

TELECOM ARGENTINA SA  
Form 6-K  
May 08, 2012  
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**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 May 2012**

**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

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

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**Telecom Argentina S.A.**

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**Item**

1. Press Release dated May 3, 2012 entitled Telecom Argentina S.A. announces consolidated first quarter results for fiscal year 2012 (1Q12)
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FOR IMMEDIATE RELEASE

Market Cap P\$ 14.9 billion  
May 3th, 2012

Contacts:

Pedro Insussarry

Solange Barthe Dennin

(54-11) 4968-3743/3752

**Telecom Argentina S.A. announces**  
**consolidated first quarter results for fiscal year 2012**  
**(1Q12)\***

- **Consolidated Revenues** amounted to P\$5,126 million (+24% vs. 1Q11); Internet +31% vs. 1Q11; Mobile business in Argentina +28% vs. 1Q11; and Data +21% vs. 1Q11.
- **Mobile subscribers in Argentina: 18.5 million; +1.7 million (+10% vs. 1Q11).**
- **Mobile Value Added Services in Argentina (Internet and Data): +44% vs. 1Q11; 52% of Service Revenues.**
- **Mobile ARPU reached P\$55 per month in 1Q12 (+16% vs. 1Q11).**
- **ADSL ARPU increased to P\$96 per month in 1Q12 (+16% vs. 1Q11); monthly churn slightly increase to 1.3% in 1Q12.**

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- **Operating Profit Before Depreciation and Amortization ( OPBDA ) reached P\$1,648 million (+15% vs. 1Q11), 32% of Net Revenues.**
- **Operating Profit amounted to P\$1,033 million (+8% vs. 1Q11).**
- **Net Income amounted to P\$708 million (+11% vs. 1Q11) due to an increase in OPBDA and positive financial results. Net Income attributable to Telecom Argentina amounted P\$698 million (+10% vs. 1Q11).**
- **Net Cash Position: P\$2,982 million, an increase of P\$1,270 million vs. 1Q11 due to the strong cash generation of the Group.**
- **Capex reached P\$690 million in 1Q12(49% vs. 1Q11), 13% of Consolidated Revenues.**
- **As from Fiscal Year 2012 Financial Statements are prepared under IFRS.**

(in million P\$, except where noted)	As of March, 31			
	2012	2011	Δ \$	Δ %
Revenues	5,126	4,134	992	24%
Fixed Services	1,421	1,251	170	14%
Mobile Services	3,705	2,883	822	29%
Operating Profit before D&A	1,648	1,436	212	15%
Operating Profit	1,033	958	75	8%
Net Income attributable to Telecom Argentina	698	634	64	10%
Shareholders' equity attributable to Telecom Argentina	8,736	7,070	1,666	24%
Net Financial Position - Cash	2,982	1,712	1,270	74%
CAPEX	690	462	228	49%
Fixed lines in service (in thousand lines)	4,138	4,110	28	1%
Mobile customers (in thousand)	20,750	18,783	1,967	10%
Personal (Argentina)	18,547	16,882	1,665	10%
Núcleo (Paraguay) -including Wimax customers-	2,203	1,901	302	16%
Broadband accesos (in thousand)	1,566	1,407	159	11%
Fixed line traffic (in MM minutes, Internet & Public Telephony not incl.)	3,411	3,509	(98)	-3%
Incoming / Outgoing mobile voice traffic in Arg.(in MM minutes)	5,118	4,792	326	7%
Average Billing per user (ARBU) Fixed Telephony / voice (in P\$)	46.9	43.7	3.2	7%
Average Revenue per user (ARPU) Mobile Services in Arg. (in P\$)	54.9	47.4	7.5	16%
Average Revenue per user (ARPU) ADSL (in P\$)	95.6	82.2	13.4	16%

\*Unaudited non financial data



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Buenos Aires, May 3, 2012 - Telecom Argentina (NYSE: TEO; BASE: TECO2), one of Argentina's leading telecommunications companies, announced today a Net Income of P\$708 million for the period ended March 31, 2012, or +11% when compared to the same period last year, due to a higher Operating Profit and positive financial results. Net income attributable to Telecom Argentina amounted to P\$698 million (+10% vs. 1Q11).

	1Q12	1Q11	Δ \$	Δ %
Consolidated Revenues (MMP\$)	5,126	4,134	992	24%
Net Income (MMP\$)	708	640	68	11%
Earnings per Share (P\$)	0.72	0.65	0.07	
Earnings per ADR (P\$)	3.60	3.25	0.35	
OPBDA *	32%	35%		
Operating Profit *	20%	23%		
Net Income*	14%	15%		

\*As a percentage of Consolidated Revenues

During 1Q12, Consolidated Revenues increased by 24% to P\$5,126 million (+P\$992 million vs. 1Q11), mainly fueled by the Mobile Services and Broadband businesses. Moreover, Operating Profit increased by 8% to P\$1,033 million (+P\$75 million vs. 1Q11).

## Consolidated Operating Revenues

### Mobile Services

Clients continued increasing in 1Q12, reaching 20.8 million as of the end of March 2012, representing an increase of 2.0 million (+10%) since March 31, 2011.

The actions developed to increase the usage of value added services ( VAS ), innovative offers to clients and equipments sales allowed Personal to increase consolidated revenues to third parties to P\$3,705 million (+29% vs. 1Q11).

### Telecom Personal in Argentina

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As of March 31, 2012, Personal reached 18.5 million subscribers in Argentina (+10% or 1.7 million vs. 1Q11), thus improving its market position. It is worth noting that the overall subscriber base mix continued to improve with 32% in the postpaid modality (including Cuentas claras plans and 3G modems) and 68% in prepaid.

In 1Q12, Revenues to third parties reached P\$3,506 million (+P\$771 million or 28% vs. 1Q11) while Service Revenues (excluding equipments) amounted to P\$3,101 million (+28% vs. 1Q11), with 52% corresponding to value-added services ( VAS ) revenues (vs. 46% in 1Q11). VAS revenues strongly increased by 44% vs.1Q11.

During 1Q12, the overall voice traffic minutes increased by 7% vs. 1Q11. SMS traffic (incoming and outgoing charged messages) continued increasing, although at a slower pace of growth, due to other Internet alternatives provided by



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Personal. The traffic climbed to a monthly average of 5,289 million in 1Q12 from 5,164 million messages in 1Q11 (+2% vs. 1Q11). Due to this increase in traffic and VAS usage, Average Monthly Revenue per User ( ARPU ) increased to P\$55 during 1Q12 (+16% vs. 1Q11).

## Initiatives

During the 1Q12, as a result of the launch of Mobile Number Portability (MNP), Personal presented an integrated offer maximizing benefits for clients through flexible commercial offerings. The launch of MNP was supported by Personal with a national communication campaign focused on providing information about this new modality.

Personal was the first Latam mobile operator to present freemium games (a new value added service), that allows access to free high definition games, and offers a wide variety of paid options for enhancing the customer experience. In addition, Personal launched new messaging solutions such as "SMS por Cobrar" (the SMS is paid by the person who receives it), and "SMS respuesta paga" (the message sent and the answer are paid by the sender). By these means Personal provides alternatives for those clients who have run out of credit.

Personal continued with its brand positioning associated to music by organizing several events and concerts that were strengthened with dedicated offers and customer retention actions.

Personal extended its convenience strategy of fostering benefits such as service packs that can be activated in any time, recharges double and triple recharge- and special benefits for members of the fidelity program "Club Personal".

## Telecom Personal in Paraguay ( Núcleo )

Nucleo s subscriber base reached 2.2 million clients (+16% vs. 1Q11), including Wimax clients. Prepaid and postpaid customers represented 83% and 17%, respectively.

Personal s subsidiary in Paraguay generated revenues equivalent to P\$199 million during 1Q12 (+34% vs. 1Q11) driven by a growing market where Nucleo developed innovative commercial offers and was leader in the mobile internet market. Moreover, the level of ARPU reached approximately Gs.27,000 in 1Q12, vs. Gs.25,000 one year ago.

## Fixed Services (Voice, Data Transmission & Internet)

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During 1Q12 revenues generated by fixed services amounted to P\$1,421 million, +14% vs. 1Q11; with Internet (+31% vs. 1Q11) and Data revenues (+21% vs. 1Q11) growing in relative terms the most in this segment.

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## Voice

Total Revenues for this service reached P\$782 million in 1Q12 (+6% vs. 1Q11). The results of this line of business continued to be affected by frozen tariffs of regulated services enforced by the Argentine Government in 2002.

Revenues generated by Measured Services totaled P\$299 million, an increase of P\$20 million or +7% vs. 1Q11. In relative terms, revenues from local calls increased the most, with 7% vs. 1Q11, mainly due to the incorporation of flat rate packs. Moreover, domestic long distance traffic increased by 7% vs. 1Q11 and revenues from international services increased by 4% vs. 1Q11.

Monthly Charges and Supplementary Services reached P\$269 million, an increase of P\$24 or +10% vs. 1Q11, as a consequence of a higher number of lines in service (+1%), which surpassed 4.1 million, and to the increasing penetration of Value Added Services.

The average bill per user (ARBU) reached \$47 in 1Q12 vs. \$44 in 1Q11.

Interconnection revenues reached P\$124 million (+2% vs. 1Q11). Meanwhile, other revenues totaled 90 million (-4% vs. 1Q11).

## Data Transmission and Internet

Revenues related to Internet totaled P\$458 million (+ P\$109 million or +31% vs. 1Q11), mainly due to the continued expansion of broadband services.

Data transmission revenues amounted to P\$163 million (+21% vs. 1Q11), where the focus was to strengthen Telecom's position as an integrated ICT provider.

As of March 31, 2012, Telecom surpassed 1.5 million ADSL accesses (+11% vs. 1Q11). These connections represented 38% of Telecom's fixed lines in service. In addition, ADSL ARPU reached approximately P\$96 in 1Q12, +16% when compared to 1Q11 and the *churn* rate slightly increased to 1.3% in 1Q12 (vs. 1.2% in 1Q11), although it remain at low levels.

During 1Q12, Telecom Argentina launched the campaign "Bares" offering Arnet Wi-Fi with Arnet Turbo 7Mb with residential access and six month of free Mobile Internet. In this way, a broad communication campaign was rolled out (including TV, graphic, radio, web).

In 1Q12 Telecom Argentina promoted a Web server product under "Try & Buy" offer based on a Hosting Virtual Platform service, where the aim of this promotion is to identify potential clients, providing them the services free of charge for a period of time to test the quality of the service.

## **Consolidated Operating Costs**

The Cost of Services Provided, General & Administrative Expenses and Selling Expenses totaled P\$4,098 million in 1Q12, an increase of P\$907 million, or +28%, vs. 1Q11. The increase is a consequence of higher commercial costs due

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to a higher volume of revenues, inflationary effects in the general cost structure, and greater expenses related to intense competition in the industry.

The cost breakdown is as follows:

- Employee benefit expenses and severance payments totaled P\$677 million (+29% vs. 1Q11), mainly affected by increases in salaries due to the labor agreement reached in July 2011 and the increase in the number of employees. Regarding personnel, 576 employees were incorporated in the mobile business and 288 employees in the fixed services vs. 1Q11 resulted in a total headcount at the end of the period of 16,587 employees.

- Taxes and fees with the regulatory authority reached P\$462 million (+28% vs. 1Q11), impacted mainly by a higher volume of revenues, an increase in the average rates of turnover taxes, by higher bank debit and credit taxes, and by higher taxes from municipal jurisdictions.

- Interconnection costs and other telecommunication charges (includes TLRD, Roaming, Interconnection, international settlement charges and lease of circuits) amounted to P\$408 million, +P\$44 million vs. 1Q11. This small increase (+14% vs. 1Q11) was achieved thanks to savings from stimulating *on-net* traffic among mobile clients and by renegotiating the lease of wireless backhaul equipment.

- Commissions (Commissions paid to Agents, prepaid card commissions and others) totaled P\$449 million (+32% vs. 1Q11), net of capitalization of SAC of P\$76 million and P\$41 million for 1Q12 and 1Q11, respectively, mainly due to the increase in commissions paid to commercial agents associated with higher revenues from the sale of more sophisticated handsets, higher costs associated with a higher volume of acquisitions and retention of customers with the aim of gaining fidelity from clients, looking towards the number portability implementation, which started in late March.

- Advertising amounted to P\$164 million (+27% vs. 1Q11), oriented towards supporting the commercial activity in mobile and Internet services and to strengthen the brands of the Telecom Group through the sponsorship of important artistic events and to continue the rebranding communication efforts of the Personal brand.

- Cost of handsets sold totaled P\$437 million (+20% vs. 1Q11), net of capitalization of SAC of P\$106 million and P\$76 million for 1Q12 and 1Q11, respectively, due to an increase in high-end handsets sales and a higher number of handset upgrades,

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performed to stimulate VAS usage. These effects resulted in the increase of the average cost of handsets.

- Fees for services maintenance and materials amounted to \$477 million (+32% vs. 1Q11), principally due to higher costs from the call centers, more services requirements, and to the renegotiation with suppliers of certain agreements contemplating higher expenses in the cost structure of providers.

- Depreciations and Amortizations reached P\$615 million (PP&E: P\$426 million; SAC and services connection cost: P\$183 million; other intangible assets: P\$6

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million), an increase of 29% vs. 1Q11. Fixed services totaled P\$224 million (+14% vs. 1Q11) while mobile services reached P\$391 million (+39% vs. 1Q11). This increase was due to higher transfers to fixed assets, mainly in network access, transmission equipment and switching equipment in both businesses.

• Others Costs totaled P\$409 million (+53% vs. 1Q11). This increase was mainly due to general increases in public services such as electricity, water (106% vs. 1Q11), affected by the subsidies elimination. Moreover, these costs were affected by the increase from provisions and others.

## **Consolidated Financial Results**

### Financial Results

(In million P\$)

Financial Results resulted in a gain of P\$61 million, an increase of P\$42 million vs. 1Q11. This was mainly due to a gain in net financial interest of P\$64 million in 1Q12 (+P\$39 million vs. 1Q11) derived from a healthy financial position and to losses for FX results of P\$6 million in 1Q12 (vs. losses of P\$4 million in 1Q11) as a result of a lower exposure to foreign currency debts.