TELECOM ARGENTINA STET FRANCE TELECOM SA
Form 6-K
May 23, 2003

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16

of the Securities Exchange Act of 1934

For the month of May 23, 2003

Commission File Number: 001-13464

Telecom Argentina STET-France Telecom S.A.

(Translation of registrant s name into English)

Alicia Moreau de Justo, No. 50, 1107

Buenos Aires, Argentina

(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 x 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 x

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 x

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 x

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

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TELECOM ARGENTINA STET-FRANCE TELECOM S.A.

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$: Argentine peso

US$: U.S. dollar

$2.98 = US$1

TELECOM ARGENTINA STET-FRANCE TELECOM S.A.

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

SUMMARY INFORMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS AT

MARCH 31, 2003

(Amounts in million of Argentine constant pesos or as expressly indicated)

1. <u>General considerations</u>

Telecom Argentina reached a consolidated net profit of $907 million for the first quarter of fiscal year 2003 (1Q03). Comparatively, consolidated net loss for the first quarter of fiscal year 2002 (1Q02) was $3,734 million**.**

EBITDA, gross profit/(loss), operating profit/(loss), and net income/(loss) for 1Q03 represented 53%, 25%, (3%) and 107% of net sales, respectively; compared with 45%, 40%, 5% and (272%), respectively, for 1Q02.

The Company has accounted for the effects of inflation adjustment adopted by Resolution No. 415/02 of the Comisión Nacional de Valores (CNV) following the method adopted by Technical Resolution 6 and modified by Technical Resolution 19, to restate the figures using the wholesale rate of inflation as from January 1, 2002 according to Decree No. 1,269/02.

However, the Government through Decree No. 664/03 stated that regulatory entities are not allowed to receive financial statements adjusted by inflation. Accordingly, the CNV through Resolution No. 441/03 decided to discontinue, as of March 1, 2003, the inflation adjustment method stated by Technical Resolution 6 and complementary regulations. Therefore, the Company has restated the figures corresponding to March 31, 2002 presented herein for comparative purposes in current pesos as of February 28, 2003 using the adjustment factor of 1.6647 which represents the wholesale rate of inflation for the period March 2002 to February 2003. Accordingly, the figures corresponding to 1Q03 include the effects of the adoption of inflationary accounting until February 28, 2003.

Moreover, the Company is providing additional information for a better understanding of the business including figures that have not been adjusted by inflation and which were used as the base for the information presented in constant pesos. This information, that is not required by the current accounting professional rules, can be found in Note 16 to the Consolidated Financial Statements as of March 31, 2003 as Relevant Additional Information .

	Three month periods ended March 31,	
	2003	**2002**

Net sales	851	1.373
Cost of services provided	(637)	(829)
Gross profit	**214**	**544**
Administrative expenses	(64)	(90)
Sales expenses	(174)	(385)
Operating profit (loss)	**(24)**	**69**
Equity losses from related companies		(5)
Depreciation of goodwill		(4)
Financial and holding results	961	(5,474)
Other expenses, net	(23)	(48)
Net income (loss) before income tax and minority interest	**914**	**(5,462)**
Income tax	1	1,699
Minority interest	(8)	29
Net income (loss)	**907**	**(3,734)**
Earnings per share (in pesos)	**0.92**	**(3.79)**

2. Company activities

Consolidated net revenues

SUMMARY INFORMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS AT MARCH 31, 2003

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Consolidated net revenues for 1Q03 totaled $851 million, a decrease of $522 million or 38%, compared with $1,373 million for 1Q02 as a result of the inflation adjustment of the figures as of March 31, 2002 and that the regulated rates were frozen after the pesification enforced by the Government. Revenues for 1Q03, without adjustment for inflation, would have reached $850 million, an increase of $104 million or 14% compared to 1Q02 ($746 million). This increase is mainly as a consequence of the increases in non-regulated services.

In the basic telephony business, the main component of revenues, measured service, decreased by $144 million or 41% to $204 million during 1Q03 as compared to 1Q02 ($348 million). Unadjusted figures would have shown an increase of $16 million or 9%. Revenues from domestic long distance increased as a consequence of higher average rates prompted by the reduction in promotional discounts while revenues from local telephony decreased slightly mainly due to the fact that the lower number of lines had a negative impact on this segment. Lines in service as of March 31, 2003 reached approximately 3,560,000 compared with approximately 3,746,000 as of March 31, 2002.

Total traffic volume (Local and DLD) measured in minutes decreased by 3% for 1Q03 when compared to 1Q02. Additionally, the outgoing international long distance traffic, measured in minutes, decreased by 20%, compared to 1Q02.

Monthly basic charges decreased by $119 million or 49%, to $124 million for 1Q03 when compared to 1Q02. Unadjusted figures would have shown a decrease of $8 million or 6% reaching $123 million mainly due to the fact that rates were frozen after the pesification enforced by the Government and due to a lower average number of lines in service of approximately 225,000 lines.

Revenues from supplementary services decreased by $18 million or 38% to $29 million for 1Q03 when compared to 1Q02. Unadjusted figures would have shown an increase of $4 million or 16% mainly due to lower discounts and a higher number of subscribers to some of these services, partially compensated by the pesification of rates enforced by the Government.

Revenues from installation fees paid by new customers remained at the same level of $5 million for both 1Q03 and 1Q02. Unadjusted figures would have shown an increase of $3 million or 150%, largely due to a higher number of lines connected (approximately 32,000 lines connected in 1Q03 as compared to 28,000 lines connected during 1Q02) and a higher average installation price ($146 to $86 per line, denominated in current pesos).

Revenues from public telephony decreased by $25 million or 37% to $43 million for 1Q03 when compared to 1Q02. Unadjusted figures would have shown an increase of $7 million or 19%. The increase was a consequence of the higher traffic generated by public telephony telecommunication centers (Telecentros) and higher revenues received from public payphones and telephone cards.

Revenues generated by fixed interconnection services during 1Q03 decreased by $19 million or 42% to $26 million. Unadjusted figures would have shown an increase of $2 million or 8%. Meanwhile, revenues generated by interconnection services provided to cellular operators decreased by $4 million or 31% to $9 million. Unadjusted figures would have shown an increase of $2 million or 29%.

Regarding the international telephony business, during 1Q03 revenues decreased by $36 million or 40% to $53 million when compared to 1Q02. Unadjusted figures would have shown an increase of $4 million or 8%,

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mainly due to the revenues generated by Telecom s subsidiary Telecom USA, lower discounts and higher revenues derived from higher incoming traffic. These effects were partially offset by the freeze of regulated rates and lower outgoing traffic.

Revenues generated by the data transmission business totaled $83 million, representing a decrease of $29 million or 26%. Unadjusted figures would have shown an increase of $22 million or 36%, as a consequence of higher revenues generated by the ground networks and lease of data circuits. Additionally, Internet dial-up measured services increased as a consequence of the higher number of Internet subscribers of other ISPs that use the special prefix 0610 and local numbers with 4004 numbering or similar to access Telecom s network. As of March 31, 2003 Internet minutes represented 31% of total traffic measured in minutes transported over the fixed-line network.

Internet revenues decreased by $3 million or 18% to $14 million during 1Q03. Unadjusted figures would have shown an increase of $5 million or 56%, mainly due to the increase in ADSL high-speed access and dial-up monthly fees. As of March 31, 2003, the number of ADSL subscribers reached approximately 32,000. Furthermore, Internet dial-up customers reached approximately 148,000.

The revenues generated by the cellular business during 1Q03, decreased by $120 million or 34% to $237 million when compared to 1Q02. Unadjusted figures would have shown an increase of $39 million or 20%.

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Unadjusted revenues of Telecom Personal in Argentina would have increased by $49 million or 32% to $201 million when compared to 1Q02. The increase was due to the higher number of subscribers, higher levels of traffic and higher sales of pre-paid cards. Furthermore, the average revenue per user increased by 27% (to $28 per customer per month for 1Q03, denominated in current pesos). Total cellular subscribers of Telecom Personal in Argentina reached approximately 2,235,000, representing an increase of approximately 127,000 customers, or 6%, as compared to March 31, 2002. The customer base as of March 31, 2003, amounted to approximately 1,809,000 prepaid subscribers or 81% and approximately 426,000 post-paid subscribers or 19%.

Núcleo, the subsidiary that provides cellular and PCS services in Paraguay, generated $36 million in revenues during 1Q03, which are consolidated into the revenues of Telecom Personal. This represented a decrease of $41 million, or 53%, as compared to 1Q02. Unadjusted figures would have shown a decrease of $10 million or 22%. The decrease can be mainly attributed to the slight decrease in the customer base and the lower average revenue per user. As of March 31, 2003, Núcleo had approximately 517,000 cellular and PCS customers, a decrease of approximately 25,000 customers, or 5%, as compared to March 31, 2002.

In the telephone directories publishing business, revenues from our affiliated company Publicom increased by $1 million, reaching $2 million. Unadjusted figures would have increased by $2 million due to the publication of more important directories in 1Q03 compared with 1Q02.

	Three month periods ended March 31,	
	2003	**2002**
National basic telephone service		
Local measured service	104	196
DLD measured service	100	152
Monthly basic charges	124	243
Supplementary services (monthly charges)	29	47
Installation fees	5	5
Public telephones	43	68
Interconnection fixed	26	45
Interconnection cellular	9	13
Lease of lines and circuits fixed	3	8
Lease of lines and circuits cellular	5	8
Others	14	12
Total National basic telephone service	**462**	**797**
International telephone service		
Outgoing revenues	35	57
Settlement revenues (net)	18	32
Total International telephone service	**53**	**89**

Data transmission		
Terrestrial network	32	28
Lease of data circuits	8	11
Internet traffic	28	41
International connectivity	13	23
Others	2	9
Total Data transmission	**83**	**112**
Internet		
Internet monthly fee	14	17
Total Internet	**14**	**17**
Cellular telephony		
Personal		
Monthly fee and measured service	57	105
Pre-paid card	53	38
Calling Party Pays	66	93
Others	25	44
	201	**280**
Núcleo		
Monthly fee and measured service	9	22
Pre-paid card	8	12
Calling Party Pays	15	35
Others	4	8
	36	**77**

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Total cellular telephony	237	357
Total directories edition	2	1
Total net sales in constant pesos	851	1,373

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TELECOM ARGENTINA STET-FRANCE TELECOM S.A.

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

Operating costs

The cost of services provided, administrative expenses, and selling expenses for 1Q03 decreased by $429 million or 33% to $875 million when compared to 1Q02 mainly as a result of the adjustment for inflation of figures as of March 31, 2002 and to cost reduction plans implemented by the Company.

Salaries and social security contributions decreased by $88 million or 44% to $112 million for 1Q03. Unadjusted figures would have shown a slight increase of $3 million or 3%, primarily due to the increase in social security contributions since March 1, 2003 and higher salaries for unionized employees mandated by the Government. These increases were partially offset by the reduction in labor costs of unionized and non-unionized employees, which was part of the cost reduction plan launched during the FY 2001 and reductions in headcount. As of March 31, 2003, the headcount totaled 13,377 as compared to 14,387 as of March 31, 2002.

Expenses related to taxes (including turnover tax and tax on bank debits and credits) decreased by $32 million or 34% to $62 million for 1Q03. Unadjusted figures would have shown an increase in taxes of $10 million or 19%, mainly due to the increase in the applicable rate in the turnover tax in the cellular activity.

Materials and supplies charges decreased by $11 million or 26% to $32 million for 1Q03. Unadjusted figures would have shown an increase of $7 million or 30% reaching $32 million mainly due to higher expenses associated with higher costs for the maintenance of the network, hardware and software due to the high imported materials content.

The allowance for doubtful accounts decreased by $109 million or 94% to $7 million for 1Q03. Unadjusted figures would have shown a decrease of $55 million or 89%. The decrease was largely related to residential segments as a result of the decrease in customer lines.

Interconnection costs decreased by $20 million or 42% to $28 million for 1Q03. Unadjusted figures would have shown an increase of $4 million or 15% reaching $30 million mostly as a result of higher charges paid for local and long distance access, circuits rentals and termination charges for traffic related to 4004 services in the Internet business.

Service fees (including the fees for debt restructuring process) decreased by $6 million, or 19%, to $26 million for 1Q03. Unadjusted figures would have shown an increase of $8 million or 44%, principally due to higher fees related to information systems and advisory services.

Management fees decreased by $21 million, or 95%, to $1 million for 1Q03. Unadjusted figures would have shown a decrease of $10 million or 91%, as the Company and the Operators agreed to suspend certain provisions of both parties of the management contract, starting April 1º, 2002.

As a consequence the accrual and the payment of the management fee have been suspended from such day and until the termination of the contract provided in its point 7.2. (October 2004).

Costs related to advertising decreased by $8 million or 62% to $5 million for 1Q03. Unadjusted figures would have shown a decrease of $2 million or 29%. This is mainly due to lower media advertising and promotional and institutional campaigns expenses resulting from the cost control initiatives taken by the Company in line with the lower market requirements.

Cost of cellular handsets decreased by $3 million or 60% to $2 million for 1Q03. Unadjusted figures would have shown a decrease of $2 million or 67% reaching $1 million mainly due to the lower number of cellular handsets sold.

Commissions paid to vendors and card sales decreased by $1 million or 7% to $13 million for 1Q03. Unadjusted figures would have shown an increase of $6 million or 86%, as a consequence of higher commissions paid for new cellular customers due to higher additions of subscribers to the customer base compared with 1Q02, and higher costs for distribution and prepaid cards sales.

Other expenses decreased by $50 million or 39% for 1Q03, reaching $78 million. Unadjusted figures would have shown an increase of $5 million or 7% reaching $76 million, mainly due to higher costs related to insurance policies as a consequence of the impact of the increase of the foreign exchange rate in this cost item.

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Depreciation of fixed assets decreased by $68 million or 13%, to $449 million during 1Q03, as a consequence of lower depreciation of capitalized foreign currency exchange differences originated by financial debt and results from translation, compared with 1Q02. These effects were partially offset by the depreciation of new assets incorporated into cellular and data transmission activities during FY 2002.

Finally, amortization of intangible assets increased by $3 million or 12% to $28 million for 1Q03, mainly due to higher charges related to exclusivity rights and systems development in the cellular business, partially offset by the suspension of the amortization of PCS licenses.

	Three month periods ended March 31,	
	2003	**2002**
Wages and social benefits	(112)	(200)
Taxes	(20)	(36)
Turnover tax	(31)	(43)
Taxes on bank debits and credits	(11)	(15)
Materials and supplies	(32)	(43)
Transport and freight	(6)	(12)
Bad debts expense	(7)	(116)
Interconnection costs	(28)	(48)
Settlement outgoing expenses	(21)	(30)
Lease of circuits	(11)	(17)
Fees for debt restructuring process	(5)	
Fees for services	(21)	(32)
Management fees	(1)	(22)
Advertising	(5)	(13)
Cost of cellular handsets	(2)	(5)
Agent commissions and card sales	(13)	(14)
Other	(72)	(116)
Subtotal	**(398)**	**(762)**
Depreciation of fixed assets	(449)	(517)
Amortization of intangibles assets	(28)	(25)
Operating costs	**(875)**	**(1,304)**

Financial and holding results

The gains resulting from financial and holding results reached $961 million for 1Q03 as compared to the loss of $5,474 million in 1Q02. The improvement can be largely attributed to the $1,134 million gain arising from currency exchange differences derived from the appreciation of the Peso during the quarter, which affected the Company s net foreign currency monetary position. Additionally, as a consequence of the lower exchange rate, the interest on foreign currency liabilities decreased by $78 million.

Other expenses, net

Other expenses, (net) decreased $25 million or 52% to $23 million 1Q03 compared with 1Q02 as a result of the inflation adjustment of figures of March 31, 2002, higher reserves for lawsuits and contingencies and higher severance and termination charges. These variations were partially offset by the decrease in the write-off of cellular handsets leased without charge (comodato).

Statements of cash flow (Unadjusted figures)

Cash flow from operating activities for 1Q03 decreased by $122 million, mainly due to the exchange differences ($399 million), partially offset by higher collections ($128 million) and lower payments ($21 million).

Meanwhile, cash flow applied to investing activities for 1Q03 decreased by $178 million as compared to 1Q02 as a result of lower incorporation of fixed and intangible assets.

Funds allocated to financing activities decreased by $99 million for the 1Q03 as a result of lower debt proceeds and payments due to Telecom s suspension of principal and interest payments on its debt obligations in 2Q02.

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Net, financial debt

Net Financial Debt decreased by $432 million or 5% to $8,398 million for 1Q03 compared with 1Q02 ($8,830 million in current pesos), mainly due to an increase in financial assets resulting from the higher level of cash being generated, but partially offset by the increased in financial debt due variations in the Euro/US$ exchange rate, compared with 1Q02.

SUMMARY INFORMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS AT MARCH 31, 2003

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TELECOM ARGENTINA STET-FRANCE TELECOM S.A.

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

Investment plan

Telecom has made investments in fixed assets for $20,810 million since the start of operations on November 8, 1990, of which $13 million corresponds to 1Q03. As of March 31, 2003, the net book value of fixed assets totaled $9,222 million.

Of the total amount invested during 1Q03, $7 million or 54% corresponds to basic telephony, data transmission and Internet (public telephony 14%, transmission 43% and outside plant 43%) and $6 million or 46% to cellular telephony.

Recent developments

Debt restructuring process

On April 14, 2003, Telecom Argentina and its subsidiary Telecom Personal announced the commencement of cash tender offers for a portion of their financial debt instruments. The tender offers will be open to the holders of the notes and credit facility debt of Telecom Argentina and the credit facility debt of Telecom Personal.

The tender offers commenced on Wednesday, April 16, 2003 and will expire on Friday, May 16, 2003 at 5:00 PM Buenos Aires time, 4:00 PM New York City time and 5:00 PM Italian time. Telecom Argentina and Telecom Personal will conduct the tender offers pursuant to a modified Dutch auction using cash of up to the equivalent of US$260 million and US$45 million, respectively, with a price range of 43.5% to 50.0% of the outstanding principal amount of Telecom Argentina s and Telecom Personal s financial debt instruments, without giving effect to any accrued but unpaid interest. Offers may be submitted in price increments of 0.25%.

The purchase price for debt instruments accepted for purchase by Telecom pursuant to the terms and conditions set forth in the tender offer materials will be paid in the respective currency of such debt instruments. All holders whose debt instruments are accepted for purchase will receive the same purchase price (expressed as a percentage of principal amount of the tendered debt instruments), upon the terms and subject to the conditions described in the tender offer materials.

The closing of the tender offers will be subject to a number of conditions which are described in the tender offer materials. The tender offer materials also provide certain information relating to the status of the Companies financial debt restructuring process.

The Companies have also announced they would each make interest payments on their financial debt obligations at the contractual rates, without giving effect to penalties or default rates, for the period through and including June 24, 2002. The Companies will also each make partial interest payments equivalent to 30% of the contractual rates, without giving effect to penalties or default rates, on their financial debt obligations for the period from June 25, 2002 through December 31, 2002. The partial interest payments would be paid on all financial debt obligations, independent of noteholders or creditors participation in the tender offers. The record date for the partial interest payments was April 30, 2003 and the payment date will be the expiration date of the tender offers. The Company reserve rights to make the interest payment if the tender offer is terminated prior to the expiration date.

The tender offers and the partial interest payments are the first steps of the Companies plans to restructure their outstanding financial indebtedness and their ongoing debt service obligations.

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TELECOM ARGENTINA STET-FRANCE TELECOM S.A.

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

Morgan Stanley & Co. Incorporated and MBA Banco de Inversiones S.A. are acting as dealer managers for the tender offers. MBA Banco de Inversiones S.A. will act as dealer manager in Argentina only.

This information regarding the cash tender offers will not be provided and the cash tender offers will not be made in any jurisdiction in which, or to any person to whom, it is unlawful to make such announcement and / or cash tender offers under applicable securities laws.

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TELECOM ARGENTINA STET-FRANCE TELECOM S.A.

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

Summary of the resolutions passed by the General Ordinary and Extraordinary Shareholders Meeting held on April 30, 2003

Resolutions relating to the following matters were passed at General Ordinary and Extraordinary Shareholders Meeting held on April 30, 2003:

Approval of the financial documentation corresponding to the 14th fiscal year ended December 31, 2002.

Approval of the allocation to a new fiscal year of the entire loss in Unappropriated Retained Earnings as of December 31, 2002.

Consideration of the performance and the remuneration of the Board of Directors and the Surveillance Committee, holding office during the 14th fiscal year.

Determination and appointment of six, regular and alternate, directors to hold office during the 15th fiscal year.

Appointment of the regular and alternate members of the Surveillance Committee.

The appointment of Pistrelli, Henry Martin y Asociados SRL (a member of Ernst & Young Global) jointly with Price Waterhouse & Co, as the External Auditors of the financial statements corresponding to the 15th fiscal year.

The Board of Directors was granted ample powers to provide, whenever necessary or whenever the Board of Directors deems convenient, the Change of Ratio of the ADRs that represent shares of the Company, enabling it to determine the amount of shares that will represent each ADR and to determine all the terms and conditions of such change of ratio.

The NON ADHESION of Telecom Argentina to the Optional Statutory Regime of Compulsory Public Purchase Offer (Régimen Estatutario Optativo de Oferta Pública de Adquisición Obligatoria) as well as the consequent amendment of Section 1 of the Corporate Bylaws.

3. Summary comparative consolidated balance sheets

	March 31,				
	2003	**2002**	**2001**	**2000**	**1999**
Current assets	2,397	3,671	2,787	3,005	2,517
Non current assets	10,344	15,136	12,478	12,348	11,018

Total assets	**12,741**	**18,807**	**15,265**	**15,353**	**13,535**
Current liabilities	10,608	7,104	3,519	4,590	2,825
Non current liabilities	364	10,504	6,468	5,425	5,329
Total liabilities	**10,972**	**17,608**	**9,987**	**10,015**	**8,154**
Minority interest	**9**	**(3)**	**26**	**29**	**35**
Temporary differences from translation	**36**	**108**			
Temporary measurement differences of derivative instruments determined as an effective hedge		**(375)**			
Shareholders equity	**1,724**	**1,469**	**5,252**	**5,309**	**5,346**
Total liabilities, minority interest, temporary differences and Shareholders equity	**12,741**	**18,807**	**15,265**	**15,353**	**13,535**

4. <u>Summary comparative consolidated statements of operations</u>

	Three month periods ended March 31,				
	2003	**2002**	**2001**	**2000**	**1999**
Net sales	851	1,373	1,798	1,811	1,800
Operating costs	(875)	(1,304)	(1,548)	(1,488)	(1,378)
Operating profit (loss)	**(24)**	**69**	**250**	**323**	**422**
Equity losses from related companies		(5)	(2)	(9)	
Depreciation of goodwill		(4)	(2)	(2)	(2)
Financial and holding results	961	(5,474)	(123)	(114)	(84)
Other expenses, net	(23)	(48)	(13)	(9)	(37)
Net income (loss) before income tax and minority interest	**914**	**(5,462)**	**110**	**189**	**299**
Income tax	1	1,699	(42)	(92)	(101)

TELECOM ARGENTINA STET-FRANCE TELECOM S.A.

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

Minority interest	(8)	29		2	2
Net income (loss)	**907**	**(3,734)**	**68**	**99**	**200**
Earnings per share (in pesos)	**0.92**	**(3.79)**	**0.07**	**0.10**	**0.20**

SUMMARY INFORMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS AT MARCH 31, 2003

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TELECOM ARGENTINA STET-FRANCE TELECOM S.A.

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

5. Fixed telephone service statistical data (in physical units)

	March 31,									
	2003		2002		2001		2000		1999	
	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter
Installed lines	3,802,524	60	3,802,042	1,984	3,750,813	26,877	3,579,178	288	3,514,382	30,827
Lines replaced(a)	1,851,232		1,851,232		1,851,232	15,088	1,817,084	32	1,787,354	
Lines in service(b)	3,559,917	(30,367)	3,745,815	(145,985)	3,893,692	53,861	3,452,080	28,080	3,419,717	32,591
Customers lines	3,266,389	(27,563)	3,441,574	(142,048)	3,605,458	30,069	3,205,788	19,056	3,220,417	28,978
Public phones installed	79,340	(472)	79,209	(2,967)	81,196	1,160	78,033	2,526	60,672	1,185
Percentage of lines connected to digital exchanges	100.0		100.0		100.0		100.0		100.0	
Lines in service per 100 inhabitants(c)	19		20	(1)	21		19		19	
Lines in service per employee	322	(1)	336	(24)	373	9	365		360	12
Investment in Fixed assets in million of pesos(a)	20,810	13	20,689	130	19,824	299	17,936	409	15,735	400

a) As from 11.8.90.
b) Includes Direct Inward Dialing numbers that do not occupy lines installed capacity.
c) Corresponding to the northern region of Argentina.

Consolidated ratios

	March 31,				
	2003	2002	2001	2000	1999
Liquidity(1)	0.23	0.52	0.79	0.65	0.89
Solvency(2)	0.16	0.07	0.53	0.53	0.66
Locked up capital(3)	0.81	0.80	0.82	0.80	0.81

(1) Current assets/Current liabilities.
(2) Shareholders equity plus minority interest and temporary differences from translation/Total liabilities.
(3) Non current assets/Total assets

7. Outlook

The 1Q03 developed in a economically stable context, unlike the FY2002 context that was socially, politically and economically adverse. In spite of that, the Company is still affected by the pesification of the tariffs at the rate of US$1 =$1 and the lack of resolution of the tariff structure renegotiation, among other matters.

In the context of the debt restructuring, the Company has continued its conversations with its main financial creditors in order to find a definitive solution to its debt restructuring process. In this process, on April 14th, the Company announced the launching of a cash tender offers for a portion of its financial debt obligations and the intention of make partial interest payments on its financial debt obligations. The tender offers and the partial interest payments are the first steps of the Company plans to restructure their outstanding financial indebtedness and their ongoing debt service obligations.

In this uncertain and critical context, Telecom is still working hard to reduce its cost structure and adapt it to the new environment. Likewise, the Company has significantly reduced its investment program and has increased its efforts to generate a substantial reduction of its expenditure and increase cash inflows.

TELECOM ARGENTINA STET-FRANCE TELECOM S.A.

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

Amadeo R.Vázquez

President

SUMMARY INFORMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS AT MARCH 31, 2003

XV

TELECOM ARGENTINA STET-FRANCE TELECOM S.A.

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

Alicia Moreau de Justo 50 Buenos Aires

FISCAL YEAR No. 15 beginning January 1, 2003 with comparative information for

the three month period ended March 31, 2002 and for the year ended December

31, 2002 (see Note 3.1.c)

CONSOLIDATED FINANCIAL STATEMENTS at March 31, 2003 and 2002

Principal Company activity: **Telecommunication services and the marketing of equipment, infrastructure and goods of any type related or complimentary to telecommunication, and the performance of works and the provision of all types of services, including consultancy and security, related to telecommunications and telecomputing.**

<u>Dates of registration with the Public Commerce Registry</u>:

Bylaws: **July 13, 1990**

Last amendment to by-laws: **May 29, 2002 (Note 20)**

<u>Expiration of Company charter</u>: **July 13, 2089**

Information about Company control is in Note 6 a.

CAPITAL COMPOSITION

at March 31, 2003

Capital stock	Registered, authorized, issued and outstanding (Note 8)
Capital stock, $ 1 nominal value and one vote per share	
Class A	502,034,299
Class B	436,323,992
Class C	46,022,687
Total	**984,380,978**

TELECOM ARGENTINA STET-FRANCE TELECOM S.A.

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

CONSOLIDATED BALANCE SHEETS (see Note 3.1.c)

	March 31, 2003	December 31, 2002
	In million of Argentine constant pesos (see Note 3.1.d)	
ASSETS		
CURRENT ASSETS		
Cash and banks (Note 4.a)	114	89
Investments (Note 4.b)	1,635	1,326
Trade accounts receivable (Note 4.c)	546	600
Other receivables (Note 4.d)	93	77
Inventories (Note 4.e)	6	12
Other assets (Note 4.f)	3	3
Total current assets	**2,397**	**2,107**
NON-CURRENT ASSETS		
Trade accounts receivable (Note 4.g)		1
Other receivables (Note 4.h)	149	139
Investments (Exhibit C)	54	59
Fixed assets (Exhibit A)	9,222	9,689
Intangible assets (Exhibit B)	917	944
Goodwill (Note 4.i)	2	2
Total non-current assets	**10,344**	**10,834**
TOTAL ASSETS	**12,741**	**12,941**
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable (Note 4.j)	340	394
Debt (Note 7)	10,035	11,135
Compensation and social benefits payable (Note 4.k)	52	61
Taxes payable (Note 4.l)	150	118
Other liabilities (Note 4.m)	22	25
Reserves (Exhibit E)	9	9
Total current liabilities	**10,608**	**11,742**
NON-CURRENT LIABILITIES		
Debt (Note 7)	156	145
Compensation and social benefits payable (Note 4.n)	28	29

Other liabilities (Note 4.o)	28	29
Reserves (Exhibit E)	152	142
Total non-current liabilities	**364**	**345**
TOTAL LIABILITIES	**10,972**	**12,087**
Minority interest	**9**	**1**
Temporary differences from translation	**36**	**36**
SHAREHOLDERS EQUITY (according to Statement of changes)	**1,724**	**817**
TOTAL LIABILITIES, MINORITY INTEREST, TEMPORARY DIFFERENCES FROM TRANSLATION AND SHAREHOLDERS EQUITY	**12,741**	**12,941**

The accompanying notes and Exhibits are an integral part of the consolidated financial statements.

Valerio Cavallo	**Carlos Felices**	**Amadeo R.Vázquez**
Chief Financial Officer	**Chief Executive Officer**	**President**

TELECOM ARGENTINA STET-FRANCE TELECOM S.A.

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

CONSOLIDATED STATEMENTS OF OPERATIONS (see Note 3.1.c)

	Three month periods ended March 31,	
	2003	**2002**
	In million of Argentine constant pesos, except per share amounts (see Note 3.1.d)	
Net sales (Notes 4.p and 16)	851	1,373
Cost of services provided (Exhibit F)	(637)	(829)
Gross profit	**214**	**544**
Administrative expenses (Exhibit H)	(64)	(90)
Sales expenses (Exhibit H)	(174)	(385)
Operating profit (loss)	**(24)**	**69**
Equity losses from related companies (Note 4.q)		(5)
Depreciation of goodwill (Note 4.r)		(4)
Financial and holding results (Note 4.s and 16)	961	(5,474)
Other expenses, net (Note 4.t)	(23)	(48)
Net income (loss) before income tax and minority interest	**914**	**(5,462)**
Income tax (Note 9)	1	1,699
Minority interest	(8)	29
Net income (loss)	**907**	**(3,734)**
Net income (loss) per share (Note 3.1.j)	**0.92**	**(3.79)**

The accompanying notes and Exhibits are an integral part of the consolidated financial statements.

Valerio Cavallo	**Carlos Felices**	**Amadeo R.Vázquez**
Chief Financial Officer	**Chief Executive Officer**	**President**

TELECOM ARGENTINA STET-FRANCE TELECOM S.A.

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

For the three month periods ended March 31, 2003 and 2002 (see Note 3.1.c)

(In million of Argentine constant pesos, except per share amounts see Note 3.1.d)

	Shareholders contributions			Earnings			
Concept	**Capital stock**	**Adjustment to capital stock**	**Total**	**Legal reserve**	**Unappropriated retained earnings**	**Total**	**Total Shareholder s equity**
Balance at January 1, 2002	**984**	**3,044**	**4,028**	**273**	**902**	**1,175**	**5,203**
Net loss					(3,734)	(3,734)	**(3,734)**
Balance at March 31, 2002	**984**	**3,044**	**4,028**	**273**	**(2,832)**	**(2,559)**	**1,469**
Balance at January 1, 2003	**984**	**3,044**	**4,028**	**277**	**(3,488)**	**(3,211)**	**817**
Net income					907	907	**907**
Balance at March 31, 2003	**984**	**3,044**	**4,028**	**277**	**(2,581)**	**(2,304)**	**1,724**

The accompanying notes and Exhibits are an integral part of the consolidated financial statements.

Valerio Cavallo	**Carlos Felices**	**Amadeo R.Vázquez**
Chief Financial Officer	**Chief Executive Officer**	**President**

TELECOM ARGENTINA STET-FRANCE TELECOM S.A.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (see Note 3.1.c)

	Three month periods ended March 31,	
	2003	**2002**
	In million of Argentine constant pesos (see Note 3.1.d)	
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Net income (loss)	907	(3,734)
Adjustments to reconcile net income to net cash provided by operating activities		
Bad debts expense and allowances for other receivable	7	116
Depreciation of fixed assets	449	517
Amortization of intangible assets	28	25
Equity losses from related companies		5
Depreciation of goodwill		4
Temporary differences from translation on cash and banks		15
Materials usage	7	13
Fixed and intangible assets disposals	1	28
Reserves	13	20
Interest and other financial expenses	(1,060)	5,888
Termination benefits	(6)	(4)
Minority interest	8	(29)
Income tax	(1)	(1,699)
Net increase in assets	(112)	(36)
Net increase (decrease) in liabilities	93	(379)
Total cash flows provided by operating activities	**334**	**750**