

TELECOM ARGENTINA SA
Form 6-K
December 01, 2017
[Table of Contents](#)

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 December 2017

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

Edgar Filing: TELECOM ARGENTINA SA - Form 6-K

(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 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

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

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

Table of Contents

TELECOM ARGENTINA S.A.

Table of Contents

ITEM

1. Unaudited Condensed Consolidated Financial Statements as of September 30, 2017
-

Table of Contents

TELECOM ARGENTINA S.A.

TELECOM ARGENTINA S.A.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2017

Table of Contents

TELECOM ARGENTINA S.A.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2017 AND 2016

INDEX

Operating and financial review and prospects as of September 30, 2017

Unaudited condensed consolidated financial statements

Unaudited consolidated statements of financial position

Unaudited consolidated income statements

Unaudited consolidated statements of comprehensive income

Unaudited consolidated statements of changes in equity

Unaudited consolidated statements of cash flows

Notes to the unaudited condensed consolidated financial statements

Limited review report on condensed interim consolidated financial statements

Corporate information

Table of Contents**TELECOM ARGENTINA S.A.****OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2017**

(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 September 30, 2017 under IFRS. Additional information is given in Note 1 to the consolidated financial statements.

2. Telecom Group's activities for the nine-month periods ended September 30, 2017 (9M17) and 2016 (9M16)

Total revenues and other income for 9M17 amounted to \$47,324 (+21.8% vs. 9M16), operating costs including depreciations, amortizations and disposal and impairment of PP&E amounted to \$38,306 (+14.9% vs. 9M16), operating income before depreciation and amortization amounted to \$14,246 (+39.5% vs. 9M16) representing 30.1% of consolidated revenues, operating income amounted to \$9,018 (+63.3% vs. 9M16) and net income amounted to \$5,695 (+128.3% vs. 9M16). Net income attributable to Telecom Argentina amounted to \$5,641 in 9M17 (+128.3% vs. 9M16).

	9M17	9M16	Variation	
			\$	%
Revenues	47,263	38,818	8,445	21.8
Other income	61	36	25	69.4
Operating costs without depreciation and amortization	(33,078)	(28,644)	(4,434)	15.5
Operating income before depreciation and amortization	14,246	10,210	4,036	39.5
Depreciation and amortization	(5,133)	(4,485)	(648)	14.4
Disposal and impairment of PP&E	(95)	(202)	107	(53.0)
Operating income	9,018	5,523	3,495	63.3
Financial results, net	(276)	(1,682)	1,406	(83.6)
Income before income tax expense	8,742	3,841	4,901	127.6
Income tax expense	(3,047)	(1,346)	(1,701)	126.4
Net income	5,695	2,495	3,200	128.3

Attributable to:

Edgar Filing: TELECOM ARGENTINA SA - Form 6-K

Telecom Argentina (Controlling Company)	5,641	2,471	3,170	128.3
Non-controlling interest	54	24	30	125.0
	5,695	2,495	3,200	128.3
Basic and diluted earnings per share attributable to Telecom Argentina (in pesos)	5.82	2.55		

• Revenues

During 9M17 consolidated total revenues increased 21.8% (+\$8,445 vs. 9M16) amounting to \$47,263 mainly fueled by the outbound mobile services provided by Personal and Voice and Internet fixed services.

<u>Services</u>	9M17	9M16	Variation	
			\$	%
Voice	6,119	4,328	1,791	41.4
Internet	5,621	4,351	1,270	29.2
Data	2,595	2,133	462	21.7
Subtotal Fixed Services	14,335	10,812	3,523	32.6
Outbound	22,118	18,043	4,075	22.6
Inbound	1,949	1,168	781	66.9
Other	1,197	1,086	111	10.2
Subtotal Personal Mobile Services	25,264	20,297	4,967	24.5
Outbound	1,789	1,426	363	25.5
Inbound	101	95	6	6.3
Other	157	244	(87)	(35.7)
Subtotal Núcleo Mobile Services	2,047	1,765	282	16.0
Total service revenues	41,646	32,874	8,772	26.7
<u>Equipment</u>				
Fixed Services	294	78	216	276.9
Personal Mobile Services	5,250	5,649	(399)	(7.1)
Núcleo Mobile Services	73	217	(144)	(66.4)
Total equipment revenues	5,617	5,944	(327)	(5.5)
Total revenues	47,263	38,818	8,445	21.8

OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2017

Table of Contents

TELECOM ARGENTINA S.A.

Services revenues amounted to \$41,646 (+26.7% vs. 9M16) and represented 88.1% of consolidated revenues (vs. 84.7% in 9M16). Equipment revenues decreased 5.5%, amounting to \$5,617 and represented 11.9% of consolidated revenues (vs. 15.3% in 9M16).

Fixed Services

During 9M17, services revenues generated by this segment amounted to \$14,335 (+\$3,523 or +32.6% vs. 9M16), where Voice revenues have grown the most (+\$1,791 or +41.4% vs. 9M16), followed by Internet services (+\$1,270 or +29.2% vs. 9M16).

Voice revenues (including the net revenues generated by the subsidiary Telecom USA amounting to \$212) reached \$6,119 in 9M17 (+41.4% vs. 9M16). The increase was mainly due to the increase in plans prices.

Internet service revenues amounted to \$5,621 in 9M17 (+29.2% vs. 9M16) as a result of the increase in the average plans prices. As a consequence, the Internet average monthly revenue per user (ARPU) amounted to \$350.1 pesos per month in 9M17 vs. \$260.4 pesos per month in 9M16 (+34.4%). As of September 30, 2017, the number of ADSL subscribers amounted to approximately 1,746,000. The churn rate per month amounted to 1.4% in 9M17 (vs. 1.5% in 9M16).

Data revenues (including the revenues generated by the subsidiary Telecom USA of \$12) amounted to \$2,595 (+\$462 vs. 9M16). These revenues were generated focusing on the Company's position as an integrated TICs provider (Datacenter, VPN, among others) for wholesale and government segments. The increase was primarily due to the variation of the \$/US\$ exchange rate related to agreements settled in such foreign currency and to the increase in the number of *Innovation* services customers.

Personal Mobile Services

During 9M17, total services revenues amounted to \$25,264 (+\$4,967 or 24.5% vs. 9M16), being the principal business segment in revenues terms (60.7% and 61.7% of services consolidated revenues in 9M17 and 9M16, respectively). Personal reached 19.0 million subscribers in Argentina (-4.4% vs. 9M16). Approximately 66% of the subscriber base is prepaid subscribers and 34% is postpaid subscribers (including Abono fijo and Mobile Internet subscribers dongles).

The main ratios were:

- The churn rate per month amounted to 2.9% in 9M17 (vs. 2.7% in 9M16).
- ARPU amounted to \$139.0 pesos per month in 9M17 (vs. \$108.3 pesos per month in 9M16), representing a 28.3% increase.
- Other income generated by mobile Internet services amounted to \$12,353 (+\$4,856 or +64.8% vs. 9M16), fueled by new offers aimed at content consumption, the migration of subscribers to higher value service plans and the increase in subscribers holding 3G and 4G handsets, which enhance Internet usage.

Outbound mobile services revenues amounted to \$22,118 in 9M17 (+\$4,075 or +22.6% vs. 9M16). The increase was mainly due to higher monthly charges prices in the postpaid and Abono fijo subscriber base and to the increase of the online recharges in the prepaid subscriber base.

Inbound mobile services revenues (including CPP and TLRD) amounted to \$1,949 (+\$781 or +66.9% vs. 9M16). This increase is mainly related to the higher price per minute of CPP services, representing an increase in CPP services revenues, which were partially offset by a decrease in traffic volumes. In addition, TLRD average price per minute and interconnection traffic volumes increased.

Other mobile services revenues amounted to \$1,197 (+\$111 or 10.2% vs. 9M16) mainly due to the increase in reconnection charges, which were partially offset by a decrease in international roaming traffic.

Núcleo Mobile Services

This segment generated services revenues equivalent to \$2,047 during 9M17 (+\$282 or 16.0% vs. 9M16) mainly due to the Internet revenues increase related to the increase of browsing generated by subscribers with mobile equipment prepared for that purpose. As of September 30, 2017, Núcleo's subscriber base reached 2.5 million customers. Prepaid and postpaid subscribers (including Plan Control subscribers and mobile Internet subscribers) represented 83% and 17% in 9M17, respectively.

Internet revenues amounted to \$931 (+32.1% vs. 9M16) and represented 45.5% of Núcleo Mobile Services segment services revenues (vs. 39.9% in 9M16).

OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2017

Table of Contents**TELECOM ARGENTINA S.A.****Equipment**

Revenues from equipment amounted to \$5,617, -\$327 or -5.5% vs. 9M16. This decrease is mainly related to the Personal Mobile Services with a decrease of \$399 vs. 9M16 due to lower handsets sold (-15% vs. 9M16) partially offset by higher handset s sale prices (+9% vs. 9M16).

- **Operating costs**

Consolidated operating costs including depreciations, amortizations and disposal and impairment of PP&E totaled \$38,306 in 9M17, which represents an increase of \$4,975 or +14.9% vs. 9M16. The increase in costs is mainly a consequence of 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, higher provisions, the increase in bad debt expenses and higher depreciations and amortizations, partially offset by the decrease in the cost of equipment and handsets, the decrease of VAS costs and the decrease in agent commissions.

	9M17	9M16	Variation		Variation in \$ by segment			Núcleo M. Serv.
			\$	%	Fixed Serv.	Personal M. Serv.		
Employee benefit expenses and severance payments	(9,158)	(7,213)	(1,945)	27.0	(1,534)	(400)	(11)	
Interconnection costs and other telecommunication charges	(2,295)	(1,954)	(341)	17.5	(40)	(311)	10	
Fees for services, maintenance, materials and supplies	(4,756)	(3,580)	(1,176)	32.8	(843)	(288)	(45)	
Taxes and fees with the Regulatory Authority	(4,416)	(3,799)	(617)	16.2	(252)	(342)	(23)	
Commissions	(3,416)	(3,841)	425	(11.1)	(18)	470	(27)	
Agent commissions capitalized as SAC	731	1,046	(315)	(30.1)	(44)	(269)	(2)	
Cost of equipment and handsets	(4,696)	(4,725)	29	(0.6)	(107)	(54)	190	
Cost of equipment and handsets capitalized as SAC	58	94	(36)	(38.3)	-	(13)	(23)	
Advertising	(769)	(548)	(221)	40.3	(77)	(146)	2	
Cost of VAS	(690)	(1,142)	452	(39.6)	(12)	512	(48)	
Provisions	(357)	(106)	(251)	236.8	(48)	(202)	(1)	
Bad debt expenses	(920)	(844)	(76)	9.0	(53)	(42)	19	
Other operating expenses	(2,394)	(2,032)	(362)	17.8	(168)	(173)	(21)	
Subtotal	(33,078)	(28,644)	(4,434)	15.5	(3,196)	(1,258)	20	
Depreciation of PP&E	(3,702)	(3,087)	(615)	19.9	(286)	(273)	(56)	
Amortization of SAC and service connection charges	(1,160)	(1,087)	(73)	6.7	31	(122)	18	
Amortization of other intangible assets	(271)	(311)	40	(12.9)	-	45	(5)	

Edgar Filing: TELECOM ARGENTINA SA - Form 6-K

Disposal and impairment of PP&E	(95)	(202)	107	(53.0)	(32)	140	(1)
Total operating costs	(38,306)	(33,331)	(4,975)	14.9	(3,483)	(1,468)	(24)

The costs breakdown is as follows:

Employee benefit expenses and severance payments

Employee benefit expenses and severance payments amounted to \$9,158 (+\$1,945 or +27.0% vs. 9M16). The increase was mainly due to increases in salaries agreed by Telecom Argentina with several trade unions for the unionized employees and also to non-unionized employees, together with related social security charges. With a total headcount of 15,510 by the end of 9M17 (vs. 16,241 employees in 9M16), lines in service per employee reached 357 in the Fixed Services segment (similar to the amount of 9M16), subscribers per employee reached 4,352 in the Personal Mobile Services segment (+4.3% vs. 9M16) and subscribers per employee reached 6,388 (+2.4% vs. 9M16) in the Núcleo Mobile Services segment.

Interconnection costs and other telecommunication charges

Interconnection costs and other telecommunication charges (including charges for TLRD, Roaming, Interconnection costs, cost of international outbound calls and lease of circuits) amounted to \$2,295 (+\$341 or +17.5% vs. 9M16). The increase was mainly due to higher TLRD partially offset by a decrease in roaming costs.

Fees for services, maintenance, materials and supplies

Fees for services, maintenance, materials and supplies amounted to \$4,756, +\$1,176 or +32.8% vs. 9M16. The increase was mainly due to higher maintenance costs of radio bases in the mobile services segments, as a result of the variation in the \$/US\$ exchange rate, an increase in technical assistance cost of radio bases, higher system licenses costs, higher costs of sites location and higher storage costs. There were also increases in other maintenance costs and fees for services, mainly due to higher costs recognized to suppliers in all segments.

Taxes and fees with the Regulatory Authority

Taxes and fees with the Regulatory Authority (including turnover tax, fees with the Regulatory Authority, IDC, municipal and other taxes) amounted to \$4,416 (+16.2% vs. 9M16), influenced mainly by the

OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2017

Table of Contents

TELECOM ARGENTINA S.A.

increase in revenues of fixed and mobile services and by the increase of the IDC related to higher collections and payments to suppliers, partially offset by lower fees with the regulatory authority.

Commissions

Commissions (including Agent, distribution of prepaid cards and other commissions) amounted to \$3,416 (-\$425 or -11.1% vs. 9M16). The decrease was mainly due to the decrease in Agents' commissions as well as a decrease in collection commissions, CPP commissions and others.

On the other hand, agent commissions capitalized as SAC amounted to \$731, -\$315 or -30.1% vs. 9M16.

Cost of equipment and handsets

Cost of equipment and handsets amounted to \$4,696 (-\$29 or -0.6% vs. 9M16) mainly due to the decrease in the units of handsets sold in the Núcleo Mobile Services segment, partially offset by the increase in the Personal Mobile Services segment, as a consequence of the increase in the average unit cost of sales (+21% vs. 9M16) partially offset by a decrease in handsets sold (-15% vs. 9M16).

On the other hand, SAC deferred costs from handsets sold amounted to \$58, -\$36 or -38.3% vs. 9M16.

Advertising

Advertising amounted to \$769 (+\$221 vs. 9M16). This increase was due to the new advertising campaigns launched by Telecom Group during 2017, especially media advertising.

Cost of VAS

Edgar Filing: TELECOM ARGENTINA SA - Form 6-K

Cost of VAS amounted to \$690 (-\$452 or -39.6% vs. 9M16). The decrease was mainly due to the decrease in the amount of VAS sales in the Personal Mobile Services segment, as a consequence of the content suppliers deputation carried out within the content business general reorganization realized by Personal in 2016.

Provisions

Provisions amounted to \$357, +\$251 vs. 9M16, mainly due to higher labor claims (+\$140 vs. 9M16) and higher civil and commercial claims (+\$107 vs. 9M16).

Bad debt expenses

Bad debt expenses amounted to \$920 (+\$76 or +9.0% vs. 9M16), representing approximately 1.9% and 2.2% of the consolidated revenues in 9M17 and 9M16, respectively. The main increase is observed in the Fixed Services segment amounting to \$53 as a consequence of higher aging of the accounts receivables provisioned in accordance to the accounting policies of the Group.

Other operating costs

Other operating costs amounted to \$2,394 (+\$362 or +17.8% vs. 9M16). The increase was mainly due to higher prices on related services recognized to suppliers in the operations in Argentina and the increase of rent prices (+\$207 or +37.0% vs. 9M16), as a result of new agreements and the renegotiation of some of the existing ones.

- **Operating income before depreciation and amortization**

Operating income before depreciation and amortization amounted to \$14,246 (+\$4,036 or +39.5% vs. 9M16), representing 30.1% of consolidated revenues in 9M17 (vs. 26.3% in 9M16). This growth was mainly fueled by the Fixed Services segment (+\$824 or +37.4% vs. 9M16) and the Mobile Services segments (+\$3,212 or +40.1% vs. 9M16).

Operating income before depreciation and amortization generated by equipment and handset sales (including SAC capitalization) amounted to \$979 in 9M17 vs. \$1,313 in 9M16 (-\$334 or -25.4% vs. 9M16), while operating income before depreciation and amortization generated by services sales amounted to \$13,267 in 9M17 vs. \$8,897 in 9M16 (+\$4,370 or +49.1% vs. 9M16).

IV

Table of Contents

TELECOM ARGENTINA S.A.

Depreciation and amortization

Depreciation and amortization amounted to \$5,133 (+\$648 or +14.4% vs. 9M16). The increase in depreciation and amortization includes \$615 from PP&E depreciation and \$73 from amortization of SAC and service connection costs, partially offset by a decrease of \$40 from amortization of other intangible assets without SAC. The increase in depreciation and amortization corresponds 39% to the Fixed Services segment and 61% to the Mobile Services segments.

Disposal and impairment of PP&E

Disposal and impairment of PP&E amounted to \$95 in 9M17 (-\$107 vs. 9M16), of which \$29 are generated by the Fixed Services segment and \$66 generated by the Mobile Services segments.

- **Operating income**

Operating income amounted to \$9,018 in 9M17 (+\$3,495 or 63.3% vs. 9M16). The margin over consolidated revenues represented 19.1% in 9M17 (vs. 14.2% in 9M16). This growth was mainly fueled by the Personal Mobile Services segment (+\$2,844 or +62.0% vs. 9M16) and the Fixed Services segment (+\$537 or +64.8% vs. 9M16).

- **Financial results, net**

Net financial results resulted in a net loss of \$276, representing a lower loss of \$1,406 vs. 9M16. The lower loss was mainly due to lower foreign currency exchange losses (+\$193 vs. 9M16), higher interests on receivables (+\$294 vs. 9M16), higher investments results (+\$454 vs. 9M16) and lower interests on loans (+\$541 vs. 9M16).

- **Net income**

Telecom Argentina reached a net income of \$5,695 in 9M17, +\$3,200 or +128.3% as compared to 9M16, representing 12.0% of the consolidated revenues in 9M17 (vs. 6.4% in 9M16). Net income attributable to Telecom Argentina amounted to \$5,641 in 9M17, +\$3,170 or +128.3% as compared to 9M16.

- **Net financial position**

As of September 30, 2017, consolidated net financial asset (Cash and Cash Equivalents plus financial investments plus financial NDF minus financial debt) amounted to \$503, showing an increase of \$7,660 as compared to the consolidated net financial debt as of September 30, 2016 (amounting to \$7,157). This variation was mainly due to an increase in the generation of cash from operating activities of the Telecom Group. As of September 30, 2017, the Fixed Services segment has a net financial asset of \$66, the Personal Mobile Services segment has a net financial asset of \$661 and the Núcleo Mobile Services segment has a net financial debt of \$224.

- **Capital expenditures (CAPEX)**

CAPEX composition for 9M17 and 9M16 is as follows:

	In millions of \$		% of participation		Variation	
	9M17	9M16	9M17	9M16	\$	%
Fixed Services	3,206	2,660	48%	35%	546	21
Personal Mobile Services	3,145	4,564	47%	59%	(1,419)	(31)
Núcleo Mobile Services	287	475	5%	6%	(188)	(40)
Total CAPEX	6,638	7,699	100%	100%	(1,061)	(14)

OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2017

Table of Contents**TELECOM ARGENTINA S.A.**

PP&E CAPEX amounted to \$5,745 and intangible assets CAPEX amounted to \$893 in 9M17, while in 9M16 amounted to \$6,403 and \$1,296, respectively.

In relative terms, CAPEX represented 14.0% of consolidated revenues in 9M17 (19.8% in 9M16), and were intended mainly for the external wiring and network access, transmission and switching equipment, computer equipment and SAC.

PP&E and intangible assets additions (CAPEX plus materials additions) for 9M17 and 9M16 are as follows:

	In millions of \$		% of participation		Variation	
	9M17	9M16	9M17	9M16	\$	%
Fixed Services	4,721	3,269	58%	38%	1,452	44
Personal Mobile Services	3,155	4,845	39%	56%	(1,690)	(35)
Núcleo Mobile Services	293	478	3%	6%	(185)	(39)
Total additions	8,169	8,592	100%	100%	(423)	(5)

Main PP&E CAPEX projects are related to the expansion of fixed broadband services in order to improve transmission and speed offered to customers; deployment of 3G and 4G services to support the growth of mobile Internet, improvement of the quality service together with the launch of innovative VAS services and the expansion of transmission and transport networks to meet the growing demand of services of our fixed and mobile customers. Also, significant investments have also been made in the pricing, billing and customer relationship systems.

3. Telecom Group s activities for the three-month periods ended September 30, 2017 (3Q17) and 2016 (3Q16)

Telecom Group s net income amounted to \$2,056 in 3Q17, +\$1,298 or +171.2% vs. 3Q16. Net income attributable to Telecom Argentina amounted to \$2,026 in 3Q17 (+\$1,280 or +171.6% vs. 3Q16).

Total revenues and other income increased 24.8% vs. 3Q16 and operating income before depreciation and amortization amounted to \$4,902 (+\$1,456 or +42.3% vs. 3Q16), representing 29.3% of the consolidated revenues (vs. 25.7% in 3Q16). Operating income amounted to \$3,167 (+\$1,365 or +75.7% vs. 3Q16). Financial results, net amounted to a loss of \$16 (-\$620 vs. 3Q16), while income tax expenses amounted to \$1,095 (+687 or +168.4% vs. 3Q16).

	3Q17	3Q16	\$	Variation	%
--	------	------	----	-----------	---

Edgar Filing: TELECOM ARGENTINA SA - Form 6-K

Revenues	16,719	13,412	3,307	24.7
Other income	22	7	15	214.3
Operating costs without depreciation and amortization	(11,839)	(9,973)	(1,866)	18.7
Operating income before depreciation and amortization	4,902	3,446	1,456	42.3
Depreciation and amortization	(1,741)	(1,591)	(150)	9.4
Disposal and impairment of PP&E	6	(53)	59	(111.3)
Operating income	3,167	1,802	1,365	75.7
Financial results, net	(16)	(636)	620	n/a
Income before income tax expense	3,151	1,166	1,985	170.2
Income tax expense	(1,095)	(408)	(687)	168.4
Net income	2,056	758	1,298	171.2
Attributable to:				
Telecom Argentina (Controlling Company)	2,026	746	1,280	171.6
Non-controlling interest	30	12	18	150.0
	2,056	758	1,298	171.2
Basic and diluted earnings per share attributable to Telecom Argentina (in pesos)	2.09	0.77		

OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2017

VI

Table of Contents**TELECOM ARGENTINA S.A.**

During 3Q17 consolidated revenues increased 24.7% (+\$3,307 vs. 3Q16) amounting to \$16,719, mainly fueled by Personal Mobile Outbound Services and the Fixed Services segment.

Services	3Q17	3Q16	Variation	
			\$	%
Voice	2,143	1,577	566	35.9
Internet	1,952	1,513	439	29.0
Data	909	731	178	24.4
Subtotal Fixed Services	5,004	3,821	1,183	31.0
Outbound	7,718	6,255	1,463	23.4
Inbound	626	443	183	41.3
Other	428	441	(13)	(2.9)
Subtotal Personal Mobile Services	8,772	7,139	1,633	22.9
Outbound	689	510	179	35.1
Inbound	37	33	4	12.1
Other	54	94	(40)	(42.6)
Subtotal Núcleo Mobile Services	780	637	143	22.4
Total service revenues	14,556	11,597	2,959	25.5
Equipment				
Fixed Services	269	13	256	n/a
Personal Mobile Services	1,871	1,711	160	9.4
Núcleo Mobile Services	23	91	(68)	(74.7)
Total equipment revenues	2,163	1,815	348	19.2
Total revenues	16,719	13,412	3,307	24.7

Consolidated operating costs including depreciation, amortization and disposal and impairment of PP&E amounted to \$13,574 in 3Q17, which represented an increase of \$1,957 or +16.8% vs. 3Q16. 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 in Argentina, the increase in fees for services related to higher supplier prices, an increase in taxes, higher cost of equipment and handsets, the increase in advertising and higher depreciations and amortizations, partially offset by lower bad debt expenses, cost of VAS and commissions charges.

	3Q17	3Q16	Variation	
			\$	%
Employee benefit expenses and severance payments	(3,280)	(2,778)	(502)	18.1
Interconnection costs and other telecommunication charges	(763)	(624)	(139)	22.3
Fees for services, maintenance, materials and supplies	(1,797)	(1,245)	(552)	44.3
Taxes and fees with the Regulatory Authority	(1,546)	(1,305)	(241)	18.5
Commissions	(1,098)	(1,317)	219	(16.6)
Agent commissions capitalized as SAC	216	372	(156)	(41.9)
Cost of equipment and handsets	(1,890)	(1,586)	(304)	19.2
Cost of equipment and handsets capitalized as SAC	21	38	(17)	(44.7)
Advertising	(290)	(177)	(113)	63.8

Edgar Filing: TELECOM ARGENTINA SA - Form 6-K

Cost of VAS	(224)	(350)	126	(36.0)
Provisions	(98)	(25)	(73)	292.0
Bad debt expenses	(245)	(326)	81	(24.8)
Other operating expenses	(845)	(650)	(195)	30.0
Subtotal	(11,839)	(9,973)	(1,866)	18.7
Depreciation of PP&E	(1,267)	(1,105)	(162)	14.7
Amortization of SAC and service connection charges	(381)	(381)	-	-
Amortization of other intangible assets	(93)	(105)	12	(11.4)
Disposal and impairment of PP&E	6	(53)	59	n/a
Total operating costs	(13,574)	(11,617)	(1,957)	16.8%

CAPEX amounted to \$2,615 in 3Q17 and amounted to \$3,204 in 3Q16.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2017

VII

Table of Contents**TELECOM ARGENTINA S.A.****4. Summary of comparative consolidated statements of financial position**

	September 30,				
	2017	2016	2015	2014	2013
Current assets	19,125	12,398	9,666	8,249	10,105
Non-current assets	38,910	30,597	24,360	16,423	11,845
Total assets	58,035	42,995	34,026	24,672	21,950
Current liabilities	20,515	21,563	14,503	8,829	7,639
Non-current liabilities	11,771	3,053	2,887	2,129	2,052
Total liabilities	32,286	24,616	17,390	10,958	9,691
Equity attributable to Telecom Argentina (Controlling Company)	25,063	17,843	16,318	13,378	12,027
Equity attributable non-controlling interest	686	536	318	336	232
Total Equity	25,749	18,379	16,636	13,714	12,259
Total liabilities and equity	58,035	42,995	34,026	24,672	21,950

5. Summary of comparative consolidated income statements

	3Q17	3Q16	3Q15	3Q14	3Q13	9M17	9M16	9M15	9M14	9M13
Revenues and other income	16,741	13,419	10,098	8,608	7,127	47,324	38,854	28,605	24,223	19,853
Operating costs	(13,574)	(11,617)	(8,787)	(7,383)	(5,924)	(38,306)	(33,331)	(24,146)	(20,380)	(16,590)
Operating income	3,167	1,802	1,311	1,225	1,203	9,018	5,523	4,459	3,843	3,263
Financial results, net	(16)	(636)	(73)	76	163	(276)	(1,682)	(192)	230	377
Income before income tax expense	3,151	1,166	1,238	1,301	1,366	8,742	3,841	4,267	4,073	3,640
Income tax expense	(1,095)	(408)	(438)	(453)	(480)	(3,047)	(1,346)	(1,489)	(1,389)	(1,279)
Net income	2,056	758	800	848	886	5,695	2,495	2,778	2,684	2,361
Other comprehensive income, net of tax	55	34	(37)	-	54	152	274	(86)	233	83
Total comprehensive income	2,111	792	763	848	940	5,847	2,769	2,692	2,917	2,444
Attributable to Telecom Argentina (Controlling Company)	2,064	769	781	840	905	5,730	2,649	2,704	2,797	2,378
Attributable to non-controlling interest	47	23	(18)	8	35	117	120	(12)	120	66

6. **Statistical data (in physical units)**

v **Fixed services**(in thousands, except for lines in service per employees)

	9M17		9M16		9M15		9M14		9M13	
	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter
Lines in service	3,838	(23)	3,946	(28)	4,054	(10)	4,106	3	4,124	10
ADSL subscribers	1,746	11	1,800	2	1,804	18	1,750	24	1,669	35

Lines in service per employee (a)	357	-	357	-	373	-	370	-	373	-
-----------------------------------	-----	---	-----	---	-----	---	-----	---	-----	---

a) Line in services / effective employees.

v **Mobile services**

Personal (in thousands, except for subscriber per employee disclosed in units)

	9M17		9M16		9M15		9M14		9M13	
	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter
Post-paid subscribers (i)	2,047	(80)	2,132	10	2,069	6	2,210	(93)	2,450	1
Abono fijo plans (i)	4,370	71	4,278	(22)	4,092	82	3,915	62	3,749	10
Prepaid subscribers (ii)	12,530	(485)	13,384	(38)	13,164	(49)	13,451	44	13,374	46
Dongles (iii)	83	(5)	107	(6)	119	(13)	191	(22)	282	(3)
Total subscribers	19,030	(499)	19,901	(56)	19,444	26	19,767	(9)	19,855	54

Lines per employee	4,352	-	4,172	-	3,884	-	3,935	-	3,839	-
--------------------	-------	---	-------	---	-------	---	-------	---	-------	---

(i) Lines which are paid through customer billing.

(ii) Prepaid lines which were refilled at least once in the last 13 months.

(iii) Corresponds to mobile Internet subscribers with post-paid, Abono fijo, and prepaid contracts.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2017

VIII

Table of Contents**TELECOM ARGENTINA S.A.****Núcleo** (in thousands, except for subscriber per employee disclosed in units)

	9M17		9M16		9M15		9M14		9M13	
	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter	Accumulated	Quarter
Post-paid subscribers (i)	22	-	22	(4)	29	-	30	1	30	1
Plan control subscribers (i)	351	(14)	392	(6)	361	16	311	3	290	12
Prepaid subscribers (ii)	2,059	(10)	2,038	(6)	2,020	(1)	1,943	39	1,925	19
Dongles (iii)	40	(1)	75	(12)	114	(4)	136	(5)	157	(5)
Subtotal mobile	2,472	(25)	2,527	(28)	2,524	11	2,420	38	2,402	27
Internet subscribers - Wimax	5	-	5	-	6	-	5	-	5	(1)
Total subscribers	2,477	(25)	2,532	(28)	2,530	11	2,425	38	2,407	26
Lines per employee (iv)	6,388	-	6,240	-	6,186	-	5,817	-	5,547	-

(i) Lines which are paid through customer billing.

(ii) Prepaid lines which were refilled at least once in the last 13 months.

(iii) Corresponds to mobile Internet subscribers with post-paid, Plan control and prepaid contracts.

- (iv) Internet Wimax subscribers are not included.

7. Consolidated ratios

	9M17	9M16	9M15	9M14	9M13
Liquidity (1)	0.93	0.57	0.67	0.93	1.32
Solvency (2)	0.80	0.75	0.96	1.25	1.26
Locked-up capital (3)	0.67	0.71	0.72	0.67	0.54

- 1) Current assets/Current liabilities.
 2) Total equity/Total liabilities.
 3) Non-current assets/Total assets.

8. Outlook

Fiscal year 2017 is developing in a more favorable macroeconomic context than previous years. We expect moderate economic growth rates for 2017 amounting to approximately 3% (GDP in real terms), with inflation rates that should be close to 22% per year. Also, we are confident that the demand of our products and services will remain at good levels, especially those related to Internet use, and in particular of those related to innovative offers associated with convergence at home, which the Company will continue launching in order to provide to most of our customers with the benefits of hiring our services in their home, company or by enjoying the wide access levels of Personal services. We will continue working to enrich our offer with products and services to encourage the increase of our ARPU in all business segments, with pricing policies segmented to the possibilities of each type of customer, without neglecting global profitability of our business.