

CULTURAL PROJECTS

Brasil Telecom sponsored several cultural projects during 2002, resulting in investments of R\$22 million. The projects are described as follows.

CULTURAL PROJECTS

Dance	
Circuito Brasil Telecom de Dança (Dance circuit) Clip-se	Lia Rodrigues Companhia de Dança (Dance company) Passa Tempo (Pastime)
Humanities	
Grupo Folclórico Bumba Meu Boi da Ilha Grande (Folklore group) Hekel Tavares	Oficinas de Leitura Dramática com Fernanda (Dramatic reading workshops with Fernanda) Flap!
Audiovisual	
Abril Despedaçado (April shattered) As Três Marias (The three Marias) Brasil Documenta (Brazil documents) Cinema em Movimento (Cinema in movement) Durante o Processo (During the process) Furos no Sofá (Holes in the sofa) Glauber o Filme, Labirinto do Brasil (Movie, labyrinth of Brazil) Janela da Alma (Window of the soul) Limite (Limit)	Madame Satã (Madame Satan) Madeireiras (Lumber companies) Mistério de Irma Vap (The mystery of Irma Vap) Nina Noites de Temporal (Stormy nights) O Cinema, a Aspirina e os Urubus (The cinema, the aspirin and the vultures) O Poeta da Vila (The poet of the village) O Tempo Imenso (Immense time) Série Travessias (Crossings series)
Literature	
Bastidores (Behind the scenes) Camisa 13 (Shirt number 13) Dicionário Cravo Albin da Música Popular Brasileira (Dictionary of popular Brazilian music)	História da História em Quadrinhos (The story of history in comics) O Mundo do Surdo Brasileiro em Libras (The world of the Brazilian deaf-mute in Pounds) Teatros - Uma Memória do Espaço Cênico no Brasil (Theaters - A recollection of scene space in Brazil)
Theater	
10 Anos de Sutil Companhia de Teatro (10 years of subtle theater company) 15 Anos do Teatro de Anônimo (10 years of anonymous theater) 170 Milhões em Ação (170 million in action) Bibi Ferreira Vive Amália Rodrigues (Bibi Ferreira lives Amália Rodrigues) Blue Room Candaces - A Reconstrução do Fogo (A reconstruction of the fire) Capitanias Hereditárias (Hereditary fiefdoms) Cia dos Atores "Meu Destino É Pecar" (my destiny is sin) Closet Show Conduzindo Miss Daisy (Driving Miss Daisy) Dez Anos de Vertigem - Teatro da Vertigem (Ten years of vertigo) Francisco de Assis Homem Objeto (Man as an object) Jeffrey - De Caso com a Vida (An affair with life)	Memorial do Convento (Diary of the convent) Missa dos Quilombos (Mass at the slaves' sanctuary) Noises Off Norma O que diz Molero (What Molero says) O Senhor das Flores (Master of the flowers) Os Meus Balões (My balloons) Repetition Reveillon Sardanapalo - Parlapatões Stella do Patrocínio Woyzeck Zastrozzi
Recovery of Heritage	
Jardim Botânico (Botanical gardens)	

As notas explicativas são parte integrante destas demonstrações contábeis

SOCIAL AND COMMUNITY PROJECTS

Brasil Telecom invested, in 2002, a total of R\$2.2 million in 42 social projects. The projects are listed as follows:

SOCIAL AND COMMUNITY PROJECTS	
Casa de Apoio à Criança com Câncer - Santa Teresa Rio Voluntário Rede Jovem e Rede Sol II Campeonato Brasileiro Especial de Futebol para Deficientes Instituto de Reciclagem do Adolescente - REICLAR Projeto Educar Bolsa-Escola Cidadã Implantação de Escolas de Informática e Cidadania IV Jornada de Adoção ALLADIN Alfabetização Solidária Cartilha "O Brasileirinho" Picasso Não Pichava - arte para jovens Goiás Faz Arte Revitalização do Centro Cultural Gustav Ritter Na Rua: As Crianças e as Artes Cênicas Centro do Menor Se Essa Escola Fosse Minha Agente Jovem do Desenvolvimento Social	Siminina Balé Bolshoi - Bolsa-auxílio A Terapia da Dança Crescendo com Pontal Fundação Pró - Renal XV Feira da Esperança Campanha Desarma Tubarão Campanha do Agasalho 2002 Esperança Guri Crianças em Risco Informática para a Cidadania Programa salão de beleza para meninas carentes Lugar de criança é na escola Programa de Atendimento Integral ao Adolescente Projeto Carinho Asilo Padre Cacique Hospital da Criança Santo Antônio Esporte Clube Cidadão

SPORTS PROJECTS

Through sponsoring sport, the Company intends to bring new concepts to its staff, of which the following can be highlighted: "Surpassing limits, discipline, establishing objectives, persistence, daring, dynamism and versatility".

The principal focus of Brasil Telecom on sports sponsorship is the triathlon, athletics and Olympic gymnastics, in addition to radical sports such as ultra-marathons and adventure races, basically since they are events that require the limits of the human body to be greatly exceeded, in addition to lacking sponsorship in Brazil. Through sponsorship, Brasil Telecom also seeks to improve sport in the country.

In total, 24 athletes were sponsored in 2002. The most significant results are summarized below:

- The Brasil Telecom OSKALUNGA adventure racing team, formed by the athletes Monclair Cammarota, Bárbara Bomfim, Guilherme Pahl and Frederico Gall, took 2nd place in the national ranking.
- The handicapped athlete Rivaldo Martins won the triathlon world championship for the fourth time, in addition to taking 1st place in the Pan-American Triathlon Championship - 2002, both in the category: lower member handicap.
- The ultra-marathons runners Sérgio Cordeiro and Manoel de Jesus Mendes took 4th and 7th places respectively in the World Ultraman Championship - 2002.
- The triathletes Virgilio de Castilho, Luiz Fernando Catta Preta and Leonardo Casadio are members of the Permanent Brazilian Olympic Team.

Brasil Telecom is the official sponsor of the triathlon event in Brazil, and the only private company to sponsor the Brazilian Triathlon Federation, and the Permanent Brazilian Olympic Team. Together Brasil Telecom and the Triathlon Federation created the Brasil Telecom Triathlon Training Camp Project in Florianópolis, to offer adequate preparation to athletes aiming to take part in the 2004 Olympics. During a period of four months the athletes will be receiving professional guidance on training and nutrition routines.

The principal sporting event sponsored by Brasil Telecom is the Brazil Ironman event, the most important triathlon competition in Latin America, held at Florianópolis. In 2002 Brasil Telecom was one of the master sponsors of the event, but in 2003 and 2004 the Company has become the title sponsor, so that the event is now called Ironman Brasil Telecom.

Quality of Life Program - VIVA MAIS

The purpose of the Viva Mais program is to experience situations that act as personal motivation agents for work and free time. For this purpose it develops initiatives to improve the quality of life of staff and their families. In general Brasil Telecom employees have a positive perception of the program:

- 91% believe that Viva Mais created a positive differential.
- 64% believe that Viva Mais provided greater integration.
- 56% introduced new habits into their daily lives after Viva Mais, principally those related with health/sport, such as stretch exercises, gymnastic exercises, walking and a concern with their health and posture.

The pillars of the program are: Health, Sport and Leisure. With respect to the Health pillar, Brasil Telecom drew up a target of preserving both physical, mental and social integrity, seeking well-being and not only prevention of sicknesses, in addition to stimulating and developing the self-knowledge and awareness of people, encouraging them to lead a healthy lifestyle. The principal initiatives in 2002 were:

- Viver Plus: agreement with an alternative healthcare and preventive plan (psychology, Oriental massages, orthomolecular medicine, nutritional guidance, physiotherapy and others).
- Stretch exercises and massages at the workplace.
- Evaluation of the quality of life of each employee by means of an online questionnaire on the intranet, in which 1,071 employees collaborated.
- Flu vaccine.
- Viver Odonto: complete preventive dental treatment plan (dental treatment, dental surgeons, aesthetics, periodontics).

In relation to sport, Brasil Telecom stimulated the practice of sports by its staff, encouraging a proactive, dynamic and versatile attitude to work, and stimulating creativity and responsibility for the work done, focused on results and overcoming challenges.



In this way, the Company staged an event during the year with two meetings, called the *Breakfast Run*, encouraging a walk or run by its staff and their families followed by breakfast. The *II Breakfast Run* had 3000 participants, 500 more than the first meeting.

Also in 2001, Brasil Telecom set up a group of marathon runners called *Maratonistas Daqui*, formed of 24 employees, who received professional guidance on their training routines. Out of this group, four athletes were selected to compete in the New York Marathon, held in November 2002, with the trip completely paid by Brasil Telecom.

In November, the Company mobilized employees of the headquarters and Brasília branch with the *Brasil Telecom 2002 Company Games*, which involved competitions between eight teams in men's and women's soccer, tennis, table tennis, swimming relay, volleyball, basketball and athletics relay. Points were given not only for the matches played, but also for the organized groups of fans, also employees. Also in this competition, the team that collected the largest quantity of food for the *Natal Sem Fome* campaign was also awarded additional points. In total, considering all the branches of the Company, 14,560 tons of foodstuffs were collected. The three teams scoring the highest points received trophies at a subsequent get-together.

In the leisure category Brasil Telecom also sought to promote a good-humored and relaxed working environment focused on team spirit, developing events that enabled the integration of employees.

An example of this was the Brasil Telecom Choir, in which 210 people took part at seven branches and the headquarters. At the end of year party the Company organized the First Choir Festival, with a jury constituted of celebrities such as Bibi Ferreira, in addition to the Company Board. The three best groups were awarded trophies.

Also in 2002, tickets to plays, movies and dance shows related with the cultural projects sponsored by the Company were raffled amongst the staff.

QUALITY MANAGEMENT

Aware that it is people who are responsible for success and overcoming challenges, principally in a sector of constant changes and a market where service quality is primordial, Brasil Telecom has developed programs focused on the recognition of success and support in achieving results.

Gente em Destaque

The object of the *Gente em Destaque* program is to recognize employees that, individually or as part of a team, implemented outstanding projects during the year, either as a result of innovation or creativity or the results achieved.

Each year the categories and prizes are reviewed to bring them into line with Company strategies. In 2003, when projects that were outstanding in 2002 will be recognized, the fourth *Gente em Destaque* event will be held: with nine categories and 31 prizes.

POT – Process Optimization Teams

The POT Program – Process Optimization Teams, provides conditions for the development and full utilization of the workforce potential as a means of achieving targets and overcoming challenges through teamwork.

POT was created in 2000 and consists of the formation of multifunctional teams to work on a challenge associated with the Brasil Telecom strategies, enabling experiences to be exchanged and promoting the integration of people at all levels of the organization.

In 2002, 71 POTs were formed in the entire company, involving more than 850 people in projects focused on increasing revenue, reducing expenses, compliance with the Anatel quality targets, the data communication market, occupational safety and others. Using this model Brasil Telecom has been able to solve problems or deficiencies quickly.

Complementary Pensions

The Company began a reorganization of its Complementary Pension Plan in March of 2000, with a migration from the Stipulated Benefit Plan to the Stipulated Contribution Plan TCSPREV, with Fundação SISTEL de Seguridade Social. In December 2001, all the pension plans managed by SISTEL were unified. Simultaneously, the Company began restructuring the CRT Foundation, approving the new bylaws of the foundation, finalizing the agreement with the organizations representing the members and retirees and introducing a new stipulated contribution plan, BrTPREV, the theme of which is "your life evolving with us".

The objective of the reorganization is to rationalize and optimize operating, administrative and management planning processes, and also adjust them to the new Private Pension Plan Laws, especially Resolution 2.829 of the Central Bank and Complementary Law 109/01.

At the end of 2002, the assets of Brasil Telecom private pension plans totaled approximately R\$973 million involving 5,910 active participants and 4,886 retirees and pensioners. The Company's contributions reached R\$2.7 million/month and payments of benefits to retirees and pensioners reached approximately R\$6.8 million per month.

Profit-sharing Program

In March of 2002, Brasil Telecom paid around R\$29.6 million to employees in profit sharing for the 2001 financial year, when approximately 70% of the targets established were achieved.

In 2002 Brasil Telecom introduced a new system of quarterly follow-up of targets to facilitate monitoring of employees and organize efforts. The Profit-sharing Program for 2002 involved 4,500 employees and financial and qualitative targets. Possible gains increased from 120% to 130% of monthly salaries.

Positive Restructuring Program

Prepared together with partner companies and an external consultant, the Positive Restructuring Program was created to minimize the impact of outsourcing, involving all staff that left the Company between May and December of 2002.

The program consists of relocating former employees of Brasil Telecom, either by means of the service provider companies or by means of job cells. During the relocation period, Brasil Telecom guaranteed medical and food assistance to the former employees.

The program assisted more than 1,100 people, of which 90% were reemployed.

"Arrancada de Vendas – Ultrapasse seus Limites" Program

Brasil Telecom's philosophy considers that not only fair compensation is required to maintain an employee motivated, but also recognition of his or her work and professional development.

Therefore, in August of 2002, Brasil Telecom introduced an incentive program for the sales force called *Arrancada de Vendas – Ultrapasse seus Limites*, with the objective of increasing the sales of products and services and also client fidelity.

The *Arrancada de Vendas* program operated from August to December 2002. Every month the best salespeople from each segment were awarded prizes. However, after consolidating the results obtained during the entire program, the best salesperson in each segment won a Ford Ranger pickup, to be delivered in March 2003.

"Jovem Vendedor" Program

Brasil Telecom anticipated the scenario of fierce competition and in November launched the *Jovem Vendedor* Program, with the objective of creating a technical reserve of sales staff at the Company.

Since then, Brasil Telecom has been seeking young and recently graduated people with the potential to work in the sales area, who will receive training to fill vacancies in the marketing department of Brasil Telecom. This initiative will rejuvenate the staff, maintaining the level of customer service.

SELECTION STRATEGY

Selection and Recruitment

Brasil Telecom is constantly renewing its staff in order to make the Company more dynamic, hiring professionals with various organizational and social cultures. The selection and recruitment processes are conducted in both the local and national markets, depending on the position.

Brasil Telecom seeks to manage the Company's intellectual capital by valuing in-house talents and promoting a career plan using professional growth within the Company environment as its basic core. In 2002, the Internal Opportunities Program provided professional valuation and development for employees.

Student Program

By means of the student program, Brasil Telecom selects young talents that, in contact with the Company's culture, can act as agents of renovation in the organization and become a source of new ideas. The program is a complement to the curriculum of these young people. At the end of 2002, 396 students were working at Brasil Telecom.

Trainee Program

With the Trainee Program, Brasil Telecom is developing potential employees for the organization to collaborate in the drive to achieve results. In 2002, 13,733 young people applied for the program, of which 33 were selected.

Summer Internship Program

The objective of the Summer Internship Program is to identify potential Brazilian executives taking MBA courses at the best U.S. and European universities, bringing together academic excellence and the Brasil Telecom culture, enabling an exchange of knowledge and current practices in the business field.

Compensation Policy

Brasil Telecom's compensation policy is based on the premise of a competitive company able to attract and retain qualified professionals capable of conducting and ensuring the success of the business.

In addition to salary, employees receive profit-sharing payments of up to 130% of monthly salary, associated with achieving established targets. From the management level upwards, staff receive bonuses of between 200% and 800% of monthly salary, also conditioned to performance appraisals and achieving previously established targets.

Union Agreement

At the end of 2002, Brasil Telecom extended the validity of the social clauses of the current Union Agreement – ACT for a further two years. With this initiative Brasil Telecom speeded up union negotiations and the 2002/2003 Collective Bargaining Agreements were signed with the unions and federations within the base date.

The ACT 2002/2003 defined a salary increase as from February of 2003 with readjustments of between 6.5% and 8.5% according to the salary range. In addition to the increase, the ACT also defined the payment of cash bonuses varying from 21.06% to 27.54% of monthly salary and bonuses in meal vouchers.

BENEFITS

Health Care

The certainty that when he or she needs treatment, the Brasil Telecom employee can rely on a qualified professional and reputable institution to treat health problems of staff and dependents ensures the peace of mind necessary to face challenges inside and outside the Company with enthusiasm and tenacity.

Brasil Telecom contracted Bradesco Saúde to manage the health plan, since it has a wide range of professionals, clinics and hospitals over the entire country, which ensures employees and their dependents a reliable and efficient service, in addition to providing executives with assistance abroad.

Access to the plan is by means of a magnetic card or the SABS - Bradesco Saúde Service System, which operates through the telephone 0800 701-2700.

The employee's share is 20% of the costs of the services used, limited to 5% of salary if he/she opts for a semi-private room or 20% of salary for hospitalization in a private room.

Meals

The Brasil Telecom employees receive food assistance monthly according to the following options:

- Electronic food card, which enables foodstuffs to be purchased at accredited supermarkets; and/or
- Book of meal vouchers according to the Worker Food Program - PAT.

Employees who work five days per week receive 22 vouchers per month and those who work six days per week receive 26 vouchers per month in the amount of R\$10.50 each. The total amount can be requested in the form of a credit on the food card.

Employees participate with 5% up to a salary level of R\$1,000.00, 10% between R\$1,000.01 and R\$1,999.99 and 15% for salaries above R\$2,000.00.



GROUP LIFE INSURANCE

The Company offers its employees a group life insurance scheme that pays beneficiaries an indemnity equal to 30 times monthly salary, limited to R\$240 thousand. In the case of death of the spouse, indemnity is 15 times the monthly salary of the insured person, limited to R\$120 thousand. In the case of accidental death, the indemnity is paid in double, observing the limits established.

In case of an accident resulting in the insured's permanent disability, the insurance company pays an indemnity that varies according to the disability level. If disability results from a disease, the insurance company pays 100% of the indemnity for natural death on the retirement date, limited to R\$240 thousand.

TRAINING

During 2002, Brasil Telecom sought to develop and improve the capabilities of its employees, holding training courses in the technology, leadership, finance, marketing and sales areas. The Company achieved a daily average of 136 students taking courses, resulting in an annual training average of 31.95 hours per employee. Of the total training hours, 16% were given on-line.

In 2002, 40 employees graduated from The George Washington University, receiving an MA (Masters) in Project Management, reaching a total of 103 master's graduates. In 2003 Brasil Telecom is planning to graduate another 38 masters, which will total 141 staff graduated since the program was implemented.

Together with the implementation of the EVA (Economic Value Added) project, Brasil Telecom developed an innovative learning map methodology in the educational area - explaining and detailing the importance of the commitment by each employee to Company results. Then, 4,433 employees took part in the learning map experience.

Through the Distance Learning Portal Brasil Telecom provided a total of 24,628 hours of training, including courses in the PeopleSoft system, CRN, English and computing, in addition to courses via the intranet using the video streaming technology (BrTV).

For 2003, Brasil Telecom is planning to offer courses focused on leaders, addressing teamwork, coaching, leadership, finance and others, since the Company believes that it is Brasil Telecom's intellectual capital that enables it to overcome challenges.

EMPLOYEES

In 2002 Brasil Telecom continued the outsourcing process of operating activities, optimizing processes and the corporate restructuring, which resulted in 3,006 employees leaving during the year. With the admission of 694 new employees, the Brasil Telecom headcount was 5,565 in December of 2002, representing a reduction of 29.4% compared to 2001.

12 • NUMBER OF EMPLOYEES BY COMPANY

Company	2002	2001	Variation
Brasil Telecom S.A. (BT)	5,549	7,877	-29.6%
BrT Serviços de Internet S.A. (BrTI)	16	0	-
Total	5,565	7,877	-29.4%

With the exception of the Mato Grosso branch, all the Brasil Telecom branches reduced staff in 2002. Approximately 440 employees were absorbed by head office with the centralization of certain activities and strengthening of the organization structure.

13 • HEADCOUNT PER BRANCH

Branch	2002	%	2001	%	Relative variation
BTP, Head Office and BrTI	1,363	24.5%	923	11.7%	12.8 p.p.
Branch AC	29	0.5%	43	0.5%	0 p.p.
Branch RO	117	2.1%	118	1.5%	0.6 p.p.
Branch MT	219	3.9%	196	2.5%	1.4 p.p.
Branch MS	240	4.3%	366	4.6%	- 0.3 p.p.
Branch TO	39	0.7%	54	0.7%	0 p.p.
Branch GO	398	7.2%	810	10.3%	-3.1 p.p.
Branch DF	467	8.4%	669	8.5%	- 0.1 p.p.
Branch PR	1,120	20.1%	1,691	21.5%	- 1.4 p.p.
Branch SC	577	10.4%	883	11.2%	- 0.8 p.p.
Branch RS	996	17.9%	2,124	27.0%	- 9.1 p.p.
Total	5,565	100%	7,877	100%	-

With respect to the distribution by function, the principal changes in relation to 2001 were related with the call centers and networks as result of outsourcing. In human resources the reduction was also accentuated as result of centralizing activities at headquarter, with a consequent reduction in staff at the branches. Brasil Telecom's client focus can also be confirmed by the increase in the share of marketing and sales staff in the total of Brasil Telecom: whilst in 2001 this share was 10.5%, in 2002 it increased to 20.7%.

It is important to stress that of the 5,565 employees, 240 were on leave or transferred at the end of 2002 and did not form part of the Company workforce. This concept was adopted in June, when 433 employees on leave for more than 90 days or assigned to the unions were transferred to this category. Since then, 193 employees were dismissed, signifying a 44.6% reduction.

14 . NUMBER OF EMPLOYEES BY FUNCTION

Function	2002	2001	Varição
Marketing and Sales	1,151	827	39.2%
Call Centers	364	1,242	-70.7%
Network	2,171	3,840	-43.5%
Expansion	622	861	-27.8%
Operation	1,549	2,979	-48.0%
Information Technology	456	505	-9.7%
General and Administrative	1,183	1,463	-19.1%
Presidency and Divisions	339	289	17.3%
Materials and Services	263	368	-28.5%
Human Resources	112	231	-51.5%
Financial	469	575	-18.4%
Leave and on Assignment	240	0	-
Total	5,565	7,877	-29.4%

PROFILE OF EMPLOYEES

Distribution by Age Range

The profile by age range indicates that the share of employees with between 23 and 37 years of age increased by 3.7 p.p. compared to the prior year. On the other hand a reduction of 2.3 p.p. can be observed in employees with more than 38 years of age. As result we can be observe a slight rejuvenation of the workforce.

15 . DISTRIBUTION BY AGE RANGE

Age Range	2002	%	2001	%	Relative variation
Up to 22	184	3.3%	386	4.9%	- 1.6 p.p.
From 23 to 27	787	14.1%	1,053	13.4%	0.7 p.p.
From 28 to 32	947	17.0%	1,155	14.7%	2.3 p.p.
From 33 to 37	829	14.9%	1,117	14.2%	0.7 p.p.
From 38 to 42	947	17.0%	1,370	17.4%	- 0.4 p.p.
From 43 to 47	1,091	19.6%	1,716	21.8%	- 2.2 p.p.
From 48 to 52	638	11.5%	891	11.3%	0.2 p.p.
From 53 to 57	124	2.2%	158	2.0%	0.2 p.p.
Above 58	18	0.3%	31	0.4%	- 0.1 p.p.
Total	5.565	100%	7,877	100%	-
Average Age		37		37	

Distribution by Service Time

The reduction in headcount was concentrated on employees that have worked with Brasil Telecom for a longer period, resulting in a change in the profile by service time: increase of 6.2 p.p. in the proportion of employees with service times between 3 and 10 years and a reduction of 5.7 p.p. in the range between 21 and 25 years service.

16 . DISTRIBUTION BY SERVICE TIME

Service Time	2002	%	2001	%	Relative variation
Up to 2 years	1,679	30.2%	2,369	30.1%	0.1 p.p.
From 3 to 5 years	732	13.2%	881	11.2%	2.0 p.p.
From 6 to 10 years	817	14.7%	817	10.4%	4.3 p.p.
From 11 to 15 years	386	6.9%	716	9.1%	- 2.2 p.p.
From 16 to 20 years	543	9.8%	748	9.5%	0.3 p.p.
From 21 to 25 years	944	17.0%	1,784	22.6%	- 5.6 p.p.
From 26 to 30 years	426	7.7%	510	6.5%	1.2 p.p.
Above 31 years	38	0.7%	52	0.7%	0 p.p.
Total	5,565	100%	7,877	100%	-



Distribution by Gender

Brasil Telecom had 1,733 women working with the Company, representing 31.1% of the total workforce at the end of 2002. Of this total, 51 women held management posts, signifying 15.2% of the total number of leaders in the organization, against 12.7% in 2001 (42 women in management posts).

17 . DISTRIBUTION BY GENDER

Gender	2002	%	2001	%	Relative variation
Men	3,832	68.9%	5,343	67.7%	1.2 p.p.
Women	1,733	31.1%	2,544	32.3%	- 1.2 p.p.
Total	5,565	100%	7,877	100%	---

Distribution by Education Level

The following table demonstrates a significant improvement in the level education of the Brasil Telecom staff. The highlight was a fall of 57.8% in the number of employees that only have second grade education.

18 . DISTRIBUTION BY EDUCATION LEVEL

Education Level	2002	%	2001	%	Relative variation
1st Grade incomplete	58	1.0%	156	2.0%	- 1.0 p.p.
1st Grade complete	66	1.2%	580	7.4%	- 6.2 p.p.
2nd Grade incomplete	62	1.1%	825	10.5%	-9.4 p.p.
2nd Grade complete	1,615	29.0%	2,704	34.3%	- 5.3 p.p.
University incomplete	869	15.6%	655	8.3%	7.3 p.p.
University complete	2,299	41.3%	2,462	31.3%	10.0 p.p.
Specialization	532	9.6%	444	5.6%	4.0 p.p.
Masters/Doctorate/Post-Doctorate	64	1.2%	51	0.6%	0.6 p.p.
Total	5,565	100%	7,890	100%	---

Physically Handicapped and Rehabilitated Staff

Considering Company and outsourced employees, Brasil Telecom closed 2002 with 542 physically handicapped and rehabilitated employees. Of this total 132 are employees and 410 outsourced. The outsourced personnel work at the call centers and are hired by a partner company of Brasil Telecom.

Distribution by Ethnic Group

Currently the Company's databank does not have information on the number of employees by ethnic group, color or race.

Outsourced Labor

The services provided are related to call centers, external and internal plant operation and maintenance, cleaning, surveillance services, business security and systems maintenance. Brasil Telecom service providers at the end of 2002 employed 23,329 workers, against 29,450 in the prior year.

Added Value Statement

The added value to be distributed by Brasil Telecom in 2002 totaled R\$6,986 billion, exceeding the figure for the previous year by 18.7%. The principal changes in relation to the distribution of added value can be summarized as follows:

- Increase of 56.5% in the shareholders' portion;
- Increase of 73.9% in the portion related with rentiers, basically caused by high interest rates during the year;
- Increase of 21.1% in the government portion, which increased its share of the distribution from 38.9% to 42.0% in 2002, due to the introduction of the Fistel contribution; and
- An 18.2% reduction in the portion for salaries as a result of the reduction in headcount during the year.

19 . ADDED VALUE STATEMENT- DVA

R\$Million	2002		2001	
(+) Revenues	9,684.8	138.6%	8,213.0	139.6%
Revenues from Services	9,839.7	140.9%	8,458.5	143.8%
Other Revenues	206.1	3.0%	177.7	3.0%
Discounts, Provisions and losses on Accounts Receivable	(361.0)	-5.2%	(423.2)	-7.2%
(-) Inputs Purchased from Third Parties	(2,902.9)	-41.6%	(2,509.5)	-42.6%
Materials	(85.3)	-1.2%	(103.6)	-1.8%
Maintenance Services	(439.0)	-6.3%	(336.8)	-5.7%
Other Services	(2,327.7)	-33.3%	(1,930.0)	-32.8%
Other Third Party Expenses	(51.0)	-0.7%	(139.2)	-2.4%
(=) Added Value	6,781.9	97.1%	5,703.6	96.9%
Added Value from Third Parties (Financial Income, Equity Gain and Dividends Received)	203.8	2.9%	180.4	3.1%
(=) Added Value for Distribution	6,985.7	100.0%	5,883.9	100.0%
(=) Distribution of Added Value	(6,985.7)	-100.0%	(5,883.9)	-100.0%
(+) Remuneration for Work (Salaries, Allowances and Benefits)	(367.1)	-5.3%	(448.8)	-7.6%
(+) PDI - Redundancy Program	(5.0)	-0.1%	(98.2)	-1.7%
(+) Government (Taxes: Contributions: Duties and Surface Security)	(2,930.8)	-42.0%	(2,421.0)	-41.1%
(+) Rentiers (Interest, Rentals, Leasing)	(1,079.3)	-15.4%	(620.5)	-10.5%
(+) Shareholders (Dividends/Residual Income)	(440.1)	-6.3%	(281.2)	-4.8%
(+) Amount Retained (Depreciation, Amortization and Retained Earnings)	(2,163.4)	-31.0%	(2,014.2)	-34.2%

