

TELE CELULAR SUL PARTICIPACOES SA
Form 6-K
May 03, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of the
Securities Exchange Act of 1934

For the month of April, 2004

Commission File Number 001-14491

TELE CELULAR SUL PARTICIPAÇÕES S.A.

(Exact name of registrant as specified in its charter)

TELE CELLULAR SUL HOLDING COMPANY

(Translation of Registrant's name into English)

**Rua Comendador Araújo, 299 - 3º Andar
80420-000 Curitiba. PR, Brazil**

(Address of principal executive office)

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 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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Quarterly Financial Information

Tele Celular Sul Participações S.A.

Three-months period ended March 31, 2004
With Special Review Report of the Independent Auditors

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A free translation from Portuguese into English of Quarterly Financial Information prepared in Brazilian currency and in accordance with the accounting practices adopted in Brazil.

Corporate Legislation
March 31, 2004

FEDERAL GOVERNMENT SERVICE
BRAZILIAN SECURITIES COMMISSION (CVM)
QUARTERLY INFORMATION - ITR
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES

Registration with the CVM does not imply any analysis of the company. company management is responsible for the accuracy of the information provided.

01.01 - IDENTIFICATION

| | | |
|--|---|--|
| 1 - CVM CODE 01763-9 | 2 - COMPANY NAME TELE CELULAR SUL PARTICIPAÇÕES S.A. | 3 - National Corporate Taxpayers' Registration Number - CNPJ 02.558.115/0001-21 |
| 4 - State Registration Number - NIRE 53 3 0000572 9 | | |

01.02 - HEAD OFFICE

| | | | | |
|---|------------------------------|----------------------------------|--------------------|-----------------|
| 1 - ADDRESS Rua Comendador Araújo, 299 | | 2 - SUBURB OR DISTRICT Centro | | |
| 3 - POSTAL CODE 80420-000 | 4 - MUNICIPALITY Curitiba | 5 - STATE PR | | |
| 6 - AREA CODE 41 | 7 - TELEPHONE 312-6893 | 8 - TELEPHONE - | 9 - TELEPHONE - | 10 - TELEX - |
| 11 - AREA CODE 41 | 12 - FAX 312-6520 | 13 - FAX - | 14 - FAX - | - |
| 15 - E-MAIL rcoradin@timsul.com.br | | | | |

01.03 - INVESTOR RELATIONS OFFICER (Company Mail Address)

| | | | | |
|---|------------------------------|----------------------------------|---------------------|-----------------|
| 1 - NAME Paulo Roberto Cruz Cozza | | | | |
| 2 - ADDRESS Rua Comendador Araújo, 299 | | 3 - SUBURB OR DISTRICT Centro | | |
| 4 - POSTAL CODE 80420-000 | 5 - MUNICIPALITY Curitiba | 6 - STATE PR | | |
| 7 - AREA CODE 41 | 8 - TELEPHONE 312-6702 | 9 - TELEPHONE - | 10 - TELEPHONE - | 11 - TELEX - |
| 12 - AREA CODE 41 | 13 - FAX 312-6520 | 14 - FAX - | 15 - FAX - | - |
| 16 - E-MAIL pcozza@timsul.com.br | | | | |

01.04 - GENERAL INFORMATION/INDEPENDENT ACCOUNTANT

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| CURRENT YEAR | | CURRENT QUARTER | | | PRIOR QUARTER | | |
|---|------------|-----------------|---------------|------------|--|--------------------------|------------|
| 1 - BEGINNING | 2 - END | 3 - QUARTER | 4 - BEGINNING | 5 - END | 6 - QUARTER | 7 - BEGINNING | 8 - END |
| 01.01.2003 | 12.31.2003 | 1 | 01.01.2004 | 03.31.2004 | 2 | 09.01.2003 | 12.31.2003 |
| 9 - INDEPENDENT ACCOUNTANT Ernst & Young Auditores Independentes S.S | | | | | | 10 - CVM CODE 00471-5 | |
| 11 - PARTNER RESPONSIBLE Marcos Antonio Quintanilha | | | | | 12 - INDIVIDUAL TAXPAYERS REGISTRATION NUMBER OF THE PARTNER RESPONSIBLE 006.840.298-80 | | |

01.05 - CAPITAL COMPOSITION

| Number of shares (Thousand) | Current quarter 03.31.2004 | Prior quarter 12.31.2003 | Same quarter in prior year 03.31.2003 |
|--------------------------------|-------------------------------|-----------------------------|--|
| Paid-up capital | | | |
| 1 Common | 134,452,841 | 134,452,841 | 129,357,834 |
| 2 Preferred | 222,025,630 | 222,025,630 | 213,612,106 |
| 3 Total | 356,478,471 | 356,478,471 | 342,969,940 |
| Treasury stock | | | |
| 4 Common | 0 | 0 | 0 |
| 5 Preferred | 0 | 0 | 0 |
| 6 Total | 0 | 0 | 0 |

01.06 - CHARACTERISTICS OF THE COMPANY

| |
|---|
| 1 - TYPE OF COMPANY Commercial, industrial and other |
| 2 SITUATION Operational |
| 3 NATURE OF OWNERSHIP Local Private |
| 4 ACTIVITY CODE 1990100 Telecommunication |
| 5 - MAIN ACTIVITY Cellular Telecommunication Services |
| 6 TYPE OF CONSOLIDATION Full |
| 7 - TYPE OF REPORT OF INDEPENDENT ACCOUNTANT Unqualified |

01.07 - COMPANIES EXCLUDED FROM THE CONSOLIDATED FINANCIAL STATEMENTS

| 1 ITEM | 2 - CNPJ | 3 NAME |
|--------|----------|--------|
|--------|----------|--------|

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

| 1 ITEM | 2 EVENT | 3 - DATE APPROVED | 4 AMOUNT | 5 - DATE OF PAYMENT | 6 - TYPE OF SHARE | 7 - AMOUNT PER SHARE |
|--------|---------|-------------------|----------|---------------------|-------------------|----------------------|
| | | | | | | |

01.09 - SUBSCRIBED CAPITAL AND CHANGES IN THE CURRENT YEAR

| 1 ITEM | 2 DATE OF CHANGE | 3 CAPITAL (IN THOUSANDS OF REAIS) | 4 - AMOUNT OF THE CHANGE (IN THOUSANDS) | 5 NATURE OF CHANGE | 7 - NUMBER OF SHARES ISSUED (IN THOUSAND) | 8 SHARE PRICE ON ISSUE DATE (IN REAIS) |
|--------|------------------|-----------------------------------|---|--------------------|---|--|
| | | | | | | |

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| | | | | | | | |
|---|---|---|-----------|---|---|---|---|
| | | | OF REAIS) | | | | |
| - | - | - | - | - | - | - | - |

01.10 - INVESTOR RELATIONS OFFICER

| | |
|----------------------|-------------|
| 1 DATE 03.31.2004 | 2 SIGNATURE |
|----------------------|-------------|

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02.01 - Balance Sheet - Assets (R\$ thousand)

| 1 Code | 2 Description | 3 03.31.2004 | 4 12.31.2003 |
|------------|------------------------------------|--------------|--------------|
| 1 | Total assets | 1,004,876 | 988,935 |
| 1.01 | Current assets | 37,987 | 47,725 |
| 1.01.01 | Cash and cash equivalents | 3,231 | 10,213 |
| 1.01.01.01 | Banks | 122 | 2,805 |
| 1.01.01.02 | Marketable securities | 3,109 | 7,408 |
| 1.01.02 | Receivables | 0 | 0 |
| 1.01.03 | Inventories | 0 | 0 |
| 1.01.04 | Others | 34,756 | 37,512 |
| 1.01.04.01 | Recoverable taxes | 533 | 3,293 |
| 1.01.04.02 | Deferred taxes | 3,572 | 3,543 |
| 1.01.04.03 | Dividends | 18,704 | 18,704 |
| 1.01.04.04 | Interest on shareholders' equity | 11,405 | 11,405 |
| 1.01.04.05 | Other current assets | 542 | 567 |
| 1.02 | Long-term assets | 1,444 | 8,359 |
| 1.02.01 | Other Receivables | 1,444 | 1,355 |
| 1.02.01.01 | Deferred taxes | 1,444 | 1,355 |
| 1.02.02 | Receivables from related companies | 0 | 6,967 |
| 1.02.02.01 | Associated companies | 0 | 0 |
| 1.02.02.02 | Subsidiaries | 0 | 6,967 |
| 1.02.02.03 | Other related companies | 0 | 0 |
| 1.02.03 | Other long-term assets | 0 | 37 |
| 1.02.03.01 | Other assets | 0 | 37 |
| 1.03 | Permanent assets | 965,445 | 932,851 |
| 1.03.01 | Investments | 965,384 | 932,786 |
| 1.03.01.01 | In associated companies | 0 | 0 |
| 1.03.01.02 | In Subsidiaries | 965,384 | 932,786 |
| 1.03.01.03 | Others | 0 | 0 |
| 1.03.02 | Property, plant and equipment | 61 | 65 |
| 1.03.03 | Deferred charges | 0 | 0 |

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02.02 - Balance Sheet - Liabilities and Stockholders' Equity (R\$ thousand)

| 1 Code | 2 Description | 3 3.31.2004 | 4 - 12.31.2003 |
|------------|---|-------------|----------------|
| 2 | Total liabilities and shareholders' equity | 1,004,876 | 988,935 |
| 2.01 | Current liabilities | 41,218 | 57,964 |
| 2.01.01 | Debt - current portion | 0 | 0 |
| 2.01.02 | Debentures - current portion | 0 | 0 |
| 2.01.03 | Suppliers | 51 | 738 |
| 2.01.04 | Taxes, charges and contributions | 3 | 3,849 |
| 2.01.05 | Dividends payable | 40,373 | 40,401 |
| 2.01.05.01 | Dividends | 28,301 | 28,301 |
| 2.01.05.02 | Interest on shareholders' equity | 12,072 | 12,100 |
| 2.01.06 | Provisions | 0 | 0 |
| 2.01.07 | Accounts payable to related companies | 260 | 0 |
| 2.01.08 | Others | 531 | 12,976 |
| 2.01.08.01 | Salaries, social charges and benefits | 511 | 10,935 |
| 2.01.08.02 | Others | 20 | 2,041 |
| 2.02 | Long-term liabilities | 4,249 | 3,985 |
| 2.02.01 | Debt - long-term portion | 0 | 0 |
| 2.02.02 | Debentures - long-term portion | 0 | 0 |
| 2.02.03 | Provisions | 4,249 | 3,985 |
| 2.02.03.01 | Provision for pension plan | 3,733 | 3,733 |
| 2.02.03.02 | Provision for contingencies | 516 | 252 |
| 2.02.04 | Accounts payable to related companies | 0 | 0 |
| 2.02.05 | Others | 0 | 0 |
| 2.03 | Deferred income | 0 | 0 |
| 2.05 | Shareholders' equity | 959,409 | 926,986 |
| 2.05.01 | Paid-up capital | 369,163 | 369,163 |
| 2.05.02 | Capital reserves | 148,565 | 148,565 |
| 2.05.03 | Revaluation reserves | 0 | 0 |
| 2.05.03.01 | Own assets | 0 | 0 |
| 2.05.03.02 | Associated/subsidiary companies' assets | 0 | 0 |
| 2.05.04 | Revenue reserves | 409,258 | 409,258 |
| 2.05.04.01 | Legal | 29,835 | 29,835 |
| 2.05.04.02 | Statutory | 0 | 0 |
| 2.05.04.03 | Contingencies | 0 | 0 |
| 2.05.04.04 | Unrealized profits | 0 | 0 |
| 2.05.04.05 | Retention of profits | 0 | 0 |
| 2.05.04.06 | Special reserve for undistributed dividends | 0 | 0 |
| 2.05.04.07 | Other revenue reserves | 379,423 | 379,423 |
| 2.05.05 | Retained earnings/accumulated deficit | 32,423 | 0 |

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03.01 - Statement of Operations (R\$ thousand)

| 1 Code | 2 Description | 3 - 01.01.2004 to 3.31.2004 | 4 - 01.01.2004 to 3.31.2004 | 5 - 01.01.2003 to 3.31.2003 | 6 - 01.01.2003 to 3.31.2003 |
|------------|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| 3.01 | Gross revenue from goods sold and services rendered | 0 | 0 | 0 | 0 |
| 3.02 | Deductions to gross revenue | 0 | 0 | 0 | 0 |
| 3.03 | Net revenue from goods sold and services rendered | 0 | 0 | 0 | 0 |
| 3.04 | Cost of goods sold and services rendered | 0 | 0 | 0 | 0 |
| 3.05 | Gross profit | 0 | 0 | 0 | 0 |
| 3.06 | Operating expenses/income | 32,332 | 32,332 | 31,195 | 31,195 |
| 3.06.01 | Selling | 0 | 0 | 0 | 0 |
| 3.06.02 | General and administrative | (85) | (85) | (2,229) | (2,229) |
| 3.06.03 | Financial, net | 228 | 228 | 735 | 735 |
| 3.06.03.01 | Financial income | 450 | 450 | 929 | 929 |
| 3.06.03.02 | Financial expenses | (222) | (222) | (194) | (194) |
| 3.06.04 | Other operating income | 335 | 335 | 207 | 207 |
| 3.06.05 | Other operating expenses | (1,138) | (1,138) | (923) | (923) |
| 3.06.06 | Equity interest in income of subsidiaries and associated companies | 32,992 | 32,992 | 33,405 | 33,405 |
| 3.07 | Operating profit (loss) | 32,332 | 32,332 | 31,195 | 31,195 |
| 3.08 | Non-operating results | 0 | 0 | 0 | 0 |
| 3.08.01 | Income | 0 | 0 | 0 | 0 |
| 3.08.02 | Expenses | 0 | 0 | 0 | 0 |
| 3.09 | Income (loss) before taxes and participation | 32,332 | 32,332 | 31,195 | 31,195 |
| 3.10 | Provision for income tax and social contribution | 42 | 42 | (2,893) | (2,893) |
| 3.11 | Deferred income tax | 49 | 49 | 363 | 363 |
| 3.12 | Statutory profit sharing and contributions | 0 | 0 | 0 | 0 |
| 3.12.01 | Profit sharing | 0 | 0 | 0 | 0 |
| 3.12.02 | Contributions | 0 | 0 | 0 | 0 |
| 3.13 | Reversal of interest over shareholders' capital | 0 | 0 | 0 | 0 |
| 3.15 | Net income (loss) for the period | 32,423 | 32,423 | 28,665 | 28,665 |
| | Number of shares (thousand), excluding treasury stock | 356,478,471 | 356,478,471 | 342,969,940 | 342,969,940 |
| | Net income per share | 0.00009 | 0.00009 | 0.00008 | 0.00008 |
| | Net loss per share | 0 | 0 | 0 | 0 |

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04.01 - Notes to the Quarterly Information

(All amounts in thousands of reais unless otherwise indicated)

I. Operations

(a) History

Tele Celular Sul Participações S.A. was formed in accordance with article 189 of Law 9,472/97 General Telecommunications Law and based on Decree 2,546/98, as a result of the split-up of Telecomunicações Brasileiras S.A. that was approved at the Shareholders' Meeting held of Telecomunicações Brasileiras S.A. on May 22, 1998.

The Company is a listed entity directly controlled by Tim Brasil Serviços e Participações (previously Bitel Participações S.A.) which has a shareholding of 52.51% of the voting capital and 22.21% of the total capital.

(b) Corporate Reorganization

On July 31, 2003 with the previous approval of ANATEL-Agência Nacional de Telecomunicações, the independent regulatory agency, the subsidiary Telepar Celular S.A. and its fully owned subsidiaries, Telesc Celular S.A. and CTMR Celular S.A. Shareholders Meeting approved the Board of Directors proposal to the incorporation of the Telesc Celular S.A. and CTMR Celular S.A. equity into Telepar Celular S.A. At the same meeting the subsidiary has changed its name from Telepar Celular S.A. to TIM Sul S.A.

As the Telepar Celular S.A. was the unique Telesc and CTMR shareholder, its equity did not increase and as consequence, the share emission, due to the fact that Telesc and CTMR's equity had already been recorded in its balance sheet based on the equity investment method. Due to the incorporation process, the Telesc and CTMR shares kept by Telepar Celular S.A. were cancelled.

(c) Company subsidiaries

The Company has the controlled ownership of TIM Sul S.A. (former Telepar Celular S.A.) that is a provider of mobile telephony services in the states of Paraná (except for Londrina and Tamarana), Santa Catarina and Rio Grande do Sul (only the cities of Pelotas , Capão do Leão, Morro Redondo and Turuçú)

(d) Technological platform

The subsidiary TIM Sul S.A. uses the TDMA (Time-Division Multiple Access) technology in its cellular phone services. During the third quarter of 2003 the subsidiary started the introduction and the operation of the GSM (Global System for Mobile Communication) technology. The Company estimates that the full implementation of the GSM technology will be completed during this year and that both technologies (GSM and TDMA) will be operated simultaneously.

(e) Migration from SMC to SMP

On December 10, 2002, the subsidiaries converted their prior concessions to provide services in the SMC Serviço Móvel Celular , or the Cellular Communication Service (CCS), into concessions to provide services in the SMP Serviço Móvel Pessoal , or the Permanent Communication Service (PCS).

As a result of the migration to SMP, the Company has new regulatory service quality standards and has introduced the CSP Program Programa de Código de Seleção de Prestadora , or Telecommunication Service Provider Selection Code, which allows the subscribers to choose the long distance carriers on a per call basis. Furthermore, the Company and its subsidiaries will have the right to determine the price of their service plans, subject to ANATEL approval.

The Company provides mobile telephone services under concession terms granted by the Federal Government. The concessions will expire on September 3, 2007, for state of Paraná, September 30, 2008, for the state of Santa Catarina, and April 14, 2009, for Pelotas , Capão do Leão, Morro Redondo and Turuçú in the state of Rio Grande do Sul. The concessions may be subsequently renewed for an additional period of 15 years by the granting authority, in an onerous basis.

(g) Goals established by Anatel

TIM Sul S.A., as well as all other mobile telephone providers in Brazil , has commitments for network quality and customer service, as defined in the SMP Authorization Agreement. The Company's commitments verifications are available in the website of ANATEL, www.anatel.gov.br .

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2. Basis of Presentation of the Quarterly Financial Information

(a) Disclosure and issuance criteria

The parent company and consolidated quarterly financial information were prepared in accordance with the accounting principles adopted in Brazil and in conformity with accounting requirements and procedures established by the Brazilian Securities Commission (Comissão de Valores Mobiliários - CVM), and the rules applicable to concessionaires of telecommunications public services.

Tele Celular Sul Participações S.A. is a publicly trade Company and has American Depository Receipts trade in the New York stock market. Based on that, it is subjected to the rules of the Security Exchange Commission (SEC) and shall also based on accounting principals generally accepted in the United States of America (US GAAP). According to the SEC rules and aiming to provide information to the public, the Company simultaneously prepares information in Reais in Portuguese and in English.

(b) Consolidated Quarterly Financial Information

The consolidated quarterly financial information includes consolidated assets, liabilities and result of operations of the Company and its subsidiary.

The description of main consolidation procedures is as follows:

- I. Elimination of assets and liabilities balances between the controlled consolidated subsidiary;
- II. Elimination of investments, reserves and retained earnings of the subsidiary;
- III. Elimination of revenues and expenses generated by transactions between the companies;
- IV. Disclosure of the minority interest participation in the consolidated quarterly information.

3. Summary of Significant Accounting Principles

The significant accounting practices adopted in the preparation of the quarterly information of the Company and its subsidiary are consistent with those in the preceding periods and are summarized below:

(a) Marketable securities

It represents transitory investments and are recorded at cost, plus interest incurred up to the quarterly information date.

(b) Trade accounts receivable

It represents (i) services and products billed to customers, (ii) services rendered to customers up to the balance sheet date and not yet billed and (iii) amounts from the usage of the telecommunication network by subscribers of other telecommunications companies.

The allowance for doubtful accounts is recorded based on a periodic review by management which takes into consideration the customer base profile, the aging of overdue accounts. Management believes the provision amount is sufficient to cover estimated losses of the receivables .

(c) Inventories

Inventories primarily include cellular handset equipment which are stated at average acquisition cost net of the provisions for realization value adjustment, whenever applicable.

(d) Investments

It represents the permanent investments in subsidiary company, which is recorded based on the equity method and the goodwill of the additional shares acquired from TIM Sul S.A. The ownership in the subsidiary and affiliated is recorded based on equity. The accounting practices adopted by the subsidiary and affiliated company are consistent to the ones adopted by the Company.

(e) Property, plant and equipment

These are stated at purchase and/or construction cost, net of accumulated depreciation calculated on the straight-line method at the rates shown in Note 12, which take into consideration the useful lives of the assets.

Interest on loans to finance constructions in progress is added to their cost, in accordance with CVM Resolution 193/96.

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The Company's management reviews property, plant and equipment for possible impairment whenever events or changes in circumstances indicate that the carrying value of an asset or group of assets may not be recoverable, in order to record an impairment allowance for such assets.

(f) Deferred charges

It represents expenses incurred in connection with the implementation of data processing systems, net of accumulated amortization calculated according to the straight-line method over five years. Such costs represent direct developments costs associated with internal-use software, including external direct costs of materials and services, and payroll costs for employees devoting time to the software projects. Maintenance and training costs are expenses as incurred.

(g) Income tax and social contribution

These are calculated and recorded based on the effective tax rates prevailing on the date of the Quarterly Information. Deferred taxes are recorded on timing differences and on tax losses and negative social contribution bases, when applicable. Based on the Brazilian Tax Legislation, the fiscal losses related to income taxes and negative social contribution bases have no prescription time, and may be used to compensate future taxable income up to a limit of 30% of such taxable income.

Based on the business plan for the next years and on the implemented restructuring process, as described in Note 1.b, management expects the deferred tax credit recorded by the subsidiary TIM Sul S.A. be realized in 4 years.

(h) Foreign currency transactions

Transactions in foreign currency are recorded at the exchange rate at the date of the transaction. Foreign currency denominated assets and liabilities are translated into Brazilian Reais at the commercial selling exchange rate reported by the Central Bank of Brazil at each balance sheet date. Exchange gains and losses are recognized in the consolidated statement of income on a current basis.

(i) Provision for contingencies

The provision for contingencies is recorded based on estimates made by management taking into consideration the opinion of its in-house and external legal council, and is considered sufficient to cover losses and risks classified as probable.

(j) Provision for compensated absences

Vacations and other employee benefits are recorded as the employees earn them.

(k) Pass to other carriers

It represents amounts billed by the subsidiary TIM Sul S.A. to be transferred to other mobile telephone providers due to the use of long distance selection code of such providers, by TIM Sul S.A. customers.

(l) Revenue recognition

Wireless services revenue primarily includes monthly recurring charges (subscriptions), airtime (usage of telephone), and roaming charges. Wireless services revenue is recognized based upon minutes of use processed and contracted fees, net of credits and adjustments for services discounts. Billings are monthly recorded and the revenues not billed between the billings date and the end of the month are estimated and recognized in the month the service was rendered. Revenues from prepaid services are recognized when the services are rendered to customers. Revenue and related expenses associated with the sale of wireless handsets and accessories are recognized when the products are delivered and accepted by the customer or distributor.

(m) Financial income (expenses)

Financial income consists of interest earned, exchange gains and gains from financial investments. Financial expenses include interest expense, exchange losses, and gain/losses on swaps contracts, which are recognized on an accrual basis.

(n) Pension plans actuarial profit and losses recorded

The Company records the expenses related to its new pension plan, which is a defined contribution plan, TIMPREV (see note 19), as incurred. An asset was determined for the actuarial calculation performed as of December 31, 2003 to the participants that did not migrate to the new

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plan. Such asset was not recognized due to the unfeasibility of reimbursement of such earnings and considering that the contributions will not be reduced to the Company in the future

(o) Employees' bonus performance premium

As the operating targets are met, the Company records a provision for employees bonus performance premium, subjected to approval by the Annual General Meeting of Shareholders. Such expenses are recorded as costs of services rendered and product sold, selling expenses and general and administrative expenses.

(p) Minority interest

The minority interest corresponds to the interest of the minority shareholders in the subsidiary.

(q) Use of estimates

The preparation of the quarterly information in accordance with accounting principles adopted in Brazil requires management to use estimates and assumptions concerning the amounts of recorded assets and liabilities and the disclosures of contingent assets and liabilities at the balance sheet date, as well as the estimation of revenues and expenses for the period. The actual results may differ from those estimates.

(r) Net income per share

These amounts are calculated based on the number of outstanding shares at the of the quarterly information.

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4. Marketable securities

| | Parent Company | | Consolidated | |
|----------------------|----------------|---------|--------------|---------|
| | 03/2004 | 12/2003 | 03/2004 | 12/2003 |
| Banco do Brasil S.A. | 3,087 | 4,013 | 409,040 | 385,153 |
| Citibank S.A. | - | - | 136 | 9,468 |
| Bank Boston S.A. | 22 | 3,395 | 5,462 | 3,419 |
| | 3,109 | 7,408 | 414,638 | 398,040 |

These are financial investments in Federal Government securities and banking deposits certificates (CDB), with average interest of 108% of the Interbank Deposit Certificate (CDI) rate. The marketable securities can be redeemed at any time, without losses in the recognized profitability.

5. Accounts receivable

| | Consolidated | |
|--------------------------------|--------------|----------|
| | 03/2004 | 12/2003 |
| Services billed | 52,790 | 46,559 |
| Unbilled services | 51,643 | 46,877 |
| Network usage | 88,045 | 63,294 |
| Sales of handsets | 76,790 | 92,550 |
| | 269,268 | 249,280 |
| Allowance for doubtful account | | |
| Services billed | (9,343) | (7,709) |
| Sales of handsets | (605) | (747) |
| Network usage | (17,500) | (10,000) |
| | (27,448) | (18,456) |
| Total | 241,820 | 230,824 |

The changes in the allowance for doubtful accounts were as following:

| | 03/2004 | 12/2003 |
|---------------------------------------|----------|----------|
| Beginning balance | (18,456) | (6,533) |
| Provision debited as selling expenses | (8,992) | (3,641) |
| | | (8,282) |
| Ending balance | (27,448) | (18,456) |

6. Inventories

Consolidated

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| | 03/2004 | 12/2003 |
|--|---------|---------|
| New handsets, accessories, cards and kits | 19,903 | 15,823 |
| Used handsets | 1,694 | 1,272 |
| Provision for realization value adjustment | (1,381) | (854) |
| | 20,216 | 16,241 |

7. Recoverable Taxes current and long term

| | Parent Company | | Consolidated | |
|--|----------------|---------|--------------|---------|
| | 03/2004 | 12/2003 | 03/2004 | 12/2003 |
| Recoverable taxes | | | | |
| Income tax | | | | |
| Prepayments | - | - | 180 | 180 |
| Withholding tax on financial investments | 149 | 127 | 7,335 | 11,562 |
| Withholding tax on interest over interest on shareholders' capital | 384 | 3,166 | 384 | 11,981 |
| Social Contribution | | | | |
| Prepayments | - | - | 77 | 77 |
| VAT State (ICMS) | - | - | 13,181 | 11,673 |
| PIS/Cofins | - | - | 2,617 | 543 |
| | 533 | 3,293 | 23,774 | 36,016 |
| Current | 533 | 3,293 | 15,823 | 29,816 |
| Non-current | - | - | 7,951 | 6,200 |

8. Deferred Taxes current and long term

| | Parent Company | | Consolidated | |
|--|----------------|---------|--------------|---------|
| | 03/2004 | 12/2003 | 03/2004 | 12/2003 |
| Deferred taxes | | | | |
| Loss carryforwards | 3,548 | 3,478 | 47,158 | 52,411 |
| Timing differences | | | | |
| Allowance for doubtful accounts | - | - | 9,492 | 6,513 |
| Amortization related to goodwill paid on privatization | - | - | 4,504 | 4,504 |
| Provision for contingencies | 175 | 85 | 4,506 | 4,033 |
| Employees bonus performance premium | 23 | 65 | 458 | 1,575 |
| Provision for pension plan | 1,270 | 1,270 | 1,270 | 1,270 |
| Provision for reduction to market value of inventories | - | - | 469 | 290 |
| Depreciation of lended handsets | - | - | 5,228 | 4,655 |
| Others | - | - | 1,053 | 945 |
| Tax benefit related to goodwill paid on privatization | - | - | 109,501 | 115,819 |
| | 5,016 | 4,898 | 183,639 | 192,015 |
| Current | 3,572 | 3,543 | 57,250 | 52,562 |
| Noncurrent | 1,444 | 1,355 | 126,389 | 139,453 |

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On March 31, 2004, the Company and its subsidiary had consolidated operating loss carry-forwards totaling R\$138,600 and R\$138,863 for income tax and social contribution purposes, respectively (R\$154,162 and 154,391 for the year ended December 31, 2003). The loss carry-forwards have no expiration date and are available to offset up to 30% of the Companies' future taxable income in given year.

The tax benefit related to goodwill paid on privatization is related to the future tax benefit arisen from de restructuring plan approved by the Extraordinary Shareholders General Meeting at June 30, 2000. In that date the goodwill paid by the shareholders in the privatization process was transferred to Telepar Celular S.A., Telesc Celular S.A. and CTMR Celular S.A., now denominated TIM Sul S.A. The counter-entry to the recognition of the tax benefit balance is recognized directly in shareholders equity as a capital reserve and is being amortized with rates and amounts calculated based on the estimated future profitability and in the length time of the concessions, which will terminated in 2008. The goodwill amortization was recorded as Other operating expenses .

As of March 31, 2004, R\$6,317 (R\$6,336 at March 31, 2003) related to such goodwill were realized. Also under the terms of the restructuring, the effective tax benefit realized in each fiscal year will subsequently be capitalized in the name of the controlling shareholder, and minority shareholders are ensure the right to preference in the acquisition of a proportional amount of new capital from the controlling shareholder. The capital reserve recorded by the Company represents its rights to the future capitalization (see note 20-b).

Based on projections made by the Company, the deferred tax assets (long term) substantially comprised by tax credits related to losses carry-forward and goodwill paid in the privatization, will be realized as follows:

| | Parent company | Consolidated |
|------|----------------|--------------|
| | 03/2004 | 12/2003 |
| 2005 | 1,444 | 42,549 |
| 2006 | - | 43,649 |
| 2007 | - | 25,384 |
| 2008 | - | 14,807 |
| | 1,444 | 126,389 |

9. Related parties transactions

| | TIM Sul S.A. |
|--|--------------|
| Assets | |
| Dividends and interest on shareholders' equity | |
| 03/2004 | 30,109 |
| 12/2003 | 30,109 |
| Intercompany loan non current | |
| 12/2003 | 6,967 |
| Liabilities | |
| Intercompany Loans non current | |
| 03/2004 | 260 |
| Other information | |
| Financial revenues | |
| 03/2004 | 247 |
| 03/2003 | 16 |
| Financial expenses | |
| 03/2004 | (60) |

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| | |
|-------------------------------------|---------|
| 03/2003 | (48) |
| Administrative services distributed | |
| 03/2004 | (1,581) |
| 03/2003 | (8,799) |

| | Related parties | | | | Total |
|--|-------------------------------|-------------------------|---------------------|--------------------|---------|
| | Tele Nordeste Partic. S.A. | Maxitel Celular S.A. | TIM Celular S.A. | TIM Brasil S.A. | |
| Assets | | | | | |
| Other credits | | | | | |
| 03/2004 | 18 | 24 | 244 | 275 | 561 |
| 12/2003 | 323 | 20 | 241 | 259 | 843 |
| Liabilities | | | | | |
| Other liabilities | | | | | |
| 03/2004 | 44 | 65 | 6,892 | - | 7,001 |
| 12/2003 | 26 | 23 | 5,252 | - | 5,301 |
| Other information | | | | | |
| Other revenues | | | | | |
| 03/2004 | 54 | 71 | - | - | 125 |
| 03/2003 | 447 | 129 | 2 | 12 | 590 |
| Cost of services and selling expenses | | | | | |
| 03/2004 | (133) | (195) | (2,191) | - | (2,519) |
| 03/2003 | (172) | (182) | - | - | (354) |

The Company operates in an integrated way with its subsidiary, TIM Sul S.A. and the normal costs of their operational and administrative structure are allocated to the subsidiary based on the proportion of the benefits generated, which amounts are demonstrated as administrative services distributed. In the Company's income statements, such amounts are allocated in different expenses and costs accounts.

The related parties transactions were made using usual market conditions, and mainly summarize loans to affiliates and subsidiaries, with annual interest rates of 101.2% of the Brazilian Interbank rate, as well as corporate, operating and administrative costs allocation.

10. Judicial deposit (consolidated)

| | Consolidated | |
|---------------------|--------------|---------|
| | 03/2004 | 12/2003 |
| Convênio ICMS 69/98 | 11,555 | 11,460 |
| Others | 3,479 | 3,479 |
| | 15,034 | 14,939 |

The judicial deposits of R\$11,555 (R\$11,460 12/2003), represent mainly the lawsuit questioning the ICMS (VAT State) Agreement 69/98. The Company, based on its legal advisor opinion, believes that will win this cause; therefore it did not constitute a contingency reserve for this amount.

11. Investments

| | |
|----------------|--------------|
| Parent company | Consolidated |
|----------------|--------------|

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| | 03/2004 | 12/2003 | 03/2004 | 12/2003 |
|-------------|---------|---------|---------|---------|
| Investments | | | | |
| Subsidiary | 954,328 | 921,336 | - | - |
| Other | 11,056 | 11,450 | 11,075 | 11,470 |
| | 965,384 | 932,786 | 11,075 | 11,470 |

a) Information of investments in the subsidiaries

| | TIM Sul S.A. |
|--|--------------|
| Number of shares (in thousands) | |
| Common | 6,732,144 |
| Preferred | 8,261,952 |
| Interest in the capital | 81.32% |
| Shareholders' equity | 1,139,421 |
| Net income of the period | 40,572 |
| At March 31, 2004 the common and preferred shares of TIM Sul S.A. were quoted at Bovespa São Paulo Stock Exchange in R\$62.00 and R\$78.90, respectively, in thousand of shares. | |

b) Changes in the investments in the subsidiaries

| | TIM Sul S.A. |
|--------------------------|--------------|
| Investment at 12/31/2003 | 921,336 |
| Equity result | 32,992 |
| Investment at 03/31/2004 | 954,328 |

12. Property, Plant and Equipment - Consolidated

| | 03/2004 | | 12/2003 | | |
|--|----------------------------|---------|--------------------------|---------|---------|
| | Annual depreciation rate % | Cost | Accumulated depreciation | Net | Net |
| Automatic commutation equipment (switches) | 14.29 | 272,664 | (146,134) | 126,530 | 133,141 |
| Automatic transmission equipment | 14.29 | 886,125 | (592,739) | 293,386 | 303,524 |
| Handsets lent to customers | 50.00 | 30,120 | (23,684) | 6,436 | 6,760 |
| Network infrastructure | 33.33 | 181,367 | (81,944) | 99,423 | 100,680 |
| Software and hardware | 20.00 | 48,587 | (29,753) | 18,834 | 20,207 |
| Others | 10.00 | 9,252 | (4,941) | 4,311 | 4,121 |
| Intangible assets | 20.00 | 60,729 | (20,954) | 39,775 | 39,184 |
| Use license | 20.00 | 17,557 | (2,833) | 14,724 | 15,668 |

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| | | | | |
|-------------------------------|-----------|-----------|---------|---------|
| Property, plant and equipment | 1,506,401 | (902,982) | 603,419 | 623,285 |
| Construction in progress | 66,339 | - | 66,339 | 53,602 |
| | <hr/> | | <hr/> | |
| TOTAL | 1,572,740 | (902,982) | 669,758 | 676,887 |
| | <hr/> | | <hr/> | |

(a) Interest capitalization

During the three months period ended March 31, 2004, it was capitalized in Property, Plant and Equipment an amount of R\$1,201 (R\$1,994 during as of December 31, 2003) related to financing of debt transactions contracted to finance certain assets in construction.

(b) Leases

The Company leases equipment and facilities under many operating agreements with different terms, which can be terminated without cost. During the three months period ended on March 31, 2004 and 2003 the consolidated lease expenses under those agreements were R\$1,307 and R\$1,827, respectively.

(c) Recoverability of property, plant and equipment

As described in Note 1.d, the Company and its subsidiary TIM Sul S.A. plan started the implementation and the operation of the GSM technology in its service network during the third quarter of 2003. Taking in consideration that the subsidiary will keep both technologies in operation, none adjustment to the Company's fixed assets was considered necessary as a result of the introduction of the new GSM technology, due to an eventual non-recoverability of the assets associated with the services provided by TDMA technology.

(d) Usage license

At July 2003 the Company acquired the grant of Radiofrequency blocks of use authorizations of the Grant General Plan sections PGO, associated at the service authorization of the SMP Personal Move Service.

The authorization is valid during the period of the render service of the SMP Personal Move Service, as described at the note 1-e .

As allowed, the Company opted for paying the amount in a single installment, twelve month after the signature of the agreement. The balance is subject to interest of 1% per month and was accounted under the Usage license in current liabilities.

13. Deferred charges (consolidated)

| | 03/2004 | 12/2003 |
|--|----------|----------|
| | <hr/> | <hr/> |
| Software development costs | 91,703 | 91,703 |
| | (61,463) | (56,940) |
| | <hr/> | <hr/> |
| Accumulated amortization of software development costs | 30,240 | 34,763 |
| | <hr/> | <hr/> |

14. Accounts payable

| | Parent Company | | Consolidated | |
|-----------------------|----------------|---------|--------------|---------|
| | 03/2004 | 12/2003 | 03/2004 | 12/2003 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Suppliers | 51 | 738 | 163,860 | 182,619 |
| Network usage service | - | - | 15,924 | 14,615 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 51 | 738 | 179,784 | 197,234 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

15. Debt Consolidated

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| | 03/2004 | 12/2003 |
|---|---------|---------|
| Foreign currency - United States dollars | | |
| Supplier - Subject to exchange variation and interest from 6.61% to 7.3% p.a. These transactions were swapped to CDI. | 1,777 | 1,613 |
| Eximbank refers to a direct financing with the Export and Import Bank of the United States (EXIMBANK), subject to exchange variation and interest of 7.03% p.a. This transaction was swapped to CDI. | 11,180 | 22,344 |
| | 12,957 | 23,957 |
| Local currency | | |
| BNDES Banco Nacional de Desenvolvimento Econômico e Social. The financing is comprised by 68% subjected to the TJLP rate (11.00% p.a) plus spread of 4% p.a. The remaining 32% is updated based on a mix of indexes (7.11% p.a.), plus spread of 4% p.a. This financing was swapped to CDI. | 54,192 | 58,226 |
| | 54,192 | 58,226 |
| Total debt | 67,149 | 82,183 |
| Current | 32,003 | 42,751 |
| Non current | 35,146 | 39,432 |
| Maturity dates of non current portion | | |

| | 03/2004 |
|------|---------|
| 2005 | 15,225 |
| 2006 | 19,405 |
| 2007 | 516 |
| | 35,146 |

The BNDES loans are subject to certain covenants covering EBITDA margin, debt coverage, coverage of net financial expenses and indebtedness. The Company and its subsidiary was in compliance with all the restrictive clauses at March 31, 2004.

The Company guarantees all the debt of its subsidiaries.

16. Salaries and related charges

| | Parent Company | | Consolidated | |
|-------------------------------------|----------------|---------|--------------|---------|
| | 03/2004 | 12/2003 | 03/2004 | 12/2003 |
| Salaries | 102 | 1,339 | 1,713 | 1,820 |
| Social charges | 115 | 2,135 | 2,422 | 2,672 |
| Other labor benefits | 254 | 6,973 | 5,287 | 8,429 |
| Employees bonus performance premium | 40 | 488 | 523 | 566 |
| | 511 | 10,935 | 9,945 | 13,487 |

17. Taxes and contributions payable current and non-current

| | Parent Company | Consolidated |
|--|----------------|--------------|
|--|----------------|--------------|

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| | 03/2004 | 12/2003 | 03/2004 | 12/2003 |
|-------------------------|---------|---------|---------|---------|
| Income tax | - | 2,130 | 2,459 | 2,130 |
| Social contribution tax | - | 766 | 1,323 | 986 |
| ICMS | 3 | - | 110,573 | 118,111 |
| PIS | - | 405 | 805 | 1,124 |
| COFINS | - | 548 | 3,713 | 5,466 |
| Fistel Fee | - | - | 1,597 | 3,084 |
| FUST | - | - | 508 | 492 |
| FUNTTEL | - | - | 254 | 246 |
| Other | - | - | 31 | 14 |
| | 3 | 3,849 | 121,263 | 131,653 |
| Current | 3 | 3,849 | 71,136 | 72,816 |
| Non current | | | 50,127 | 58,837 |

Maturity dates of non current portion

| | 03/2004 |
|------|---------|
| 2005 | 24,781 |
| 2006 | 21,044 |
| 2007 | 4,302 |
| | 50,127 |

The subsidiary TIM Sul S.A., entered into an agreement with the Paraná State to defer ICMS tax to be paid in 48 months after the respective generating event. This benefit was granted by the State of Paraná through the Programa Paraná Mais Emprego (Paraná Program for More Employment).

18. Contingencies provision

The Company and its subsidiaries are a party to certain legal proceedings (labor, fiscal and civil) arising in the normal course of their business, and has recorded provisions when management believes that it can reasonably estimate probable losses, based on their legal advisors.

| | Parent Company | | Consolidated | |
|--------|----------------|---------|--------------|---------|
| | 03/2004 | 12/2003 | 03/2004 | 12/2003 |
| Labor | 184 | 184 | 2,605 | 2,570 |
| Fiscal | - | - | 2,529 | 1,529 |
| Civil | 332 | 68 | 8,118 | 7,764 |
| | 516 | 252 | 13,252 | 11,863 |

Civil claims

The provision for civil claims represents claims filed by former customers in connection with billing disputes and moral damages indemnity and other civil damages.

Fiscal claims

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In December 2003, TIM Sul S.A. received assessments from the state of Santa Catarina tax authorities with respect to ICMS (VAT State), totaling R\$25,479. The Company is currently in discussions with the tax authorities. The assessments primarily relate to disputes as to the applicability of ICMS taxes over certain services provided by the Company. Based on the opinion of internal and external legal counsel, on March 31, 2004 the management concluded that the probable losses to be incurred will be R\$2,500, which was accrued.

Labor claims

The provision for labor claims represents management's estimate of probable losses in relation to the various suits filed by former employees.

19. Pension Plan

The Company is sponsoring a defined benefits pension plan to a group of employees from the former Telebrás system, under the administration of the Fundação Sistel de Seguridade Social - Sistel, as the result of the legal provisions established at the time of privatization of that company in July 1998.

Considering that in 1999/2000, the sponsors of the plans administered by SISTEL had already negotiated conditions for the creation of individualized retirement plans for each sponsor, maintaining the joint and several aspect only for the participants already assisted under such condition at January 31, 2000, the Company, during the year 2002, as occurred with other companies originating from the former Telebrás System, started the actions for the formatting of a Defined Contribution Plan, which would meet the most modern standards of social security practices in the private sector and that would permit a migration possibility to the employees linked to SISTEL.

On November 13, 2002, through Notification 1,917 CGAJ/SPC, the Secretary of Complementary Pension approved the new pension plan, from now on called Regulations of the Benefit Plan TIMPREV, in the Defined Contribution modality, providing new conditions for the granting and maintenance of benefits, as well as the rights and obligations of the Plan Administration Entity, the Sponsors, the Participants and their respective beneficiaries.

The majority or 90% of the participants of the prior plans migrated to the new plan up to January 29, 2003, which was dead line for the migration to the new plan.

In the new modality, the normal contribution of the sponsor corresponds to 100% of the basic contribution of the participant, while the administration entity of the TIMPREV will assure, as per the terms and conditions of the approved regulations, the benefits listed below, not assuming the responsibility for granting any other benefit even if the official social security grants it to its beneficiaries:

- Regular retirement pension
- Anticipated retirement pension
- Disability pension
- Deferred proportional benefit
- Death pension

However, as there was not a complete migration of the employees to TIMPREV, the pension and health care plans originated from the Telebrás system continue to exist and are summarized below:

PBS: Sistel pension plan, which has the characteristic of a defined benefit plan and includes the active employees that were part of the plans sponsored by the companies comprised by Telebrás system;

PBS Assistidos: multi-employer pension plan for inactive employees;

Convênio de Administração: agreement for management of pension payments to retirees and those receiving pensions of the predecessor to the Company and its subsidiaries (Telecomunicações do Paraná S.A.).

PAMEC: supplementary medical plan for employees and to the retirees of the predecessor to the Company and its subsidiaries (Telecomunicações do Paraná S.A.)

PBT: defined benefit pension plan for the retirees of the predecessor to the Company and its subsidiaries (Telecomunicações do Paraná S.A.).

PAMA: shared-cost medical plan for retired employees and their dependents.

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The Company also sponsor, as successor in the partial spin-off of Telecomunicações do Paraná S.A., the supplementary pension plan established in 1970 under a Collective Agreement ratified by the Atypical Contractual Relationship Agreement entered into by the Company and labor unions representing the then existing professional categories.

20. Net equity - Company

(a) Capital

The Company is authorized to increase its capital, through approval by a shareholders meeting, up to the limit 700 billion of common or preferred shares, without the need to maintain the proportion between the shares, but keeping the legal limit of 2/3 (two thirds) for issuing preferred shares without voting rights.

The limit to increase the Company's capital will be increased based on approval of an Extraordinary General Meeting, when the capital was fully utilized or when the difference between such limit and the subscribed capital was not sufficient to guarantee the capitalization plan for the year.

At March 31, 2004, capital was represented by the following shares with out nominal value:

| | Common | Preferred | Total |
|---------------------------------|-------------|-------------|-------------|
| Quantity (in million of shares) | 134,452,841 | 222,025,630 | 356,478,471 |
| Amount (R\$) | 139,237 | 229,926 | 369,163 |

The preferred shares does not have the right to vote, except to elect, by a separate voting, a member of the Board of Directors and will be assured the priority in reimbursement of capital, without premium and right to receive dividends greater than 6%, computed on the amount resulting from the division of capital stock subscribed by the total number of Company shares. Alternatively, preferred shares can receive dividends representing 3% (three percent) of the equity value of the share, which is greater.

On March 31, 2004 the Company's common and preferred shares were quoted at Bovespa - São Paulo Stock Exchange at R\$3.50 and R\$4.28, respectively, in thousand of shares.

(b) Capital reserve special goodwill reserve

This reserve was generated by the corporate restructuring implemented in 2000 (see note 8). A portion of this reserve which corresponds to the benefit for the year can be, at the end of each fiscal year, capitalized in favor of the majority shareholder with the issuing of new shares. The respective capital increase should respect the preference of the minority shareholders, in the proportion of its participation, by species and class of shares at the time of issuance. The amounts paid for exercising this right will be paid to the majority shareholder, in accordance with the Instruction CVM 319/99.

(c) Legal reserve

Brazilian companies are required to appropriate 5% of their annual net income to a legal reserve until that reserve equals 20% of paid-up share capital, or 30% of nominal paid-up share capital plus capital reserves; thereafter, appropriations to this reserve are not compulsory. This reserve can only be used to increase capital or offset accumulated losses.

(d) Dividends

The dividends are being calculated in accordance with the Company's by Laws and with Brazilian Corporate Law.

According to the Company's by Laws, the Company should distributes as minimum dividends at each fiscal year ending December 31, considering there are available funds for distribution, a total amount equivalent to 25% of the adjusted net income.

(e) Income reserve for expansion

This reserve is constitute as determined by Instruction CVM 59/86 to be used in the expansion of the Company's networking.

(f) Stock option plan

At May 2 2001, the Company shareholders approved an employee stock option plan, with the following objectives:

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- i) to retain the services and advice of key employees, upon whose judgment, initiative and efforts the Company depends;
- ii) to make available to key employees certain compensatory arrangements based on market value increase; and
- iii) to align generally the interests of key employees and the interests of shareholders.

The Board of Directors may authorize future capital increases, within the limit of the authorized capital, with the issuance of preferred shares for the benefit of the directors and key officers. The amount of shares that may be issued under the stock option plan is limited to 1.5% of the Company's capital stock on May, 2001. The total shares granted to this plan are 4,073,000.

The option exercise price per 1,000 Preferred Shares was set at R\$4.27, the closing price of 1,000 Preferred Shares at the São Paulo Stock Exchange (Bovespa), on May 2, 2001. The stock option plan has a four-year term and will expire in 2005. No option may be exercised after four years from the date it was granted.

The options may not be exercised before one year from the date they are granted. The exercise of the option may occur in the end of the fourth year after the granted date, but can be accelerated depending upon the achievement of certain results, which are based on certain EBIT (earnings before interest and taxes).

Up to March 31, 2004, none option granted to the Company's key employees was exercised. At March 31, 2004, the closing price per 1,000 preferred shares was set as R\$4.28 (R\$4.13 at December 2003) at the São Paulo Stock Exchange, which price was lower than the option exercise price per 1,000 preferred shares at the granted date. When the exercise of the options by the employees occurs, the Board of Directors should approve the respective capital increase. Such increase will only be recognized when the capital had been paid-in.

21. Statement of Changes in Shareholders' Equity for the Period

| | |
|---|---------|
| Balance at December 31, 2003 | 926,986 |
| Net income for the period | 32,423 |
| Balance at March 31, 2004 | 959,409 |
| Net equity book value per thousand of shares (in Reais) | 2.69 |

22. Net Operating Revenue

| | Consolidated | |
|--|--------------|----------|
| | 03/2004 | 03/2003 |
| Revenues from telecommunication services | | |
| Subscriptions | 57,658 | 54,574 |
| Usage | 120,316 | 129,162 |
| Long distance | 29,512 | - |
| Use of network | 116,872 | 94,940 |
| Other services | 20,361 | 10,143 |
| | 344,719 | 288,819 |
| Sale of products | 77,073 | 28,638 |
| | 421,792 | 317,457 |
| Gross revenues | | |
| Deduction from Gross revenues | | |
| Taxes | (80,121) | (63,899) |
| Discounts | (25,906) | (6,898) |
| Other | (6) | (37) |
| | (106,033) | (70,834) |
| | 315,759 | 246,623 |

23. Cost of Services Rendered and Goods Sold

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| | Consolidated | |
|--|--------------|-----------|
| | 03/2004 | 03/2003 |
| Salaries and social contribution charges | (2,288) | (2,317) |
| Third-party services | (9,718) | (6,010) |
| Interconnection | (36,717) | (38,875) |
| Depreciation and amortization | (43,930) | (42,081) |
| Cost of goods sold | (68,566) | (29,481) |
| Other | (1,929) | (1,062) |
| | (163,148) | (119,826) |

24. Selling Expenses

| | Consolidated | |
|--|--------------|----------|
| | 03/2004 | 03/2003 |
| Salaries and social contribution charges | (7,290) | (5,576) |
| Third-party services | (38,252) | (27,462) |
| Allowance for doubtful accounts and provision for losses | (8,992) | (2,659) |
| Loss with accounts receivable | (6,341) | (2,833) |
| Fistel | (10,467) | (6,555) |
| Depreciation and amortization | (2,568) | (3,484) |
| Other | (1,987) | (669) |
| | (75,897) | (49,238) |

25. General and Administrative Expenses

| | Parent Company | | Consolidated | |
|--|----------------|---------|--------------|----------|
| | 03/2004 | 03/2003 | 03/2004 | 03/2003 |
| Salaries and social contribution charges | (46) | (1,559) | (3,963) | (6,699) |
| Third-party services | (33) | (382) | (9,659) | (12,401) |
| Depreciation and amortization | (3) | (4) | (8,222) | (6,197) |
| Other | (3) | (284) | (1,434) | (1,602) |
| | (85) | (2,229) | (23,278) | (26,899) |

During the three-months period ended March 31, 2004, the Company and subsidiary paid R\$433 (R\$598 at March 31, 2003) to management members.

26. Other Operating Income

| | Parent Company | | Consolidated | |
|--|----------------|---------|--------------|---------|
| | 03/2004 | 03/2003 | 03/2004 | 03/2003 |

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| | | | | |
|--------------------------------------|-----|-----|-------|-------|
| Fine over telecommunication services | - | - | 1,059 | 850 |
| Anti fraud services | - | - | 66 | 59 |
| Others | 335 | 207 | 2,077 | 1,077 |
| | 335 | 207 | 3,202 | 1,986 |

27. Other Operating Expenses

| | Parent Company | | Consolidated | |
|-----------------------------|----------------|---------|--------------|----------|
| | 03/2004 | 03/2003 | 03/2004 | 03/2003 |
| Expenses | | | | |
| Amortization of goodwill | - | - | (6,317) | (6,336) |
| Provision for contingencies | (264) | - | (1,389) | - |
| Other expenses | (874) | (923) | (2,230) | (5,632) |
| | (1,138) | (923) | (9,936) | (11,968) |

28. Income Tax and Social Contribution

The provision for income tax is calculated at the rate of 15%, plus an additional 10% on taxable income. The provision for social contribution is calculated at the rate of 9% on income before income tax, adjusted in accordance with current tax legislation.

The current and deferred income tax and social contribution are comprised as follows:

| | Parent Company | | Consolidated | |
|------------------------------|----------------|---------|--------------|---------|
| | 03/2004 | 03/2003 | 03/2004 | 03/2003 |
| Current income tax | 31 | (2,124) | (12,858) | (4,178) |
| Current social contribution | 11 | (769) | (4,685) | (1,505) |
| Deferred income tax | 36 | 267 | 2,350 | (2,484) |
| Deferred social contribution | 13 | 96 | 846 | (898) |
| | 91 | (2,530) | (14,347) | (9,065) |

Reconciliation of the taxes recorded in the income statement is as follows:

| | Parent Company | | Consolidated | |
|--|----------------|---------|--------------|---------|
| | 03/2004 | 03/2003 | 03/2004 | 03/2003 |

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| | | | | |
|--|----------|----------|----------|----------|
| Income tax | | | | |
| Income before taxes | 32,332 | 31,195 | 54,350 | 45,861 |
| Interest on shareholders equity received | 9,291 | - | - | |
| Interest on shareholders equity paid | - | - | - | (2,209) |
| Equity result | (32,992) | (33,405) | - | 788 |
| Basis of calculation | (660) | 7,081 | 54,350 | 44,440 |
| Standard rate - 25% | 165 | (1,771) | (13,587) | (11,110) |
| Permanent differences | | | | |
| Goodwill amortization | - | - | 3,066 | 2,962 |
| Others | (99) | (86) | 13 | 1,485 |
| | (99) | (86) | 3,079 | 4,447 |
| | 66 | (1,857) | (10,508) | (6,663) |
| Social contribution | | | | |
| Income before taxes | 32,332 | 31,195 | 54,350 | 45,861 |
| Interest on shareholders equity received | - | 9,291 | - | - |
| Interest on shareholders equity paid | - | - | - | (2,209) |
| Equity results | (32,992) | (33,405) | - | 788 |
| Basis of calculation | (660) | 7,081 | 54,350 | 44,440 |
| Standard rate - 9% | 59 | (637) | (4,891) | (4,000) |
| Permanent differences | | | | |
| Goodwill amortization | - | - | 1,104 | 1,066 |
| Others | (34) | (36) | (52) | 532 |
| | (34) | (36) | 1,052 | 1,598 |
| | 25 | (673) | (3,839) | (2,402) |
| Total income tax and social contribution | 91 | (2,530) | (14,347) | (9,065) |

29. Financial Instruments

The Company and its subsidiary carry out operations involving financial instruments with the aim of reducing risks relating to market, foreign exchange and interest rates. Such risks are controlled through specific policies, the establishment of operating strategies and limits, and other techniques for monitoring the positions.

The estimated market value of the financial instruments, primarily cash and cash equivalents, trade accounts receivable, and short-term financing instruments, approximates its book value because of the short maturity of those instruments.

On March 31, 2004, the Company and its subsidiary invested their financial resources mainly in investments backed by Certificados de Depósito Interbancário (CDIs - Interbank Deposit Certificates), recorded as Marketable Securities. There are no financial assets indexed to a foreign currency.

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The estimated fair value of long-term loans and financings are based on interest rates as of March 31, 2004 for transactions with similar characteristics, as below.

| | Book Value | Market |
|-------------------------------|---------------|--------|
| Long-term loans and financing | 67,149 | 67,585 |
| (a) Loans and financing | | |

Fair values of loans and financing demonstrated above are determined based on future cash flow and interest rates applicable to similar transactions, in same conditions and risks or based on the market quotations for such operations. On March 31, 2004, the total liabilities denominated in United States dollars totaled R\$12,957 (R\$23,957 at December 31, 2003).

In addition to those financial instruments, the subsidiary Tim Sul S.A. has Swap Contracts between US Dollars and mix of currencies (BNDES) to CDI, in the amount of R\$203 (R\$1,147 on December 31, 2003), with due dates between 2004 and 2007. On March 31, 2004, the Company had a loss in its Swap agreements in the amount of R\$497 (R\$22,155 on December 31, 2003), which was recorded as financing expenses and a contra account of loans and financing.

(b) Limitations

The market values were estimated at a certain period, based on significant market information. Changes in assumptions may affect significantly the estimates presented.

(c) Risk factors

The risk factors affecting the Company's instruments are the following:

(i) Exchange and interest rates risk

The exchange and interest rates risk relate to the possibility of the Company computing losses resulting from fluctuations in exchange and interest rates, thus increasing debt balances of loans obtained in the market and the corresponding financial charges. In order to mitigate this kind of risk, the Company carries out hedge contracts with financial institutions.

At March 31, 2004, a portion of Company loans was denominated in U.S. dollars and 100% of the loans were covered by hedge contracts. The income or loss resulting from these hedge contracts is charged to operating results.

The Company is also a part in agreements that allow it to effectively pay interest at fixed rates on some of its debts contracted in variable interest rates.

(ii) Credit operating risk

The risk is related to the possibility of the Company computing losses originating from the difficulty of collecting the amounts billed to customers, which are represented by traders of prepaid telephone cards and distributors of cellular equipment. In order to have this risk reduced, the Company performs credit analyses to assist the risk management in respect to collection problems and monitors the accounts receivable from subscribers, blocking the telephony ability in case customers do not pay their bills. With respect to distributors, the Company maintains individual credit limits, based on potential sales analysis, risk history and risk with collection problems. The Company generally does not require collateral from its customers.

(iii) Credit risk related to the sale of telephone sets

The Company's policy for the sale of telephone sets and distribution of prepaid telephone cards is directly related to the risk of credit levels accepted during the normal course of business. The selection of partners, the diversification of the accounts payable portfolio, the monitoring of loan conditions, the positions and limits of requests established for traders, the constitution of real guarantees are procedures adopted by the Company to minimize possible collection problems with its commercial partners.

(iv) Financial credit risk

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The risks related to the possibility of the Company computing losses originating from the difficulty in realizing its short-term investments and hedge contracts. The Company and its subsidiaries minimize the risk associated to these financial instruments by investing in well-reputed financial institutions.

There is no concentration of available resources of work, service, concessions or rights that have not been mentioned above that could, if eliminated suddenly, severely impact the operations of the Company.

30. Insurance coverage

As of March 31, 2004, the Company presents insurance cover against fire and various risks for the inventories and fixed assets, based on amounts considered sufficient to cover eventual losses, considering management assessment of the risks and amounts involved.

The amount insured against robbery of the inventories is of R\$10,800.

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A free translation from Portuguese into English of Quarterly Financial Information prepared in Brazilian currency and in accordance with the accounting practices adopted in Brazil. Corporate Legislation
March 31, 2004

FEDERAL GOVERNMENT SERVICE
BRAZILIAN SECURITIES COMMISSION (CVM)
QUARTERLY INFORMATION - ITR
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES

| 01 - IDENTIFICATION | | |
|---------------------|-------------------------------------|---|
| 1 - CVM CODE | 2 - COMPANY NAME | 3 - National Corporate Taxpayers' Registry - CNPJ |
| 0176-9 | Tele Celular Sul Participações S.A. | 02.558.115/0001-21 |

05.01 - Comments on Company Performance

See 08.01- Comments on the consolidated company performance in the quarter.

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06.01 - Consolidated Balance Sheet - Assets (R\$ thousand)

06.01 CONSOLIDATED BALANCE SHEET (In Thousands of Reais)

| 1 Code | 2 Description | 3 3.31.2004 | 4 12.31.2003 |
|------------|------------------------------------|-------------|--------------|
| 1 | Total assets | 1,639,295 | 1,636,713 |
| 1.01 | Current assets | 778,563 | 752,638 |
| 1.01.01 | Cash and cash equivalents | 419,412 | 418,722 |
| 1.01.01.01 | Banks | 4,774 | 20,682 |
| 1.01.01.02 | Marketable securities | 414,638 | 398,040 |
| 1.01.02 | Receivables | 241,820 | 230,824 |
| 1.01.02.01 | Receivables from customers | 241,820 | 230,824 |
| 1.01.03 | Inventories | 20,216 | 16,241 |
| 1.01.04 | Other current assets | 97,115 | 86,851 |
| 1.01.04.01 | Recoverable taxes | 15,823 | 29,816 |
| 1.01.04.02 | Deferred taxes | 57,250 | 52,562 |
| 1.01.04.03 | Prepaid expenses | 21,894 | 1,119 |
| 1.01.04.04 | Advances to suppliers | 1,134 | 1,376 |
| 1.01.04.05 | Other | 1,014 | 1,978 |
| 1.02 | Long-term assets | 149,659 | 160,955 |
| 1.02.01 | Other receivables | 134,340 | 145,653 |
| 1.02.01.01 | Recoverable taxes | 7,951 | 6,200 |
| 1.02.01.02 | Deferred taxes | 126,389 | 139,453 |
| 1.02.02 | Receivables from related companies | 0 | 0 |
| 1.02.02.01 | Associated companies | 0 | 0 |
| 1.02.02.02 | Subsidiaries | 0 | 0 |
| 1.02.02.03 | Other related companies | 0 | 0 |
| 1.02.03 | Other | 15,319 | 15,302 |
| 1.02.03.01 | Judicial deposits | 15,034 | 14,939 |
| 1.02.03.02 | Other | 285 | 363 |
| 1.03 | Permanent assets | 711,073 | 723,120 |
| 1.03.01 | Investments | 11,075 | 11,470 |
| 1.03.01.01 | In associated companies | 0 | 0 |
| 1.03.01.02 | In Subsidiaries | 0 | 0 |
| 1.03.01.03 | Other | 0 | 0 |
| 1.03.02 | Property, plant and equipment | 669,758 | 676,887 |
| 1.03.03 | Deferred charges | 30,240 | 34,763 |

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06.02 - Consolidated Balance Sheet - Liabilities and Stockholders' Equity (R\$ thousand)

06.02 CONSOLIDATED BALANCE SHEET (In Thousands of Reais)

| 1 Code | 2 Description | 3 3.31.2004 | 4 12.31.2003 |
|------------|---|-------------|--------------|
| 2 | Total liabilities and shareholders' equity | 1,639,295 | 1,636,713 |
| 2.01 | Current liabilities | 392,535 | 418,349 |
| 2.01.01 | Debt - current portion | 32,003 | 42,751 |
| 2.01.02 | Debentures - current portion | 0 | 0 |
| 2.01.03 | Suppliers | 179,784 | 197,234 |
| 2.01.04 | Taxes, charges and contributions | 71,136 | 72,816 |
| 2.01.05 | Dividends payable | 48,760 | 48,809 |
| 2.01.05.01 | Interest on shareholders' equity | 16,037 | 16,086 |
| 2.01.05.02 | Dividends payable | 32,723 | 32,723 |
| 2.01.06 | Provisions | 0 | 0 |
| 2.01.07 | Payable to related companies | 0 | 0 |
| 2.01.08 | Other | 60,852 | 56,739 |
| 2.01.08.01 | Salaries, charges and social benefits | 9,945 | 13,487 |
| 2.01.08.02 | Use License | 17,241 | 16,728 |
| 2.01.08.03 | Pass to other carriers | 24,487 | 16,445 |
| 2.01.08.04 | Deferred revenue | 8,906 | 5,034 |
| 2.01.08.05 | Other liabilities | 273 | 5,045 |
| 2.02 | Long-term liabilities | 102,258 | 113,865 |
| 2.02.01 | Debt | 35,146 | 39,432 |
| 2.02.02 | Debentures | 0 | 0 |
| 2.02.03 | Provisions | 16,985 | 15,596 |
| 2.02.03.01 | Provision for pension plan | 3,733 | 3,733 |
| 2.02.03.02 | Provision for contingencies | 13,252 | 11,863 |
| 2.02.04 | Payable to related companies | 0 | 0 |
| 2.02.05 | Other | 50,127 | 58,837 |
| 2.02.05.01 | Taxes and contributions payable | 50,127 | 58,837 |
| 2.03 | Deferred income | 0 | 0 |
| 2.04 | Minority interest | 185,093 | 177,513 |
| 2.05 | Shareholders' equity | 959,409 | 926,986 |
| 2.05.01 | Paid-up capital | 369,163 | 369,163 |
| 2.05.02 | Capital reserves | 148,565 | 148,565 |
| 2.05.03 | Revaluation reserves | 0 | 0 |
| 2.05.03.01 | Own assets | 0 | 0 |
| 2.05.03.02 | Associated/subsidiary companies' assets | 0 | 0 |
| 2.05.04 | Revenue reserves | 409,258 | 409,258 |
| 2.05.04.01 | Legal | 29,835 | 29,835 |
| 2.05.04.02 | Statutory | 0 | 0 |
| 2.05.04.03 | Contingencies | 0 | 0 |
| 2.05.04.04 | Unrealized profits | 0 | 0 |
| 2.05.04.05 | Retention of profits | 0 | 0 |
| 2.05.04.06 | Special reserve for undistributed dividends | 0 | 0 |
| 2.05.04.07 | Other revenue reserves | 379,423 | 379,423 |
| 2.05.05 | Retained earnings/accumulated deficit | 32,423 | 0 |

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07.01 - Consolidated Statement of Operations

| 1 Code | 2 Description | 3 01.01.2004 to 3.31.2004 | 4 - 01.01.2004 to 3.31.2004 | 5 01.01.2003 to 3.31.2003 | 6 - 01.01.2003 to 3.31.2003 |
|------------|--|------------------------------|--------------------------------|------------------------------|--------------------------------|
| 3.01 | Gross revenue from goods sold and services rendered | 421,792 | 421,792 | 317,457 | 317,457 |
| 3.02 | Deductions to gross revenue | (106,033) | (106,033) | (70,834) | (70,834) |
| 3.03 | Net revenue from goods sold and services rendered | 315,759 | 315,759 | 246,623 | 246,623 |
| 3.04 | Cost of goods sold and services rendered | (163,148) | (163,148) | (119,826) | (119,826) |
| 3.05 | Gross profit | 152,611 | 152,611 | 126,797 | 126,797 |
| 3.06 | Operating expenses/income | (98,284) | (98,284) | (81,067) | (81,067) |
| 3.06.01 | Selling | (75,897) | (75,897) | (49,238) | (49,238) |
| 3.06.02 | General and administrative | (23,278) | (23,278) | (26,899) | (26,899) |
| 3.06.03 | Financial, net | 7,625 | 7,625 | 5,840 | 5,840 |
| 3.06.03.01 | Financial income | 17,956 | 17,956 | 33,033 | 33,033 |
| 3.06.03.02 | Financial expenses | (10,331) | (10,331) | (27,193) | (27,193) |
| 3.06.04 | Other operating income | 3,202 | 3,202 | 1,986 | 1,986 |
| 3.06.05 | Other operating expenses | (9,936) | (9,936) | (11,968) | (11,968) |
| 3.06.06 | Equity interest in income of subsidiary and associated companies | 0 | 0 | (788) | (788) |
| 3.07 | Operating profit (loss) | 54,327 | 54,327 | 45,730 | 45,730 |
| 3.08 | Non-operating results | 23 | 23 | 131 | 131 |
| 3.08.01 | Income | 26 | 26 | 131 | 131 |
| 3.08.02 | Expenses | (3) | (3) | 0 | 0 |
| 3.09 | Income (loss) before taxes and participation | 54,350 | 54,350 | 45,861 | 45,861 |
| 3.10 | Provision for income tax and social contribution | (17,543) | (17,543) | (5,683) | (5,683) |
| 3.11 | Deferred income tax | 3,196 | 3,196 | (3,382) | (3,382) |
| 3.12 | Statutory profit sharing and contributions | 0 | 0 | 0 | 0 |
| 3.12.01 | Participation | 0 | 0 | 0 | 0 |
| 3.12.01.01 | Profit sharing | 0 | 0 | 0 | 0 |
| 3.12.02 | Contributions | 0 | 0 | 0 | 0 |
| 3.13 | Reversal of interest attributed to shareholders capital | 0 | 0 | 0 | 0 |
| 3.14 | Minority interest | (7,580) | (7,580) | (8,131) | (8,131) |
| 3.15 | Net income (loss) for the period | 32,423 | 32,423 | 28,665 | 28,665 |
| | Number of shares (thousand), excluding treasury stock | 356,478,471 | 356,478,471 | 342,969,940 | 342,969,940 |
| | Net income per share | 0.00009 | 0.00009 | 0,00008 | 0,00008 |
| | Net loss per share | | | | |

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08.01 Comments on Company Performance During the Quarter
(All amounts in thousands of reais unless otherwise indicated)

Comments on consolidated performance first quarter/2004

Market

The Company finished the first quarter of 2004 with 2,192,072 subscribers, being 555,279 pos-paid subscribers and 1,636,793 pre-paid subscribers, which represent a 25.1% increase in the total subscribers.

On March 31, 2004, the Company has coverage of 256 cities taking its services to 82% of the total population in the region where acts. Additionally, the Company estimates the total penetration in 27% and also estimates that serves approximately 53% of the total cellular lines in operation within in its region.

Operating Revenue

| | R\$ thousands | | |
|----------------------------|------------------|------------------|------------------|
| | 1st quarter/2004 | 1st quarter/2003 | 4th quarter/2003 |
| Handset sales | 77,073 | 28,638 | 103,161 |
| Usage | 120,316 | 129,162 | 116,552 |
| Subscription | 57,658 | 54,574 | 56,153 |
| Use of network | 116,872 | 94,940 | 105,672 |
| Long distance | 29,512 | 0 | 20,850 |
| Other | 20,361 | 10,143 | 20,329 |
| Gross revenue | 421,792 | 317,457 | 422,717 |
| Taxes and other deductions | (106,033) | (70,834) | (103,809) |
| Net revenue | 315,759 | 246,623 | 318,908 |

During the first quarter of 2004, the Company's gross revenue amounted to R\$421.8 million, an increase of 32.9% when compared to the first quarter of 2003. The main reasons were: a) the increase in 25.1% in the number of subscribers; b) increase in the handsets sales; c) increase of 78.3% in the value-added services, which includes short messaging services, multimedia message services (MMS), voice mail, call waiting, call forwarding, conference calling services, chats, among others.

At July 6, 2003 the Company introduced the CSP Program Programa de Código de Seleção de Prestadora, or Telecommunication Service Provider Selection Code, which will allow the subscribers to choose the long distance carriers on a per call basis. The choice of the companies to the cellular phone calls is determined by the SMP Serviço Móvel Pessoal, or the Permanent Communication Service with which the Company has been operating since December 2002.

Beginning in the third quarter of 2003, due to the new tariff structure implemented to the SMP, the Long Distance Service Revenue has been recorded, which replaced part of the VC1 (calls originated by client into his service record area to people at the same service record area) and VC2 (calls originated by client in one record area to another record area, but inside the same Covered Area) revenues.

Costs and Operating Expenses

| | R\$ thousands | | |
|--|------------------|------------------|------------------|
| | 1st quarter/2004 | 1st quarter/2003 | 4th quarter/2003 |
| Cost of goods sold and services rendered | 119,218 | 77,745 | 124,475 |
| Costs of services rendered (1) | 50,652 | 48,264 | 42,406 |
| Cost of goods sold | 68,566 | 29,481 | 82,069 |
| Selling expenses (1) e (2) | 57,996 | 40,262 | 61,246 |
| General and administrative expenses (1) | 15,056 | 21,150 | 15,007 |
| TOTAL | 192,270 | 139,157 | 200,728 |

(1) Depreciation and amortization not included

(2) Allowance for doubtful account expenses not included

During the quarter ended March 31, 2004, the costs and operating expenses totaled R\$192.2 million, representing an increase of 38.2% in when compared to the first quarter of 2003. The main reason for the increase was related the increase in the number of subscribers, the increase in volume of handsets sold and increase in the interconnection's tariff.

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The depreciation and amortization expenses amounted to R\$61.4 million, including goodwill amortization, compared with R\$58.5 million in the first quarter of 2003.

EBITDA

During the first quarter of 2004, EBITDA, by the international concept (operating result before net financing expenses, excluding depreciation and amortization) was R\$108.1 million, representing an increase of 9.5% in relation to the first quarter of 2003.

The EBITDA margin was 39.2% over net services revenues, which represents five percentage points below when compared to first quarter of 2003, due to the increase of 111.3% in gross additions in the period.

| | R\$ thousands | | |
|--------------------------------------|------------------|------------------|------------------|
| | 1st quarter/2004 | 1st quarter/2003 | 4th quarter/2003 |
| Net revenues | 315,759 | 246,623 | 318,908 |
| Operating income | 54,327 | 45,730 | 53,364 |
| Depreciation and amortization | 54,720 | 51,762 | 51,420 |
| Goodwill amortization | 6,712 | 6,337 | 8,988 |
| Financing revenues | (17,956) | (33,033) | (26,329) |
| Financing expenses | 10,331 | 27,193 | 13,797 |
| Equity | 0 | 788 | 283 |
| EBITDA | 108,134 | 98,777 | 101,523 |
| EBITDA Margin over Total Revenues | 34.2% | 40.1% | 31.8% |
| EBITDA Margin over Services Revenues | 39.2% | 44.2% | 42.2% |

Net Income

During the quarter, net income was R\$32.4 million, 13.1% higher than the first quarter of 2003, mainly due to the increase on revenues. Net income per thousand share was R\$0.09 and R\$0.90 per ADR. Indebtedness

Indebtedness

On March 31, 2004 the debt of the Company was R\$67.1 million comparing with net cash and cash equivalent of R\$352.3 million. Of the total debt, R\$12.9 million represents foreign loans (US\$), which are fully covered by hedge operations.

During the first quarter of 2004, a net financing income of R\$7.6 million was recorded, which source is basically related to the reduction of the indebtedness and the remuneration of the cash and cash equivalents.

During this quarter the capital expenditures were R\$43.1 million which were basically related to the implementation of the GSM overlay.

Capital market

Tele Celular Sul Participações S.A. closed the first quarter of 2004 with its common and preferred shares valuing at Bovespa at R\$3.50 and R\$4.28 per 1,000 shares, respectively. The book value per share per 1,000 shares was R\$2.69.

At the New York stock market (NYSE), the Company's ADRs (American Depositary Receipt) were valued at US\$14.99 at the last day of the quarter.

Other Information

As determined by a specific regulation of CVM – Comissão de Valores Mobiliários (381/03) or the Brazilian Securities and Exchange Commission, we inform that during the first quarter of 2004 our auditors Ernst & Young Auditores Independentes S.S. performed just the quarterly limited review for the Company and its subsidiary's quarterly financial information, prepared based on the accounting practices adopted in Brazil.

Selected Financial Data

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| | 1st quarter/2004 | 1st quarter/2003 | 4th quarter/2003 |
|--|------------------|------------------|------------------|
| Total subscribers | 2,192,072 | 1,752,938 | 2,055,884 |
| Pos-paid | 1,636,793 | 1,246,563 | 1,522,071 |
| Pre-paid | 555,279 | 506,375 | 533,813 |
| Estimated population in the region (million) | 15.4 | 15.0 | 15.4 |
| Municipalities covered | 256 | 250 | 256 |
| Estimated penetration (TSU) | 27% | 20% | 24% |
| Investments (million) | 43.1 | 5.1 | 118.0 |
| Total employees | 1,105 | 993 | 958 |

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17.01 Report on the Special Review - Unqualified

A free translation from Portuguese into English of the Special Review Report of Independent Auditors on the Quarterly Financial Information prepared in Brazilian currency and in accordance with the accounting practices adopted in Brasil.

Report of Independent Accountants on the Special Review of Quarterly Information

Curitiba, April 16, 2004

To the Board of Directors and Shareholders
Tele Celular Sul Participações S.A.

We have carried out a special review of the quarterly information (ITR) of Tele Celular Sul Participações S.A., related to the quarter ended March 31, 2004, including the balance sheet, the income statement, the comments over the performance in the quarter and the relevant information, prepared in accordance with the accounting practices adopted in Brazil.

Our review was conducted in accordance with standards established by the Brazilian Institute of Independent Auditors - IBRACON in conjunction with the Federal Accounting Council (CFC) and mainly was comprised by: (a) inquiries of, and discussions with, management responsible for the accounting, financial and operating areas of the Company with regard to the main criteria adopted for the preparation of the Quarterly Information and (b) a review of the significant information and subsequent events which have, or could have, significant effects on the Company's financial position and operations.

Based on our special review, we are not aware of any significant adjustments which should be made to the Quarterly Information referred to above in order that such information be stated in conformity with accounting practices adopted in Brazil applicable to the preparation of quarterly information, consistent with the regulations of the Brazilian Securities Commission - CVM.

Audidores Independentes S.S.
CRC-2-SP 015199/O-6- S-PR
Marcos Antonio Quintanilha
CRC-1-SP 132776/O-3 T-SC - S-PR

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| Group | ITR | Description | Page |
|-------|-----|---|------|
| 01 | 01 | Identification | 1 |
| 01 | 02 | Head-office | 1 |
| 01 | 03 | Investor Relations Officer | 1 |
| 01 | 04 | Quarterly Information/Independent Accountant | 1 |
| 01 | 05 | Capital composition | 2 |
| 01 | 06 | Characteristics of the company | 2 |
| 01 | 07 | Companies excluded from the consolidated financial statements | 2 |
| 01 | 08 | Dividends approved and/or paid during and after the quarter | 2 |
| 01 | 09 | Subscribed capital and changes in current year | 3 |
| 01 | 10 | Investor Relations Officer | 3 |
| 02 | 01 | Balance sheet assets | 4 |
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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TELE CELULAR SUL PARTICIPAÇÕES, S.A.

Date: April 30, 2004

By: /s/ Paulo Roberto Cruz Cozza

Name: Paulo Roberto Cruz Cozza

Title: Chief Financial Officer
