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GRUPO IUSACELL SA DE CV
Form 6-K
November 04, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 or 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of October, 2003

GRUPO IUSACELL, S.A. de C.V.

(Translation of registrant's name into English)

Prol. Paseo de la Reforma 1236
Col. Santa Fe, Deleg. Cuajimalpa
05438, Mexico D.F.

(Address of principal executive office)

Indicate by check mark whether the registrant files or will fill annual reports
under cover of 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 12g-3-2(b) under the Securities and Exchange Act of
1934. Yes No

Documents Furnished By the Registrant

1. Press Release of the Registrant dated October 24, 2003

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the
registrant has duly caused this report to be signed on its behalf by the
undersigned thereunto duly authorized.

GRUPO IUSACELL, S.A. DE C.V.

Date: October 27, 2003

/s/ Jose Ignacio Morales Elcoro

Name: Jose Ignacio Morales Elcoro
Title: Attorney in fact

/s/ Jorge Narvaez Mazzini

Name: Jorge Narvaez Mazzini
Title: Attorney in fact

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Investor Contacts
Jose Luis Riera K.

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Third Quarter 2003 Results

Mexico City, October 24, 2003 - Grupo Iusacell, S.A. de C.V. (Iusacell or the Company) [BMV: CEL, NYSE: CEL] today announced results for the third quarter ended September 30, 2003.

Financial Results

Changes in accounting policies: In the third quarter of 2003 Iusacell conducted a series of changes in its accounting policies. The changes are in accordance with Mexican GAAP and in agreement with its independent auditors.

Iusacell decided to write-off some intangible assets in accordance with recently released accounting pronouncements by the Mexican Accounting Institute, which requires, among other things, intangible assets to produce measurable cash flows. Consequently, the Company decided to amortize approximately \$762 million of other assets derived from preoperative and installation expenses related mainly to PCS operations, and other deferred charges.

The Company also decided to follow a more prudent approach in relation to deferred income taxes. Since Iusacell cannot assure the recovery of some of its tax loss carry forwards, \$192 million of deferred income tax was cancelled, and the effect is presented as an extraordinary item. Additionally, \$164 million of deferred expenses related to the original issuance of debt were also cancelled as an extraordinary item in the quarter.

Iusacell is now expensing the postpaid handsets related costs rather than amortizing it within the average life of the postpaid contracts. Consequently, \$157 million representing the balance of the 2003 amortization cost was expensed in the quarter. Additionally, the charges applied retroactively to January 1, 2003, were reclassified from amortization to cost. This reclassification impacted EBITDA for the quarter with an additional \$223 million.

Resulting from the more conservative criteria regarding revenue recognition from prepaid cards, the account of deferred liabilities (sale of services not yet consumed) was updated by \$80 million of deferred liabilities rather than revenues.

After conducting a comprehensive review of the Company's assets during this quarter, Iusacell decided to adjust the inventory of spare parts and some network components, resulting in a \$60 million increase in the provision for obsolete equipment.

Operational change: As part of the operational streamlining and in order to better focus on active customers, Iusacell reduced the period in which a prepaid customer can receive incoming calls but cannot make outgoing calls from 305 and 275 days (depending on the amount of airtime previously charged) to 90 days.

- (1) Unless otherwise noted, all monetary figures are in Mexican pesos and restated as of September 30, 2003 in accordance with Mexican GAAP. The symbols "\$" and "US\$" refer to Mexican pesos and U.S. dollars, respectively.

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THIRD QUARTER 2003 RESULTS

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This policy change identified approximately 437,000 existing prepaid customers who have not utilized Iusacell's network services in an extended period of time. These inactive accounts were turned over in an extraordinary subscribers write-off. As of September 30, 2003 subscribers totaled 1.5 million.

Revenue in the quarter decreased 8% from the previous quarter and 21% from the year ago period to \$1,066 million, as a result of the update of deferred liabilities, lower subscriber base and lower ARPUs.

Cost of sales in the third quarter of 2003 increased 99% from the year ago period driven mainly by changes in accounting policies, from \$457 million to \$912 million.

Operating expenses: sales and advertising expenses in the quarter declined slightly year over year due primarily to fewer gross subscriber additions. As a percentage of revenues, sales and advertising expenses increased from 24% to 31% in the third quarter of 2003, resulting from lower revenues in the period.

EBITDA(2) was mainly affected by lower revenues as well as changes in accounting policies during the quarter, ending with a negative \$395 million for the period.

Depreciation and amortization expenses of \$285 million in the third quarter of 2003 also were affected by the accounting adjustments particularly derived from the reclassification of handset amortization as part of the cost.

Operating loss in the quarter increased from the \$98 million recorded last year to \$680 million in the current quarter driven by the changes in accounting policies and lower revenues.

Integral financing cost in the quarter ended with \$658 million, compared to \$440 million in the same quarter of last year. The result was mainly driven by a \$500 million foreign exchange loss resulting from the 5% depreciation of the peso against the U.S. dollar in the quarter. Interest expense increased \$15 million in the third quarter of 2003, compared to the same period of 2002 as a result of the 11% peso depreciation in the twelve-month period ended September 30, 2003.

Net loss in the quarter of \$2,510 million was the result of changes in accounting policies and higher integral financing costs. This compares to a net loss of \$517 million in the year ago period.

Capital expenditures: Iusacell invested approximately US\$6.5 million in its regions during the third quarter of 2003 to expand coverage.

Debt: As of September 30, 2003, including trade notes payable and notes payable to related parties, debt totaled US\$811 million. All of the Company's debt is U.S. dollar-denominated.

As previously communicated, most of the Company's financial debt is classified as current in the Balance Sheet presented herein, in accordance with Mexican GAAP.

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Legal Disclaimer

Grupo Iusacell, S.A. de C.V. quarterly reports and all other written materials may from time to time contain statements about expected future events and financial results that are forward-looking and subject to risks and

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uncertainties. For those statements, the Company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Discussion of factors that may affect future results is contained in our filings with the Securities and Exchange Commission.

- (2) This press release contains a reference to EBITDA and provides the components of EBITDA on the face of the Consolidated Income Statement. EBITDA is used by management for comparisons to other companies within our industry as an alternative to GAAP measures and is used by investors and analysts in evaluating performance. EBITDA, which is earnings before interest, taxes, depreciation and amortization, is computed by adding back net interest expense, income and asset tax expense, depreciation expense and amortization expense to net income (loss) before minority interest and loss of subsidiaries as reported. The Company presented a reconciliation of EBITDA from net loss (see exhibit 1 herein). EBITDA should be considered in addition to, but not as a substitute for other measures of financial performance reported in accordance with Mexican GAAP. EBITDA, as defined above, may not be comparable to similarly titled measures reported by other companies.

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GRUPO IUSACELL CONSOLIDATED BALANCE SHEET
 COMPARISON OF THIRD QUARTER 2003 WITH THIRD QUARTER 2002
 (Figures in thousands of constant September 30, 2003 pesos)

	3Q03		

ASSETS			
Current Assets			
Cash and marketable securities	71,133	0.6%	
Accounts receivable, net	536,815	4.3%	
Recoverable taxes and other	430,544	3.5%	
Inventories	78,553	0.6%	
TOTAL CURRENT ASSETS	1,117,045	9.0%	1
Property and equipment, net	8,299,887	66.5%	9
Goodwill, net	1,956,267	15.7%	2
Other assets	1,103,903	8.8%	2
TOTAL ASSETS	12,477,102	100.0%	16
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accrued liabilities	1,097,467	8.8%	1
Accounts payable	506,517	4.1%	
Short-term debt	8,567,907	68.7%	
TOTAL CURRENT LIABILITIES	10,171,891	81.5%	1
Non-current liabilities	264,054	2.1%	8
TOTAL LIABILITIES	10,435,945	83.6%	10
Minority interest	-100,089	-0.8%	
Shareholders' Equity			

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Capital stock	7,303,268	58.5%	7
Legal reserve	20,525	0.2%	
Paid-in capital	1,437,144	11.5%	1
Net loss	-3,336,632	-26.7%	-1
Accumulated earnings from prior years	-3,495,962	-28.0%	-1
Excess from restatement of shareholders' equity	212,903	1.7%	
TOTAL SHAREHOLDERS' EQUITY	2,141,246	17.2%	6
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	12,477,102	100.0%	16

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GRUPO IUSACELL CONSOLIDATED INCOME STATEMENT
 COMPARISON OF THIRD QUARTER 2003 WITH THIRD QUARTER 2002
 (Figures in thousands of constant September 30, 2003 pesos)

	3Q03	
REVENUE		
Service	954,522	89.5%
Equipment sales and other	111,955	10.5%
TOTAL REVENUE	1,066,477	100.0%
Cost of services	391,040	36.7%
Other costs	521,425	48.9%
TOTAL COSTS	912,465	85.6%
GROSS MARGIN	154,013	14.4%
Sales & Advertising expenses	328,642	30.8%
General and administrative expenses	220,150	20.6%
Other income		0.0%
TOTAL OPERATING EXPENSES	548,792	51.5%
EBITDA	-394,780	-37.0%
Depreciation and amortization	285,012	26.7%
OPERATING LOSS	-679,792	-63.7%
Other (income) expense	1,473	0.1%
Interest expense, net	239,881	22.5%
Foreign exchange loss (gain)	500,441	46.9%
Monetary gain	-82,369	-7.7%
INTEGRAL FINANCING COST	657,953	61.7%
LOSS BEFORE TAXES AND STATUTORY PROFIT SHARING COST	-1,339,218	-125.6%

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Equity in income (losses) of subsidiaries	297	0.0%
Taxes	23,641	2.2%
Extraordinary items	355,824	33.4%
Intangible assets valuation	815,999	76.5%
NET LOSS BEFORE		
MINORITY INTEREST	-2,534,979	-237.7%
Minority interest	-25,005	-2.3%
NET LOSS	-2,509,974	-235.4%

THIRD QUARTER 2003 RESULTS

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GRUPO IUSACELL CELULAR CONSOLIDATED BALANCE SHEET
 COMPARISON OF THIRD QUARTER 2003 WITH THIRD QUARTER 2002
 (Figures in thousands of constant September 30, 2003 pesos)

3Q03

ASSETS

Current Assets		
Cash and marketable securities	19,798	0.9%
Accounts receivable, net	499,407	4.0%
Related parties	100,624	0.7%
Recoverable taxes and other	431,503	4.5%
Inventories	78,553	0.4%
TOTAL CURRENT ASSETS	1,129,885	10.5%
Property and equipment, net	7,509,843	63.5%
Goodwill, net	1,770,640	14.6%
Other assets	709,278	11.4%
TOTAL ASSETS	11,119,646	100.0%

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities		
Accrued liabilities	451,302	4.0%
Accounts payable	392,385	0.9%
Short-term debt	4,584,304	2.8%
TOTAL CURRENT LIABILITIES	5,427,991	11.0%
Non-current liabilities	2,253	32.4%
TOTAL LIABILITIES	5,430,244	57.0%
Minority interest	-131,651	0.0%
Shareholders' Equity		
Capital stock	16,289,598	130.6%
Legal reserve	29,005	0.2%
Paid-in capital	100,369	0.8%
Net loss	-2,162,413	-3.6%
Accumulated earnings from prior years	-7,716,779	-61.9%

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Excess from restatement of shareholders' equity	-718,727	-5.8%	
TOTAL SHAREHOLDERS' EQUITY	5,821,053	43.0%	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	11,119,646	100.0%	1

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GRUPO IUSACELL CELULAR CONSOLIDATED INCOME STATEMENT
COMPARISON OF THIRD QUARTER 2003 WITH THIRD QUARTER 2002
(Figures in thousands of constant September 30, 2003 pesos)

	3Q03		3
REVENUE			
Service	960,899	89.6%	1,262
Equipment sales and other	111,975	10.4%	105
TOTAL REVENUE	1,072,874	100.0%	1,367
Cost of services	398,180	37.1%	346
Other costs	521,425	48.6%	80
TOTAL COSTS	919,605	85.7%	426
GROSS MARGIN	153,269	14.3%	941
Sales & Advertising expenses	328,627	30.6%	328
General and administrative expenses	207,697	19.4%	135
Other income		0.0%	-58
TOTAL OPERATING EXPENSES	536,324	50.0%	405
EBITDA	-383,055	-35.7%	535
Depreciation and amortization	305,211	28.4%	555
OPERATING LOSS	-688,266	-64.2%	-19
Other (income) expense	1,473	0.1%	-54
Interest expense, net	88,683	8.3%	87
Foreign exchange loss (gain)	247,776	23.1%	153
Monetary gain	-36,387	-3.4%	-43
INTEGRAL FINANCING COST	300,072	28.0%	196
INCOME (LOSS) BEFORE TAXES AND			
STATUTORY PROFIT SHARING COST	-989,811	-92.3%	-162
Equity in income (losses) of subsidiaries	-278	0.0%	
Taxes	21,330	2.0%	26
Extraordinary items	114,792	10.7%	
Intangible assets valuation	597,232	55.7%	

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NET LOSS BEFORE			
MINORITY INTEREST	-1,722,887	-160.6%	-188
Minority interest	-15,283	-1.4%	9
NET LOSS	-1,707,604	-159.2%	-197

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Exhibit 1:
Reconciliation of EBITDA from net loss

(Figures in thousands of constant September 30, 2003 pesos)

	3Q03	3Q02
Net loss	(2,509,975)	(517,305)
plus (minus):		
Other income	1,473	(68,488)
Minority interest	(25,005)	7,584
Intangible assets valuation	815,999	815,999
Extraordinary items	355,824	(54,391)
Taxes	23,641	26,372
Equity in income (losses) of subsidiaries	297	(372)
Integral financing cost	657,954	439,945
Depreciation and amortization	285,012	591,358
EBITDA as reported	(394,780)	493,191

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