

TELE SUDESTE CELULAR PARTICIPACOES SA  
Form 6-K  
November 19, 2004

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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 November, 2004**

**Commission File Number 001-14485**

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**TELE SUDESTE CELULAR PARTICIPAÇÕES S.A.**

(Exact name of registrant as specified in its charter)

**Tele Sudeste Cellular Holding Company**

(Translation of Registrant's name into English)

**Praia de Botafogo, 501, 7o andar  
22250-040 Rio de Janeiro, RJ, 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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## ***Tele Sudeste Celular Participações S.A.***

*Interim Financial Statements for the  
Nine-month Period Ended September 30, 2004 and Independent  
Auditors' Review Report*

Deloitte Touche Tohmatsu Auditores Independentes

### INDEPENDENT AUDITORS' REVIEW REPORT

To the Shareholders and Management of

Tele Sudeste Celular Participações S.A.

Rio de Janeiro - RJ

1. We have conducted a special review of the interim financial statements of Tele Sudeste Celular Participações S.A. and subsidiaries for the nine-month period ended September 30, 2004, prepared under the responsibility of the Company's management, in conformity with accounting practices adopted in Brazil, which includes the balance sheets, individual and consolidated, the related statements of income and the performance reports.
2. We conducted our review in accordance with specific standards established by the Brazilian Institute of Independent Auditors (IBRACON), together with the Federal Accounting Council, which consisted principally of: (a) inquiries of and discussions with persons responsible for the accounting, financial and operating areas as to the criteria adopted in preparing the interim financial statements, and (b) review of the information and subsequent events that had or might have had significant effects on the financial position and operations of the Company and its subsidiaries.
3. Based on our special review, we are not aware of any material modifications that should be made to the interim financial statements referred to in paragraph 1 for them to be in conformity with accounting practices adopted in Brazil and standards issued by the Brazilian Securities Commission (CVM), specifically applicable to the preparation of mandatory interim financial statements.
4. We had previously reviewed the Company's individual and consolidated balance sheets as of June 30, 2004 and the individual and consolidated statements of income for the nine-month period ended September 30, 2003, presented for comparative purposes, and our review reports thereon, dated July 19, 2004 and October 20, 2003, respectively, were unqualified.
5. The accompanying interim financial statements are an adaptation and a translation of the interim financial statements originally issued in Portuguese and have been prepared into English for the convenience of readers outside Brazil.

São Paulo, October 26, 2004

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DELOITTE TOUCHE TOHMATSU  
Auditores Independentes

José Domingos do Prado  
Engagement Partner

TELE SUDESTE CELULAR PARTICIPAÇÕES S.A.

BALANCE SHEETS AS OF SEPTEMBER 30 AND JUNE 30, 2004

(In thousands of Brazilian reais - R\$)

<u>ASSETS</u>	<u>Company</u>		<u>Consolidated</u>	
	<u>09/30/04</u> <u>(Unaudited)</u>	<u>06/30/04</u> <u>(Unaudited)</u>	<u>09/30/04</u> <u>(Unaudited)</u>	<u>06/30/04</u> <u>(Unaudited)</u>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	8,103	8,460	370,650	337,916
Trade accounts receivable, net	-	-	372,975	394,848
Inventories	-	-	101,762	90,213
Deferred and recoverable taxes	1,841	1,691	360,619	348,414
Derivatives	-	-	3,922	3,633
Prepaid expenses	-	-	37,889	50,296
Other current assets	<u>53,115</u>	<u>52,853</u>	<u>76,644</u>	<u>80,020</u>
Total current assets	<u>63,059</u>	<u>63,004</u>	<u>1,324,461</u>	<u>1,305,340</u>
<b>NONCURRENT ASSETS</b>				
Deferred and recoverable taxes	49,460	47,766	185,031	186,279
Derivatives	-	-	1,044	7,518
Prepaid expenses	-	-	15,237	14,433
Other noncurrent assets	-	-	5,755	5,755
Tax incentive	<u>530</u>	<u>530</u>	<u>1,479</u>	<u>1,479</u>
Total noncurrent assets	<u>49,990</u>	<u>48,296</u>	<u>208,546</u>	<u>215,464</u>
<b>PERMANENT ASSETS</b>				
Investments	1,938,400	1,916,964	409	409
Property, plant and equipment, net	538	646	1,223,157	1,221,034
Deferred assets, net	-	-	<u>566</u>	<u>547</u>
Total permanent assets	1,938,938	1,917,610	1,224,132	1,221,990
<b>TOTAL ASSETS</b>	<u>2,051,987</u>	<u>2,028,910</u>	<u>2,757,139</u>	<u>2,742,794</u>

The accompanying notes are an integral part of these interim financial statements.

TELE SUDESTE CELULAR PARTICIPAÇÕES S.A.

BALANCE SHEETS AS OF SEPTEMBER 30 AND JUNE 30, 2004

(In thousands of Brazilian reais - R\$)

<u>LIABILITIES, SHAREHOLDERS' EQUITY AND FUNDS FOR CAPITALIZATION</u>	<u>Company</u>		<u>Consolidated</u>	
	<u>09/30/04</u> <u>(Unaudited)</u>	<u>06/30/04</u> <u>(Unaudited)</u>	<u>09/30/04</u> <u>(Unaudited)</u>	<u>06/30/04</u> <u>(Unaudited)</u>
<b>CURRENT LIABILITIES</b>				
Payroll and related accruals	434	289	25,058	21,830
Trade accounts payable	4,934	4,560	431,638	389,187

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Taxes payable	631	68	58,056	46,177
Loans and financing	-	-	50,848	87,521
Dividends and interest on shareholders' equity	48,467	48,592	50,393	50,536
Reserve for contingencies	-	-	61,685	57,633
Derivatives	-	-	10,656	2,363
Other liabilities	<u>9,436</u>	<u>8,537</u>	<u>38,929</u>	<u>39,099</u>
Total current liabilities	<u>63,902</u>	<u>62,046</u>	<u>727,263</u>	<u>694,346</u>
LONG-TERM LIABILITIES:				
Loans and financing	-	-	19,542	52,319
Reserve for contingencies	-	-	20,937	28,287
Derivatives	-	-	321	20
Other liabilities	-	-	<u>991</u>	<u>958</u>
Total long-term liabilities	-	-	<u>41,791</u>	<u>81,584</u>
SHAREHOLDERS' EQUITY				
Capital stock	891,460	891,460	891,460	891,460
Capital reserve	206,934	206,934	206,934	206,934
Income reserve	167,837	167,837	167,837	167,837
Retained earnings	<u>721,723</u>	<u>700,502</u>	<u>721,723</u>	<u>700,502</u>
Total shareholders' equity	<u>1,987,954</u>	<u>1,966,733</u>	<u>1,987,954</u>	<u>1,966,733</u>
FUNDS FOR CAPITALIZATION				
	<u>131</u>	<u>131</u>	<u>131</u>	<u>131</u>
SHAREHOLDERS' EQUITY AND FUNDS FOR CAPITALIZATION				
	1,988,085	1,966,864	1,988,085	1,966,864
TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND FUNDS FOR CAPITALIZATION				
	<u>2,051,987</u>	<u>2,028,910</u>	<u>2,757,139</u>	<u>2,742,794</u>

The accompanying notes are an integral part of these interim financial statements.

TELE SUDESTE CELULAR PARTICIPAÇÕES S.A.

STATEMENTS OF INCOME

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2004 AND 2003

(In thousands of Brazilian Reais - R\$, except per share amounts)

	<u>Company</u>		<u>Consolidated</u>	
	<u>09/30/04</u> <u>(Unaudited)</u>	<u>09/30/03</u> <u>(Unaudited)</u>	<u>09/30/04</u> <u>(Unaudited)</u>	<u>09/30/03</u> <u>(Unaudited)</u>
GROSS OPERATING REVENUE				
Telecommunication services	-	-	1,561,224	1,603,334
Products sales	-	-	<u>395,657</u>	<u>256,786</u>
Deductions	-	-	<u>(548,751)</u>	<u>(465,988)</u>
NET OPERATING REVENUE	-	-	<u>1,408,130</u>	<u>1,394,132</u>
Cost of services provided	-	-	(418,856)	(525,452)
Cost of goods sold	-	-	(344,860)	(234,849)
GROSS PROFIT	-	-	<u>644,414</u>	<u>633,831</u>
OPERATING INCOME (EXPENSES)				
Selling expenses	-	-	(358,079)	(279,248)
General and administrative expenses	(4,041)	(8,097)	(157,021)	(162,475)
Other net operating expenses	(31)	(710)	(30,599)	(34,365)

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Other net operating income	-	-	31,473	20,482
Equity in earnings	84,894	101,267	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
INCOME FROM OPERATIONS BEFORE FINANCIAL INCOME, NET	80,822	92,460	130,188	178,225
Financial expenses	(43)	(61)	(65,784)	(144,577)
Financial income	5,216	8,729	72,788	123,828
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
INCOME FROM OPERATIONS	85,995	101,128	137,192	157,476
Nonoperating expenses, net	-	(3,059)	(103)	(8,428)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
INCOME BEFORE TAXES	85,995	98,069	137,089	149,048
Income and social contribution taxes	(1,404)	1,093	(52,498)	(50,154)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
NET INCOME	<u>84,591</u>	<u>99,162</u>	<u>84,591</u>	<u>98,894</u>
Shares outstanding at September 30 (thousands)	<u>449,009,994</u>	<u>432,598,218</u>		
Income per thousand shares outstanding at the balance sheet date (Brazilian reais)	<u>0.19</u>	<u>0.23</u>		

The accompanying notes are an integral part of these interim financial statements.

TELE SUDESTE CELULAR PARTICIPAÇÕES S.A.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2004

(Amounts in thousands of Brazilian reais - R\$, unless otherwise indicated)

1. OPERATIONS

Tele Sudeste Celular Participações S.A. ("Tele Sudeste" or "Company"), is a publicly-traded company, which, as of September 30, 2004, is owned by Brasilcel N.V. (51.61% of total capital), Sudestecel Participações S.A. (24.27% of total capital), and Tagilo Participações Ltda. (10.80% of total capital). Sudestecel and Tagilo are wholly-owned subsidiaries of Brasilcel N.V.

Brasilcel N.V. is jointly owned by Telefónica Móviles, S.A. (50.00% of total capital), by PT Móveis, Serviços de Telecomunicações, SGPS, S.A. (49.999% of total capital) and by Portugal Telecom, SGPS, S.A. (0.001% of total capital).

Tele Sudeste is the controlling shareholder of Telerj Celular S.A. ("Telerj") and Telest Celular S.A. ("Telest"), which provide, through authorizations granted, mobile telephone services in the states of Rio de Janeiro and Espírito Santo, respectively, including related services.

Authorizations granted to Telerj and to Telest are in effect until November 30, 2005 and November 30, 2008, respectively, and are renewable once, for a period of 15 years, through payment of charges equivalent to approximately 1% of the operator's annual income.

On July 6, 2003, the operators implemented the Carrier Selection Code ("CSP"), for selection of long distance and international service carriers, in accordance with the Personal Mobile Service ("SMP") rules. The operators no longer receive revenues from these long distance and international services instead they receive interconnection fees from the use of their networks on these calls.

Telecommunication services provided by the subsidiaries, including related services, are regulated by the Federal regulatory authority, the National Telecommunication Agency ("ANATEL"), as authorized by Law No. 9,472, of July 16, 1997, and the respective regulations, decrees, decisions and plans.

## 2. PRESENTATION OF INTERIM FINANCIAL STATEMENTS

The interim financial statements include balances and transactions of the Company and its subsidiaries. In consolidation all intercompany balances and transactions have been eliminated.

The financial statements as of June 30, 2004 and September 30, 2003 have been reclassified, where applicable, for comparability purposes.

## 3. PRINCIPAL ACCOUNTING PRACTICES

The interim financial statements ("ITRs") are presented in thousands of Brazilian reais (R\$) and have been prepared in accordance with accounting practices adopted in Brazil and standards established by the Brazilian Securities Commission ("CVM"), which do not provide for the recognition of inflation effects beginning January 1, 1996.

The accompanying interim financial statements have been prepared in accordance with principles and practices applied consistently with those used to prepare the financial statements presented at the last year-end and should be analyzed together with those financial statements.

## 4. CASH AND CASH EQUIVALENTS

	<u>Company</u>		<u>Consolidated</u>	
	<u>09/30/04</u>	<u>06/30/04</u>	<u>09/30/04</u>	<u>06/30/04</u>
Cash and banks	729	483	21,377	12,527
Temporary cash investments	<u>7,374</u>	<u>7,977</u>	<u>349,273</u>	<u>325,389</u>
Total	<u>8,103</u>	<u>8,460</u>	<u>370,650</u>	<u>337,916</u>

Temporary cash investments refer principally to fixed-income investments which are indexed to interbank deposit (CDI) rates.

## 5. TRADE ACCOUNTS RECEIVABLE, NET

	<u>Consolidated</u>	
	<u>09/30/04</u>	<u>06/30/04</u>

Unbilled amounts from services rendered	74,426	78,876
Billed amounts	123,108	110,070
Interconnection	105,239	112,368
Goods sold	115,057	135,259
Allowance for doubtful accounts	<u>(44,855)</u>	<u>(41,725)</u>
Total	<u>372,975</u>	<u>394,848</u>

Changes in allowance for doubtful accounts were as follows:

	<u>Consolidated</u>	
	<u>2004</u>	<u>2003</u>
Beginning balance	31,685	31,867
Additions in the first quarter	11,462	9,750
Write-offs in the first quarter	<u>(4,899)</u>	<u>(7,692)</u>
Balance as of March 31	38,248	33,925
Additions in the second quarter	8,329	8,777
Write-offs in the second quarter	<u>(4,852)</u>	<u>(7,120)</u>
Balance as of June 30	41,725	35,582
Additions in the third quarter	9,784	9,589
Write-offs in the third quarter	<u>(6,654)</u>	<u>(8,994)</u>
Balance as of September 30	<u>44,855</u>	<u>36,177</u>

## 6. INVENTORIES

	<u>Consolidated</u>	
	<u>09/30/04</u>	<u>06/30/04</u>
Digital handsets	129,005	115,660
Other	6,924	6,918
(-) Reserve for obsolescence	<u>(34,167)</u>	<u>(32,365)</u>
Total	<u>101,762</u>	<u>90,213</u>

## 7. DEFERRED AND RECOVERABLE TAXES

	<u>Company</u>		<u>Consolidated</u>	
	<u>09/30/04</u>	<u>06/30/04</u>	<u>09/30/04</u>	<u>06/30/04</u>
Prepaid income and social contribution taxes	49,184	47,491	164,516	153,484
Withholding income tax	1,249	1,097	8,871	3,163
Recoverable ICMS (state VAT)	-	-	66,927	64,376
ICMS on deferred sales	-	-	11,672	6,600
Other	<u>531</u>	<u>594</u>	<u>34,932</u>	<u>29,404</u>

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Total	50,964	49,182	286,918	257,027
Deferred income and social contribution taxes	<u>337</u>	<u>275</u>	<u>258,732</u>	<u>277,666</u>
Total	<u>51,301</u>	<u>49,457</u>	<u>545,650</u>	<u>534,693</u>
Current	1,841	1,691	360,619	348,414
Long term	<u>49,460</u>	<u>47,766</u>	<u>185,031</u>	<u>186,279</u>

The main components of deferred income and social contribution taxes are as follows:

	<u>Consolidated</u>	
	<u>09/30/04</u>	<u>06/30/04</u>
Merged tax credit (corporate restructuring)	97,294	120,979
Tax credits on:		
Provision for obsolescence	11,617	11,004
Provision for contingencies	28,091	29,213
Allowance for doubtful accounts	15,250	14,186
Tax loss carryforward and social contribution negative basis	66,474	66,135
Other	<u>40,006</u>	<u>36,149</u>
Total deferred taxes	<u>258,732</u>	<u>277,666</u>
Current	147,074	160,662
Long term	<u>111,658</u>	<u>117,004</u>

Deferred taxes have been recorded based on the assumption of their future realization, as follows:

- a) Tax loss carryforward and negative basis of the subsidiary Telerj will be offset to a limit of 30% per year of taxable income for the next years. Telerj, based on projections of future results, estimates that its tax loss and negative basis will be fully compensated in four years.
- b) Merged tax credit: consists of the net balance of goodwill and the reserve for maintenance of integrity of shareholders' equity (Note 28) and is realized proportionally to the amortization of the goodwill in its subsidiaries, which will occur in five years. Outside consultants' studies used in the corporate restructuring process support the tax credit recovery in these periods.
- c) Temporary differences will be realized upon payment of the accruals, effective losses on bad debts and realization of inventories.

Technical feasibility studies, approved by the Board of Directors, indicate full recovery of the deferred taxes recognized as determined by CVM Resolution No. 371/02. Realization of the tax credits is estimated as follows:

<u>Period</u>	<u>Consolidated</u>
2004	15,337
2005	142,740
2006	20,940
2007 (forward)	<u>79,715</u>
Total	<u>258,732</u>



CVM Resolution No. 371/02 determines that periodic studies must be carried out to support the maintenance of the amounts recorded.

## 8. PREPAID EXPENSES

	<u>Consolidated</u>	
	<u>09/30/04</u>	<u>06/30/04</u>
FISTEL taxes	24,845	36,054
Rentals	9,034	9,030
Financial charges	61	199
Insurance premiums	546	820
Advertising material to be distributed	9,032	9,691
Commercial incentives	1,179	1,772
Personnel benefits	2,114	1,878
Other	<u>6,315</u>	<u>5,285</u>
Total	<u>53,126</u>	<u>64,729</u>
Current	37,889	50,296
Long term	<u>15,237</u>	<u>14,433</u>

## 9. OTHER ASSETS

	<u>Company</u>		<u>Consolidated</u>	
	<u>09/30/04</u>	<u>06/30/04</u>	<u>09/30/04</u>	<u>06/30/04</u>
Escrow deposits	-	-	12,758	12,303
Advances to employees	-	-	3,001	3,386
Credits with suppliers	-	-	5,321	4,522
Related-party credits	185	861	29,899	30,095
Dividends and interest on company capital	52,250	51,954	-	-
Sales subsidies	-	-	20,301	25,097
Other assets	<u>680</u>	<u>38</u>	<u>11,119</u>	<u>10,372</u>
Total	<u>53,115</u>	<u>52,853</u>	<u>82,399</u>	<u>85,775</u>
Current	53,115	52,853	76,644	80,020
Long term	=	=	<u>5,755</u>	<u>5,755</u>

## 10. INVESTMENTS

### a) Investment in subsidiaries

Total common	Shareholders' equity at	Net income
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<u>Subsidiary</u>	<u>Total interest</u>	<u>stock</u>	<u>09/30/04</u>	<u>at 09/30/04</u>
Telerj Celular S.A.	100%	30,449,109	1,633,498	42,679
Telest Celular S.A.	100%	2,038,856	304,902	42,215

b) Components and changes

<u>Description</u>	<u>Telerj</u>	<u>Telest</u>	<u>Total</u>
Balances at December 31, 2003	1,590,819	262,687	1,853,506
Equity in earnings	<u>42,679</u>	<u>42,215</u>	<u>84,894</u>
Balances at September 30, 2004	<u>1,633,498</u>	<u>304,902</u>	<u>1,938,400</u>

11. PROPERTY, PLANT AND EQUIPMENT

	<u>Annual depreciation rates - %</u>	<u>Consolidated</u>			
		<u>Cost</u>	<u>09/30/04 Accumulated depreciation</u>	<u>Net book value</u>	<u>06/30/04 Net book value</u>
Transmission equipment	14.29	1,446,791	(1,052,556)	394,235	416,752
Switching equipment	14.29	644,513	(446,751)	197,762	193,377
Infrastructure	5.00 to 20.00	379,052	(190,851)	188,201	190,642
Land	-	4,353	-	4,353	4,353
Software use rights	20.00	258,756	(152,316)	106,440	111,109
Buildings	4.00	33,647	(3,905)	29,742	29,414
Terminal equipment	66.67	171,640	(126,590)	45,050	36,937
Other assets	10 to 20.00	252,653	(130,120)	122,533	125,785
Construction work in progress	-	<u>134,841</u>	=	<u>134,841</u>	<u>112,665</u>
Total		<u>3,326,246</u>	<u>(2,103,089)</u>	<u>1,223,157</u>	<u>1,221,034</u>

12. TRADE ACCOUNTS PAYABLE

	<u>Company</u>		<u>Consolidated</u>	
	<u>09/30/04</u>	<u>06/30/04</u>	<u>09/30/04</u>	<u>06/30/04</u>
Suppliers	4,166	3,796	236,759	203,883
Interconnection	-	-	6,156	17,858
Amounts to be transferred - SMP (*)	-	-	101,547	80,253
Technical assistance (see Note 29.b)	-	-	75,684	76,212
Other	<u>768</u>	<u>764</u>	<u>11,492</u>	<u>10,981</u>
Total	<u>4,934</u>	<u>4,560</u>	<u>431,638</u>	<u>389,187</u>

(\*) Refers to long-distance services to be passed on to the operators due to the migration to the Personal Mobile Service ("SMP") system (Note 1).

13. TAXES PAYABLE

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	<u>Company</u>		<u>Consolidated</u>	
	<u>09/30/04</u>	<u>06/30/04</u>	<u>09/30/04</u>	<u>06/30/04</u>
Value-added tax on sales and services - ICMS	-	-	20,743	18,622
Income and social contribution taxes	631	-	17,626	12,172
Taxes on revenue (PIS and COFINS)	-	68	15,657	11,622
FISTEL	-	-	2,466	2,673
FUST and FUNTTEL				