

TELE CELULAR SUL PARTICIPACOES SA
Form F-4
June 09, 2004
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As filed with the Securities and Exchange Commission on June 9, 2004

Registration No. 333-[]

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM F-4

REGISTRATION STATEMENT

under

THE SECURITIES ACT OF 1933

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)

Federative Republic of Brazil
(State or other jurisdiction of

incorporation or organization)

4812
(Primary Standard Industrial

Classification Code Number)

Not Applicable
(I.R.S. Employer

Identification No.)

Rua Comendador Araújo 299 - 3º andar

Curitiba, Paraná 80420-000

Brazil

55-41-312-6702

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

CT Corporation System

111 Eighth Avenue, 13th Floor

New York, New York 10011

(212) 590-9100

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:

Eduardo Vidal

Morgan, Lewis & Bockius LLP

101 Park Avenue

New York, New York 10178

(212) 309-6955

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered⁽¹⁾⁽²⁾	Proposed Maximum Offering Price Per 1,000 Shares⁽³⁾	Proposed Maximum Aggregate Offering Price⁽²⁾⁽³⁾	Amount of Registration Fee
Preferred shares, no par value ⁽¹⁾	211,151,865,760	US\$1.15	US\$242,824,645.62	\$30,765.88

- (1) 116,784,803,268 of these shares will initially be represented by the registrant's American Depositary Shares (ADSs), each of which representing 10,000 preferred shares, and evidenced by American Depositary Receipts (ADRs). The ADSs have been registered under a separate registration statement on Form F-6 (Registration No. 333-83742). The remaining 94,367,062,492 shares will not be represented by ADSs.
- (2) Includes a maximum number of the registrant's shares expected to be issued in connection with the merger described in the accompanying prospectus. The securities to be issued in connection with the merger outside the United States to non-U.S. residents are not registered under this registration statement.
- (3) The Proposed Maximum Aggregate Offering Price per thousand shares (estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(f) and Rule 457(c) under the Securities Act) was calculated in accordance with the exchange ratio of 0.9261 preferred shares of the registrant to be exchanged for each preferred share of Tele Nordeste Celular Participações S.A. (TND) held directly by a U.S. resident, and the exchange ratio of 1.8522 ADSs representing preferred shares of the registrant to be exchanged for each ADS of TND, in each case in connection with the merger described in the accompanying prospectus, based on (a) R\$3.58, the average of the high and low prices of TND's preferred shares as reported on the São Paulo Stock Exchange on June 7, 2004 converted into U.S. dollars based on an exchange rate of R\$3.116 = US\$1.00, the noon buying rate on June 7, 2004, and (b) US\$22.94, the average of the high and low prices of TND's ADSs as reported on the New York Stock Exchange on June 7, 2004.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the United States Securities Act of 1933, as amended (the Securities Act), or until this registration statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, Dated June 9, 2004

Tele Celular Sul Participações S.A.

(Tele Cellular Sul Holding Company)

Tele Celular Sul Participações S.A., or TSU, and its affiliate Tele Nordeste Celular Participações S.A., or TND, have proposed a merger (*incorporação*) under Brazilian law of TND with and into TSU. TSU and TND provide, through their operating subsidiaries, cellular telecommunications services in their respective authorization areas in Brazil under the TIM brand. If the merger is approved:

TND will cease to exist;

TIM Nordeste Telecomunicações S.A., TND's only operating subsidiary, will become our direct subsidiary;

we will combine our assets and liabilities (including shareholders' equity) with the assets and liabilities (including shareholders' equity) of TND, and will change our legal name to [PAVIA];

direct holders of preferred shares of TND will automatically receive 0.9261 preferred shares of TSU for each preferred share they hold, without any further action by those holders; and

holders of American Depositary Shares, or ADSs, of TND will receive 1.8522 ADSs of TSU (each representing 10,000 preferred shares of TSU) for each ADS they hold, upon payment by the holders of the fees and expenses of the depositary and surrender of the physical ADR certificate, if applicable.

The merger must be approved by at least a majority of the common shares present at its extraordinary general shareholders' meeting, in the case of TSU, and at least 50% of its total outstanding common shares, in the case of TND. The extraordinary general shareholders' meetings of TND and TSU to vote on the merger are scheduled to occur on [], 2004. TSU and TND expect the merger to be approved because:

TIM Brasil Serviços e Participações S.A. (TIM Brasil), TSU's and TND's controlling shareholder, holds 52.5% of the outstanding common shares of TSU and 53.5% of the outstanding common shares of TND, has indicated to TND and TSU that it will vote those

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shares in favor of the merger; and

Telecom Italia Mobile S.p.A., a corporation (*società per azioni*) organized under the laws of Italy (TIM), which, through its indirect majority ownership of TIM Brasil, has the ability to determine those actions of TSU and TND that require shareholder approval, has indicated to TND and TSU that it will direct TIM Brasil to vote the common shares of TSU and TND held by TIM Brasil, in favor of the merger.

Holders of preferred shares and ADSs of TSU and TND do not have the right to vote on the merger. **We are not asking you for a proxy and you are requested not to send us a proxy.**

The TSU ADSs to be received by holders of TND ADSs will be listed on the New York Stock Exchange under the symbol TSU.

This prospectus has been prepared for holders of preferred shares of TND residing in the United States and for holders of TND ADSs, in order to provide information about the merger. **No offer is being made to holders of common shares of TND pursuant to this prospectus.**

You should read this prospectus carefully. In particular, please read the section entitled Risk Factors beginning on page 24 for a discussion of risks that you should consider in evaluating the transaction described in this prospectus.

Neither the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued in connection with the merger or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This prospectus is dated [], 2004 and is expected to be mailed to shareholders on or about that date.

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PRESENTATION OF FINANCIAL INFORMATION

The following financial statements are included in this prospectus:

the audited consolidated financial statements of TSU at December 31, 2002 and 2003, and for the three years ended December 31, 2003, included in Part Nine Financial Statements of this prospectus (Information Derived from TSU's Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2003 Filed with the United States Securities and Exchange Commission (the SEC) on May 20, 2004);

the unaudited consolidated quarterly financial information of TSU at March 31, 2004, included as Annex A to this prospectus (Information Derived from TSU's Report on Form 6-K Furnished to the SEC on May 3, 2004);

the audited consolidated financial statements of TND at December 31, 2002 and 2003, and for the three years ended December 31, 2003, included in Part Nine Financial Statements of this prospectus (Information Derived from TND's Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2003 Filed with the SEC on May 19, 2004, as Amended by TND's Annual Report on Form 20-F/A Filed with the SEC on June 8, 2004); and

the unaudited consolidated quarterly financial information of TND at March 31, 2004, included as Annex B to this prospectus (Information Derived from TND's Report on Form 6-K Furnished to the SEC on May 4, 2004).

TSU and TND prepare their financial statements using accounting practices in accordance with Brazilian corporate law, accounting standards and procedures established by the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or CVM, and related rules applicable to telecommunications service operators. These accounting practices are referred in this prospectus as Brazilian corporate law. Prior to 2000, TSU and TND prepared their financial statements for purposes of filing reports with the SEC in accordance with specific guidance published by the Brazilian Institute of Accountants (Brazilian GAAP). The accounting principles embodied in Brazilian GAAP and Brazilian corporate law are generally identical, except that Brazilian GAAP requires historical financial information to be restated in constant *reais* as of the end of the period presented, using the integral restatement method (*correção monetária integral*), except when, by determination of the Brazilian Institute of Accountants, the rate of inflation for the period is so low as to render insignificant the effect of any such restatement. Early in 2001, the SEC announced that Brazilian companies could present their financial information in accordance with Brazilian corporate law, which has excluded monetary restatements of historical financial information since 1995, following the end of hyperinflation in Brazil in the early 1990's. In connection with the change in accounting methods in fiscal year 2000, TSU and TND restated their financial statements for all prior periods for consistent presentation.

Brazilian corporate law differs in significant respects from generally accepted accounting principles in the United States, or U.S. GAAP. For a discussion of these differences, please see note 31 to our audited consolidated financial statements included in Part Nine Financial Statements of this prospectus, as well as a reconciliation to U.S. GAAP of our shareholders' equity as of December 31, 2002 and 2003, and net income for the years ended December 31, 2001, 2002 and 2003, and note 26 to TND's audited consolidated financial statements included in Part Nine Financial Statements of this prospectus for a reconciliation to U.S. GAAP of TND's shareholders' equity as of December 31, 2002 and 2003, and net income for the years ended December 31, 2001, 2002 and 2003.

References to the *real*, *reais* or R\$ are to Brazilian *reais* (plural) and the Brazilian *real* (singular) and references to U.S. dollars or US\$ are to United States dollars.

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This prospectus contains translations of various *real* amounts into U.S. dollars at specified rates solely for your convenience. You should not construe these translations as representations by us that the *real* amounts actually represent these U.S. dollar amounts or could be converted into U.S. dollars at the rates indicated. Unless

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otherwise indicated, we have translated the Brazilian currency amounts for the year ended December 31, 2003 using a rate of R\$2.88920 to US\$1.00, the Brazilian Central Bank's PTAX 800 commercial selling rate at December 31, 2003.

In this prospectus, TSU, we, us and our refer to Tele Celular Sul Participações S.A. and its consolidated operating subsidiary, TIM Sul S.A. (TIM Sul).

In this prospectus, TND refers to Tele Nordeste Celular Participações S.A. and its consolidated operating subsidiary, TIM Nordeste Telecomunicações S.A. (TIM Nordeste).

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are subject to risks and uncertainties. These forward-looking statements relate to, among other things:

management strategy;

synergies;

operating efficiencies;

integration of new business units;

market position;

revenue growth;

cost savings;

capital expenditures;

flexibility in responding to market conditions and the regulatory regime;

regulatory action;

influence of controlling shareholders;

litigation; and

the timetable for the merger.

Forward-looking statements may be identified by words such as believes, expects, anticipates, projects, intends, may, should, seeks, future, forecast, plan, predict and target or similar expressions.

These statements reflect our current expectations. They are subject to a number of risks and uncertainties, including but not limited to changes in technology, regulation, the global cellular communications marketplace and local economic conditions. In light of the many risks and uncertainties surrounding this marketplace, you should understand that we cannot assure you that the forward-looking statements contained in this prospectus will be realized. You are cautioned not to put undue reliance on any forward-looking information.

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PART ONE QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: What is the merger?

A: Tele Celular Sul Participações S.A., or TSU, and its affiliate Tele Nordeste Celular Participações S.A., or TND, have proposed a merger (*incorporação*) of TND with and into TSU. The merger is a Brazilian law procedure under which TND will cease to exist and holders of preferred shares of TND (including holders of TND ADSs) will receive preferred shares of TSU upon approval of the merger by the requisite percentage of common shares of each of TSU and TND.

Q: What are the reasons for the merger?

A: TSU and TND believe that the merger will enable them to:

integrate the operations of TSU and TND, which belong to the same group of companies;

take advantage of commercial and financial synergies and related reduction of administrative and financial costs resulting from the integration of the operations of TSU and TND;

become more transparent in the capital markets by consolidating the financial information of TSU and TND;

improve access to capital by strengthening the surviving company's balance sheet;

eliminate the costs associated with maintaining two separate legal entities, public reporting requirements for TND and the separate listing of TND securities; and

provide you with securities that they expect will have greater market liquidity than the securities you currently hold.

Q: What will happen to my shares in the merger?

A: If you are a holder of TND ADSs, you will be entitled to receive 1.8522 TSU ADSs for each TND ADS that you hold.

If you hold TND ADSs in book-entry form, you will automatically receive your new TSU ADSs against payment of the fees and expenses of the depository.

If you hold TND ADSs in the form of a physical certificate or American Depositary Receipt (ADR), you must, in addition to paying the fees and expenses of the depository, surrender the physical TND ADR to the depository for exchange prior to receiving your new TSU ADSs. The depository, acting as exchange agent, will provide registered holders of certificated TND ADSs with the necessary forms to make this exchange, which will contain instructions on how to surrender ADRs representing your TND ADSs to the depository.

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If you hold TND preferred shares directly, you will automatically receive 0.9261 preferred shares of TSU for each preferred share of TND you hold. An entry or entries will be made in the share registry of TSU to evidence the preferred shares that you will receive in the merger promptly after the merger becomes effective.

Q: How much will the fees of the depositary for surrendering TND ADRs or ADSs and receiving new TSU ADSs be?

A: The depositary's fees for the surrender of TND ADRs or ADSs under TND's deposit agreement will not exceed US\$5.00 per 100 ADSs, or portion thereof.

The depositary's fees for the issuance of new TSU ADSs under TSU's deposit agreement will not exceed US\$5.00 per 100 ADSs, or portion thereof.

Q: Will cash attributable to fractional TSU ADSs or preferred shares be distributed?

A: If you hold TND ADSs and the product of 1.8522 and the number of TND ADSs you hold is not a whole number, the number of TSU ADSs you will receive in the merger will be rounded down to the largest whole number, and the net proceeds of the sale of fractional TSU ADS to which you are entitled, if any, will be delivered to you.

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PART ONE QUESTIONS AND ANSWERS ABOUT THE MERGER

If you hold TND preferred shares directly and the product of 0.9261 and the number of TND preferred shares you hold is less than one, you will have the option to receive (1) an amount in cash equivalent to your fractional share and not become a shareholder of TSU, or (2) one whole share and remain as a shareholder of TSU. If you do not communicate your option to us, we will assume that you have chosen to receive an amount in cash equivalent to your fractional share and not become a shareholder of TSU, and we will act accordingly.

If, as a result of the merger, you are entitled to receive both a whole number of shares and a fraction of a share, you will be credited an amount in cash equivalent to your fractional share in addition to receiving the whole shares that you are entitled to.

Q: When will I receive any cash attributable to any fractional TSU ADS or preferred share?

A: If you hold TND ADSs in book-entry form, we will make available to you any cash in lieu of fractional TSU ADSs you may be entitled to promptly after the actual sale in the open market of fractional TSU ADSs is effected.

If you hold TND ADSs in the form of a physical ADR, in order to receive any cash in lieu of fractional TSU ADSs you may be entitled to, you will need to surrender the physical TND ADR to the depositary for exchange. The depositary, acting as exchange agent, will provide registered holders of certificated TND ADSs with the necessary forms to make this exchange, which will contain instructions on how to surrender ADRs representing your TND ADSs to the depositary.

If you hold TND preferred shares directly, we will make available to you any cash in lieu of fractional TSU preferred shares that you may be entitled to promptly after (1) the expiration of the 30-day period for the exercise of appraisal or withdrawal rights available to holders of TND common shares in the merger, if the product of 0.9261 and the number of TND preferred shares you hold is less than one, or (2) the actual sale in the open market of fractional TSU preferred shares is effected, if you are entitled to receive both a whole number of shares and a fraction of a share.

Q: How was the merger exchange ratio calculated?

A: The exchange ratio proposed in the merger was arrived at through discussions between TSU and TND. In connection with the merger, our board of directors and the board of directors of TND received from Banco ABN AMRO Real S.A., joint financial advisor to TSU and TND, a valuation report and a subsequent confirmatory letter, in which letter it expressed its view that, as of the date of the valuation report and based on the assumptions and considerations described in the valuation report, the exchange ratio of 0.9261 shares of TSU for each share of TND proposed in the merger provides equitable treatment (*tratamiento equitativo*) to TSU and TND, because the proposed exchange ratio is within the range of exchange ratios implied by the valuation ranges determined by Banco ABN AMRO Real S.A. in the valuation report.

We urge you to read carefully the summary of the valuation report set forth in Part Five The Merger Valuation Report, which includes information on how to obtain a copy of the entire valuation report, and the confirmatory letter, a copy of which letter is included as Annex E to this prospectus.

Q: *Why are the actual exchange ratios for the TND preferred shares and ADSs different?*

A: The exchange ratios for the TND preferred shares and ADSs are different because the ADS exchange ratio takes into account the difference in the ratio of ADSs to preferred shares under TND's ADS program, where each ADS represents 20,000 preferred shares, and our ADS program, where each ADS represents 10,000 preferred shares.

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PART ONE QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: What shareholder approvals are needed?

A: The merger of TND with and into TSU will require the affirmative vote of holders of common shares of each of TND and TSU at separate extraordinary general shareholders meetings. In the case of TND, approval of the merger requires the affirmative vote of holders of its common shares representing at least 50% of its total outstanding common shares. In the case of TSU, approval of the merger requires the affirmative vote of holders of its common shares representing at least a majority of its common shares present at the meeting. You, as a preferred shareholder or ADS holder of TND, are not entitled to vote at the TND shareholder meeting, but you may participate if you hold preferred shares directly.

TSU and TND believe that the merger will be approved by both companies because (1) TIM Brasil, TSU's and TND's controlling shareholder, which holds 52.5% of the outstanding common shares of TSU and 53.5% of the outstanding common shares of TND, has indicated to TND and TSU that it will vote the common shares of our company and the common shares of TND that it holds, in favor of the merger, and (2) TIM, which, through its indirect majority ownership of TIM Brasil, has the ability to determine those actions of TSU and TND that require shareholder approval, has indicated to TND and TSU that it will direct TIM Brasil to vote the common shares of TSU and TND held by TIM Brasil, in favor of the merger.

Q: Do I have appraisal or withdrawal rights (direito de recesso ou retirada)?

A: No. Although holders of TND common shares have appraisal or withdrawal rights (*direito de recesso ou retirada*) in connection with the merger, holders of TND preferred shares and ADSs are not entitled to appraisal or withdrawal rights in connection with the merger. No holders of TSU common or preferred shares have appraisal or withdrawal rights in connection with the merger.

Q: Why am I receiving this document?

A: This document is a prospectus of TSU relating to the preferred shares of TSU that the preferred shareholders of TND, including holders of TND ADSs, will receive in the merger. You are receiving this prospectus because TSU may be deemed to be offering you its shares for purposes of the United States Securities Act of 1933, as amended (the Securities Act).

Q: What will be the accounting treatment of the merger?

A: Under Brazilian corporate law, the body of accounting principles we use to prepare our consolidated financial statements, the merger will be accounted for at book value. TND will be recorded in our consolidated financial statements at historical book value from the date of the merger.

Under U.S. generally accepted accounting principles, the merger represents a business combination of entities under common control due to the majority ownership of both TSU and TND by TIM Brasil. As a result, the merger, as it relates to the exchange of common and preferred shares owned by TIM Brasil, will be accounted for in a manner similar to a pooling-of-interest, or at historical carrying value, and reflected in our consolidated financial statements for all periods presented from the date TIM Brasil acquired control. The exchange of shares between TSU and the non-affiliated holders of common and preferred shares of TND will be accounted for using the purchase method of accounting, or at fair value, in accordance with Statement of Financial Accounting Standards (SFAS) No. 141, Business Combinations.

Q: What are the U.S. federal income tax consequences of the merger?

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A: The exchange of TND preferred shares and ADSs for TSU preferred shares and ADSs pursuant to the merger generally are expected to

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PART ONE QUESTIONS AND ANSWERS ABOUT THE MERGER

be tax-free to U.S. holders of TND preferred shares and ADSs for U.S. federal income tax purposes, except with respect to cash, if any, received in lieu of fractional preferred shares or ADSs of TSU. However, if TND is or was a Passive Foreign Investment Company for any taxable year during which a U.S. holder holds TND preferred shares or ADSs, such U.S. holder may be subject to special tax rules with respect to any gain realized from the merger. The tax consequences of the merger to you will depend on your particular facts and circumstances. You should consult your own tax advisor for a full understanding of the tax consequences of the merger to you.

Q: When will the merger become effective?

A: The merger of TND with and into TSU will become effective upon its approval at separate extraordinary general shareholders' meetings of TSU and TND. These extraordinary general shareholders' meetings are scheduled to be held on [], 2004.

Q: Are there any other approvals necessary for the completion of the merger?

A: No.

Q: After the merger, will I have the same ownership percentage that I now have?

A: No. After the merger, we will be a significantly larger company than TND and will be significantly larger than we were before the merger. You will have a lower percentage ownership in TSU than you currently have in TND.

Q: How will my rights as a preferred shareholder change after the merger?

A: Your rights as a preferred shareholder of TSU will be substantially the same as your rights as a preferred shareholder of TND. See Part Six Shareholder Rights.

Q: How will TSU preferred shares and ADSs trade after the merger?

A: After the merger becomes effective, TSU preferred shares will continue to trade on the São Paulo Stock Exchange (*Bolsa de Valores do Estado de São Paulo*), or BOVESPA, under the ticker symbol TCSL4, and ADSs representing preferred shares of TSU will continue to be traded on the New York Stock Exchange (NYSE) under the ticker symbol TSU. See Part Five The Merger Receipt of Shares and ADSs of TSU Delivery of TSU Preferred Shares.

Q: What will happen to TND preferred shares and ADSs after the merger?

A: After the merger becomes effective, TND's preferred shares, including the preferred shares underlying TND's ADSs, will be cancelled. Consequently, TND's preferred shares will be delisted from the BOVESPA, and TND's ADSs will be delisted from the NYSE. See Part Five The Merger Receipt of Shares and ADSs of TSU Delivery of TSU Preferred Shares.

Q: Will I have to pay brokerage commissions?

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A: You will not have to pay brokerage commissions if your TND shares are registered in your name. If your securities are held through a bank or broker or a custodian linked to a stock exchange, you should consult with that entity as to whether or not any transaction fee or service charges will be assessed in connection with the merger.

Q: What do I need to do now?

A: If you hold TND preferred shares directly, you may attend the extraordinary general shareholders meeting of TND at which the merger will be voted, but you may not vote. TND's extraordinary general shareholders meeting is currently scheduled to be held on [], 2004, at 10 a.m. local time, at TND's principal executive offices at Avenida Ayrton Senna da Silva 1633, Jaboatão dos Guararapes, Pernambuco 50060-004 Brazil.

If you hold TND ADSs, you are not entitled to attend TND's extraordinary general shareholders meeting.

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PART ONE QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: Who can help answer my questions?

A: If you have any questions about the merger, you should contact:

Tele Nordeste Celular Participações S.A.

Avenida Ayrton Senna da Silva 1633

Jaboatão dos Guararapes, Pernambuco

50060-004

Brazil

Attention: Leonardo Wanderley

Telephone: 55-81-3302-2594

Facsimile: 55-81-3302-2869

E-mail: leonardo.wanderley@timnordeste.com.br

or

Tele Celular Sul Participações S.A.

Rua Comendador Araújo 299 - 3º andar

Curitiba, Paraná 80420-000

Brazil

Attention: Joana Serafim

Telephone: 55-41-312-6862

Facsimile: 55-41-312-6222

E-mail: jserafim@timsul.com.br

If you are a holder of TND ADSs, you may also contact:

JPMorgan Chase Bank

4 New York Plaza, 13th Floor

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PART TWO SUMMARY

The following summary highlights selected information from this prospectus and may not contain all the information that may be important to you. To understand the merger more fully, you should read carefully this entire prospectus.

Summary of Merger

The Companies

TSU and TND are each a corporation (*sociedade anônima*) organized under the laws of the Federative Republic of Brazil (Brazil) and a majority-owned subsidiary of TIM Brasil, which is also a corporation (*sociedade anônima*) organized under the laws of Brazil.

The following chart shows the corporate structure of TSU and TND as of May 31, 2004, except that the percentages of common shares and preferred shares listed are based on the most recent information available and may now be slightly different:

TIM Sul, the operating subsidiary of TSU, and TIM Nordeste, the operating subsidiary of TND, are both former operating subsidiaries of Telecomunicações Brasileiras S.A. (Telebrás) that have been granted concessions by the Brazilian federal government to provide cellular telecommunications services referred to by the Brazilian National Telecommunications Agency (*Agência Nacional de Telecomunicações*), or Anatel, as Band A. TIM Sul and TIM Nordeste are authorized to provide cellular telecommunications services in two areas and one area, respectively, out of a total of ten geographical areas into which Brazil has been divided.

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The map below shows the areas of the Brazilian territory in which TSU and TND, through their operating subsidiaries, are authorized to operate:

Our authorized area of coverage corresponds to approximately 296,000 square kilometers, or 3.5% of the entire country, and comprises the following areas:

the State of Paraná, with the exception of the municipalities of Londrina and Tamarana;

the State of Santa Catarina; and

the municipalities of Pelotas, Capão do Leão, Morro Redondo and Turuçu, in the State of Rio Grande do Sul.

As of December 31, 2003, our estimates indicate that we were the leading provider of cellular telecommunications services in our authorized area of coverage, serving approximately 55% of the total cellular lines in operation within the area.

The following table sets forth information on our customer base, coverage and related matters, at the dates and for the years indicated (unless otherwise indicated, all amounts presented in the following table are estimates that we have prepared):

	As of December 31,		
	2001	2002	2003
Active cellular lines (millions)	1.6	1.7	2.1
Percentage growth in active cellular lines during year	13.2%	7.5%	19.3%
Population in area of coverage (millions) ⁽¹⁾	14.8	15.0	15.6
Percentage of population covered ⁽²⁾	78%	81%	82%
Penetration ⁽³⁾	16.3%	18.0%	24.0%
Average monthly incoming minutes of use per client during year	65	60	52
Average monthly outgoing minutes of use per client during year	50	38	43
Average monthly revenues per client during year ⁽⁴⁾	R\$ 45	R\$ 38	R\$ 40

(1) IBGE estimates from the Demographic Census 2000 (*Censo Demográfico 2000*).

(2) Population within our area of coverage that was able to access our cellular phone signal.

(3) Percentage of the total population in area of coverage using cellular services.

(4) In nominal *reais*, net of taxes.

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PART TWO SUMMARY

TND's authorized area of coverage corresponds to approximately 635,486 square kilometers, or 7.4% of the entire country, and comprises the following areas:

the State of Piauí;

the State of Ceará;

the State of Rio Grande do Norte;

the State of Paraíba;

the State of Pernambuco; and

the State of Alagoas.

As of December 31, 2003, TND's estimates indicate that it was the leading provider of cellular telecommunications services in its authorized area of coverage, serving approximately 54% of the total cellular lines in operation within the area.

The following table sets forth information on TND's customer base, coverage and related matters, at the dates and for the years indicated (unless otherwise indicated, all amounts presented in the following table are estimates that TND has prepared):