

BRASIL TELECOM SA
Form 6-K
February 21, 2003

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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 FEBRUARY 20, 2003

(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

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

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BTM: US\$8.65/ADR
BRTO3: R\$9.75/1,000 shares
BRTO4: R\$10.34/1,000 shares
Market Capitalization: R\$5,431 million
ClosingPrice: February 18, 2003

Brasil Telecom S.A.

Consolidated Earnings Release

Fourth Quarter of 2002 Non-audited

Brasília, February 19, 2003.

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Brasil Telecom S.A.

Brasil Telecom S.A. Brasilia, February 19, 2003 - **Brasil Telecom S.A. (NYSE: BTM; BOVESPA: BRTO3/BRTO4)** announces its consolidated results for the fourth quarter (4Q02) and for the year of 2002 (12M02). **The consolidation** was elaborated in accordance with CVM Instruction 247/96 and **includes the performance of BrT Serviços de Internet S.A. (BrTSI)** - wholly owned subsidiary of Brasil Telecom S.A.

HIGHLIGHTS OF THE RESULTS

At the end of 4Q02, Brasil Telecom's **installed plant** reached 10,548 thousand lines, stable in relation to the presented at the end of 3Q02. **Lines in service (LIS)** achieved 9,465 thousand lines in 4Q02, 2.6% and 9.6% above the plant registered in 3Q02 and 4Q01, respectively. This growth contributed for the increase of the **utilization rate** in the quarter, which reached 89.7% at the end of December, 2.2 p.p. and 3.5 p.p. above of the registered in 3Q02 and in 4Q01.

At the end of 4Q02, Brasil Telecom reached 168,4 thousand **ADSL accesses sold**, representing an increase of 42.4% and 314.4% in relation to 3Q02 and 4Q01, respectively. Considering the **ADSL accesses in service**, the Company reached 140.7 thousand, representing a growth of 29.8% and 309.2% in relation to 3Q02 and 4Q01, respectively.

Net revenue in 4Q02 grew 2.9% in relation to 3Q02, reaching R\$1,874.0 million. In relation to the net revenue of the 4Q01, the increase was 14.7%. In the year, net revenue reached R\$7,071.8 million, a growth of 14.8% in relation to 2001. **Net revenue/Average LIS/month** in 4Q02 reached R\$66.8, stable in relation to the previous quarter.

Data communication revenue in 4Q02 reached R\$142.1 million, stable in relation to 3Q02 and 75.2% higher in relation to 4Q01, representing 5.4% of the total gross revenue. In 2002, data communication revenue grew 55.5%, reaching R\$505.0 million.

Total operating costs and expenses remained stable in 4Q02 in relation to the previous quarter, while **cash cost** presented a drop of 1.0% in the same period. In the accumulated of 2002, total costs grew 6.9% and cash cost grew 6.7%, reflecting the result of the cost reduction policy and the operational efficiency of Brasil Telecom.

Losses with accounts receivable dropped to 2.4% of gross revenue, reaching R\$63.7 million. In relation to 3Q02, there was a drop of 7.4% due to the actions implemented by Brasil Telecom in order to recover the losses, as the "Christmas Campaign", and to reduce bad debt, as the commercialization of the pre-paid phone.

In 4Q02, **EBITDA** was R\$925.7 million, 7.3% above the R\$863.0 million observed in 3Q02. In the year, EBITDA totaled R\$3,353.2 million, a growth of 25.4% in relation to 2001, reflecting the growth of 14.8% in the net revenue, combined with the growth of 6.7% in the cash cost. **The EBITDA margin** reached 49.4% in 4Q02 and 47.4% in 2002. **EBITDA/Average LIS/month** grew 4.3% in 4Q02 to R\$33.0.

The consolidated net debt (excluding inter-company loan and debentures with the parent company) dropped 4.8% in relation to September, reaching R\$3,658.9 million at the end of December. **Net debt/shareholders' equity** ratio of the Company was 30.6% at the end of December. **Dollar denominated debt** represented 6.8% of the total debt, totaling R\$343.8 million at the end of 4Q02. Brasil Telecom had **hedge** for 34.7% of that indebtedness, being all debt maturing until December 2004 hedged against exchange variations. At the end of December, the **debt average cost** was 19.5% p.a., or 78.3% of the CDI.

Brasil Telecom's **free cash flow** (operating activities - investment activities) reached R\$1.0 billion in 2002.

Productivity of 1,701 LIS/employee at the end of 4Q02, against 1,599 (+6.4%) in 3Q02. The higher productivity ratio was due to the increase of 2.6% in the plant in service in conjunction with the net reduction of 208 employees in the quarter.

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CONSOLIDATED INCOME STATEMENT

Table 1: Consolidated Income Statement

R\$ Million	4Q01	3Q02	4Q02	Change in Quarter	Change in 12 Months	12M01	12M02	Change in Year
GROSS REVENUES	2,241.5	2,540.9	2,619.4	3.1%	16.9%	8,458.4	9,839.7	16.3%
Local Service	981.4	1,064.7	1,108.4	4.1%	12.9%	3,725.1	4,121.1	10.6%
Public Telephony	77.5	86.6	87.1	0.6%	12.4%	274.2	341.8	24.6%
Long Distance Service	289.8	365.4	339.8	-7.0%	17.2%	1,085.1	1,363.7	25.7%
Fixed-Mobile Calls	487.2	563.0	580.4	3.1%	19.1%	1,805.3	2,176.8	20.6%
Interconnection	202.0	181.5	221.8	22.2%	9.8%	789.6	785.8	-0.5%
Lease of Means	53.6	51.4	54.8	6.6%	2.2%	204.8	235.5	15.0%
Data Communication	81.1	142.3	142.1	-0.2%	75.2%	324.7	505.0	55.5%
	64.2	73.7	78.3	6.2%	22.0%	216.5	278.8	28.8%

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Supplementary and Value Added Services Other	4.7	12.3	6.7	-45.6%	41.3%	33.2	31.2	-6.1%
Deductions	(607.2)	(720.0)	(745.4)	3.5%	22.8%	(2,300.1)	(2,768.3)	20.4%
NET REVENUES	1,634.3	1,820.9	1,874.0	2.9%	14.7%	6,158.4	7,071.4	14.8%
COSTS & OPERATING EXPENSES	(863.4)	(957.9)	(948.3)	-1.0%	9.8%	(3,484.5)	(3,718.2)	6.7%
Personnel	(107.6)	(95.7)	(85.7)	-10.4%	-20.3%	(469.1)	(396.0)	-15.6%
Materials	(23.6)	(19.3)	(20.6)	6.6%	-12.6%	(103.6)	(85.3)	-17.7%
Subcontracted Services	(220.1)	(285.6)	(300.7)	5.3%	36.6%	(880.0)	(1,122.7)	27.6%
Interconnection	(342.4)	(382.7)	(406.4)	6.2%	18.7%	(1,260.0)	(1,526.5)	21.1%
Advertising and Marketing	(38.5)	(36.5)	(26.0)	-28.9%	-32.5%	(126.7)	(117.6)	-7.2%
Provisions and Losses	(76.9)	(78.4)	(56.2)	-28.4%	-27.0%	(331.7)	(292.7)	-11.8%
Lay-offs	(42.2)	(0.2)	-	N.A.	N.A.	(98.2)	(3.3)	-96.6%
Other	(12.1)	(59.4)	(52.7)	-11.3%	337.2%	(215.2)	(174.3)	-19.0%
EBITDA	770.9	863.0	925.7	7.3%	20.1%	2,673.9	3,353.2	25.4%
Depreciation and Amortization	(475.9)	(509.1)	(520.6)	2.2%	9.4%	(1,869.3)	(2,002.7)	7.1%
OPERATING PROFIT BEFORE FINANCIAL RESULT	295.0	353.9	405.1	14.5%	37.3%	804.6	1,350.5	67.9%
Financial Result	(283.7)	(312.7)	(226.5)	-27.6%	-20.1%	(468.1)	(943.5)	101.6%
Financial Revenues	5.2	64.9	50.9	-21.5%	N.A.	178.1	201.6	13.2%
Financial Expenses	(57.1)	(263.0)	(187.4)	-28.7%	228.1%	(414.5)	(820.5)	98.0%
Interest on Shareholders' Equity	(231.7)	(114.6)	(90.0)	-21.5%	-61.2%	(231.7)	(324.7)	40.1%
OPERATING PROFIT AFTER FINANCIAL RESULT	11.3	41.2	178.6	333.6%	N.A.	336.5	407.0	20.9%
Non-Operating Revenues (Expenses)	(37.8)	(31.2)	(33.0)	5.7%	-12.7%	(141.7)	(138.7)	-2.1%
Goodwill Amortization - CRT Acquisition	(31.0)	(31.0)	(31.0)	0.0%	0.0%	(124.0)	(124.0)	0.0%
Other	(6.8)	(0.2)	(2.0)	N.A.	-70.7%	(17.7)	(14.7)	-17.1%
EARNINGS BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES	(26.5)	10.0	145.6	N.A.	N.A.	194.8	268.3	37.7%
Income and Social Contribution Taxes	(9.4)	(11.7)	(41.6)	256.8%	342.0%	(94.4)	(111.4)	18.0%
EARNINGS BEFORE PROFIT SHARING	(35.9)	(1.7)	104.0	N.A.	N.A.	100.4	156.9	56.3%
Profit Sharing	(2.7)	(8.7)	(12.7)	45.8%	369.7%	(50.8)	(41.4)	-18.6%
EARNINGS BEFORE REVERSION OF INTEREST ON SHAREHOLDERS' EQUITY	(38.6)	(10.4)	91.3	N.A.	N.A.	49.5	115.5	133.1%
Reversion of Interest on Shareholders' Equity	231.7	114.6	90.0	-21.5%	-61.2%	231.7	324.7	40.1%

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NET EARNINGS	193.1	104.2	181.3	74.0%	-6.1%	281.2	440.1	56.5%
Goodwill Amortization - CRT Acquisition	31.0	31.0	31.0	0.0%	0.0%	124.0	124.0	0.0%
NET EARNINGS ADJUSTED BY GOODWILL AMORTIZATION	224.1	135.2	212.3	57.0%	-5.3%	405.3	564.1	39.2%
Net Earnings (Losses)/1,000 shares - R\$	0.3624	0.1932	0.3362	74.0%	-7.2%	0.5279	0.8163	54.6%
Net Earnings (Losses)/ADR - US\$	0.4706	0.1550	0.2849	83.8%	-39.5%	0.6855	0.6918	0.9%

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OPERATING PERFORMANCE

PLANT

Table 2: Plant

	4Q01	3Q02	4Q02	Change in Quarter	Change in 12 Months
Lines Installed (Thousand)	10,015	10,544	10,548	0.0%	5.3%
Additional Lines Installed (Thousand)	151	40	4	-90.6%	-97.5%
Lines in Service - LIS (Thousand)	8,638	9,228	9,465	2.6%	9.6%
Residential	6,281	6,695	6,862	2.5%	9.3%
Non-Residential	1,540	1,556	1,540	-1.0%	0.0%
Public Telephones	286	290	293	1.0%	2.6%
Pre-paid	-	154	206	34.0%	N.A.
Other (including PBX)	531	533	564	5.8%	6.2%
Additional LIS (Thousand)	270	288	237	-17.8%	-12.2%
Average LIS (Thousand)	8,503	9,084	9,347	2.9%	9.9%
LIS/100 Inhabitants	21.5	22.6	23.1	2.0%	7.5%
Public Telephones/1,000 Inhabitants	7.1	7.1	7.2	0.5%	0.7%
Public Telephones/100 Lines Installed	2.85	2.75	2.78	0.9%	-2.5%
Utilization Rate	86.3%	87.5%	89.7%	2.2 p.p.	3.5 p.p.
Digitization Rate	97.3%	98.8%	99.0%	0.1 p.p.	1.7 p.p.
ADSL Lines Sold (Thousand)	40.6	118.3	168.4	42.4%	314.4%
ADSL Lines in Service (Thousand)	34.4	108.4	140.7	29.8%	309.2%

Lines Installed

The installation of four thousand lines, against 40 thousand in the previous quarter, represents that the Brasil T