

TELECOM ARGENTINA SA

Form 6-K

June 02, 2004

Table of Contents

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Issuer

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

For the month of June 2, 2004

Commission File Number: 001-13464

Telecom Argentina S.A.

(Translation of registrant's name into English)

Alicia Moreau de Justo, No. 50, 1107

Buenos Aires, Argentina

Edgar Filing: TELECOM ARGENTINA SA - Form 6-K

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes No

Indicate by check mark whether by furnishing the information contained in this Form, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

Table of Contents

Telecom Argentina S.A.

TABLE OF CONTENTS

Item

1. Unaudited Consolidated Financial Statements as of March 31, 2004 and December 31, 2003 and for the three-month periods ended March 31, 2004 and 2003.

Table of Contents

TELECOM ARGENTINA S.A.

Corporation non adhered to the Optional Statutory Regime of Compulsory Public Purchase Offer

CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2004

Table of Contents

TELECOM ARGENTINA S.A.

Corporation non adhered to the Optional Statutory Regime of Compulsory Public Purchase Offer

Unaudited Consolidated Financial Statements as of March 31, 2004 and December 31, 2003 and for the three-month periods ended March 31, 2004 and 2003

\$: Argentine peso

US\$: U.S. dollar

\$2.86 = US\$1 as of March 31, 2004

Table of Contents

TELECOM ARGENTINA S.A.

Corporation non adhered to the Optional Statutory Regime of Compulsory Public Purchase Offer

INDEX

| | Page |
|---|-------------|
| <u>Unaudited Consolidated balance sheets as of March 31, 2004 and December 31, 2003</u> | 1 |
| <u>Unaudited Consolidated statements of income for the three-month periods ended March 31, 2004 and 2003</u> | 2 |
| <u>Unaudited Consolidated statements of changes in shareholders' equity for the three-month periods ended March 31, 2004 and 2003</u> | 3 |
| <u>Unaudited Consolidated statements of cash flows for the three-month periods ended March 31, 2004 and 2003</u> | 4 |
| <u>Index to the Notes to the Unaudited Consolidated Financial Statements</u> | 5 |
| <u>Notes to the Unaudited Consolidated Financial Statements</u> | 6 |
| Report of Independent Accountants | |
| <u>Summary information on the consolidated financial statements as of March 31, 2004</u> | I |
| <u>Corporate information</u> | 55 |

Table of Contents**TELECOM ARGENTINA S.A.***Corporation non adhered to the Optional Statutory Regime of Compulsory Public Purchase Offer***Unaudited Consolidated Balance Sheets as of March 31, 2004 and December 31, 2003**

(In millions of Argentine pesos see Note 3.c)

| | As of March 31, 2004 (Unaudited) | As of December 31, 2003 |
|--------------------------------------|---|-------------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and banks | \$ 11 | \$ 26 |
| Investments | 2,767 | 2,441 |
| Accounts receivable, net | 563 | 581 |
| Other receivables, net | 103 | 119 |
| Inventories, net | 22 | 14 |
| Other assets | 5 | 3 |
| Total current assets | 3,471 | 3,184 |
| Non-Current Assets | | |
| Other receivables, net | 257 | 193 |
| Investments | 12 | 47 |
| Fixed assets, net | 7,647 | 8,001 |
| Intangible assets, net | 818 | 845 |
| Total non-current assets | 8,734 | 9,086 |
| TOTAL ASSETS | \$ 12,205 | \$ 12,270 |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable | \$ 421 | \$ 451 |
| Debt | 9,909 | 9,996 |
| Salaries and social security payable | 63 | 77 |
| Taxes payable | 99 | 120 |
| Other liabilities | 25 | 25 |
| Contingencies | 24 | 15 |
| Total current liabilities | 10,541 | 10,684 |
| Non-Current Liabilities | | |
| Debt | 26 | 86 |
| Salaries and social security payable | 33 | 30 |
| Other liabilities | 39 | 39 |

Edgar Filing: TELECOM ARGENTINA SA - Form 6-K

| | | |
|---|------------------|------------------|
| Contingencies | 219 | 210 |
| Total non-current liabilities | 317 | 365 |
| TOTAL LIABILITIES | \$ 10,858 | \$ 11,049 |
| Minority interest | 33 | 32 |
| Foreign currency translation adjustments | 22 | 21 |
| SHAREHOLDERS EQUITY | \$ 1,292 | \$ 1,168 |
| TOTAL LIABILITIES, MINORITY INTEREST, FOREIGN CURRENCY TRANSLATION ADJUSTMENTS AND SHAREHOLDERS EQUITY | \$ 12,205 | \$ 12,270 |

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

Valerio Cavallo

Chief Financial Officer

Amadeo R.Vázquez

President

Table of Contents**TELECOM ARGENTINA S.A.***Corporation non adhered to the Optional Statutory Regime of Compulsory Public Purchase Offer***Unaudited Consolidated Statements of Income for the three-month periods ended March 31, 2004 and 2003**

(In millions of Argentine pesos, except per share data in Argentine pesos see Note 3.c)

| | For the three-month periods ended | |
|--|--------------------------------------|-------------------|
| | March 31, 2004 | March 31, 2003 |
| Net sales | \$ 1,017 | \$ 851 |
| Cost of services | (681) | (637) |
| Gross profit | 336 | 214 |
| General and administrative expenses | (55) | (64) |
| Selling expenses | (216) | (174) |
| Operating income (loss) | 65 | (24) |
| Financial results, net | 95 | 961 |
| Other expenses, net | (31) | (23) |
| Net income (loss) before income tax and minority interest | 129 | 914 |
| Income tax (expense) benefit, net | (4) | 1 |
| Minority interest | (1) | (8) |
| Net income (loss) | \$ 124 | \$ 907 |
| Net income (loss) per share | 0.13 | 0.92 |

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

Valerio Cavallo

Chief Financial Officer

Amadeo R. Vázquez

President

Table of Contents**TELECOM ARGENTINA S.A.***Corporation non adhered to the Optional Statutory Regime of Compulsory Public Purchase Offer***Unaudited Consolidated Statements of Changes in Shareholders' Equity****for the three-month periods ended March 31, 2004 and 2003**

(In millions of Argentine pesos - see Note 3.c)

| | Shareholders' contributions | | | Unappropriated results | | | Total Shareholders' equity |
|---------------------------------------|-----------------------------|--------------------------------------|--------------|------------------------|--|----------------|----------------------------|
| | Common stock | Inflation adjustment of common stock | Total | Legal reserve | Retained earnings/ Accumulated deficit | Total | |
| Balances as of January 1, 2003 | \$ 984 | 3,044 | 4,028 | 277 | (3,488) | (3,211) | 817 |
| Net income | | | | | 907 | 907 | 907 |
| Balances as of March 31, 2003 | 984 | 3,044 | 4,028 | 277 | (2,581) | (2,304) | 1,724 |
| Balances as of January 1, 2004 | \$ 984 | 3,044 | 4,028 | 277 | (3,137) | (2,860) | \$ 1,168 |
| Net income | | | | | 124 | 124 | 124 |
| Balances as of March 31, 2004 | \$ 984 | 3,044 | 4,028 | 277 | (3,013) | (2,736) | \$ 1,292 |

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

Valerio Cavallo

Amadeo R. Vázquez

Chief Financial Officer

President

Table of Contents**TELECOM ARGENTINA S.A.***Corporation non adhered to the Optional Statutory Regime of Compulsory Public Purchase Offer***Unaudited Consolidated Statements of Cash Flows for the three-month periods ended March 31, 2004 and 2003**

(In millions of Argentine pesos see Note 3.c)

| | For the three-month | |
|---|---------------------|-------------------|
| | periods ended | |
| | March 31, 2004 | March 31, 2003 |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | |
| Net income | \$ 124 | \$ 907 |
| Adjustments to reconcile net income to net cash flows provided by operating activities | | |
| Allowance for doubtful accounts and other receivables | 1 | 7 |
| Depreciation of fixed assets | 403 | 449 |
| Amortization of intangible assets | 26 | 28 |
| Consumption of materials | 14 | 7 |
| Fixed assets disposal | 1 | 3 |
| Provision for contingencies | 17 | 13 |
| Interest and other financial results | (145) | (1,060) |
| Minority interest | 1 | 8 |
| Income tax benefit, net | 4 | (1) |
| Net decrease (increase) in assets | (22) | (114) |
| Net increase (decrease) in liabilities | (43) | 87 |
| Total cash flows provided by operating activities | 381 | 334 |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | |
| Fixed asset acquisitions | (86) | (17) |
| Intangible asset acquisitions | | (2) |
| (Increase) decrease in investments not considered as cash and cash equivalents | 5 | 34 |
| Total cash flows used in investing activities | (81) | 15 |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | |
| Payment of debt | | (1) |
| Payment of interest and debt-related expenses | (5) | (6) |
| Total cash flows used in financing activities | (5) | (7) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 295 | 342 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD | 2,216 | 1,314 |

| | | |
|---|-----------------|-----------------|
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | \$ 2,511 | \$ 1,656 |
|---|-----------------|-----------------|

See Note 6 for supplementary cash flow information.

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

Valerio Cavallo

Amadeo R. Vázquez

Chief Financial Officer

President

Table of Contents

TELECOM ARGENTINA S.A.

Corporation non adhered to the Optional Statutory Regime of Compulsory Public Purchase Offer

Index to the Notes to the Unaudited Consolidated Financial Statements

| Note | | Page |
|-------------|---|-------------|
| 1 | <u>The Company and its operations</u> | 6 |
| 2 | <u>Regulatory framework</u> | 6 |
| 3 | <u>Preparation of financial statements</u> | 9 |
| 4 | <u>Summary of significant accounting policies</u> | 11 |
| 5 | <u>Breakdown of the main accounts</u> | 18 |
| 6 | <u>Supplementary cash flow information</u> | 21 |
| 7 | <u>Related party transactions</u> | 22 |
| 8 | <u>Debt</u> | 24 |
| 9 | <u>Shareholders' equity</u> | 26 |
| 10 | <u>Income tax</u> | 28 |
| 11 | <u>Commitments and contingencies</u> | 30 |
| 12 | <u>Financial restructuring</u> | 32 |
| 13 | <u>Segment information</u> | 35 |
| 14 | <u>Selected consolidated quarterly information (unaudited)</u> | 38 |
| 15 | <u>Unconsolidated information</u> | 38 |
| 16 | <u>Other financial statement information</u> | 39 |
| 17 | <u>Subsequent events</u> | 47 |

Table of Contents

TELECOM ARGENTINA S.A.

Corporation non adhered to the Optional Statutory Regime of Compulsory Public Purchase Offer

Notes to the Unaudited Consolidated Financial Statements

(In millions of Argentine pesos, except as otherwise indicated See Note 3.c)

1. The Company and its operations