

TELE CENTRO OESTE CELULAR PARTICIPACOES

Form 6-K

March 24, 2006

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 March, 2006

Commission File Number 001 - 14489

**TELE CENTRO OESTE CELULAR PARTICIPAÇÕES
S.A.**

(Exact name of registrant as specified in its charter)

Tele Centro Oeste Cellular Holding Company

(Translation of Registrant's name into English)

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SCS Quadra 2, Bloco C, 226

Edificio Anexo Telebrasília Celular 7º andar

70302-916 Brasília, DF

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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* Expressly incorporated by reference into Telesp Celular Participações S.A.'s Registration Statement on Form F-4/A, filed with the Securities and Exchange Commission on January 24, 2006 (SEC File No. 333-130410), and in the Prospectus, dated January 24, 2006, included therein.

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.

Date: March 23, 2006

TELE CENTRO OESTE CELULAR PARTICIPAÇÕES S.A.

By: /s/ Paulo Cesar Pereira Teixeira

Paulo Cesar Pereira Teixeira
Investor Relations Officer

**MANAGEMENT'S REPORT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005 OF TELE CENTRO OESTE
CELULAR PARTICIPAÇÕES S.A.**

MANAGEMENT'S REPORT

The management of **Tele Centro Oeste Celular Participações S/A** (TCO), a company operated by Telefónica Móviles and Portugal Telecom, **operating under the brand name VIVO**, is submitting Management's Report and the company's Financial Statements for fiscal year ended at December 31, 2005, in compliance with the provisions in the law and bylaws.

Message from the Chief Executive Officer

2005 was a year of important advances for VIVO, the brand under which the companies Telesp Celular Participações S.A. (TCP) (controlling shareholder of Tele Centro Oeste Celular Participações S.A. (TCO)), Tele Leste Celular Participações S.A. (TLE), Tele Sudeste Participações S. A. (TSD) and Celular CRT Participações (Celular CRT) all operate; they all make up the assets of the joint venture formed by Telefónica Móviles and Portugal Telecom. A customer base of close to 30 million clients in December 2005 is the best evidence of VIVO's leadership in the Brazilian mobile communications market. But of greater value than its superiority in terms of market share are the quality of its customer base and its leadership in revenue share.

In general, the players in this market have based competition strategies on powerful mechanisms designed to reduce entry level prices and on high investments in advertising and marketing. Vivo has adapted to market conditions, without putting in risk its capacity of generating results, which allows it to continue its quality relationships with its clients, shareholders and community. Increasing numbers of postpaid subscribers and ongoing income data growth registered between 2004 and 2005 are some of the indicators that attest that the path chosen was the right one.

The Brazilian market, with approximately 85 million cell phone users, still has room for growth, albeit at a slower pace than in the past few years. VIVO is on the lookout for opportunities to add new customers to its base. But, in the current scenario, the organization's major challenge is to win over the customers it already has, that is, to ensure their loyalty. There is a very simple form of making customers confirm their choice in appointing VIVO as their carrier: a continual drive for customer satisfaction, through service excellence, especially in billing, card recharging and customer services. These are key factors for the customer and, thus, key factors in VIVO's strategy. Quality in these items that are sensitive to customers is what is going to make the difference.

Ongoing advances

In 2005, VIVO evolved significantly in several fields. Expansion projects and the CDMA overlay allowed Vivo to increase by about 20% the digital coverage in several areas. One of the highlights was the State of São Paulo, which now has VIVO coverage in 100% of its municipalities. Besides growing in terms of quantity, the organization gained points in terms of service quality, evidenced by the increase in the completed originated call rate to 78%, from 72%, well above the 67% targeted by Anatel.

VIVO also made significant progress in its projects to unify the main business and operation support systems. In 2005, SAP and data warehouse projects were finally concluded. Unification of billing, prepaid and front-office systems has also moved forward and is expected to be fully completed in 2006. These moves gave the organization greater agility, efficiency and competitiveness. They have, among other things, made the launch of new products easier and enabled VIVO to offer customers the same promotions and type of relations, regardless of which area they are in.

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One other contribution towards consolidating the organization into one single entity that must be mentioned was the decision by the boards of directors of the companies operating under the VIVO brand to promote the corporate restructuring that will result in a single publicly held company - Vivo Participações S.A.

The system unification projects and improvement in customer services have proved to have successful results among customers as evidenced, for example, by the drop in call center calls in 2005 as compared to those of the previous year.

Third Generation

With respect to technology, CDMA EVDO, VIVO's Third Generation System, which guarantees very high data transmission speeds, is now fully operational in São Paulo, Rio de Janeiro, Curitiba, Porto Alegre, Salvador and Brasília. This technology is the cornerstone for some significant innovations in services, such as Vivo Play 3G and Vivo Zap 3G. Included in the important launches made in 2005 are Smart Mail (a corporate service that permits real time access to office e-mails) and Vivo Moblog (a service which, differently from common blogs, allows both the Internet and cell phones to be used in text and image configurations and publications). To innovate is one of the key factors in increasing data service revenues, which already account for 6% of total revenues. Use of the Vivo Downloads service alone which includes the downloading of games, images and musical tones has risen by 200% from 2004 to 2005.

But for VIVO, to innovate entails much more than to introduce a new service in the market or to pursue cutting-edge technology. It is equally important to innovate in terms of processes, attitudes, customer relations and employee relations. To simplify offers or improve communication mechanisms between in-house departments to expedite delivery of a solution to a demand to the Call Center are innovations that do not require sophisticated technology and have an important positive impact on customers.

If VIVO put a lot of energy into the businesses throughout 2005, it did so without disregarding another essential aspect: exercising its social responsibility, whether in forging an ethical and transparent relationship with its different target publics customers, shareholders, employees, community members and government authorities or in participating in initiatives that promote progress and social equality. The close to 40 projects sponsored by Instituto Vivo, especially in the field of Education, benefit more than 200,000 persons across Brazil. A civic effort to which all VIVO employees contribute is the VIVO Volunteer Program, which organizes activities designed mainly for the visually disabled.

Transformation

2005 was, without any doubt, a year of major realizations for Vivo, as the reader will have opportunity to see in greater detail throughout this report. But one factor has made 2005 a decisive year: it marks the beginning of a new era for the organization. An era in which VIVO will be fully devoted to customer satisfaction.

This is a challenging strategic guideline as it requires the fine-tuning of all the departments to focus on the customer's cause. It requires changes that will only be brought about if the people that make up the organization are strongly determined to undertake them. And VIVO's professionals are. The climate survey conducted at the end of 2005 showed that all employees fully endorse the new strategic orientation, clearly identify the paths of change that must be followed and are willing and prepared to help VIVO become a 100% customer-oriented company, with segmented promotions and excelling in general, billing, recharging and customer services. These are essential elements that add value to the customer and to VIVO's business.

2005 Highlights

Leading position in mobile telephony in Brazil with a 34.5% market share (source: Anatel);

Approximately 30 million customers at the end of 2005;

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100% coverage in all of the municipalities of the State of São Paulo;

The greatest coverage in Brazil servicing over 2,200 municipalities;

More than 7,600 points of sale of its own or outsourced;

Pioneer in providing 3rd Generation Services in Brazil, due to the introduction of the CDMA EV-DO technology in its main capital cities (São Paulo, Rio de Janeiro, Florianópolis, Curitiba, Porto Alegre, Salvador, Vitória and Brasília);

Main innovations: Vivo Play 3G, Vivo ZAP, Smart Mail and Globalmoto;

15 million downloads since 2003;

2 million VIVO Wap users per month;

More than 6,300 direct jobs;

11th best valued brand on the domestic market, according to Internbrand ranking, worth US\$ 218 million;

SAP project completed, unifying the entire management system;

Data warehouse unification project completed;

Vivo was granted more than 40 awards, with special mention to the Caboré Prize for best advertiser of the year; and

Sponsorships: *Barco Brasil 1* in Volvo Ocean Race and Brazilian Soccer Team.

1 Political and Economic Environment

In 2005 the fundamentals of the export sector of the Brazilian economy continued to show improvement. The trade balance registered a historical record surplus of US\$ 44.8 billion, which resulted, despite the increase in profit and dividend remittances to US\$ 13.4 billion, in a current account surplus in the equivalent of 1.8% of GDP. The level of foreign reserves rose to US\$ 53.8 billion, the highest level posted since 1998; IMF debt of US\$ 15.5 billion was paid earlier than scheduled and foreign debt reduced by US\$ 34 billion, while the domestic securities debt indexed to foreign exchange rates was paid off. These efforts enhanced all foreign solvency indicators, which strengthened the downward trend in the Brazil risk premium throughout the year, to 303 bps at year end, 1 bps higher than the lowest risk level registered by Brazil since this indicator first started to be measured.

Due to the improvement in the foreign solvency rate and ongoing decline in the risk premium, the foreign exchange rate continued to steadily drop, with the US dollar depreciating in relation to the Brazilian real. In 2005, Brazil's currency registered a nominal appreciation of 17.1% - annual average versus last year's average. The face value appreciation of the Brazilian real was one of the factors that contributed to achieving the inflation target in 2005. Inflation according to the IPCA (Expanded Consumer Price Index) of 5.7% in 2005, the lowest since 1998, was slightly higher than the 5.1% Central Bank target, but well within the tolerance bracket.

The second reason why the inflation rate (based on the IPCA) remained within the tolerance brackets established by Central Bank was the rise in interest rate in 2005. During the year, the Central Bank of Brazil raised the SELIC rate (Special Settlement and Custody System) to 19.75% in August, from 18.25% in January, and then reduced it to 18.0% in December. As a result, the accumulated nominal rate registered in the year was 19.0%, or 12.6% in real terms. It should be mentioned, on the other hand, that this increase in real interest rate also reduced economic activity,

particularly in the second half of the year. Because of this, the growth rate for the Brazilian GDP should be 2.0% for 2005.

Worldwide Mobile Phone Market

The worldwide mobile phone market grew 21.0% and 25.3% in 2003 and 2004, respectively.

Similar growth of around 24% is estimated for 2005. In 2005, total number of cell phone users worldwide exceeded the two-billion mark.

The penetration of mobile phones worldwide is expected to have reached 29% in 2005, up five percentage points over 2004.

Prepaid plans continue to be the driving force behind the growing number of users in several areas around the world, the only exception being North America and Europe, where prepaid subscribers account for 96% of new telephone line additions. In 2005, 62% of cell phone users were prepaid plan subscribers.

It is estimated also that 26% of worldwide mobile service users are lines used by companies.

Some 77.3% of the lines in the world use GSM technology, 15.3% CDMA technology and 7.4% use other technologies. As far as third generation technologies are concerned (3G), W-CDMA (UMTS) has 49 million subscribers while the 1xEV-DO technology has 26 million subscribers.

Brazil is the fifth country among the nations with the largest number of cell phones, and its 20 million user market growth rate in 2005 was also one of the highest in the world, surpassed only by China (76 million), Russia (61 million) and India (28 million). China closed 2005 with 400 million cell phones (31.8 mobiles/100 inhab.), Russia with 125 million (86.6 mobiles/100 inhab.) and India with 76 million (7.0 mobiles/100 inhab.).

Following the same trend of the previous year, in 2005 the markets of China, Russia, India, Brazil and United States were leaders in terms of new subscribers. Pakistan, Colombia, Nigeria and Egypt were the countries that reported the highest mobile phone percentage growth.

Mobile Phone Market in Brazil

2005 was characterized by strong expansion in the Brazilian mobile business triggered mainly by strong competitive pressure among operators, which lowered the entry level prices and the service prices. The year closed with a total 86.2 million lines, reporting 31.4% growth in the year.

Expectations point to a slight slowdown in the growth of the customer base of the mobile business in 2006, due mainly to high mobile penetration and operator concern in improving business profitability.

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VIVO maintained its leadership position on the Brazilian mobile market, with a 34.5% market share at the end of the year.

Net additions in 2005 totaled 20.6 million, up 7.3% on net additions registered in 2004. The last quarter of the year reported the highest volume of net additions in the year, totaling 6.2 million new lines, down 16.6% when compared to the last quarter of 2004.

Due to the strong growth of the customer base in 2005, mobile penetration reached 46.6%, which is higher than in 2004 by 10 percentage points. Consequently, mobile penetration was 24 percentage points higher than that registered by fixed telephones in Brazil of 22% at the end of 2005.

Data services usage also rose in Brazil in 2005. Revenues produced in Brazil from data transmission accounted for 4.4% of ARPU in third quarter 2004, but had climbed to 5.8% in third quarter 2005. As was the case in developed markets like Europe and some Asian countries, demand for data services is expected to continue to grow significantly during 2006. This growth may be spurred by the diversity of solutions and service applications provided by the use of data services through the cellular phone.

Regulatory Environment

2005 was marked by intensified fiscal control actions by Anatel and the issue of Public Inquiries proposing changes in the regulations, especially focused on the protection of consumer rights.

Stricter fiscal control actions by Anatel caused an increase in the number of administrative proceedings filed against cell phone operators, especially in view of the quality of services rendered. These proceedings could result in the application of sanctions on the respective operators.

One of the most important Public Inquiries was No. 642, which proposed changes in SMP (public mobile service) regulations. January 16, 2006 was the deadline for any opinions to be voiced thereon. In this document, Anatel addresses points of vital importance to the cell phone business such as: compulsory assistance presence per serviced municipality, extension of prepaid card validity; extended period before blocking use of phone of defaulting users and abolishment of the service plan grace periods.

Among the resolutions published by Anatel in 2005, most noteworthy are No. 410, which provides the new general interconnection regulations, and No. 408, which upheld the partial *Bill and Keep* rule on payment for use of networks among SMP operators.

2005 also featured the beginning of free negotiations of the price for use of mobile networks (VU-M), until the pricing-at-cost model is implemented. A temporary agreement was signed among local fixed telephone operators and mobile operators to ensure a 4.5% price adjustment, pending a decision by Anatel on requests for arbitration relative to VU-M prices.

2 Marketing Strategy

The mobile telephony industry in Brazil is starting to reach a saturation point, with the higher social classes registering very high levels of penetration. In these circumstances, the market value starts to steadily become centered on the bases of the operators themselves, increasing the competition for value-added customers. At year end the first signs of the slowing down of the business appeared and caused operators to seek to maximize the creation of value. We believe that this could lead, more and more, to improved results in the industry.

In this context, VIVO based its 2005 strategy on two fundamental principles:

To maintain its market leadership;

To grow with profitability in order to maximize EBITDA (earnings before interest, taxes, depreciation and amortization) and its margin.

These principles were translated into a marketing strategy made up of great macro actions, which were put into effect throughout 2005 and expected to be continued in 2006:

To Deliver Basic Service with Quality Leadership, adjusting the company's framework and optimizing key processes such as call center customer service and public stores;

Aggressive Customer Loyalty Programs in order to reduce the churn rate (number of disconnected customers from the customer base in relation to the average number of active subscribers) through structured and focused actions by allocating funds according to profitability and returns;

Selective Growth in segments and regions with higher value-creation potential;

Ensure profitability of the current customer base as well as of new customers captured during the year by implementing actions that stimulate use of services (especially recharging of prepaid cards), improving segmented management and adjusting the cost of servicing to the value of each segment;

Build/Communicate Brand Differential by exploiting the competitive edge of its coverage and technological advantages of the CDMA (3G - EVDO), translating into innovative services and more modern handsets; and

Change brand value perception by exploiting simple attributes recognized by customers and a commitment to deliver quality and satisfactory customer services (establish credibility and trust).

Plans and Campaigns

The retail campaigns in 2005 were aimed at selective growth, particularly in the postpaid plan and other segments with potential for greater value generation, in order to improve price perception and enhance market leadership.

Among the benefits granted in promotions this year, VIVO tried to create offers that were both attractive and also encouraged consumer habits in customers, by offering more incentives to those holding more profitable postpaid plans (by giving discounts to handsets), monthly card recharging to prepaid subscribers and timely payments to postpaid plan subscribers.

The principal benefits included: intranet traffic (local and long distance using CSP Long distance carrier selector code- 15), data services (SMS and MMS), reduced off-peak rates; selected handset price reductions (postpaid plan promotions that offered escalating discounts according to higher service plan value to boost growth of the high potential segment), among others.

In all VIVO's acquisition campaigns, a special focus was placed on the value attributed to the current customer base, and all customers were given the chance of taking part in all of the campaigns by changing their handsets and keeping their former numbers, which ensured customer loyalty and higher profitability rates, as described above.

VIVO also engaged in segmented actions that centered on the Youth and High Potential segments. The campaign designed for the Youth segment was *Vivo in Colleges*, a project that was conducted in 100 of the largest and best universities in Brazil. It was aimed at bringing VIVO closer to college students, but this time by *invading their world*, and made possible a greater bridging of the gap and helped them identify more with the VIVO brand. In all, some 700,000 students participated in this project.

Another highlight was a marketing drive involving partners that speak the language of young people. The most important of these was the partnership formed with Terra, Brazil's largest Internet portal. Direct marketing actions were taken to capture users in this segment.

Focused on the High Potential segment, the most relevant projects were those designed to acquire the postpaid clients of higher value of the competition. These campaigns were undertaken through direct marketing and in the VIVO stores. The promotions of these campaigns were aimed at providing higher benefits to customers who made a commitment to higher monthly disbursements.

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Concurrently with the Acquisition Campaigns, VIVO strove to enhance price perception in the market and within its customer base. The plan portfolio was updated in view of the promotions undertaken by new players on the market that posted price discounts and aggressive subsidies as their principal means of leveraging sales. This adjustment was extended to the customer base through a migration of customers to selective plans with the objective of guaranteeing returns and customer loyalty via segmented promotions. In September, with a view to assuring the loyalty of

high value postpaid subscribers, the *Vivo Ideal* plan was launched, which automatically fitted customers into the 150, 300, 500 and 1000 minute plans according to their consumption.

In addition, in October 2005, VIVO launched a new campaign *Vivo e Você na Copa* (Vivo and You at the World Cup) focused on its current customer base (both prepaid and postpaid plan subscribers), in order to enhance profitability. This campaign offers to take 75 customers with companion to watch Brazil play in the 2006 World Soccer Championship, and will be valid until March 31, 2006.

2005 Acquisition Offers

The year of 2005 started with a summer promotion entitled *Verão em Dobro VIVO* (Double Summer Vivo), which offered the benefit of card recharges and call minute bonuses worth two times more and exclusively to postpaid clients' long-distance (LD) calls at local charges via CSP 15, to boost intranet and LD traffic.

In March, the campaign *VIVO 15 Super Tarifa* (VIVO 15 Super Rate) addressed to young people, boosted postpaid and prepaid plan additions with an aggressive promotion and strong appeal to price perception through a reduced rate (R\$ 0.15/min) on all intranet calls in Brazil, plus a data services sample package.

The campaign *Dia das Mães VIVO* (Mother's Day Vivo) in May focused on price perception again, with a 50% discount on local and long-distance intranet calls using CSP 15 of Telefônica, in an attempt to reinforce the VIVO Community concept. A data services sample package (SMS + MMS) was offered in addition to this benefit. Another campaign introduced at the same period featured *Bom de Papo* (Easy Chatting), packages of 300 minutes (60 minutes free + 240 minutes within the Vivo network) and 600 minutes (120 minutes free + 480 within the Vivo network), designed to attract and ensure loyalty of high-value postpaid customers which were targeted by the competition.

In mid-June, we launched the campaign *Noite dos Namorados* (Valentine's Evening) to encourage calls during the network's off-peak period, to reduce idle time by offering reduced rates for voice and data for only R\$ 0.10/minute. During the same month, focused on the high potential segment, VIVO launched the promotion *100 minutos por R\$1* (a minute-based package for intranet local calls for R\$1.00 per month added to the 60, 120, 180, 240, 360, 600 and 900-minute plans). Both offers were designed to improve price perception and the VIVO Community concept.

In July, as a result of launching the Father's Day Campaign, VIVO started off the promotion *Mesada VIVO Pré* (VIVO Prepaid Pocketmoney). It was a simple, attractive, but different kind of promotion in which R\$30 were given as bonus for local calls to any operator, coupled with a data services sample package (SMS and MMS). The promotion was later extended into the months of August and September.

During this same period, VIVO started version two of the *Bom de Papo* campaign designed to attract and ensure the loyalty of high-value postpaid subscribers who continued to be targeted by the competition.

In October, the company again focused its attention on youth, and again used the VIVO Community concept under the promotion called *Fale + Por* (Speak + For), whereby local intranet calls had reduced rates (R\$0.25/min), plus the benefit of a data services sample package. This again was a simple and competitive offer which also aimed at enhancing price perception.

To close the year, Brazil's leading mobile telephone company set in motion a pioneering and very attractive offer, which was easily understood by customers. Its purpose was to exploit free use of cell phones through *Natal Bônus Livre* (Christmas Free Bonus) campaign, with a bonus of R\$ 40/month (for 6 months) for local calls to any cellular or fixed phone, conditioned upon a monthly card recharge and timely paid postpaid plans, plus a bonus data package (SMS and MMS).

Customer Loyalty Projects

Year 2005 was marked by aggressive attempts to shield high-value customers using a Program of Points as the main customer retention tool. Under this program customers accumulate points based on their monthly invoices, and these points can be used in acquiring a new handset.

The Program of Points was at first implemented in VIVO's own stores, which not only made it easier for customers to exchange handsets but also stepped up the number of handsets exchanged each month. Besides this, in 2005 the implementation of this program was completed in all regions, integrating the program nationwide.

All this effort resulted in an 82% growth in shielding our customers in relation to 2004, especially in the third and fourth quarters of 2005.

3 Business Performance

TCO is the holding company that controls 100% of operators Telegoiás Celular S.A., Telemat Celular S.A., Telems Celular S.A., Teleron Celular S.A., Teleacre Celular S.A., which were collectively referred to as Area 7, Norte Brasil Telecom S.A. (NBT), former Area 8, and TCO IP, another company that offered solutions to the data services market via IP (Internet Protocol). The Company, besides acting as a holding company, operates in the same manner as its controlled companies, being authorized to provide Personal Communications Services (SMP) in the Federal District. Its controlled companies operate in the states of Goiás and Tocantins, Mato Grosso, Mato Grosso do Sul, Rondônia, Acre, and through NBT in the states of Roraima, Amapá, Pará, Amazonas, and Maranhão.

Operating Performance

As of December 31, 2005, TCO reported a 17.1% increase in its customer base, totaling 6,815 thousand customers, and a 45.5% market share.

The figures below show TCO's operating performance:

The ARPU (average revenue per user) posted in 2005 of R\$25.9 was lower than that registered in 2004 due to the expansion of the total customer base and, primarily, to a reduction of the prepaid ARPU, which was caused by, among other factors, the outbound traffic of this market segment, as well as a drop in MOU (monthly average of minutes of use per customer) which was 73.0, which was impacted, in turn, by the reduction in the fixed-mobile traffic.

SAC (subscriber acquisition cost) reached R\$129.0 in 2005. The increase in relation to 2004 was due to stronger competition, customized campaigns targeting postpaid subscribers, and technology migration. The fourth quarter of 2005 could be characterized by an increase in prices of entry-level handsets (known as the "entry-level barrier"), which contributed to partially offset the pressures on the SAC.

The penetration level in 2005 was 44.0%, up 9.2 p.p. in relation to 2004, indicating that there is still room for market growth.

Infrastructure Network

TCO's CDMA overlay project continued in 2005, in the states served by TCO and NBT. CDMA and 1XRTT technology were provided to an additional 256 municipalities within the TCO concession and an additional 50 new municipalities were served by TCO.

In addition, 100% of the municipalities served by TCO are now assured digital coverage.

The mobile phone network of TCO and NBT, which operate with TDMA, CDMA and 1XRTT technologies as well as in analogical technology, ended the year covering 44.7% of the municipalities, or 80.44% of the population living in TCO's concession area. The Company's network as of December 31, 2005 consisted of 37 switch centers (including Gateways), 1,953 cell stations and 89 other pieces of equipment.

In addition, in 2005 EV-DO hot spots were activated in Brasília through 43 carriers of such technology.

Distribution network

At December 31, 2005 TCO owned 69 purchase points and the Virtual Shop, which was available only in the DF (Federal District). Additionally, TCO possessed an efficient network of authorized

dealers retail and resale - comprised of 1,905 storefronts (50% working exclusively for TCO) capable of sales of services and handsets.

There were 68,842 points of purchase where users can recharge prepaid cards. These include operator stores, authorized dealers, lottery shops and physical and virtual card distributors such as small shops, drugstores, newspaper stands, bookstores, bakeries, gas stations, bars and restaurants. Electronic recharging is also available through a number of banks.

Roaming

In October VIVO launched *Globalmoto*, the first cell phone in Brazil that provides automatic international roaming facilities in more than 170 countries. Even in countries where CDMA technology is not available, customers may continue to use the same handset and number. The new handset is being widely used by corporate customers, whose officers are always traveling abroad.

However, customers who do not own a Globalmoto may also freely access their numbers in over 170 countries, since if CDMA is not available in the country they are visiting, VIVO offers a *VIVO no MUNDO VIP* (VIVO in the VIP World) kit with a handset that runs on technology used in that particular country, without any additional cost to the customer, who may keep their original numbers.

Today, VIVO postpaid subscribers can use their own handsets in the United States, Canada, Mexico, Puerto Rico, Dominican Republic, Chile, Peru, Argentina, Uruguay, China, South Korea and New Zealand, an amenity that is available in over 2,500 cities.

Also with regard to international roaming, the company decided to maintain a low and simple rate as a means of standing up to competition.

With respect to national roaming, VIVO still has roaming agreements with carriers that operate in other Brazilian states, to provide nationwide service to customers.

Information Systems

In 2005, Information Systems focused on projects aimed at consolidating information systems, developing products and services for personal and corporate markets, and enhancing infrastructure.

All major applications are either currently being consolidated as in the case of billing, front-office, prepaid, data warehouse, accounting and management (among others) or have already been concluded as in the case of mediation, interconnection and co-billing. We have also finished our new Data Processing Center, where the new systems are installed and some of the unconsolidated applications will be migrating to, which is now in a modern, safe and efficient technological environment.

Quality Program

In 2005 we continued to qualify for quality certification for SMP PGMQ indicators (collection, consolidation and sending methods) first extended in August 2003 by the certification bureau BVQI - *Bureau Veritas Quality International*. This certification meets one of the requirements for migrating to SMP - Personal Mobile Service and is benchmarked through the Personal Mobile Service Quality Indicator Regulations, defined under a resolution issued by Anatel (National Telecommunications Agency).

Good practices undertaken in adjusting to ISO9001:2000 requirements were incorporated into work routines. Compliance with mapped procedures and procedure registers are ensured through internal quality audits that are conducted throughout the entire business.

We directed our actions to focusing on improving those processes that cause a direct impact on the customer's experience with VIVO. Within this context, all procedures involving sales activities, use of services, billing and customer services, are specifically outlined and undertaken by teams that devote their time specifically to these, based on existing best and most efficient practices.

4 Customer Services

The scenario in 2005 was marked by stronger competition in the cell phone business, causing increases in promotions and actions to encourage acquisition and ensure customer loyalty and higher profitability. This caused an increase in the number of calls to the Customer Relations Centers (monthly average of 37.2 million calls offered), up 11% over last year's figure, but in line with the 12.3% increase in the customer base.

To meet this demand, several customer service optimization actions were taken, among which we highlight: customer calls directed to a single number *8486 (*VIVO), a virtual agent (recognition of verbal commands), transfer reduction project (after assessing relevance and adherence to procedures, reduction of layers of customer service and 2nd transfers), implementation of the MDP (Daily Performance Map - On-line Operation Management System), Re-incidence Reduction Project and Relationship Consultants.

Also worthy of mentioning are: expansion of URA (audible response units) to Prepaid Promotion and Registration, increases in the recharge channel *7000, restructuring of Bradesco recharge URAs, and implementation of nationwide recharge URAs via Banco24hs; increases in the number of TAVs (VIVO Self Service Terminals) in our own stores; a National VIVO Portal (www.vivo.com.br) - a content channel comprised of services, information, promotions, e-commerce, reaching almost 5 million hits per month, which makes it one of the sites with most viewers worldwide, and VOL (Vivo Online) - Web service channel which provided close to 1.5 million services/month.

For handling incidents, VIVO launched a VIVO Customer Portal in early 2005, whose main objective was assessment/solution of the causes of incidents in partnership with other management departments, which has helped reduce the back office reported incidence rate by 15%.

Also during 2005, a national Individual Business Operations nucleus was created, which reports to the Customer Services Department. It controls all actions related to acquisition, profitability, customer retention and loyalty, has an installed infrastructure of 1500 PAs and boasts an average of 2,300,000 outbound contacts/month, as well as a customer retention and loyalty nucleus (Save Team). The Save Team reported an 8.4 percentage point improvement (retention rate in Dec/04 = 76.2%; Dec/05 = 84.6%), due to a gradual replacement of bonus promotions with shielding offers (handsets and plans), adding quality to retention and centering all physical operations in SP, which contributed towards implementing a management system consistent with corporate objectives.

The creation of the National Corporate Customer Division and unification of back office operations, customer relations, retention, CRI, Data and Critical Missions in a single site has boosted results in the corporate channel.

To guarantee the continuity and quality of customer services during the migration of the billing and front office systems was another challenge we overcame in 2005. This experience will help to handle the migrations we expect to take place in 2006.

This set of actions has enabled us to follow our customer-focused strategy, which is strongly based on a corporate culture that respects consumers, and to make headway not only in quantitative terms but also in qualitative terms, as indicated by the Quality URAs - on-line electronic measures

of customer satisfaction with services and satisfaction surveys developed by a specialized company, Indicator GFK, according to which TCO's customer treatment scored 8.3 in the last two months of 2005.

It should be mentioned that in 2005, VIVO earned a place of distinction on being granted several prizes: *Consumidor Moderno de Excelência em Serviços ao Cliente* (Modern Consumer for Customer Service Excellence) Category: National Mobile Telephony; *Padrão de Qualidade B2B* (Quality Standard in B2B) Category: Best Developed Convergence Environment; and for the third successive year it received honorable mention in a survey on *Empresas que mais respeitam o Consumidor* (Companies that respect Consumers the Most) Category: Mobile Telephony Services Ed. Padrão.

5 Economic and Financial Performance

The financial statements as of December 31, 2005 were reclassified, as applicable, for comparison purposes:

<u>In R\$ million</u>	<u>2005</u>	<u>2004</u>	<u>Var.(%)</u>
Net Operating Revenue	2,271.5	2,210.5	2.8%
Operating Costs and Expenses	1,885.0	1,529.1	23.3%
Income for the Current Year	339.1	507.1	-33.1%
Loans and Financing	108.9	226.3	-51.9%

Operating Revenue

The net operating revenue of TCO was R\$ 2,271.5 million in 2005, compared to R\$ 2,210.5 million in 2004, amounting to a 2.8% increase resulting from a 17.1% growth in the total customer base.

The net operating revenue from services increased by 5.0% in 2005 compared to 2004, from R\$ 1,879.6 million to R\$ 1,972.7 million. This increase was mostly due to the increase in the customer base and in the use of data services, partially offset by the effect of loyalty programs, such as Vivo Ideal and other customer loyalty campaigns aimed at adjusting a customer's plan based on their profile.

The net operating revenue from sales of products decreased by 9.7% in 2005 compared to 2004, from R\$ 330.9 million to R\$ 298.8 million. This reduction was due to competitive market conditions and a strategy of focusing on high and medium end customers in the Company's business activity, including maintaining higher entry-level barriers during the fourth quarter.

Operating Costs and Expenses

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The operating costs increased by 23.3%, totaling R\$ 1,885.0 million in 2005, compared to R\$ 1,529.2 million in 2004, due to an increase in selling expenses, an increase in Fistel tax payments

and an increase in the number of links, means of connection and an increase in the customer base. The increase in the costs for third-party services, especially plant maintenance services, as well as electricity costs, also contributed to such increase.

The cost of goods sold decreased, partially due to the lower number of activated handsets in the period. Selling expenses increased due to higher provisions for doubtful accounts and higher third-party services cost, especially publicity and recharge commissions, and client care related to the increase in the total traffic.

Profit for the Current Year

TCO's net profit was R\$ 339.1 million in 2005.

Loans and Financing

At December 31, 2005, the Company's debt was R\$ 108.9 million, of which 28% was denominated in foreign currency and fully protected by derivative transactions compared to R\$ 226.3 million at December 31, 2004.

The indebtedness recorded as of December 31, 2005 was offset by cash and financial investments (R\$ 894.5 million) and by derivative assets and liabilities (R\$ 15.2 million in net liabilities), resulting in a net cash position of R\$ 770.4 million, higher than the position recorded in 2004, which was R\$ 704.2 million.

6 Capital Expenditures CAPEX

Capital expenditures in 2005 amounting to R\$ 357.0 million were used primarily for the migration from TDMA to CDMA technology (overlay) which started in 2004. In addition, the investments were essentially due to the following factors: (i) consolidation and rationalization of the information systems; (ii) quality maintenance and expansion of coverage to account for the growth in the customer base; and (iii) terminals and technology for serving the corporate market segment.

7 Capital Markets

The São Paulo Stock Exchange index Ibovespa posted 33,436 at year end. In 2005, the Ibovespa increased by 27.7%, while the Dow Jones Industrial Average (DJIA) dropped by 0.6%. The average daily volume of transactions traded on the São Paulo Stock Exchange Ibovespa in 2005 was R\$ 1,610.8 million, a 31.9% increase in relation to 2004.

TCO shares began trading on the São Paulo Stock Exchange BOVESPA on September 21, 1998, under the symbols TCOC3 (common shares ON) and TCOC4 (preferred shares PN) and on the New York Stock Exchange NYSE on November 16, 1998 under the symbol TRO (American Depositary Receipts ADRs).

In 2005, TCO shares recorded a daily average trading volume of R\$ 784.02 thousand for common shares and R\$ 4,909.53 thousand for preferred shares on the BOVESPA. The market price of the registered common shares and of the registered preferred shares was R\$ 24.88 and R\$ 26.78, respectively, at the trading session on December 30, 2005.

On the NYSE, the ADRs were traded at year end for the price of US\$ 11.22, with a total of 30,103,696 ADRs outstanding and appreciation of 13.7%. A total of 53.4 million ADRs were traded in 2005, representing a daily average amount of US\$ 2.14 million.

<u>Per share</u>	<u>2005</u>	<u>2004</u>
Profit	2.67	3.93
Equity Value	21.63	18.93
ADR Prices in US\$ (1:3.000 PN)	11.22	9.87
Preferred Share Prices*	26.78	8.73
Common Share Prices*	24.88	12.90

(*) Closing price on the last session of the year at the Bovespa.

The Company's Capital Stock in December 2005 was R\$ 1,021,737,129.03, represented by 44,332,722 common shares and 85,735,436 preferred shares.

Interest on Shareholders' Equity

The Company's Board of Directors approved interest on shareholders' equity in the total amount of R\$ 51,083,270.86 (R\$ 0.392742326 per common and preferred share), and after including a 15% withheld income tax, the total net interest amounted to R\$ 43,420,780.23 (R\$ 0.333830977 per common and preferred share, except for shareholders who were able to evidence their tax immunity or tax-exempt status). The corresponding credit was posted in the Company's accounting records on December 31, 2005.

Corporate Restructuring

In accordance with CVM Instructions Nos. 319/99 and 358/02, the managements of Telesp Celular Participações S.A. (TCP), Tele Centro Oeste Celular Participações S.A., (TCO), Tele Sudeste Celular Participações S.A. (TSD), Tele Leste Celular Participações S.A. (TLE) and Celular CRT Participações S.A. (CRTPart) announced that on December 4, 2005, their respective Boards of Directors approved a proposal for reorganization to be submitted to the companies' shareholders. This corporate reorganization involved the merger of shares of TCO to convert it into a wholly owned subsidiary of TCP, as well as the merger of the companies TSD, TLE and CRTPart into TCP, in accordance with the terms and conditions found in the publication of such Relevant Fact of the same date. The corporate reorganization was approved by the companies' shareholders on February 22, 2006.

The managements of TCP, TCO, TSD, TLE and CRTPart believe that reorganizing the company and thereby concentrating all shareholders of the companies in a single publicly held company will simplify the current corporate framework, thereby reducing costs and increasing shareholder value, permitting shareholders to hold interests in a company with greater liquidity in both domestic and

foreign stock exchanges, facilitating the unification, standardization and streamlining of the TCP, TCO, TSD, TLE and CRTPar businesses and enabling the better use of the synergies among the companies, which, directly or via their respective operators they control, already operate under the VIVO brand.

Reverse stock split and change in ADR ratio

On May 4, 2005 TCO completed a reverse stock split and grouped every block of 3,000 common and preferred shares into one common or preferred share, respectively. TCO also changed the ratio of its ADSs to preferred shares, and each ADS now represents one preferred share. After shares were grouped, TCO shares started to be traded on the São Paulo Stock Exchange based on the price of one share instead of on the price of a one thousand-share block.

The purpose of the reverse stock split was to reduce management and operating costs for both the Company and its Shareholders; enhance efficiency of registers and control systems and disclosure of information; attribute greater visibility to the prices of shares representing the Company's share capital on the market with their trading in Reais (R\$) per share, also responding to a Bovespa initiative in this regard; and reduce chances of information and communication errors, thus improving services to Company shareholders.

Capital Increase and Cancellation of Treasury Shares

On July 29, 2005, the Board of Directors of TCO approved a capital increase and issued a total 3,107,645 new common shares at the issue price of R\$ 20.56 pursuant to preemptive rights.

The issue price was 90% of the weighted average of the closing prices on the São Paulo Stock Exchange in the 30 trading sessions held between May 13, 2005 and June 24, 2005. The right to exercise preemptive rights was then granted to all shareholders between June 29, 2005 and July 28, 2005.

This capital increase enabled TCP, as the controlling shareholder of TCO, to capitalize part of the tax benefit related to the goodwill generated in the acquisition of the company. CVM regulations permit buyers of publicly held companies to capitalize tax benefits derived from amortization of goodwill generated in company acquisitions, provided preemptive rights related to such capital increase are extended to the other shareholders of the publicly held company. The tax benefits capitalized by TCP in July 2005 relative to TCO included R\$ 63,893,190 in tax benefits for the fiscal year ending on December 31, 2004. In addition, at the same meeting, the Board of Directors of TCO approved the cancellation of 1,927,812 common shares that were held as treasury shares. The General Meeting of Shareholders, held on March 31, 2005, in a matter prior to the resolution on the grouping of shares completed in May 2005, resolved to reintroduce 1,527,046 Registered Common Shares (ON's) and 2,087,452 Registered Preferred Shares (PN's) on the Market, which remained from the Public Offering of Shares which closed in October 2004.

Ownership structure in December 2005

8 Corporate Governance

Investor Relations

TCO works with the constant purpose of improving its corporate governance practices, promoting professional management and awarding equal treatment to all its shareholders.

In order to keep the capital market informed about the company's operations, meetings were conducted along the year 2005 with analysts and investors, as well as several other events. Further, TCO keeps information and communication channels available by telephone, e-mail and website, containing updated information about the company's operations.

Sarbanes-Oxley

This law applies to companies that trade securities on the US market. To this effect, the company has been taking the necessary actions in order to comply with its requirements.

Code of Ethics

By adopting the Code of Ethics, the Company aims at enforcing the compliance with laws, regulations and other applicable rules with honest, accurate and ethical conduct. Said code applies to all managers (President, Vice-Presidents and Management) and/or persons exercising similar duties in the Company.

In accordance with the Code, VIVO executives are committed to accomplish the directives of their superiors, the rules, policies, directives and the applicable laws and to cause the employees reporting to them to fulfill the same, undertaking to provide the necessary clarifications and communications, whenever necessary.

Policy for Disclosure of Relevant Act or Fact and Disclosure Committee

The Policy for Disclosure of Relevant Act or Fact was set forth by the Board of Directors of TCO in compliance with Article 16 of CVM Instruction no. 358, dated January 03, 2002.

The ultimate responsibility for the disclosure of relevant information, act or fact is incumbent upon the CEO, the CFO and the Investor Relations Officer, the first two of them being responsible for authorizing the information to be disclosed, while the Investor Relations Officer is responsible for the communication of the relevant information itself, under the terms of the provisions in the Relevant Act or Fact Policy and in CVM Instructions 358/02 and 369/02.

Said disclosures are reviewed by the Disclosure Committee in support to the CEO and CFO. The Disclosure Committee is responsible for processing the disclosure of information, relevant Acts and Facts of the Company, ensuring quality disclosure of information, as well as for the implementation of the Disclosure Procedures and Controls.

The Disclosure Committee reports directly to the CEO and to the CFO and comprises one coordinator and 10 members (representing the Investor Relations, Controls, Corporate Communication, Accounting, Financial, Mergers & Acquisitions, Communication and Publicity and Compliance Officers, as well as the General Secretary and the Legal Officer), and has the duty of evaluating the need to outsource services (such as auditors, legal counsels and other independent consultants), in order to warrant adequate support to the disclosure process.

Audit and Control Committee

The Audit and Control Committee is a collegial body, being made up of three members of the Board of Directors. It is governed by the rules set forth in its Bylaws, in conformity with the resolutions made by the Board of Directors, and under the terms and limits of the applicable laws and of the Bylaws of the Company.

Board of Directors

The Board of Directors of TCO is made up of 9 members. The directors are elected for three-year terms of office by the General Meeting of Shareholders, which is also empowered to dismiss them. Reelection is permitted.

Meetings of the Board of Directors are regularly held once in every quarter period and specially held whenever necessary. None of its members occupies an executive position, and three of its members are independent directors within the meaning of the **Sarbanes-Oxley** Law.

Statutory Board of Auditors

The Statutory Board of Auditors (*Conselho Fiscal*) comprises three effective members and three deputy members elected by the General Meeting of Shareholders for a one-year term of office. The Statutory Board of Auditors has a non-permanent nature, being installed upon request of the shareholders, holds regular meetings once in every quarter and special meetings whenever called by the chairman of the Board of Directors or by two members of the Statutory Board of Auditors.

Board of Executive Officers

The Company has 8 Executive Officers, who may or may not be shareholders, all Brazilian residents elected by the Board of Directors, for a three (3)-year term of office, for the positions of chief executive officer, executive vice president of Operations, executive vice president of Finance, Planning and Control, executive vice president of Marketing and Innovation, vice president of Technology and Networks, vice president of Compliance and Corporate Relations, vice president of IT, Product and Services Engineering, and vice president of Customers. An executive officer may hold more than one position, but no executive officer may be a member of the Board of Directors.

9 Research and Development

VIVO has entered into agreements with the Federal University of Rio Grande do Sul State – UFRGS. Such agreements allow VIVO laboratories to be created at the university premises, wherein new technology research and development projects are performed, providing support/stimulation to the company's technological innovation processes. In addition, said agreements make the relationship between VIVO and the Brazilian society closer.

Another agreement was entered into in the end of 2004 with the CPqD, a Research and Development Center in Campinas, São Paulo, for evaluation and study of new technologies.

10 Human Resources

The company believes that people are the great differentiating factor in the development of its strategies and achieving differentiated results.

Talent Attraction and Retention

Marked by a significant appeal, the company is holding its 4th Trainees Program, which allows potential young workers to become acquainted with the main areas of activity of the company. In order to retain talent, actions have been carried out such as the *Coaching* Program, which is implemented with a group of executives/key position employees of the organization towards developing organizational and personnel management competencies, and programs for international training of key workers of the company made possible by the technical-cultural integration between the two shareholder groups Portugal Telecom and Telefónica Móviles. The achievement of new performance levels is shared by means of variable compensation and profit-sharing programs, which totaled about R\$ 52.2 million in 2005 for all the companies operating under VIVO brand with respect to fiscal year 2004.

Professional Qualification and Development

The highly competitive market and the need to maintain leadership have continued to demand efforts and investments from the company in continuously developing its professionals, with some R\$ 7.4 million having been invested by VIVO companies in 2005. This was one of the most significant factors that contributed to the increased competitiveness of VIVO companies.

Vivo was awarded the ADVB 2005 Top of HR prize for its program *VIVO APRENDENDO INICIATIVA PARA AVALIAR, DETERMINAÇÃO PARA CRESCER* (VIVO LEARNING INITIATIVE FOR EVALUATING, DETERMINATION FOR GROWING), which program reflects innovation and use of technology in the management of our human resources.

In-company Environment

Special attention has been devoted to the organizational environment, as it became evident with the creation of the Endomarketing area, which has the mission of strategically unifying and consolidating internal communication and internal marketing actions through corporate campaigns, intranet, Conexão RH (a human resources portal for employees) and others.

In light of the diversity of workers of the company, the focus was placed on the search for a communications strategy, on the basis of carefully and specially prepared diagnoses, with due regard to regional contributions in the formation of the VIVO's Culture.

Actions towards reinforcing corporate culture are designed to consolidate the company's image as a large plural community. Internal integration is a key factor for achieving such goal and, therefore, several events have been held involving workers of different levels.

Workers are also asked to answer questions in connection with an internal atmosphere study, which is a powerful communication tool in which they freely voice their opinion about labor relations and in-company environment. The action plan arising out of the research started being gradually applied throughout 2004, as a step forward in the joint work between the top management and the labor staff in the search for excellence and leadership.

Labor Staff

The total labor count in the end of 2005 was 1,264, compared to 1,357 in December 2004, which represents a reduction of 6.9%, which was judiciously carried out in order to avoid quality loss. Worthy of mention is a 22.9% increase in TCO's sales team.

The distribution per activity is as follows:

Área of Activity	2004	2004	% var
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Technical and Operations	267	308	(13.3%)
Marketing and Sales	638	519	22.9%
Customer Assistance	141	285	(50.5%)
Financial and Administrative Support	218	245	(11.0%)
TOTAL	1264	1357	(6.9%)