

TELECOM ARGENTINA SA  
Form 6-K  
June 03, 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 June, 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.**

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2014 AND 2013**

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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 March 31, 2014 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, 2014 ( 1Q14 ) and 2013 ( 1Q13 )**

Total revenues and other income for 1Q14 amounted to \$7,476 (+23.1% vs. 1Q13), operating costs including depreciations, amortizations and gain on disposal of PP&E amounted to \$6,099 (+23.0% vs. 1Q13), operating income before depreciation and amortization amounted to \$2,112 representing 28.3% of consolidated revenues (+17.4% vs. 1Q13), operating income amounted to \$1,377 (+23.5% vs. 1Q13) and net income amounted to \$906 (+11.4% vs. 1Q13). Net income attributable to Telecom Argentina amounted to \$889 in 1Q14 (+10.8% vs. 1Q13).

	1Q14	1Q13	Variation	
			\$	%
Revenues	7,466	6,064	1,402	23.1
Other income	10	9	1	11.1
Operating costs without depreciation and amortization	(5,364)	(4,274)	(1,090)	25.5
<b>Operating income before depreciation and amortization</b>	<b>2,112</b>	<b>1,799</b>	<b>313</b>	<b>17.4</b>
Depreciation and amortization	(739)	(691)	(48)	6.9
Gain on disposal of PP&E	4	7	(3)	(42.9)
<b>Operating income</b>	<b>1,377</b>	<b>1,115</b>	<b>262</b>	<b>23.5</b>
Financial results, net	(32)	135	(167)	n/a
<b>Income before income tax expense</b>	<b>1,345</b>	<b>1,250</b>	<b>95</b>	<b>7.6</b>
Income tax expense	(439)	(437)	(2)	0.5
<b>Net income</b>	<b>906</b>	<b>813</b>	<b>93</b>	<b>11.4</b>
<b>Attributable to:</b>				
Telecom Argentina (Controlling Company)	889	802	87	10.8
Non-controlling interest	17	11	6	54.5
	<b>906</b>	<b>813</b>	<b>93</b>	<b>11.4</b>
	<b>0.92</b>	<b>0.81</b>		

**Basic and diluted earnings per share attributable to Telecom Argentina (in pesos)**

**Total revenues and other income**

During 1Q14 consolidated total revenues increased 23.1% (+\$1,402 vs. 1Q13) amounting to \$7,466 mainly fueled by the Broadband, data transmission and mobile businesses, while consolidated other income increased 11.1% (+\$1 vs. 1Q13), mainly due to penalties imposed to suppliers in the Fixed Services segment.

	1Q14	1Q13	Variation	
			\$	%
<b><u>Services</u></b>				
Voice Retail	682	629	53	8.4
Voice Wholesale	225	185	40	21.6
Internet	726	575	151	26.3
Data	319	213	106	49.8
<b>Subtotal fixed services</b>	<b>1,952</b>	<b>1,602</b>	<b>350</b>	<b>21.8</b>
Voice Retail	1,345	1,211	134	11.1
Voice Wholesale	488	448	40	8.9
Internet	644	412	232	56.3
Data	1,787	1,597	190	11.9
<b>Subtotal Personal mobile services</b>	<b>4,264</b>	<b>3,668</b>	<b>596</b>	<b>16.2</b>
Voice Retail	127	87	40	46.0
Voice Wholesale	26	22	4	18.2
Internet	105	62	43	69.4
Data	85	78	7	9.0
<b>Subtotal Núcleo mobile services</b>	<b>343</b>	<b>249</b>	<b>94</b>	<b>37.8</b>
<b>Total services revenues</b>	<b>6,559</b>	<b>5,519</b>	<b>1,040</b>	<b>18.8</b>
<b><u>Equipment</u></b>				
Fixed services	13	14	(1)	(7.1)
Personal mobile services	879	518	361	69.7
Núcleo mobile services	15	13	2	15.4
<b>Total equipment revenues</b>	<b>907</b>	<b>545</b>	<b>362</b>	<b>66.4</b>
<b>Total revenues</b>	<b>7,466</b>	<b>6,064</b>	<b>1,402</b>	<b>23.1</b>

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Services revenues amounted to \$6,559 (+18.8% vs. 1Q13) and represented 87.9% of consolidated revenues (vs. 91.0% in 1Q13). Equipment revenues increased 66.4%, amounting to \$907 and represented 12.1% of consolidated revenues (vs. 9.0% in 1Q13).

**Fixed services**

During 1Q14, services revenues generated by this segment amounted to \$1,952, +\$350 or 21.8% vs. 1Q13, where Internet revenues have grown the most (+\$151 or 26.3% vs. 1Q13), followed by data transmission services (+\$106 or 49.8% vs. 1Q13) and voice retail services (+\$53 or 8.4% vs. 1Q13).

**Voice**

Voice retail revenues amounted to \$682 in 1Q14 (+8.4% vs. 1Q13). The results of this line of business are still affected by frozen tariffs of regulated services. Revenues from regulated services reached approximately 30% of the segment revenues in 1Q14 (vs. 34% in 1Q13).

Monthly Charges and Supplementary Services increased \$26 or 9.7% vs. 1Q13, to \$295, as a consequence of an increase in supplementary services (not regulated), mainly due to an increase of their prices and, to a lesser extent, to the increase in the subscriber base.

Revenues generated by measured services (Local Measured Service, Domestic Long Distance and International Long Distance services) amounted to \$359 (+\$30 or 9.1% vs. 1Q13) mainly due to the increase of domestic plans and long national distance plans. In relative terms, revenues from local measured service increased 7.7% vs. 1Q13 and DLD revenues increased 10.6% vs. 1Q13.

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 \$22-) amounted to \$224 in 1Q14 (+21.1% vs. 1Q13). Interconnection fixed and mobile revenues amounted to \$149 (+17.3% vs. 1Q13 as a result of the general increase in prices and, to a lower extent, by a slight increase in traffic with mobile operators). The other wholesale revenues amounted to \$75 in 1Q14 (+29.3% vs. 1Q13), mainly due to higher prices related to cell sites rentals due to the variation of the \$/US\$ exchange rate.

**Internet**

Internet revenues amounted to \$726 (+\$151 or 26.3% vs. 1Q13) mainly due to the expansion of the Broadband service (+5% of customers vs. 1Q13) and an increase in average prices resulting in an improvement in the Average Monthly Revenue per User ( ARPU ), that amounted to \$138.0 pesos per month in 1Q14 vs. \$114.9 pesos per month in 1Q13. As of March 31, 2014, Telecom Argentina reached approximately 1,714,000 ADSL customers. These connections represent approximately 42% of Telecom Argentina s fixed lines in service (vs. 40% in 1Q13).

Internet revenues represent 9.7% of consolidated revenues (similar to 1Q13) and 37.2% of fixed services segment revenues (vs. 35.8% in 1Q13).

**Data**

Data transmission revenues amounted to \$319 (+\$106 vs. 1Q13), where the focus was to strengthen Company's position as an integrated TICs provider (Datacenter, VPN, among others) for wholesale and government segments. The increase is primarily due to higher prices related to the variation of the \$/US\$ exchange rate, the growth of *Integra* services mainly in the Large Customer segment and an increase in VPN IP services (private data networks services that replaces the point to point services) in the Retail segment. Additionally the increase was also due to an increase in the IP traffic in the Wholesale segment and to an increase in the monthly charges and transmission Datacenter services (especially in *Hosting* and *Housing* monthly charges, and Value added services transmission).

**Personal Mobile Services**

During 1Q14, total services revenues amounted to \$4,264 +\$596 or 16.2% vs. 1Q13, being the principal business segment in revenues terms (57.1% and 60.5% of consolidated revenues in 1Q14 and 1Q13, respectively). Personal reached 19.9 million subscribers in Argentina (+4% vs. 1Q13) maintaining the leadership in revenues in the mobile industry. Approximately 68% of the subscriber base is prepaid subscribers and 32% is postpaid subscribers (including Cuentas Claras plans and Mobile Internet dongles).

**Voice**

Voice retail revenues amounted to \$1,345 in 1Q14 (+11.1% vs. 1Q13). The increase was mainly due to the increase in the lines billed, mainly fueled by the increase in monthly charges prices and the increase in the subscriber base (specially prepaid and Cuentas Claras subscribers), partially offset by a slight decrease in postpaid customers. The Minutes of Use (MOU) reached 82.6 per month in 1Q14 compared to 93.7 per month achieved in 1Q13, representing a decrease of 11.8%.

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Voice wholesale revenues amounted to \$488 in 1Q14 (+8.9% vs. 1Q13). The increase was mainly due to higher TLRD traffic, to an increase in domestic roaming sales and to the increase of mobile leases, mainly due to new agreements and to the renegotiation of the existing ones.

**Internet**

Mobile Internet revenues amounted to \$644 (+\$232 or 56.3% vs. 1Q13). This increase is mainly explained by the increase in 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 and the migration of existing ones to higher-value plans, partially offset by the revenues decrease generated by the decrease of Mobile Internet dongles subscribers.

**Data**

Mobile data services revenues amounted to \$1,787 (+\$190 or 11.9% vs. 1Q13). This increase was mainly due to the constant SMS sales increase as a result of several campaigns launched by Personal and specially the growth of the offers of SMS consumption, which represented an inter-annual increase of \$165 vs. 1Q13. This increase was reflected both in prepaid and postpaid customers and is mainly due to average prices increases and, to a lesser extent, to the increase of the subscribers base.

As a consequence of the voice traffic increase and the VAS use (Internet and data), ARPU increased to \$68.3 pesos per month in 1Q14 (vs. \$62.1 pesos per month in 1Q13), which represents an increase of 10.0%.

VAS revenues (data and Internet) amounted to \$2,431 (+21.0% vs. 1Q13) and represented 57.0% of Personal Mobile Services s services revenues (vs. 54.8% in 1Q13).

**Núcleo Mobile Services**

This segment generated services revenues equivalent to \$343 during 1Q14 (+\$94 or 37.8% vs. 1Q13) mainly due to the increase in the subscriber base (+3.3%), the appreciation of the Guaraní respect to the Argentine peso (+36% inter-annual) generating a positive effect in Núcleo s revenues conversion and the increase of Mobile Internet revenues (+69.4% vs. 1Q13) related to the increase of subscribers traffic with mobile equipment prepared for that purpose. As of March 31, 2014, Núcleo s subscriber base reached 2.4 million customers. Prepaid and postpaid subscribers (including Plan Control s subscribers and mobile Internet subscribers) represented 80% and 20% in 1Q14, respectively. The MOU reached 54.0 per month in 1Q14 compared to 61.5 per month achieved in 1Q13, representing a decrease of 12.2%.

VAS revenues (data and Internet) amounted to \$190 (+35.7% vs. 1Q13) and represented 55.4% of Núcleo Mobile Services segment services revenues (vs. 56.2% in 1Q13).

**Equipment**

Revenues from equipment amounted to \$907, +\$362 or 66.4% vs. 1Q13. This increase is mainly related to the Personal Mobile services segment with an increase of \$361 vs. 1Q13. The increase was mainly due to an increase in handset s average sale prices (+82.9% vs. 1Q13), partially offset by lower handsets sold (-6.2% vs. 1Q13). This situation was mainly generated by a subsidy reduction policy, the increase in average prices related to higher-value handsets demand, the business strategy to attract high-value subscribers, a decrease in discounts as a result of the finalization of commercial promotions and lower retail revenues. In the Núcleo Mobile Services segment the increase was mainly due to the effect of the appreciation of the Guaraní respect to the Argentine peso, partially offset by a decrease in the units of handsets sold. The equipment sale result amounted to a gain of \$132 in 1Q14 vs. a loss of \$13 in 1Q13, net of SAC capitalization.

### **Operating costs**

Consolidated operating costs including depreciations, amortizations and gain on disposal of PP&E totaled \$6,099 in 1Q14, which represents an increase of \$1,141 or +23.0% vs. 1Q13. 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, the increase in provisions related to regulatory matters, the increase of VAS costs and the effect of the appreciation of the Guaraní (+36% inter-annual) respect to the Argentine peso, affecting the operations in Paraguay.

## ***OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF MARCH 31, 2014***

### III

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	1Q14	1Q13	Variation	
			\$	%
Employee benefit expenses and severance payments	(1,183)	(868)	(315)	36.3
Interconnection costs and other telecommunication charges	(515)	(484)	(31)	6.4
Fees for services, maintenance, materials and supplies	(755)	(556)	(199)	35.8
Taxes and fees with the Regulatory Authority	(755)	(602)	(153)	25.4
Commissions	(674)	(605)	(69)	11.4
Agent commissions capitalized as SAC	133	103	30	29.1
Cost of equipment and handsets	(806)	(661)	(145)	21.9
Cost of equipment and handsets capitalized as SAC	31	103	(72)	(69.9)
Advertising	(164)	(154)	(10)	6.5
Cost of VAS	(191)	(131)	(60)	45.8
Provisions	(37)	(40)	3	(7.5)
Bad debt expenses	(118)	(93)	(25)	26.9
Other operating expenses	(330)	(286)	(44)	15.4
<b>Operating income before depreciation and amortization</b>	<b>(5,364)</b>	<b>(4,274)</b>	<b>(1,090)</b>	<b>25.5</b>
Depreciation of PP&E	(538)	(467)	(71)	15.2
Amortization of SAC and service connection costs	(195)	(219)	24	(11.0)
Amortization of other intangible assets	(6)	(5)	(1)	20.0
Gain on disposal of PP&E	4	7	(3)	(42.9)
<b>Total operating costs</b>	<b>(6,099)</b>	<b>(4,958)</b>	<b>(1,141)</b>	<b>23.0</b>

The costs breakdown is as follows:

**Employee benefit expenses and severance payments**

Employee benefit expenses and severance payments amounted to \$1,183 (+\$315 or 36.3% vs. 1Q13). 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 and to increases in severance payments. With a total headcount of 16,523 by the end of 1Q14, slightly lower than 1Q13, lines in service per employee reached 373 in the Fixed Services segment (slightly higher than 1Q13), subscribers per employee reached 3,911 in the Personal Mobile Services segment (+7.4% vs. 1Q13) and subscribers per employee reached 5,761 (+7.6% vs. 1Q13) 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 \$515 (+\$31 or 6.4% vs. 1Q13) mainly due to higher traffic volume in the domestic market.

**Fees for services, maintenance, materials and supplies**

Fees for services, maintenance, materials and supplies amounted to \$755, +\$199 or 35.8% vs. 1Q13. The increase was mainly due to higher maintenance costs of radio bases, systems and buildings 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 maintenance costs and higher costs of building maintenance. 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 \$755 (+25.4% vs. 1Q13), influenced mainly by the increase in revenues of fixed and mobile services, by the increase in equipment sales and by the increase of the IDC related to the dividends payment.

**Commissions**

Commissions (including Agent, distribution of prepaid cards and other commissions) amounted to \$674 (+\$69 or 11.4% vs. 1Q13), mainly due to the increase in commercial agents commissions (associated to higher revenues) as a result of higher customer acquisition and retention, higher cards sales and prepaid recharges and the increase in sales outsourcing commissions and in collections commissions.

On the other hand, agent commissions capitalized as SAC amounted to \$133, +\$30 or 29.1% vs. 1Q13, and it is directly related to the increase in the Cuentas Claras subscribers base in the Personal Mobile Services segment and the increase in the commissions prices.

**Cost of equipment and handsets**

Cost of equipments and handsets amounted to \$806 (+\$145 or 21.9% vs. 1Q13) mainly due to an increase in the average unit cost of sales (+31.2% vs. 1Q13), partially offset by a decrease in the units of handsets sold (-6.2% vs. 1Q13) in the Personal Mobile Services segment.

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On the other hand, SAC deferred costs from handsets sold amounted to \$31, -\$72 or -69.9% vs. 1Q13. The lower capitalized amount was mainly due to the significant reduction of subsidies provided to customers in the Personal Mobile Services segment.

**Advertising**

Advertising amounted to \$164 (+\$10 or 6.5% vs. 1Q13), mainly due to higher commercial campaigns of Personal as compared to 1Q13.

**Cost of VAS**

Cost of VAS amounted to \$191 (+\$60 vs. 1Q13), mainly due to the increase of VAS sales in the Personal Mobile Services segment (mainly the SMS service) as a consequence of several campaigns launched by Personal and specially to higher offers oriented to the consumption of SMS with contents.

**Provisions**

Provisions amounted to \$37, -\$3 or -7.5% vs. 1Q13. The decrease was mainly due to lower labor claims (-\$13 vs. 1Q13) and lower civil and commercial claims (-\$4 vs. 1Q13), partially offset by higher regulatory and municipal claims (+\$14 vs. 1Q13).

**Bad debt expenses**

Bad debt expenses amounted to \$118 (+\$25 vs. 1Q13), representing approximately 1.6% and 1.5% of the consolidated revenues in 1Q14 and 1Q13, respectively. The increase is observed in the Personal Mobile Services segment as a consequence of higher aging of the accounts receivables.

**Other operating costs**

Other operating costs amounted to \$330 (+\$44 vs. 1Q13). The increase was mainly due to higher prices on related services, especially in transportation, freight and travel expenses, among others, in the operations in Argentina; and the increase of rent prices, 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 \$2.112 (+\$313 or 17.4% vs. 1Q13), representing 28.3% of consolidated revenues in 1Q14 vs. 29.7% in 1Q13. This growth was mainly fueled by the Personal Mobile Services segment (+\$241 or 19.7% vs. 1Q13).

**Depreciation and amortization**

Depreciation and amortization amounted to \$739 (+\$48 or +6.9% vs. 1Q13). The increase in PP&E depreciation amounted to \$71 partially offset by a decrease in amortization of SAC and service connection costs of \$24 due to

lower levels of capitalization of subsidies from the sale of mobile handsets and the extension of the contractual terms for mobile customers from 18 to 24 months. The increase in depreciation and amortization corresponds 87.5% to the Fixed Services segment and 12.5% to the mobile services segments.

**Gain on disposal of PP&E**

The gain amounted to \$4, (vs. \$7 in 1Q13) and corresponds mainly to the sale of vehicles in the Fixed Services segment.

**Operating income**

Operating income amounted to \$1,377 in 1Q14 (+\$262 or +23.5% vs. 1Q13). The margin over consolidated revenues represented 18.4% in 1Q14 and 1Q13. Personal Mobile Services segment shows the higher increase (+\$262 vs. 1Q13).

**Financial results, net**

Financial results, net resulted in a net loss of \$32, representing a decrease of \$167 vs. 1Q13. The decrease was mainly due to higher foreign currency exchange losses (+\$293 vs. 1Q13) and higher interests on provisions (+\$20 vs. 1Q13), partially offset by higher financial interest on time deposits and other investments (+\$90 vs. 1Q13), higher gains on mutual funds (+\$27 vs. 1Q13), higher gains on NDF (+\$23 vs. 1Q13), and higher interests on receivables (+\$11 vs. 1Q13).

**Net income**

Telecom Argentina reached a net income of \$906 in 1Q14, +\$93 or +11.4% when compared to 1Q13. Net income attributable to Telecom Argentina amounted to \$889 in 1Q14, +\$87 or +10.8% as compared to 1Q13.

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As of March 31, 2014, Net financial assets (Cash and Cash Equivalents plus financial investments minus Financial debt) amounted to \$5,080, showing an increase of \$1,060 as compared to March 31, 2013 (amounting to \$4,020). This increase was mainly due to an increase in the generation of cash from operating activities of the Telecom Group, partially offset by cash dividends paid to its shareholders for a total amount of \$1,000 (including tax withholding on cash dividends). The Fixed Services segment has a financial asset of \$1,571 and the Personal Mobile Services segment has a financial asset of \$3,745, while the Núcleo Mobile Services segment has a net financial debt of \$236.

**Capital expenditures (CAPEX)**

CAPEX composition for 1Q14 and 1Q13 is as follows:

	<b>In millions of \$</b>	<b>% of participation</b>	<b>Variation</b>
	<b>1Q14</b>	<b>1Q13</b>	