

TELECOM ARGENTINA SA
Form 6-K
March 27, 2014
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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 March, 2014

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

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

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Telecom Argentina S.A.

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Item

1. Consolidated Financial Statements as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011

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TELECOM ARGENTINA S.A.

Consolidated Financial Statements as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011

Alicia Moreau de Justo 50

(1107) Ciudad Autónoma de Buenos Aires

Argentina

\$: Argentine peso

US\$: US dollar

\$6.521 = US\$1 as of December 31, 2013

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Telecom Argentina S.A.

In our opinion, the accompanying consolidated statements of financial position, the related consolidated statements of income, comprehensive income, changes in equity and cash flows present fairly, in all material respects, the financial position of Telecom Argentina S.A. and its subsidiaries (the Company) at December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control - Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting appearing on page F-2. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Buenos Aires, Argentina

February 27, 2014

PRICE WATERHOUSE & CO. S.R.L.

By (Partner)
Alejandro P. Frechou

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TELECOM ARGENTINA S.A.

Management's Report on Internal Control Over Financial Reporting

Telecom Group's Management is responsible for establishing and maintaining adequate internal control over financial reporting for Telecom Group as defined in Exchange Act Rule 13a-15(f) and 15d-15(f). Our internal control over financial reporting was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IFRS). Internal control over financial reporting includes those policies and procedures that:

pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of Telecom Group;

provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS and that receipts and expenditures of Telecom Group are being made only in accordance with authorizations of Management and directors of Telecom Group; and

provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of Telecom Group's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an evaluation of the effectiveness of Telecom Group's internal control over financial reporting based on the framework in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation, Management concluded that the Telecom Group's internal control over financial reporting was effective as of December 31, 2013. The effectiveness of Telecom Group's internal control over financial reporting as of December 31, 2013 has been audited by Price Waterhouse & Co S.R.L., an independent registered public accounting firm, as stated in their report which is included herein.

Buenos Aires, Argentina

February 27, 2014

Stefano De Angelis
Chief Executive Officer

Adrián Calaza
Chief Financial Officer

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Table of Contents**TELECOM ARGENTINA S.A.****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(In millions of Argentine pesos)

		As of December 31,	
	Note	2013	2012
ASSETS			
Current Assets			
Cash and cash equivalents	4	5,224	3,160
Investments	4	123	563
Trade receivables	5	2,986	2,181
Other receivables	6	646	449
Inventories	7	772	633
Total current assets		9,751	6,986
Non-Current Assets			
Trade receivables	5	21	23
Deferred income tax asset	14	128	62
Other receivables	6	242	119
Investments	4	243	70
Property, plant and equipment	8	11,226	9,035
Intangible assets	9	1,519	1,514
Total non-current assets		13,379	10,823
TOTAL ASSETS		23,130	17,809
LIABILITIES			
Current Liabilities			
Trade payables	10	6,130	3,659
Deferred revenues	11	423	362
Financial debt	12	15	43
Salaries and social security payables	13	741	635
Income tax payables	14	801	458
Other taxes payables	15	667	552
Other liabilities	16	49	40
Provisions	17	224	134
Total current liabilities		9,050	5,883

Non-Current Liabilities			
Trade payables	10	1	20
Deferred revenues	11	453	329
Financial debt	12	220	101
Salaries and social security payables	13	118	128
Deferred income tax liabilities	14	126	220
Income tax payables	14	10	12
Other liabilities	16	68	51
Provisions	17	1,033	907
Total non-current liabilities		2,029	1,768
TOTAL LIABILITIES		11,079	7,651
EQUITY			
Equity attributable to Telecom Argentina (Controlling Company)		11,783	9,959
Equity attributable to non-controlling interest		268	199
TOTAL EQUITY <i>(See Consolidated Statements of Changes in Equity)</i>	19	12,051	10,158
TOTAL LIABILITIES AND EQUITY		23,130	17,809

The accompanying notes are an integral part of these consolidated financial statements.

Adrián Calaza
Chief Financial Officer

Enrique Garrido
Chairman of the Board of Directors

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(In millions of Argentine pesos, except per share data in Argentine pesos)

		For the years ended December 31,		
	Note	2013	2012	2011
Revenues	21	27,287	22,117	18,498
Other income	21	63	79	30
Total revenues and other income		27,350	22,196	18,528
Employee benefit expenses and severance payments	22	(4,152)	(3,269)	(2,609)
Interconnection costs and other telecommunication charges	22	(1,829)	(1,707)	(1,497)
Fees for services, maintenance, materials and supplies	22	(2,641)	(2,109)	(1,719)
Taxes and fees with the Regulatory Authority	22	(2,689)	(2,018)	(1,595)
Commissions	22	(2,203)	(1,949)	(1,515)
Cost of equipments and handsets	22	(3,111)	(2,043)	(1,640)
Advertising	22	(656)	(660)	(599)
Cost of VAS	22	(708)	(326)	(182)
Provisions	17	(270)	(153)	(225)
Bad debt expenses	5	(283)	(275)	(169)
Recovery of restructuring costs / (restructuring costs)	22	8	(90)	
Other operating expenses	22	(1,252)	(1,027)	(785)
Depreciation and amortization	22	(2,873)	(2,612)	(2,158)
Gain on disposal of PP&E and impairment of PP&E	22	(173)	8	22
Operating income	23	4,518	3,966	3,857
Finance income	24	1,416	570	316
Finance expenses	24	(888)	(341)	(236)
Income before income tax expense		5,046	4,195	3,937
Income tax expense	14	(1,792)	(1,463)	(1,395)
Net income for the year		3,254	2,732	2,542
Attributable to:				
Telecom Argentina (Controlling Company)		3,202	2,685	2,513
Non-controlling interest		52	47	29

	3,254	2,732	2,542	
Earnings per share attributable to Telecom Argentina				
Basic and diluted	25	3.27	2.73	2.55

The accompanying notes are an integral part of these consolidated financial statements.

Adrián Calaza
Chief Financial Officer

Enrique Garrido
Chairman of the Board of Directors

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Table of Contents**TELECOM ARGENTINA S.A.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(In millions of Argentine pesos)

	For the years ended December 31,		
	2013	2012	2011
Net income for the year	3,254	2,732	2,542
Other components of the Statements of Comprehensive Income			
<u>Will be reclassified subsequently to profit or loss</u>			
Currency translation adjustments (non-taxable)	140	91	27
<u>Will not be reclassified subsequently to profit or loss</u>			
Actuarial results (Notes 3.1 and 16)	(10)		
Tax effect	3		
Other components of the comprehensive income, net of tax	133	91	27
Total comprehensive income for the year	3,387	2,823	2,569
Attributable to:			
Telecom Argentina (Controlling Company)	3,285	2,745	2,532
Non-controlling interest	102	78	37
	3,387	2,823	2,569

The accompanying notes are an integral part of these consolidated financial statements.

Adrián Calaza
Chief Financial Officer

Enrique Garrido
Chairman of the Board of Directors

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TELECOM ARGENTINA S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Argentine pesos)

	Equity attributable to Telecom Argentina (Controlling Company)											
	Owners contribution		Outstanding Treasury		Special		Voluntary		Equity			
	shares	shares	reserves	reserves	reserves	reserves	reserves	reserves	attributable	Total		
	nominal	Inflation	Capital	Treasury	Legal	IFR	Future	Deferred	Retained	to non-		
	value	adjustment	inflation	cost	reserve	payments	investments	results	earnings	controlling		
	(1)	value	adjustment	reserve	payments	investments	investments	earnings	earnings	Equity		
Balances as of January 1, 2011	984	2,688		359				28	2,345	6,404	107	6,511
Legal Reserve (2)				91					(91)			
Dividends (2)									(915)	(915)		(915)
<u>Comprehensive income:</u>												
Net income for the year									2,513	2,513	29	2,542
Other comprehensive income								19		19	8	27
Total Comprehensive Income								19	2,513	2,532	37	2,569
Balances as of December 31, 2011	984	2,688		450				47	3,852	8,021	144	8,165
Dividends from Núcleo (3)											(23)	(23)
				122					(122)			

Legal Reserve (4)										
Voluntary reserve for future investments (4)				2,553	(2,553)					
Dividends (4)					(807)	(807)				(807)
<u>Comprehensive income:</u>										
Net income for the year					2,685	2,685	47			2,732
Other comprehensive income				60		60	31			91
Total Comprehensive Income				60	2,685	2,745	78			2,823
Balances as of December 31, 2012	984	2,688	572	2,553	107	3,055	9,959	199		10,158

(1) As of December 31, 2012 and 2011, there were 984,380,978 shares issued and fully paid.

(2) As approved by the Ordinary and Extraordinary Shareholders Meeting held on April 7, 2011.

(3) As approved by the Núcleo s Ordinary Shareholders Meeting held on March 16, 2012.

(4) As approved by the Ordinary Shareholders Meeting held on April 27, 2012.

The accompanying notes are an integral part of these consolidated financial statements.

Adrián Calaza
Chief Financial Officer

Enrique Garrido
Chairman of the Board of Directors

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TELECOM ARGENTINA S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Cont.)

(In millions of Argentine pesos)

	Equity attributable to Telecom Argentina (Controlling Company)													
	Owners Contribution		Treasury		Special reserve for IFRS implementation	Voluntary reserve for future dividends payments	Voluntary reserve for investments	Voluntary reserve for future investments	Deferred results	Retained earnings	Equity attributable to non-controlling interest	Total Equity		
Outstanding shares	Treasury shares	Capital nominal value	Inflation adjustment	Treasury shares acquisition cost									Legal reserve	Implementation
Capital nominal value (1)	Inflation adjustment (2)	Capital nominal value (1)	Inflation adjustment (2)	Treasury shares acquisition cost (2)	Legal reserve (2)	Implementation (2)	Dividends payments (2)	Investments (2)	Deferred results	Retained earnings	Total	Interest	Equity	
Balances as of January 1, 2013	984	2,688			572				2,553	107	3,055	9,959	199	10,158
Dividends from Article (3)													(33)	(33)
Legal Reserve					134					(134)				
Special reserve for IFRS implementation					19	351				(370)				
Voluntary reserve for future dividends payments (4)							1,000			(1,000)				
Voluntary reserve for future investments (4)								1,200		(1,200)				
Voluntary reserve for future investments (4)									351	(351)				
Treasury Shares acquisition (2)	(15)	(42)	15	42	(461)						(461)			(461)

Dividends (5)	(1,000)	(1,000)	(1,000)
<u>Comprehensive</u>			
<u>Income:</u>			
