

TELE CENTRO OESTE CELULAR PARTICIPACOES

Form 6-K

July 28, 2005

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## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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### 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 July, 2005

Commission File Number 001-14489

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## TELE CENTRO OESTE CELULAR PARTICIPAÇÕES S.A.

(Exact name of registrant as specified in its charter)

### Tele Centro Oeste Celular Participações Holding Company

(Translation of Registrant's name into English)

SCS - Quadra 2, Bloco C, Edifício Anexo-Telebrasil Celular

-7° Andar, Brasília, D.F.

Federative Republic of 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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**VIVO, SOUTH HEMISPHERE'S LARGEST WIRELESS COMMUNICATION GROUP,  
ANNOUNCES SECOND QUARTER 2005 CONSOLIDATED RESULTS OF TELE  
CENTRO OESTE CELULAR PARTICIPAÇÕES S.A.**

**Brasília – Brazil , July 25, 2005** – Tele Centro Oeste Celular Participações S.A. - TCO, (BOVESPA: TCOC3 (ON = Common Shares)/TCOC4 (PN = Preferred Shares); NYSE: TRO), discloses today its consolidated results for the second quarter of 2005 (2Q05). TCO operates in the Federal District and in eleven Brazilian states: Acre, Amazonas, Amapá, Goiás, Maranhão, Mato Grosso, Mato Grosso do Sul, Pará, Rondônia, Roraima and Tocantins, covering an area of 5.8 million km<sup>2</sup> with 32.5 million inhabitants, which is approximately 18% of the total Brazilian population.

Tele Centro Oeste is controlled by Telesp Celular Participações S.A. which, along with Tele Leste Celular Participações S.A., Tele Sudeste Celular Participações S.A. and Celular CRT Participações S.A, make up the assets of the *Joint Venture* undertaken by Telefónica Móviles and Portugal Telecom, operating under the **VIVO** brand, *Top of Mind* in the Brazilian market. In June 2005, VIVO Group exceeded 28 million customers, thus keeping its market

leadership.

**HIGHLIGHTS  
2Q05**

**Strong competition and intense commercial activity** during the 2Q05, with the campaigns for the Mother's Day and Valentine's Day.

In the year-to-year comparison, TCO's **customer base** rose 32.3%, recording 6,486 thousand customers, with **post-paid customers** growth of 3.5% and 3.1% in relation to 2Q04 and 1Q05, respectively.

Market leadership with 49.0% **market share**, accounting for 36.7% of the net additions in 2Q05, in a market with 4 operators in all its regions.

Monthly **churn** at 1.5% decreased 0.5 p.p. in relation to 2Q04, showing the results of customer retention campaigns.

**Blended ARPU** of R\$ 26.4, an increase of 0.8% in relation to 1T05. **Post-paid ARPU** recorded 4.8% increase over 1Q05.

**Post-paid MOU** increased by 3.9% in 2Q05 over 1Q05, as a result of the increase in the post-paid ARPU.

**Net service revenues** increased rose 9.9% comparing the first six months of 2005 and 2004. In relation to 1Q05 it rose by 7.2%.

Increase in **data revenues** by 40.0% in relation to 2Q04, accounting for 5.6% of the net services revenue in 2Q05, showing the successful launching of new services.

Launching of **VIVO Play 3G**, service based on a 3rd Generation technology that offers cellular access to multimedia contents, consolidating the absolute **Leadership** in innovation and variety of services launched on the market. Successful in the **differentiation** strategy as regards its competitors as a result of the provision of innovating services.

Accumulated **EBITDA** in 2005 of R\$ 350.0 million, representing a margin of 31.2% in the first half of the year.

**Net financial result** increased by 113.6% compared to 2Q04 reaching R\$ 29.9 million.

**VIVO**

**VIVO** celebrated two years of existence in April, which were marked by the largest community of customers in Brazil, bringing together innovation and the biggest CDMA coverage in the domestic territory. The adoption of the most advanced technology has made it possible for the company to offer several new products and innovations, such as the following services: *VIVO Play 3G*, *VIVO Agenda*, *VIVO Localiza*, *Olho VIVO*, state-of-the-art corporate solutions, interactive games such as *VIVO em Ação*, downloads of games, video and songs, in addition to the capability to watch goals in both the Brazilian and European soccer championships which are provided by VIVO on an exclusive basis.

**Quality Policy**

Among the strategic goals the implementation of the processes management resulted in the Company being awarded **ISO 9001:2000 certification**. Such policy is aligned with "**Mission**": *"To meet the customers' needs and make them loyal to the company as a result of the quality and innovation of our products and services, offered by committed and skilled professionals. To keep market leadership along with profitable growth, thus generating value to the shareholders and seeking permanent improvement of processes and results. To consolidate the Company's image, contributing to the development of our society."*

**Distribution Channels** On June 30, 2005, TCO had 69 own sales points, in addition to an efficient network of accredited dealers, whether exclusive or not, totaling about 1,821 sales points, which are able to market services and cellular phones, thus making the Company also a leader in number of distribution channels.

**Technological Innovations**

VIVO launched on the domestic market a new concept of service based on a 3rd Generation technology, which offers cellular access to multimedia contents – the VIVO Play 3G. The first application originated from such service is VIVO Player 3G, which allows the user to download and stream videos, songs and images at high data transmission speed, which reaches 2.4 Mbps in the cities of São Paulo, Rio de Janeiro and Curitiba. Through this service, VIVO customer will be able to access all multimedia contents, both for accessing information and for entertainment purposes. Among the services are TV, news, cartoons, video clips, film trailers, songs, Internet access, in addition to the possibility of taking pictures, filming and sending instantaneous images to another VIVO cellular phone or to an e-mail address.

The Group has also launched VIVO Moblog, a mobile multimedia diary in which customers are able to create a webpage with pictures, text, sound and video. Differently from usual Blogs, VIVO Moblog allows configuration not only through the web, but also through the cellular phone.

**Basis for Presentation of Results** The partial *Bill & Keep* (B&K) system was implemented in July 2003, under which payment for use of local network among SMP operators is not made unless traffic rate among them exceeds 55%, that causes an impact on interconnection revenue and cost.

The 2005 and 2004 accumulated numbers correspond the values between January and June of the mentioned years.

Some information disclosed for 2Q04, 1Q05 and accumulated 2004 were re-classified, as applicable, for comparison purposes. Figures disclosed are subject to differences, due to rounding-up procedures.

**Consolidated  
TCO's  
Operating  
Highlights**

Continued market leadership as a result of the increase in the **customer base** by 32.3% in the last 12 months, despite strong competition in the cellular telephone market. It is important to also emphasize the conservative company's reckoning procedures.

**Net additions** totaled 438 thousand customers, a 36.7% share, keeping the leadership with a 49.0% **market share** in 2Q05, in a period of strong commercial activity within the cellular telephone market.

**SAC** increased by 38.6% in 2Q05 over 1Q05, as a result of the strong competition recorded in the period and the reduction in the value of "entry barriers" on a market with 4 operators.

The **churn** at 1.5% recorded a drop of 0.5 p.p. in relation to 2Q04, thus confirming the result of the commercial practices adopted by the company, as for example the offer of several plans to promote customer loyalty.

The **blended ARPU** of R\$ 26.4 recorded a 0.8% reduction in relation to 1Q05, basically due to the growth in the post-paid ARPU by 4.8%, as well as an increase in the outgoing ARPU of the post-paid customer base. However, the year-to-year variation has shown a drop which is due to the customer mix effect, drop in inbound ARPU due to among other factors to the migration of the inbound traffic from fixed-mobile to mobile-mobile, in addition to the partial Bill & Keep effect and right planning programs (customer profile adequacy plans) effected in the post-paid service users base.

The **post-paid MOU** increased by 2.9% and 3.9% in relation to 2Q04 and 1Q05, respectively, caused by the increase in the post-paid incoming MOU. On the other hand, the total MOU was impacted by the changes in the customer mix, once the prepaid MOU is impacted by the reduction in the fixed-mobile inbound traffic.

The increase in the operation efficiency can be measured by the **productivity** increase of 48.1% and of 11.1% in relation to 2Q04 and 1Q05, respectively, due to the continuous search for obtaining organizational and process synergies, integration and efficiency.

**Operating**

**Highlights - Area 7 (CO)**  
– which comprises the  
Federal District  
and the following  
States: Acre, Goiás,  
Mato Grosso,  
Mato Grsso do Sul,  
Rondônia and  
Tocantins

In 2Q05, **customers** growth in area 7 was 26.4% over 2Q04 and 6.6% over 1Q05, recording 4,917 thousand customers in the end of the quarter, in a strongly competitive market.

Absolute leadership, with 54.6% **market share** , being the highest market share among the Brazilian operators.

TCO's area 7 increased the number of **net additions** by 152.9% in relation to 1Q05, with emphasis to post-paid customers.

Market **penetration** increase of 17.0 p.p. in relation to the last year, showing that the potential for growth.

**Operating Highlights** In 2Q05, **customers base** growth in area 8 was 55.2% and 9.3% in relation to  
- 2Q04 and 1Q05, respectively, recording 1,569 thousand customers in the end of the  
**Area 8 (NBT)** – which quarter.

*comprises*

*the following*

*states: Amazonas,*

*Amapá, Maranhão*

*and Roráima*

**Market share** increased again by 2.6 p.p. in relation to 2Q04 and 0.5 p.p. in  
relation to the previous quarter, despite the strong competition.

**Net additions** in the quarter were 24.5% above than 1Q05, showing that the  
growth of the post-paid customer base is sustainable.

***Net Services Revenue*** The net services revenue grew 7.2% in relation to 1Q05, recording R\$ 498.4 million in the quarter and R\$ 963.5 million between January and June of 2005, 9.9% above the same period of last year . Such growth is a consequence of the increase in the customer base greater use of data services, partially offset by the right planning effects and by the fact that the increase in the VU-M became effective only in June and was not adopted by all fixed operators. In relation to the same period of last year, a growth of 5.4% was recorded, having in mind that the increase in the interconnection tariff influenced over the whole period.

It must be highlighted that "subscription and usage revenue" recorded a 10.4% increase over 2Q04, due to the increase in the total outgoing traffic, which was partially offset by a reduction in the inbound traffic revenue, as a result of the transition from fixed-mobile traffic to mobile-mobile traffic, with consequent drop in interconnection revenue and the partial Bill & Keep effect.

Data revenues were up 40.0% in the year-to-year comparison, representing 5.6% of the net service revenues in 2Q05 (4.0% in 2Q04). This increase has continued to occur due to a more widespread access and use of such services, in addition to the several services launched on the market and the increase in the customer base. The SMS accounted for 72.3% of data revenues in 2Q05. Average monthly number of



SMS messages sent in the quarter was approximately 34 million.

The interactive game "VIVO em Ação 2" , which ended in May 2005, after the conclusion of 5 episodes, had the participation of more than 1.5 million registered players. The game has also accomplished its goals once it managed to keep users loyal as the plot developed and stimulated them to become acquainted with other VIVO services, such as Portal de Voz, Chat, Quiz, Cupido, Caixa Postal, Vivo Informa, etc.

***Personnel Cost***

The increase in personnel cost in the comparison of year-to-date totals for 2005 and 2004 is a consequence of the salary adjustment provided for in the collective bargaining agreement, the investments in training and the incentive campaigns for the selling team.

***Cost of Services Rendered*** In 2Q05, the 27.3% increase in the cost of services rendered in relation to the previous quarter is a result of the increase in the number of links and negotiations of connection means, in addition to the increase in the customer base that impacts the interconnection cost. The variation recorded in "Fistel and other fees and contributions" in relation to 2Q04 arises out of equalization of TCO's accounting criteria to the other Group Companies.

***Cost of Goods Sold*** The cost of goods sold increased by 97.9% in relation to 1Q05, mainly due to a higher number of activated handsets (gross additions increased by 60.8%) and also due to the costs inherent to incentive for change of TDMA into CDMA terminals.

***Selling Expenses*** During 2Q05, the Company carried out several actions with the purpose of capturing new customers and also ensuring loyalty from its customer base, which actions are evidenced by a greater number of additions and stability of its Churn.

In 2Q05, selling expenses recorded a 77.7% increase over 2Q04, caused by an intense sales activity and consequent increase in expenses with third-party services, especially publicity and commissions.

In 2Q05, the provision for bad debtors (PDD) of R\$ 37.4 million recorded an increase in relation to 1Q05, representing 4.8% of the gross revenue (2.6% in 1Q05), partially caused by the growth in the customer base and the increase in the commercial activity in the 2Q05.

***General and Administrative Expenses*** General and administrative expenses increased by 19.9% in relation to 1Q05, due to expenses with third party's services, especially those related to information technology.

***EBITDA*** In the first six months of the year, the EBITDA (earnings before interest, taxes, depreciation and amortization) was R\$ 350.0 million, with 31.2% margin.

Considering the strong commercial activity recorded in 2Q05 in order to face competition, the EBITDA recorded R\$ 128.6 million, with margin of 21.5%.

***Depreciation and Amortization*** Depreciation and amortization expenses increased 6.0% in 2Q05 in relation to the previous quarter and this is due to the investments effected, specially in function of the overlay to the CDMA network.

***Financial Revenues (Expenses)*** The net financial revenue in 2Q05 increased by R\$ 6.0 million when compared to 1Q05, specially due to the increase in the interest rate in the period (4.18% in 1Q05 and 4.56% in 2Q05), which had a positive impact over TCO's net cash position.

In the comparison of 2Q05 in relation to 2Q04, TCO recorded an increase in the net financial revenue of R\$ 15.9 million, mainly due to the increased average net cash position of the Company, higher interest rate in the period (3.67% in 2Q04 and 4.56% in 2Q05), as well as the assessment of Pis/Cofins tax on financial revenues in 2Q04 pursuant to the then applicable laws

***Net Profit*** The result for the quarter recorded a net profit of R\$ 61.6 million.

***Indebtedness***

On June 30, 2005, TCO's debts related to loans and financings amounted to R\$ 170.9 million (R\$ 214.9 million on March 31, 2005), 30.4% of which is nominated in foreign currency. The Company has signed derivative contracts (exchange hedge) in order to protect its debt against foreign exchange volatility. This debt was offset by cash and financial investments (R\$ 1,005.2 million) and by derivative assets and liabilities (R\$ 23.2 million payable) resulting in a net cash position of R\$ 811.1 million, a 22.0% increase in relation to March 2005 .

The seasonal disbursements in 1Q05 (handsets purchased for the 2004 Christmas' campaign and the Fistel Fee – TFF annually paid in March) allied to cash generation resulting from a better working capital management obtained in 2Q05, made possible the net cash increase in 2Q05.

**Capital Expenditures (Capex)** Capex effected in the quarter totaled R\$ 85.3 million, due to the migration from TDMA to CDMA technology (overlay) which began in 2004. In addition, the investments in 2Q05 are basically due to the following factors: (i) consolidation and rationalization of the information systems, especially the *customer care* ; and (ii) continued quality and expansion of the coverage provided by the company in order to meet the growth of the customer base .

**Operating Cashflow** The positive operating cash flow in any of the periods under examination evidences that TCO has generated funds from its operations that are sufficient to implement its capital expenditures program, recording R\$ 43.3 million in the quarter and R\$ 182.0 in the semester.

**Capital Market** In 2Q05, the value of TCO's common shares (ON) and preferred shares (PN) dropped 59.1% and 13.4%, respectively, while the Bovespa (São Paulo Stock Exchange) index dropped 5.9%. From April to June 2005, the Company's PN shares were traded in 100% of the trading sessions, with an average daily volume of R\$ 5.8 million. By the end of 2Q05, ON and PN shares were traded at R\$ 17.65 and R\$ 23.10, respectively.

The price of TCO's level II ADRs increased by 1.6% in the quarter, in face of a 2.2% decrease in the Dow Jones index. The average daily volume of transactions in the NYSE during 2Q05 was US\$2.4 million. The closing price of TCO's ADRs in the quarter was US\$ 10.07.

***Reverse  
Stock Split***

In June, the Company concluded the Reverse Stock Split operation in the proportion of three thousand (3,000) shares for one (1) share of the respective type, as approved at a Special Meeting of Shareholders. After such operation, TCO shares started being traded at the São Paulo Stock Exchange on a per share price, rather than on a thousand shares price. Accordingly, the Company's capital stock is now divided into 128,888,325 registered, book-entry type shares, with no face value, of which 43,152,889 are common shares and 85,735,436 are preferred shares.

***Capital Increase***

On June 28, 2005, the Board of Directors of TCO approved an increase in the capital stock as a result of a corporate restructuring process, which was concluded in July 2004, involving the company and its controlled companies and controlling shareholder. The amortization of the premium resulting from such corporate restructuring process resulted in 2004 in a tax benefit of sixty-three million, eight hundred and ninety-three thousand, one hundred and ninety reais and forty-seven cents (R\$ 63,893,190.47), upon issuance of 3,107,645 new common shares, thus ensuring the preemptive right provided for, in article 171 of Law n° 6404/76. The funds arising out of eventual exercises of the preemptive right shall be credited to the controlling shareholder, Telesp Celular Participações S.A. . The issue price of twenty reais and fifty-six cents (R\$ 20.56) per common share corresponds to 90% of the weighted average of the main market prices of the 30 trading sessions of Bovespa, in the period from May 16, 2005 to and including June 27, 2006. The period for exercise of the preemptive right is from June 29, 2005 until July 28, 2005.

***Social Responsibility***

In April, VIVO Institute entered into a formal 4-year partnership with National Iguazu Park, located in Paraná State, through an agreement executed with the Brazilian Institute for Environment and Renewable Natural Resources (Ibama), which will contribute to the development of the *Escola Parque* (Park School), *Escola de Educação Ambiental* (Environmental Education School) of the IBAMA/National Iguazu Park. *Escola Parque* provided assistance to some 24 thousand people last year.

The World Environment Day, in May, was celebrated by VIVO with activities in the whole country including debates, congresses, meetings, ludic activities and lectures. VIVO, being concerned with such a world trend, has provided varied programs in its regional branches compelling people to think about the importance of applying environmental management in the business world.

The MAM Education Project also started in May, having been developed by the Rio de Janeiro Modern Art Museum (MAM) with support by VIVO Institute. With MAM's educational actions, the objective will be to bring the art public closer, by means of "Guided Visits". The goal is to reach more than one thousand people monthly with the sponsorship of VIVO Institute, especially public school students.

The State of São Paulo Government, Ayrton Senna Institute and VIVO Institute have paid homage to school principals during the presentation of the results of the " *Programa SuperAção Jovem* " (Young SuperAction Program), developed by the Ayrton Senna Institute, in alliance with VIVO Institute. The meeting, promoted by the State Department of Education, which has conceived the Family School Program, gathered more than 2,400 school principals in the implementation of the "SuperAction" program.

***Main Prizes, Awards  
and  
Events***

VIVO was awarded the 2005 Top of Marketing prizes granted by the Brazilian Association for Sales and Marketing Officers – ADVB for the cases " *Vivo Encontra: uma inovação exclusiva da Vivo* " (Vivo Encontra: a Vivo's exclusive innovation) and " *Vivo e Gisele Bundchen – o encontro da maior Top Model com a operadora Top do Brasil* " (Vivo and Gisele Bundchen – the meeting between the highest Top Model with the Brazilian Top operator).

VIVO was awarded the 2005 *Consumidor Moderno* Prize for Excellence in Customer Services granted by *Consumidor Moderno* magazine, which celebrated its 10 th anniversary, handing the Prize.

VIVO was selected among the best ten telecommunication operators of Latin America according to a study carried out by analysts from the following consulting firms: Yankee Group, Pyramid Research, Frost & Sullivan, Competitive Intelligence Unit and IDC and published by "Frecuencia Latinoamérica" magazine. The evaluating committee has taken into account the best performances in aspects such as corporate services, data services, service quality, technological innovation and profitability. In addition, the study has taken into consideration the performance of companies from all telecommunication categories, rather than only mobile telephone operators. The analysis rendered by the jury highlights VIVO in the data services category for the development brought with the CDMA 1x EVDO network; as well as because it is the Brazilian operator that is mostly committed with technological innovation as a strategy to consolidate its leadership in face of competition, with examples of services such as VIVO Agenda.





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## GLOSSARY

### Financial Terms:

**CAPEX** – Capital Expenditure.

**Current Capital (Short-term capital)** = Current assets – Current liabilities.

**Working capital** = Current Capital – Net Debt.

**Net debt** = Gross debt – cash – financial investments – securities – asset from derivative transactions + liability from derivative transactions.

**Net Debt / EBITDA** – Index which evaluates the Company's ability to pay its debt with the generation of operating cash within a one-year period.

**EBIT** – Earnings before interest and taxes.

**EBITDA** – Earnings result before interest, taxes, depreciation and amortization .

### Operating indicators:

**Gross additions** – Total of customers acquired in the period.

**Net additions** = Gross Additions – number of customers disconnected.

**ARPU** (Average Revenue per User) – net revenue from services per month / monthly average of customers in the period.

**Postpaid ARPU** – ARPU of postpaid service users.

**Prepaid ARPU** – ARPU of prepaid service users.

**Blended ARPU** – ARPU of the total customer base (contract + prepaid).

**Entry Barrier** – Value of the least expensive phone offered.

**Indebtedness** = Net Debt / (Net Debt + NE) – Index which measures the Company's financial leverage.

**Operating Cash Flow** = EBITDA – CAPEX.

**EBITDA Margin** = EBITDA / Net Operating Revenue.

**PDD** – Provision for bad debt. A concept in accounting that measures the provision made for accounts receivable overdue for more than 90 days.

**NE** – Shareholders' Equity.

**Subsidy** = (net revenue from goods – cost of goods sold + discounts given by suppliers) / gross additions.

### **Technology and Services**

**1xRTT** – (1x Radio Transmission Technology) – It is the CDMA 2000 1x technology which, pursuant to the ITU (International Telecommunication Union), and in accordance with the IMT-2000 rules is considered 3G (third generation) Technology.

**CDMA** – (*C ode D ivision M ultiple A ccess*) – Wireless interface technology for cellular networks based on spectral spreading of the radio signal and channel division by code domain.

**CDMA 2000 1xEV-DO** – 3rd Generation access technology with data transmission speed of up to 2.4 Megabits per second.

**CSP** – Carrier Selection Code.

**SMP** – Personal Mobile Services.

**SMS** – Short Message Service – Short text message service for cellular handsets, allowing customers to send and receive alphanumeric messages.

**WAP** – *Wireless Application Protocol* is an open and standardized protocol started in 1997 which allows access to Internet servers through specific equipment, a WAP Gateway at the carrier, and WAP browsers in

**Customers** – Number of wireless lines in service.

**Churn rate** = percentage of the disconnections from customer base during the period or the number of customers disconnected in the period / ((customers at the beginning of the period + customers at the end of the period) / 2).

**Market share** = Company's total number of customers / number of customers in its operating area.

**Market share of net additions** : participation of estimated net additions in the operating area.

**MOU** (minutes of use) – monthly average, in minutes, of traffic per customer = (Total number of outgoing minutes + incoming minutes) / monthly average of customers in the period.

**Postpaid MOU** – MOU of postpaid service users.

**Prepaid MOU** – MOU of prepaid service users.

**Market penetration** = Company's total number of customers + estimated number of customers of competitors) / each 100 inhabitants in the Company's operating area.

**Productivity** = number of customers / permanent employees.

**Right planning programs** – Customer profile adequacy plans **SAC** – cost of acquisition per customer = (70% marketing expenses + costs of the distribution network + handset subsidies) / gross additions.

**SAC** – acquisition cost per customer = (70% marketing expenses + distribution network costs + handsets subsidy) / gross additions.

**VC** – Communication values per minute.

**VC1** – Communication values for calls in the same area of the subscriber.

**VC2** – Communication values for Calls posted outside the area code and inside the State.

