded, BT Cel reach a wider coverage compared to that of Band B wireless operators.

Through the approval for the anticipation of the universalization targets of Brasil Telecom S.A. by the Board of Directors of Anatel, at a meeting held on the 14th and 15th of January 2004, BT Cel was authorized to begin its commercial operation, which should occur in the first semester of 2004.

MetroRED

On February 18, 2003, Brasil Telecom acquired 19.9% of the capital stock of MTH Ventures do Brasil Ltda., a company which holds 99.99% of the capital stock of MetroRED Telecomunicações Ltda., for US\$ 17.0 million. Furthermore, it also acquired an option to exercise the purchase of the remaining 80.1%.

On January 20, 2004, Brasil Telecom manifested its intention to exercise the option to purchase for US\$ 51,0 million. Following the conclusion of the transaction, Brasil Telecom will control, directly or indirectly, 100% of the capital stock of the company.

MetroRED began its commercial operations to provide private telecommunication network services through digital optical fiber networks in 1998. The MetroRED 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 these metropolitan centers. MetroRED also has an Internet Solutions Center of 3,790 m² in São Paulo , which offers data center services. Currently, the company has almost 600 clients in Brazil , of different sizes and areas of activity.

With a technologically advanced and complementary transport network to that of Brasil Telecom, MetroRED enables the Company to have direct access to the main corporate clients of the country , allowing it to offer differentiated services of national, as well as international, scope, with the participation of Globenet.

Vant

On December 05, 2001, Brasil Telecom acquired 19.9% of the capital stock of Vant Telecomunicações S.A. for R\$ 3.8 million, as well as the option to purchase the remaining 80.1% for R\$ 15.6 million, which could only be exercised after the certification for the anticipation of the targets predicted in the concession agreements.

On January 20, 2004, Brasil Telecom manifested its intention to exercise the purchase option, which will make Brasil Telecom the direct or indirect controller of 100% of the capital stock of Vant.

Founded in October of 1999 and aimed at the TCP/IP network, Vant was the first carrier in Brazil to offer services with a network based on this technology. Vant covers the whole country and is present in the main Brazilian capital cities, offering a broad portfolio of voice and data products to the corporate market.

The acquisition of Vant has the main objective of expanding the offer of solutions for the corporate market on a national scale, enabling Brasil Telecom to strengthen its position as a leading telecommunications provider.

iBest

On June 26, 2003, the Purchase and Sale Contract was executed for the acquisition of 100% of the capital stock of iBest S.A. , through BrTSI, which holds 49.5% of the Internet access provider. The acquisition of 50.5% for US\$ 36 million consolidated the purchase option.

Initially organized with the objective of setting up the iBest Award by commercially exploring the publicity revenue derived from the event, iBest expanded its activities in December 2001, when it began to offer and focus its operations on the provision of dialed access for Internet. Since then, the provider has registered significant growth in Brazil , with emphasis on Region II, where it is a market leader. There are 4.5 million registered users, of which 1.3 million are active users and, approximately, 14 billion minutes are generated annually around the country.

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iBest became the second largest provider of free Internet for the Brazilian market in only 2 years of activity. The iBest award also accompanied this performance, making it the largest Brazilian Internet award, with more than 30 thousand sites registered in the 2003 edition.

The broad user base of iBest creates a differential in the leverage of other data and voice services offered by Brasil Telecom. However, one of the main reasons for Brasil Telecom to have acquired iBest was to minimize the financial risk related to the interconnection regime in effect. In addition, the increase of penetration of dialed Internet, encouraged by the free provision of iBest, increases the traffic of the Brasil Telecom network.

Through the acquisition of iBest, Brasil Telecom created not only one of the largest providers of free Internet in the country, but also enabled a sales channel for its voice and data products.

Risk Factors

It is an ongoing challenge for Brasil Telecom to identify the priorities and align its efforts to control and minimize the more significant risks, including doing so through technological enhancement.

In this sense, the strengthening of processes and the internal control environment is an integral part and a common commitment of all the areas of the Company and its respective managers permanently evaluate the processes and controls in a way that relate to the routine of the business, the financial reports and the compliance and conformity aspects.

Concurrently, the internal auditing directs the activities to the areas of more relevance and impact on the operations, reviewing the processes and controls based on the best risk management practices.

During the first quarter de 2004, Brasil Telecom will initiate a project that aims at the consolidation of the Risk Management process of the Group. This project will count on the support of specialized consulting and participation of the Company executives and will use risk management methodology and support tools, among those that are globally standard. Through this initiative, the Company will meet the requirements of the Sarbanes Oxley Law, which is applied to Brazilian companies who are listed in the US stock exchange, and will have the following purposes:

- To enhance Corporate Governance by using the best global practices;
- To formally establish the planning and responsibilities of the Risk Management areas, Process Managements, Internal Auditing and other involved areas;
- To evaluate the risk and control environment in each process of the business;
- To implement an Integrated Risk Management system, enabling the constant monitoring of the risks and the auto-evaluation of the controls.

Regulatory Risk

Brasil Telecom operates in conformity with the concessions of the Federal Government, which requires the accomplishment of the universalization and quality targets, as well as defines the rules related to the readjustment of the local and long distance tariffs, while defining the relationship between the carriers of the telecommunications sector. Any change in the established rules could adversely affect the business.

Currently, the main issues under discussion refer to the New Concession Agreements, which come into effect in 2006, in particular the dissolution of the networks, the resale, the numeric portability, the reduction in the amount of local areas and the implementation of the PST and the AICE. Brasil Telecom, however, has been positioning itself in terms of avoiding any negative effect caused by the implementation of the New Concession Agreements.

Competition Risk

Every year, the telecommunications sector becomes more competitive, mainly in the sectors of long distance telephony, mobile telephony and data communication. Brasil Telecom has a large share of the local and long distance fixed telephony markets. In terms of mobile telephony, the Company will begin its operations in 2004. This strategy is related to the migration of traffic in the fixed network to the mobile network and must be enough to reduce this effect.

Brasil Telecom has consistently increased its revenue in the data communication market, in view of the investments made in the data network and information technology and also, as a result of the active commercial position that the Company adopts, which allow differentiated activities. In this context, voice over IP may grow within the corporate markets and governmental clients. Brasil

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Telecom is already working to offer IP solutions to its clients, which will certainly leverage its total revenue.

The Company permanently strives for operational efficiency, which represents an essential factor in assuring its leading position in Region II.

Market Risk

Brasil Telecom has 39% of its total gross revenue arising from the local service, which is influenced by the level of activity of the economy. In the possibility of an economic recovery, the revenue of Brasil Telecom may be positively affected.

Financial Risk

Brasil Telecom had a debt of R\$ 4,636 million at the end of December, of which 57% was allocated in the long term. Notwithstanding the increasing cash generation, the Company adopts a conservative policy in the use of costly debt, particularly foreign currency denominated debt. Of the total debt, R\$ 246 million were contracted in dollars and R\$ 254 million were pegged to the currency basket, of which Brasil Telecom has hedging for 58.4% of the total.

In terms of the interest rates for the loans, Brasil Telecom is in a privileged position, considering that the annual average cost of its debt is equal to 78.5% of CDI.

Operating Risk

With the intention of protecting its assets, Brasil Telecom acquires specific insurance, such as Insurance for Operating Risks and Ceasing Profits. The Operating Risk Insurance covers all the assets of the Company against material damage caused by, for example, fire, lightening and explosion, windstorms, theft, flooding, inundation and etc. To assure the total replacement of its assets, Brasil Telecom monthly updates the amount of terminals installed by branch office and their respective value.

The losses resulting from interruption or disturbance in the turnover of business caused by consequent contingent events which cause material damage to the premises of Brasil Telecom are covered in the Ceasing Profits policy.

Policy	Assets insured	Insured value (million)
Operational Risks	Buildings, machines, equipment, premises, call centers, towers, infrastructure, information technology equipment and assets of Brasil Telecom in the hands of third parties	R\$ 9,910
Ceasing Profits	Fixed expenses and net income	R\$ 6,790
Assurance of Contractual Obligations	Compliance with the Concession Agreements	R\$ 165

Competition

Local Service

The leadership exercised by Brasil Telecom in the provision of the local service was maintained in 2003. The Company launched a 98% stake in local telephony in its area of activity.

This leadership, on one hand, results from the capillarity that the Company acquired throughout the years and, on the other, from a combination of actions aimed at client loyalty. Among the actions implemented for this purpose, the following are emphasized: the diffusion of broadband access, the expansion of intelligent services, the offer of alternative plans and the permanent practice of competitive prices.

In the local voice market, the carriers of the Cellular Mobile Service (SMC) and the Personal Mobile Service (SMP) have been expanding the offer of promotional plans with reduced rates for intra-network calls, almost always lower than those for a fixed-mobile call. This marketing positioning of the mobile carriers has increased the competition in this sector.

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In addition, Anatel has been insisting on creating mechanisms to create competition between the STFC carriers as well pushing for policies such as the unbundling.

National Long Distance

In 2003, the competition in the LDN market continued to be practically restricted to Brasil Telecom and the long distance concessionaire. The mirror company, as well as the local companies hold insignificant shares.

A new mode of competition, however, was implemented in this market. On July 6, 2003, by determination of Anatel, the SMP clients were given the option to choose, via CSP, the long distance carrier that would complete their calls, following the example of what was occurring in fixed telephony. With the introduction of this change, the LDN carriers began to participate in this new market. As Brasil Telecom's CSP is vastly publicized for calls which originate from fixed telephones and it is common knowledge to the user, CSP 14 absorbed a large share of the long distance calls originating from mobile phones.

Brasil Telecom, within the scope of its concession area, maintained its leading position in the LDN market, as can be verified in the graph below, which shows the average share for calls originating from fixed telephones:

This hegemony, registered by Brasil Telecom since July of 1999, when the CSP was introduced, is due to the Company's positioning in the sense of offering, always, the most competitive tariffs combined with a plan that better adapts to the real needs of each market sector.

Data Communication

The data communication market has registered the highest annual growth rates in the telecommunications industry over the past few years and has therefore attracted many participants.

Despite the heated competition, year after year, Brasil Telecom has increased its share in this market, in light of the offer of ADSL access. The Company doubled its subscriber base in the same period.

Its technology is fundamental in the strategy of the carriers since it is a base for the provision of other services, besides being a great advantage in the conquest of the market of small and medium-sized companies, which offers a prospect of significant growth.

Strategic Priorities

The strategy of Brasil Telecom was developed so that the Company would become a complete provider with multiple competences in the telecommunications sector and, thus, maintain its leading position in its area of activity.

Brasil Telecom is aware of the current situation, its firm standing and its commitment with the client can be translated into the presence of the Company in all the stages of the value chain of the business.

The strategic priorities – developing offers in combination with fixed and mobile voice, data, Internet and multimedia, increasing its share in the inter-regional LDN traffic, strengthening its ties with the client and systematically adapting the organizational structure and the corporate culture – must assure a growth rate above the market average for the next few years.

Following the certification of the universalization targets, Brasil Telecom was authorized to complete long distance calls originated from any point in the country to any point within it or around the world. By taking into consideration that the Brasil Telecom brand is very well known and the market share of CSP 14 is large, the Company should acquire a representative portion of this new market by generating additional revenue from an existing network.

Also, as a result of the certification, Brasil Telecom was authorized to initiate the operation of its mobile telephony license within Region II, which has the main objective of enabling the integrated and complete offer of all the services available in the telecommunications sector, besides maintaining traffic in the network of the Company. The activity strategy of BT Cel is unique and it took into consideration a detailed analysis of the fixed line subscriber base of Brasil Telecom, in the sense of enhancing the existing synergy between the fixed and mobile operation and exploring this convergence, which resulted in the creation of innovative and attractive service packages. The first test performed was an offer of direct enrollment for Brasil Telecom employees and their families and friends, who could acquire accesses in special financing conditions. The result was a success considering that 11 thousand post-paid accesses were sold. Severity in investments, competence and creativity are the vital elements needed for BT Cel to acquire its first million accesses, predicted to occur after one year of operation.

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The priorities, however, are not restricted to the exploration of two new markets. Brasil Telecom also aims at integrating the assets acquired recently: Globenet, MetroRED and Vant, in a way which meets the requirements of the corporate clients, avid for data communication solutions.

Brasil Telecom has positioned itself to offer all the services and products available on the telecommunications sector market, whether it is for the residential market or the corporate one.

Network

Brasil Telecom currently counts on a network infrastructure that is a model of operational efficiency and its technological evolution is based on the following assumptions:

- Total flexibility to meet the needs of the clients and maximize the introduction of new services;
- Increase profitability of the investments made;
- Optimize new investments through planning with strict criteria;
- Open and multi-vendor environment;
- Independence in the access form of the client;
- Operational efficiency;
- Availability and security.

The evolutionary direction of the network infrastructure aims at the convergent model of services and applications, complying with the concept of a single and flexible network, able to provide different services, to any customer, at any place or time.

Throughout the year, the company created several different initiatives in line with the convergent network concept, among which are:

- Duplication of the IP core, with the implementation of QoS (Quality of Service) and security mechanisms;
- Implementation of MPLS (Multi Protocol Label Switch) functions, which enabled the introduction of services based on VPNs IP/MPLS (Virtual Private Networks based on IP);
- Introduction of Media Gateway and Softswitch equipment, which enabled the offer of new services that use VoIP (Voice over IP), marking the introduction of Brasil Telecom in the offer of services based on New Generation Network (NGN);
- Introduction of service gateways in the layer of aggregated broadband, which will enable the offer of a new set of services to the broadband user;
- Capillarity of the broadband accesses, which use technology based on DSLAM, Mini DSLAM and HPNA; and
- Implementation of Hot Spots for Wi-Fi access.

Certification Process for Universalization Targets

Brasil Telecom concluded the process for anticipation of the 2003 Universalization Targets in February, when it serviced 599 locations with an individual STFC, 2,140 with a group STFC, as well as all the locations with more than 600 inhabitants.

Throughout 2003, Anatel inspected a total of 964 sites and evaluated 24,000 items at call centers and public terminals in all of Region II.

Thus, at a meeting held on January 14 and 15 of 2004, the Board of Directors of Anatel approved the achievement of the universalization targets of Brasil Telecom S.A. At the same event, the Company received authorization to:

- Offer the fixed telephony service, in the Local and National Long Distance (LDN) modes, in Regions I and III of the General Grant Plan (PGO), as well as in sectors 20, 22 and 25 of Region II, corresponding to Londrina, and parts of the States of São Paulo, Minas Gerais, Goiás and Mato Grosso do Sul;
- Provide the fixed telephony service, in the International Long Distance (LDI) mode, in Regions I, II and III of the PGO;
- Originate calls in the LDN mode, through the execution of the concession agreement amendment, aimed at any point in the country.

In relation to SMP, Anatel authorized Brasil Telecom to use radiofrequency for mobile operation.

Evolution of the Quality and Universalization Targets

The following chart shows the results obtained in the indicators of the General Plan - PGMU.

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Universalization Targets

Indicators	Target	Unit	Term	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Amount of installed fixed accesses	7,889 (thousand)	Access	By 12/31/01	10,561	10,597	10,608	10,615	10,632	10,656	10,666	10,671	10,678	10,681	10,684	10,686
Amount of locations with more than 600 inhabitants, not covered by the STFC with individual accesses	>600	Inhabitants	By 12/31/03	0	0	0	0	0	0	0	0	0	0	0	0
Amount of requests for installation of individual accesses performed in over two weeks	2	week	From 12/31/03	0	0	0	0	0	0	0	0	0	0	0	0
Amount of requests for installation of individual accesses made by Educational Establishments and Health Institutions, performed in over one week	1	week	From 12/31/99	0	0	0	0	0	0	0	0	0	0	0	0
Amount of requests for installation of individual accesses made by hearing and speech impaired users performed in over one week	1	week	From 12/31/03	0	0	0	0	0	0	0	0	0	0	0	0
Amount of in-service public payphones (TUP)	216 (mil)	TUP	By 12/31/01	294	296	296	297	297	297	297	297	297	297	297	296
Amount of locations covered by the STFC with individual accesses, that did not meet the distribution of TUPs per group of one thousand inhabitants, distributed territorially in a uniform manner	3	TUP / 1,000 inhab.	From 12/31/99	0	0	0	0	0	0	0	0	0	0	0	0
Amount of locations covered by the STFC with individual accesses, with TUP access availability, above the target	<300	meters	From 12/31/03	0	0	0	0	0	0	0	0	0	0	0	0
Amount of locations that do not meet the % of TUPs available 24 hours for long distance calls with ability to originate and receive local and national long distance calls, installed at locations which are accessible 24 hours a day	50%	TUP	From 12/31/99	0	0	0	0	0	0	0	0	0	0	0	0
Amount of locations that do not meet the % of TUPs available	25%	TUP	from 12/31/99	0	0	0	0	0	0	0	0	0	0	0	0

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24 hours for additional international long distance calls															
Amount of requests for TUPs at Educational Establishments and Health Institutions performed in over one week	1	week	from 12/31/03	0	0	0	0	0	0	0	0	0	0	0	0
Amount of requests for TUPs made by hearing and speech impaired users and those who depend on wheelchairs, performed in over one week	1	week	from 12/31/03	0	0	0	0	0	0	0	0	0	0	0	0
Locations with more than 300 inhabitants, without the STFC, without at least one TUP	>300	inhabitants	by 12/31/03	0	0	0	0	0	0	0	0	0	0	0	0
Density of TUPs per 1,000 inhabitants	7,5	TUP / 1,000 inhab.	from 12/31/03	8.27	8.30	8.30	8.31	8.31	8.31	8.32	8.32	8.32	8.32	8.31	8.33
Amount of TUPs per 100 installed fixed accesses	2,5	TUP / 100 installed accesses	from 12/31/03	2.73	2.74	2.74	2.74	2.74	2.73	2.73	2.73	2.73	2.73	2.72	2.72
Amount of locations with STFC, that do not meet the percentage of 2% of TUPs adapted for hearing and speech impaired users and those who depend on wheelchairs				0	0	0	0	0	0	0	0	0	0	0	0
Amount of locations covered only by group accesses, without at least one 24-hour access TUP, with the ability to originate and receive local, LDN and LDI calls				0	0	0	0	0	0	0	0	0	0	0	0

Brasil Telecom accomplished or exceeded the target set with 419 of the 420 quality indicator measures established by Anatel in the General Plan for Quality Targets - PGMQ, as shown in the following chart:

Quality Targets

SERVICE QUALITY TARGETS							
Indicators	JAN	FEB	MAR	APR	MAY	JUN	JUL