

TELECOM ARGENTINA SA  
Form 6-K  
September 02, 2016  
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**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 September 2016

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**



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**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF JUNE 30, 2016**

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(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 June 30, 2016 under IFRS. Additional information is given in Note 1 to the consolidated financial statements.

**2. Telecom Group's activities for the six-month periods ended June 30, 2016 ( 1H16 ) and 2015 ( 1H15 )**

Total revenues and other income for 1H16 amounted to \$25,426 (+37.4% vs. 1H15), operating costs including depreciations, amortizations and gain on disposal of PP&E and impairment of PP&E amounted to \$21,705 (+41.3% vs. 1H15), operating income before depreciation and amortization amounted to \$6,755 (+31.5% vs. 1H15) representing 26.6% of consolidated revenues, operating income amounted to \$3,721 (+18.2% vs. 1H15) and net income amounted to \$1,737 (-12.2% vs. 1H15). Net income attributable to Telecom Argentina amounted to \$1,725 in 1H16 (-11.8% vs. 1H15).

	<b>1H16</b>	<b>1H15</b>	<b>Variation</b>	
			<b>\$</b>	<b>%</b>
Revenues	25,406	18,496	6,910	37.4
Other income	20	11	9	81.8
Operating costs without depreciation and amortization	(18,671)	(13,372)	(5,299)	39.6
<b>Operating income before depreciation and amortization</b>	<b>6,755</b>	<b>5,135</b>	<b>1,620</b>	<b>31.5</b>
Depreciation and amortization	(2,894)	(1,990)	(904)	45.4
Gain on disposal of PP&E and impairment of PP&E	(140)	3	(143)	n/a
<b>Operating income</b>	<b>3,721</b>	<b>3,148</b>	<b>573</b>	<b>18.2</b>
Financial results, net	(1,046)	(119)	(927)	779.0
<b>Income before income tax expense</b>	<b>2,675</b>	<b>3,029</b>	<b>(354)</b>	<b>(11.7)</b>
Income tax expense	(938)	(1,051)	113	(10.8)
<b>Net income</b>	<b>1,737</b>	<b>1,978</b>	<b>(241)</b>	<b>(12.2)</b>

**Attributable to:**

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Telecom Argentina (Controlling Company)	1,725	1,956	(231)	(11.8)
Non-controlling interest	12	22	(10)	(45.5)
	<b>1,737</b>	<b>1,978</b>	<b>(241)</b>	<b>(12.2)</b>
<b>Basic and diluted earnings per share attributable to Telecom Argentina (in pesos)</b>	<b>1.78</b>	<b>2.02</b>		

• **Total revenues and other income**

During 1H16 consolidated total revenues increased 37.4% (+\$6,910 vs. 1H15) amounting to \$25,406 mainly fueled by the mobile services provided by Personal, Broadband and data transmission businesses.

	1H16	1H15	\$	Variation %
<b><u>Services</u></b>				
Retail Voice				
Monthly Charges	1,034	628	406	64.6
Measured Services	1,010	856	154	18.0
Others	48	49	(1)	(2.0)
Wholesale Voice				
Fixed and mobile interconnection	429	314	115	36.6
Others	230	165	65	39.4
Data	1,402	839	563	67.1
Internet	2,838	2,075	763	36.8
<b>Subtotal Fixed Services</b>	<b>6,991</b>	<b>4,926</b>	<b>2,065</b>	<b>41.9</b>
Retail Voice				
Monthly Charges	2,399	1,830	569	31.1
Measured Services	1,015	983	32	3.3
Roaming	163	146	17	11.6
Others	463	300	163	54.3
Wholesale Voice				
Interconnection	725	758	(33)	(4.4)
Roaming	144	154	(10)	(6.5)
Mobile leases	39	17	22	129.4
Data	3,540	3,613	(73)	(2.0)
Internet	4,670	2,689	1,981	73.7
<b>Subtotal Mobile Services - Personal</b>	<b>13,158</b>	<b>10,490</b>	<b>2,668</b>	<b>25.4</b>

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				Variation	
	1H16	1H15	\$		%
Retail Voice					
Monthly Charges	151	111	40		36.0
Measured Services	166	142	24		16.9
Roaming	9	5	4		80.0
Others	79	35	44		125.7
Wholesale Voice					
Interconnection	56	38	18		47.4
Roaming	10	15	(5)		(33.3)
Others	6	3	3		100.0
Data	205	148	57		38.5
Internet	446	261	185		70.9
<b>Subtotal Mobile Services</b> Núcleo	<b>1,128</b>	<b>758</b>	<b>370</b>		<b>48.8</b>
	<b>Revenue from services</b>	<b>21,277</b>	<b>16,174</b>	<b>5,103</b>	<b>31.6</b>
<b><u>Equipment</u></b>					
Fixed Services	65	23	42		182.6
Mobile Services- Personal	3,938	2,233	1,705		76.4
Mobile Services Núcleo	126	66	60		90.9
	<b>Revenue from equipment sales</b>	<b>4,129</b>	<b>2,322</b>	<b>1,807</b>	<b>77.8</b>
<b>Total Revenues</b>	<b>25,406</b>	<b>18,496</b>	<b>6,910</b>		<b>37.4</b>

Services revenues amounted to \$21,277 (+31.6% vs. 1H15) and represented 83.7% of consolidated revenues (vs. 87.4% in 1H15). Equipment revenues increased 77.8%, amounting to \$4,129 and represented 16.3% of consolidated revenues (vs. 12.6% in 1H15).

**Fixed Services**

During 1H16, services revenues generated by this segment amounted to \$6,991 (+\$2,605 or +41.9% vs. 1H15), where Internet revenues have grown the most (+\$763 or +36.8% vs. 1H15), followed by data transmission services (+\$563 or +67.1% vs. 1H15) and voice retail services (+\$559 or +36.5% vs. 1H15).

Ø **Voice**

Voice retail revenues reached \$2,092 in 1H16 (+36.5% vs. 1H15). Revenues from regulated services reached approximately 26% of the segment services revenues in 1H16 (same as 1H15).

Monthly Charges and Supplementary Services increased \$406 or +64.6% vs. 1H15, reaching \$1,034, as a consequence of an increase in supplementary services (not regulated), mainly due to a higher monthly charges to commercial customers since

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May 2016 and to the increase in the prices of non regulated supplementary services.

Revenues generated by measured services (Local Measured Service, Domestic Long Distance and International Long Distance services) amounted to \$1,010 (+\$154 or +18.0% vs. 1H15). The increase was mainly due to the increase in plans prices (both in local and long national distance). According to this, local measured service revenues increased 22.6% vs. 1H15 and DLD revenues increased 13.8% vs. 1H15. The Average Monthly Revenue per User ( ARBU ) amounted to \$87.3 pesos per month in 1H16 vs. \$62.5 pesos per month amounted in 1H15, representing an increase of 39.7%. The remaining retail voice revenues amounted to \$48 in 1H16 (slightly lower vs.1H15).

Voice wholesale revenues (including fixed and mobile interconnection revenues and lease of circuits, together with the revenues generated by the subsidiary Telecom USA amounting to \$140) amounted to \$659 in 1H16 (+37.6% vs. 1H15). Interconnection fixed and mobile revenues amounted to \$429 (+\$36.6 vs. 1H15) and the other wholesale revenues amounted to \$230 in 1H16 (+39.4% vs. 1H15), mainly due to higher prices related to cell sites rentals due to the variation of the \$/US\$ exchange rate.

### Ø Data

Data revenues (including the revenues generated by the subsidiary Telecom USA amounting to \$4) amounted to \$1,402 (+\$563 vs. 1H15). These revenues were generated focusing on Telecom Argentina s position as an integrated ICTs provider (Datacenter, VPN, among others) for wholesale and government segments. The increase was primarily due to higher prices of these services related to the variation of the \$/US\$ exchange rate and to the increase in the number of customers of these services (the increase amounted to \$386 vs. 1H15).

### Ø Internet

Internet revenues amounted to \$2,838 (+\$763 or +36.8% vs. 1H15) mainly due to an increase in average prices resulting in an improvement in the Average Monthly Revenue per User ( ARPU ), that amounted to \$254.3 pesos per month in 1H16 vs. \$190.1 pesos per month in 1H15 (+33.8% vs. 1H15). As of June 30, 2016, Telecom Argentina reached approximately 1,798,000 ADSL customers (of which 1,087,000 correspond to +3Mb access vs. 896,000 in 1H15). These connections represent approximately 45.2% of Telecom Argentina s fixed lines in service (vs. 43.9% in 1H15).

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Internet revenues represent 11.2% of consolidated revenues (same as 1H15) and 40.6% of Fixed Services segment revenues (vs. 42.1% in 1H15).

**Personal Mobile Services**

During 1H16, total services revenues amounted to \$13,158 (+\$2,668 or +25.4% vs. 1H15), being the principal business segment in revenues terms (61.8% and 64.9% of services consolidated revenues in 1H16 and 1H15, respectively). Personal reached 20.0 million subscribers in Argentina (+2.8% vs. 1H15). Approximately 67% of the subscriber base is prepaid subscribers and 33% is postpaid subscribers (including Cuentas claras plans and Mobile Internet dongles). The churn rate per month amounted to 2.7% in 1H16 (vs. 3.1% in 1H15).

Ø **Voice**

Voice retail revenues amounted to \$4,040 in 1H16 (+24.0% vs. 1H15). The increase was mainly due to the increase in monthly charges prices in the postpaid and Cuentas claras subscriber base and prepaid services, and due to the net variation of the subscriber base showing an increase in Cuentas claras (+7% vs. 1H15), in postpaid (+3% vs. 1H15), and prepaid subscribers (+2% vs. 1H15).

Voice wholesale revenues amounted to \$908 in 1H16 (-2.3% vs. 1H15), mainly due to the decrease in interconnection traffic volume (especially TLRD and CPP).

Ø **Data**

Mobile data services revenues amounted to \$3,540 (-\$73 or -2.0% vs. 1H15). The decrease was due to lower revenues from the principal item of VAS revenues, SMS consumption, which decreased \$425 as compared to 1H15 (-21.4%), showing a decrease in TOU (-42.0% vs. 1H15). Notwithstanding, this effect was partially offset with a constant increase of the SMS with content sales, as a result of several campaigns launched by Personal, which represented an inter-annual increase of \$304 or +19.8%.

Ø **Internet**

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Mobile Internet revenues amounted to \$4,670 (+\$1,981 or +73.7% vs. 1H15). This increase is mainly explained by the increase in browsing services consumption of Personal s subscribers, which was 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, the migration of the existing ones to higher-value plans and the increase of subscribers that acquired 3G and 4G handsets, which facilitate Internet browsing in all subscribers segments.

As a consequence of the increase in VAS consumption (Internet and Data), ARPU increased to \$106.2 pesos per month in 1H16 (vs. \$86.4 pesos per month in 1H15), which represents an increase of 22.9%.

VAS revenues (data and Internet) amounted to \$8,210 (+30.3% vs. 1H15) and represented 62.4% of Personal Mobile Services services revenues (vs. 60.1% in 1H15).

### **Núcleo Mobile Services**

This segment generated services revenues equivalent to \$1,128 during 1H16 (+\$370 or +48.8% vs. 1H15) mainly due to the Internet revenues increase (+70.9% vs. 1H15), mainly related to the increase of browsing generated by subscribers with mobile equipment prepared for that purpose. As of June 30, 2016, Núcleo s subscriber base reached 2.6 million customers. Prepaid and postpaid subscribers (including Plan Control subscribers and mobile Internet subscribers) represented 80% and 20% in 1H16 and the effect of the appreciation of the Guaraní respect to the Argentine peso reached a 41% (inter-annual).

VAS revenues (data and Internet) amounted to \$651 (+59.2% vs. 1H15) and represented 57.7% of Núcleo Mobile Services segment services revenues (vs. 54.0% in 1H15).

The Telecom Group s services revenues increased 31.6% fueled by a 36.1% increase of data and Internet revenues in all segments vs. 1H15, increasing its relative weight over total services revenues according to the following table:

	<u>Six-month periods ended</u>				<u>1H16 vs.</u>
	<u>2016</u>	<u>%</u>	<u>2015</u>	<u>%</u>	<u>1H15</u>
					<u>%</u>
					<u>variation</u>
Voice Retail	6,537	31	5,085	31	28.6
Voice Wholesale	1,639	8	1,464	10	12.0
<b>Total Voice</b>	<b>8,176</b>	<b>39</b>	<b>6,549</b>	<b>41</b>	<b>24.8</b>
Data	5,147	24	4,600	28	11.9
Internet	7,954	37	5,025	31	58.3
<b>Total service revenues</b>	<b>21,277</b>	<b>100</b>	<b>16,174</b>	<b>100</b>	<b>31.6</b>

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Revenues from equipment amounted to \$4,129, +\$1,807 or +77.8% vs. 1H15. This increase is mainly related to the Personal Mobile Services segment with an increase of \$1,705 vs. 1H15 due to higher handsets unit sold (+18% vs. 1H15) with an increase in handset s average sale prices (+50% vs. 1H15), resulting in a higher operating margin of handsets (+\$487 or + 79.8% vs. 1H15).

- **Operating costs**

Consolidated operating costs including depreciations, amortizations and gain on disposal of PP&E and impairment of PP&E totaled \$21,705 in 1H16, which represents an increase of \$6,346 or +41.3% vs. 1H15. 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 Telecom Group in Argentina, the increase in fees for services related to higher supplier prices, the increase in taxes and fees with the Regulatory Authority, the increase of cost of equipment and handsets and the increase in bad debt expenses, among other concepts.

	1H16	1H15	Variation		Variation in \$ by segment		
			\$	%	Fixed Serv.	Personal M. Serv.	Núcleo M. Serv.
Employee benefit expenses and severance payments	(4,435)	(3,258)	(1,177)	36.1	(914)	(231)	(32)
Interconnection costs and other telecommunication charges	(1,330)	(1,001)	(329)	32.9	(150)	(141)	(38)
Fees for services, maintenance, materials and supplies	(2,335)	(1,869)	(466)	24.9	(277)	(157)	(32)
Taxes and fees with the Regulatory Authority	(2,494)	(1,853)	(641)	34.6	(151)	(476)	(14)
Commissions	(2,524)	(1,909)	(615)	32.2	(40)	(523)	(52)