

TELECOM ARGENTINA SA
Form 6-K
May 17, 2013

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 May 2013

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

(Address of principal executive offices)

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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

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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

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UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2013 AND 2012

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TELECOM ARGENTINA S.A.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF MARCH 31, 2013

(In millions of Argentine pesos or as expressly indicated)

1. General considerations

As required by CNV regulations, the Company has prepared its consolidated financial statements as of March 31, 2013 under IFRS. Additional information is given in Note 1 to the consolidated financial statements.

2. Telecom Group's activities for the three-month periods ended March 31, 2013 (1Q13) and 2012 (1Q12)

Total revenues and other income for 1Q13 amounted to \$6,073 (+18% vs. 1Q12), operating costs including depreciations, amortizations and gain on disposal of PP&E amounted to \$4,958 (+21% vs. 1Q12), operating income before depreciation and amortization amounted to \$1,799 representing 30% of consolidated revenues (+9% vs. 1Q12), operating income amounted to \$1,115 (+8% vs. 1Q12) and net income amounted to \$813 (+15% vs. 1Q12). Net income attributable to Telecom Argentina amounted to \$802 in 1Q13 (+15% vs. 1Q12).

| | 1Q13 | 1Q12 | Variation | |
|--|--------------|--------------|------------|-----------|
| | | | \$ | % |
| Revenues | 6,064 | 5,126 | 938 | 18 |
| Other income | 9 | 4 | 5 | 125 |
| Operating costs without depreciation and amortization | (4,274) | (3,483) | (791) | 23 |
| Operating income before depreciation and amortization | 1,799 | 1,647 | 152 | 9 |
| Depreciation and amortization | (691) | (615) | (76) | 12 |
| Gain on disposal of PP&E | 7 | 1 | 6 | 600 |
| Operating income | 1,115 | 1,033 | 82 | 8 |
| Financial results, net | 135 | 61 | 74 | 121 |
| Net income before income tax expense | 1,250 | 1,094 | 156 | 14 |
| Income tax expense | (437) | (386) | (51) | 13 |
| Net income | 813 | 708 | 105 | 15 |
| Attributable to: | | | | |
| Telecom Argentina (Controlling Company) | 802 | 698 | 104 | 15 |
| Non-controlling interest | 11 | 10 | 1 | 10 |
| | 813 | 708 | 105 | 15 |
| Basic and diluted earnings per share attributable to Telecom Argentina (in pesos) | 0.81 | 0.71 | | |

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Total revenues and other income

During 1Q13 consolidated total revenues increased 18% (+\$938 vs. 1Q12) amounting to \$6,064 mainly fueled by the Broadband, data transmission and mobile businesses, while consolidated other income increased 125% (+\$5 vs. 1Q12), mainly due to penalties imposed to vendors in the Fixed Services segment.

| | 1Q13 | 1Q12 | Variation | |
|--|--------------|--------------|------------|-----------|
| | | | \$ | % |
| <u>Services</u> | | | | |
| Voice Retail | 629 | 607 | 22 | 4 |
| Voice Wholesale | 185 | 175 | 10 | 6 |
| Internet | 575 | 458 | 117 | 26 |
| Data | 213 | 163 | 50 | 31 |
| Subtotal fixed services | 1,602 | 1,403 | 199 | 14 |
| Voice Retail | 1,214 | 1,077 | 137 | 13 |
| Voice Wholesale | 448 | 425 | 23 | 5 |
| Internet | 391 | 276 | 115 | 42 |
| Data | 1,615 | 1,323 | 292 | 22 |
| Subtotal Personal mobile services | 3,668 | 3,101 | 567 | 18 |
| Voice Retail | 87 | 86 | 1 | 1 |
| Voice Wholesale | 22 | 18 | 4 | 22 |
| Internet | 62 | 26 | 36 | 138 |
| Data | 78 | 63 | 15 | 24 |
| Subtotal Núcleo mobile services | 249 | 193 | 56 | 29 |
| Total services revenues | 5,519 | 4,697 | 822 | 18 |
| <u>Equipment</u> | | | | |
| Fixed services | 14 | 18 | (4) | (22) |
| Personal mobile services | 518 | 405 | 113 | 28 |
| Núcleo mobile services | 13 | 6 | 7 | 117 |
| Total equipment revenues | 545 | 429 | 116 | 27 |
| Total revenues | 6,064 | 5,126 | 938 | 18 |

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Services revenues amounted to \$5,519 (+18% vs. 1Q12) and represented 91% of consolidated revenues (similar to 1Q12). Equipment revenues increased 27%, amounting to \$545 and represented 9% of consolidated revenues (similar to 1Q12).

Fixed services

During 1Q13, services revenues generated by this segment amounted to \$1,602, +\$199 or 14% vs. 1Q12, where Internet revenues have grown the most (+\$117 or 26% vs. 1Q12), followed by data transmission (+\$50 or 31% vs. 1Q12) and voice retail services (+\$22 or 4% vs. 1Q12).

Voice

Voice retail revenues amounted to \$629 in 1Q13 (+4% vs. 1Q12). The results of this line of business are still affected by frozen tariffs of regulated services. Revenues from regulated services reached approximately 34% of the segment revenues in 1Q13 (vs. 39% in 1Q12).

Monthly Charges and Supplementary Services increased \$17 or 7% vs. 1Q12, to \$269, as a consequence of an increase in supplementary services (not regulated), mainly due to an increase of their prices and of the subscriber base.

Revenues generated by measured services (Local Measured Service, Domestic Long Distance and International Long Distance services) amounted to \$329, (+\$13 or 4% vs. 1Q12), mainly due to the increase of domestic plans and the positive effect of the flat rate packs sales. In relative terms, revenues from local measured service increased the most with 7% vs. 1Q12 and followed by DLD revenues (+5% vs. 1Q12).

Voice wholesale revenues (including fixed and mobile interconnection revenues, together with the revenues generated by the subsidiary Telecom USA amounting to \$15) amounted to \$185 in 1Q13 (+6% vs. 1Q12). Interconnection fixed and mobile revenues amounted to \$113 (a slightly increase vs. 1Q12 as a result of an increase in the domestic traffic). The other wholesale revenues amounted to \$72 in 1Q13 (+18% vs. 1Q12).

Internet

Internet revenues amounted to \$575 (+\$117 or 26% vs. 1Q12) mainly due to the expansion of the Broadband service (+4% of customers vs. 1Q12) and an increase in average prices resulting in an improvement in the Average Monthly Revenue per User (ARPU), that amounted to \$114.9 pesos in 1Q13 vs. \$95.6 pesos in 1Q12). As of March 31, 2013, Telecom Argentina reached approximately 1,626,000 ADSL customers. These connections represent approximately 40% of Telecom Argentina s fixed lines in service (vs. 38% in 1Q12).

Internet revenues represent 10% of consolidated revenues (similar to 1Q12) and 36% of fixed services segment revenues (vs. 33% in 1Q12).

Data

Data transmission revenues amounted to \$213 (+\$50 vs. 1Q12), where the focus was to strengthen Telecom Argentina s position as an integrated TICs provider (Datacenter, VPN, among others) for wholesale and government segments. The increase was mainly due to the growth of Integra and VPN IP services (private data networks services that replaces the point to point services).

Personal Mobile Services

During 1Q13, total services revenues amounted to \$3,668, +\$567 or 18% vs. 1Q12, being the principal business segment in revenues terms (60% of consolidated revenues in 1Q13 and 1Q12). Personal reached 19.1 million subscribers in Argentina (+3% vs. 1Q12) thus improving its market position related to subscriber s base and maintaining the leadership in revenues in the mobile industry. Approximately 67% of the subscriber base

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is prepaid subscribers and 33% is postpaid subscribers (including Cuentas Claras plans and Mobile Internet dongles).

Voice

Voice retail revenues amounted to \$1,214 in 1Q13 (+13% vs. 1Q12). The increase was mainly due to the increase in the lines billed, the increase in the average price of different plans and an increase in the subscriber base, specially Cuentas Claras subscribers.

Voice wholesale revenues amounted to \$448 in 1Q13 (+5% vs. 1Q12). The increase was mainly due to higher traffic in SMS and GPRS roaming in the national segment and an increase in the GPRS traffic in the international segment.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF MARCH 31, 2013

II

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Internet

Internet revenues amounted to \$391 (+\$115 or 42% vs. 1Q12), mainly fueled by the increase in the offer of services, plans and packs (including VAS) launched by Personal. This growth was fueled by new subscribers and the migration of existing ones to higher value plans.

Data

Mobile data services revenues amounted to \$1,615 (+292 or 22% vs. 1Q12). This increase was mainly due to the constant SMS sales increase as a result of several campaigns launched by Personal and the growth of the offers of SMS consumption, which represented an inter-annual increase of \$252 vs. 1Q12. This increase was reflected both in prepaid or postpaid customers and is mainly due to the increase in the subscribers base.

As a consequence of the voice traffic increase and the VAS use (Internet and data), ARPU increased to \$62.1 pesos in 1Q13 (vs. \$54.9 pesos or +13% in 1Q12).

VAS revenues (data and Internet) amounted to \$2,006 (+28% vs. 1Q12) and represented 55% of Mobile Services Personal services revenues (vs. 52% in 1Q12).

Núcleo Mobile Services

This segment generated revenues equivalent to \$249 during 1Q13 (+\$56 or 29% vs. 1Q12) mainly due to the increase in the subscriber base (+6%), the appreciation of the Guaraní respect to the Argentine peso (+20% inter-annual) generating an effect in revenues conversion and the increase of Mobile Internet revenues (+138% vs. 1Q12) related to the increase in the subscriber base. As of March 31, 2013, Núcleo's subscriber base reached 2.3 million customers. Prepaid and postpaid subscribers (including Plan Control subscribers and mobile Internet subscribers) represented 81% and 19%, respectively in 1Q13.

VAS revenues (data and Internet) amounted to \$140 (+57% vs. 1Q12) and represented 56% of Núcleo Mobile Services segment services revenues (vs. 46% in 1Q12).

Equipment

Revenues from equipment amounted to \$545, +\$116 or 27% vs. 1Q12. This increase is mainly related to the Personal Mobile services segment with an increase of \$113 vs. 1Q12. The increase was mainly due to lower handsets sold (-25% vs. 1Q12) and an increase in their average prices (+68% vs. 1Q12). This situation was mainly due to a reduction of subsidy policy, the increase in average prices related to higher-value handsets demand and the business strategy to attract high-value subscribers. In the Núcleo Mobile Services segment the increase was mainly due to a higher number of handsets sold as a result of the launch of targeted promotions to capture new subscribers and retaining existing ones, associated to the effect of the appreciation of the Guaraní respect to the Argentine peso.

Operating costs

Consolidated operating costs including depreciation, amortization and gain on disposal of PP&E amounted to \$4,958 in 1Q13, which represented an increase of \$861 or +21% vs. 1Q12. The increase in costs is mainly a consequence of a higher revenues, higher expenses related to competition in mobile and Internet businesses, higher direct and indirect labor costs on the cost structure of the Group in Argentina, the increase in the average rates of the turnover tax and the effect of the appreciation of the Guaraní (+20% inter-annual) respect to the Argentine peso, affecting the operations in Paraguay.

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| | 1Q13 | 1Q12 | Variation | |
|---|-------------|-------------|------------------|----------|
| | | | \$ | % |
| Employee benefit expenses and severance payments | (868) | (677) | (191) | 28 |
| Interconnection costs and other telecommunication charges | (484) | (408) | (76) | 19 |
| Fees for services, maintenance, materials and supplies | (556) | (477) | (79) | 17 |
| Taxes and fees with the Regulatory Authority | (602) | (462) | (140) | 30 |
| Commissions | (605) | (525) | (80) | 15 |
| Agent commissions capitalized as SAC | 103 | 76 | 27 | 36 |
| Cost of equipment and handsets | (661) | (543) | (118) | 22 |
| Cost of equipment and handsets capitalized as SAC | 103 | 106 | (3) | (3) |