



Cablevisión Holding S.A.

(incorporated as a corporation with limited liability in Argentina with registered number 7925)

Prospectus relating to the admission of up to 121,106,082 Class B Common Shares in the form of Global Depository Shares of the Company to the Official List and trading on the London Stock Exchange's regulated market for listed securities

This prospectus (the "Prospectus") has been prepared in connection with the admission of up to 121,106,082 class B common shares (the "Class B Shares"), each with nominal value of one (1) Peso (as defined herein) and one (1) vote per share, and with rights to dividends equal to those of the other outstanding shares, of Cablevisión Holding S.A. ("Cablevisión Holding," "CVH" or the "Company"), a *sociedad anónima* organised under the laws of Argentina, in the form of global depository shares ("GDSs" and, together with the Class B Shares, the "Securities") evidenced by global depository receipts ("GDRs") to the Official List and to trading on the London Stock Exchange's market for listed securities. Each GDS represents one (1) Class B Share. The Company is seeking the approval of the United Kingdom Financial Conduct Authority (the "FCA") in accordance with the prospectus rules (the "Prospectus Rules") of the FCA made under section 73A of the Financial Services and Markets Act 2000 ("FSMA") in relation to the admission to listing and to trading of the GDSs. This document, upon approval of the FCA, is a prospectus relating to the Company prepared in accordance with the Prospectus Rules.

Applications will be made (i) to the FCA, in its capacity as competent authority under the FSMA, for a listing of up to 121,106,082 GDSs issued against the deposit of Class B Shares with JPMorgan Chase Bank, N.A. as depository (the "Depository"), to be admitted to the official list of the FCA (the "Official List"), and (ii) to the London Stock Exchange plc (the "London Stock Exchange") for such GDSs to be admitted to trading on the London Stock Exchange's EEA Regulated Market (as defined in the Investment Services Directive 93/22/EC) (the "Regulated Market"). Admission of the GDSs to the Official List and to trading on the Regulated Market is expected to take place on or around 21 February 2018.

We have obtained authorisation to have our class A common shares ("Class A Shares"), Class B Shares and class C common shares ("Class C Shares") admitted to the public offering regime in Argentina, and our Class B Shares and Class C Shares have been authorised to trade in Argentina. In addition, our Class B Shares are listed on the *Bolsas y Mercados Argentinos S.A.* ("BYMA") and have been admitted to trading on the BYMA under the symbol "CVH."

This Prospectus has been prepared following a Split Up or "Escisión" (as defined below) of Grupo Clarín S.A. ("Grupo Clarín"), which is further described on page 116 of this document. This Prospectus has also been prepared following a merger between Cablevisión S.A. and Telecom Argentina S.A. (the "Merger"), which is further described on page 104 of this document. This Prospectus refers to the merged entity as TEO. Given that TEO's integration plan is not currently available, we have described the business of CVH by including disclosure on the legacy business of Cablevisión S.A. (the "Cablevisión Business") coupled with equivalent disclosure on the legacy business of Telecom S.A. (the "Telecom Business").

This Prospectus is not an offer or invitation to the public to subscribe for GDSs and has been prepared in order to satisfy s85(2) of the Financial Services and Markets Act 2000. This Prospectus is not, and should not be construed as, an inducement or encouragement to buy or sell any GDSs. All of the GDSs were issued to existing shareholders of Grupo Clarín S.A. (or to such persons as Grupo Clarín S.A. may have instructed) on the GDS Closing Date (as defined below), and no GDSs have been offered to the public in the United States, the U.K. or elsewhere in connection with the Split Up. The GDSs have not been, nor will they be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"). The Class B Shares have not been, and will not be, registered under the Securities Act or any state securities laws and may not be offered or sold in the United States absent registration or an exemption from registration under the Securities Act. The Company will be relying on an exemption provided by Rule 12g3-2(b) under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and therefore will not be required to register the GDSs with the U.S. Securities and Exchange Commission ("SEC"). In accordance with Rule 12g3-2(b), the Company will make available certain documents on its website. These documents will consist primarily of English-language versions of its annual reports, press releases and certain other information made public in Argentina. However, the Company will not be required to file with the SEC annual reports on Form 20-F or furnish reports

on Form 6-K. The Class B Shares and the GDSs may be subject to selling and transfer restrictions in certain jurisdictions. See “Transfer Restrictions.”

This document (including, in particular, the factors described in the “Risk Factors” section of the document) should be read as a whole.

The distribution of this document in certain jurisdictions other than the United Kingdom may be restricted by law. Accordingly, neither this document nor any advertisement may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities or any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, such securities by any person in any circumstances in which such offer or solicitation is unlawful. This document has not been passported, and will not be passported, into any EEA state jurisdiction outside the United Kingdom.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised by the Company or the board of directors of the Company (the “Directors”). The Company will comply with its obligation to publish a supplementary prospectus containing further updated information if so required by law or by any regulatory authority but assumes no further obligation to publish additional information.

The Euroclear System (“Euroclear”) and Clearstream Banking société anonyme (“Clearstream”) are expected to accept the GDSs for settlement in their respective book-entry settlement systems. The GDSs will be evidenced by GDRs, the ownership of which is recorded on the Direct Registration System (as defined herein). Except as set forth herein, investors may hold beneficial interests in and transfer the GDSs only through The Depositary Trust Company (“DTC”), Euroclear or Clearstream and their direct and indirect participants, as applicable. Transfers within Euroclear and Clearstream, or within DTC, will be in accordance with the usual rules and operating procedures of the relevant system.

This Prospectus and the financial statements referred herein are available for prospective investors at the legal domicile of the Company (Tacuarí 1842 (1139), Buenos Aires, Argentina), at the domicile of the BCBA (Sarmiento 229 (C1041AAE), City of Buenos Aires, Argentina), and through the Company’s website at www.cablevisionholding.com, and the Spanish language prospectus used in connection with the admission of our common shares to the public offering regime in Argentina is also available through the website of the *Comisión Nacional de Valores*, the Argentine Securities Commission (the “CNV”), at www.cnv.gov.ar.

Delivery of the GDSs was made through DTC on 31 August 2017 (the “GDS Closing Date”) and delivery of the Class B Shares was made on 30 August 2017 (the “Share Distribution Date”).

Prospectus dated 16 February 2018

IMPORTANT INFORMATION ABOUT THIS PROSPECTUS

This Prospectus is issued in compliance with the Prospectus Rules of the FSMA (the “Listing Rules”), which are compliant with the provisions of the Prospectus Directive.

The Company accepts responsibility for the information provided in this Prospectus, and having taken all reasonable care to ensure that such is the case, declares that the information contained in this Prospectus is, to the best of the Company’s knowledge, in accordance with the facts and contains no omission likely to affect its import.

The information appearing in this Prospectus is accurate only as of its date. The Company’s business, financial condition, results of operations, prospects and the information set forth in this Prospectus may have changed since the date of this Prospectus.

The implications of admission for, and the distribution of this document to, registered holders of GDSs who are resident in, ordinarily resident in, or citizens of, jurisdictions outside the United Kingdom (“Overseas Registered holders of GDSs”) may be affected by the laws of the relevant jurisdictions in which such Overseas Registered holders of GDSs are located. Such Overseas Registered holders of GDSs should inform themselves about and observe all applicable legal requirements. See “Terms and Conditions of the Global Depositary Shares” and “Transfer Restrictions” elsewhere in this Prospectus.

It is the responsibility of any person into whose possession this document comes to satisfy themselves as to their full observance of the laws of the relevant jurisdiction in connection with the listing and the distribution of this document, including the obtaining of any governmental, exchange control or other consents which may be required and/or compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction. Overseas Registered holders of GDSs should consult their own legal and tax advisers with respect to the legal and tax consequences of the listing in their particular circumstances.

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of the GDSs or passed upon the accuracy or adequacy of this prospectus or any document referred to herein. Any representation to the contrary is a criminal offense.

The GDSs have not been, nor will they be, registered under the Securities Act.

The Company has obtained authorisation to have its Class A Shares, Class B Shares, and Class C Shares admitted to the public offering regime in Argentina and its Class B Shares and Class C Shares have been authorised to trade in Argentina. In addition, the Class B Shares are listed on the BYMA and have been admitted to trading on the BYMA. Trading of the Class B Shares commenced on 30 August 2017. No prospective investor should consider any information in this Prospectus to be investment, legal, tax or other advice. Each prospective investor should consult its own counsel, accountant and other advisers for such advice. The Company makes no representation to any offeree or purchaser of the Securities regarding the legality of an investment in such Securities by such offeree or purchaser.

The contents of the Company’s or its subsidiaries’ websites do not form any part of this Prospectus.

MARKET AND OTHER STATISTICAL DATA

This Prospectus is based on information provided by the Company and other sources that the Company believes to be reliable. The Company has included its own estimates, assessments, adjustments and judgments in preparing some market information, which has not been verified by an independent third party. Market information included herein is, therefore, unless otherwise attributed exclusively to a third party source, to a certain degree subjective. While the Company believes that its own estimates, assessments, adjustments and judgments are reasonable and that the market information prepared by the Company appropriately reflects the industry and the markets in which it operates, there is no assurance that the Company’s own estimates, assessments, adjustments and judgments are the most appropriate for making determinations relating to market information or that market information prepared by other sources will not differ materially from the market information included herein.

Market data used in this Prospectus, including without limitation under the captions “Summary,” “Business Description,” “Operating and Financial Review” and “Regulatory Framework and Description of the Argentine Cable and Broadband Industries” have been extracted from publicly available information, including industry publications, market research, press releases, filings under various securities laws and official data published by certain government and international agencies. The Company has relied on the accuracy of such information without carrying out an independent verification thereof. Accordingly, the Company accepts responsibility only for accurately reproducing such information and disclaims responsibility for the accuracy thereof. As far as the Company is aware and is able to ascertain from information published by the aforementioned sources, no facts have been omitted which would render the reproduced information, data and statistics inaccurate or misleading.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus contains “forward-looking statements” regarding our financial condition, results of operations and business. All statements other than statements of historical facts, including, without limitation, any statements preceded by, followed by or that include the words “target,” “believe,” “expect,” “aim,” “intend,” “plan,” “will,” “may,” “anticipate,” “would,” “could” or similar expressions or the negative thereof are, or may be considered, forward-looking statements.

Forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond our control that could cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements and, thus, an investment decision shall not be based on such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Among the important factors that could cause our actual results, performance or achievements to differ materially from those expressed in such forward-looking statements are those under the headings “Summary,” “Risk Factors,” “Operating and Financial Review,” “Business Description” and elsewhere in this Prospectus, including, without limitation, (i) economic, political and social conditions prevailing in Argentina and other countries in which we operate; (ii) reliance on content produced by third parties; (iii) difficulties arising in our relationship with significant minority investors in the Company and certain of its subsidiaries; (iv) increasing cost of our supplies; (v) inability to finance on reasonable terms capital expenditures required to remain competitive; (vi) fluctuations, whether seasonal or in response to adverse macro-economic developments, in the demand for advertising; (vii) changes in the regulatory environment in which we operate; (viii) our capacity to compete and develop our business in the future; and (ix) changes in our business. This list of factors is not exhaustive. When relying on forward-looking statements, each prospective investor should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Company operates. We make no representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. These forward-looking statements speak only as at the date of this Prospectus. We expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any of such statements are based unless required to do so by the Listing Rules of the U.K. Listing Authority (the “UKLA”), the Prospectus Rules, the Disclosure and Transparency Rules and other applicable laws.

LIMITATION ON SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Company is incorporated in Argentina. All of the Company's directors and executive officers named in this Prospectus reside outside the United Kingdom and the United States. All or a substantial portion of their and the Company's assets are located outside the United Kingdom and the United States, principally in Argentina. As a result, it may not be possible for you to:

- effect service of process within the United Kingdom or the United States upon most of the Company's directors and executive officers named in this Prospectus; or
- enforce, in the United Kingdom or the United States, court judgments obtained in courts of the United Kingdom or the United States, as the case may be, against the Company or most of the Company's directors and executive officers named in this Prospectus in any action.

In addition, it may be difficult for you to enforce, in original actions brought in courts in jurisdictions located outside the United Kingdom and the United States, liabilities predicated upon U.K. or U.S. securities laws, as the case may be.

The Company has been advised by their Argentine counsel, Estudio Sáenz Valiente & Asociados, that judgments of United States courts for civil liabilities based upon the federal securities laws of the United States may be enforced in Argentina, provided that the requirements of any applicable treaty for the enforcement of foreign judgments, or, in the absence of such treaty, Article 517 of the Federal Civil and Commercial Procedure Code (if enforcement is sought before federal courts), are met. Under Article 517 for a foreign judgment to be enforced in Argentina in the absence of a treaty, (i) the judgment, which must be final in the jurisdiction where it was rendered, must have been issued by a competent court in accordance with the Argentine principles regarding international jurisdiction and resulted from a personal action, or an *in rem* action with respect to personal property if such property was transferred to Argentine territory during or after the foreign proceeding, (ii) the defendant against whom enforcement of the judgment is sought must have been personally served with the summons and, in accordance with due process of law, must have been given an opportunity to defend itself against foreign action, (iii) the judgment must be valid in the jurisdiction where it was rendered and its authenticity must be established in accordance with the requirements of Argentine law, (iv) the judgment must not violate the principles of public policy of Argentine law, and (v) the judgment must not be contrary to a prior or simultaneous judgment of an Argentine court. There are currently no treaties for the enforcement of foreign judgments between Argentina and the United Kingdom or the United States.

Subject to compliance with Article 517 of the Federal Civil and Commercial Procedure Code described above, a judgment against us or the persons described above obtained outside Argentina would be enforceable in Argentina without reconsideration of the merits.

The Company has been further advised by their Argentine counsel that:

- original actions based on the federal securities laws of the United States may be brought in Argentine courts and that, subject to applicable law, Argentine courts may enforce liabilities in such actions against the Company, the Company's directors, the Company's executive officers and the advisors named in this Prospectus; and
- the ability of a judgment creditor or the other persons named above to satisfy a judgment by attaching certain assets of ours is limited by provisions of Argentine law.

A plaintiff (whether Argentine or non-Argentine) residing outside Argentina during the course of litigation in Argentina must provide a bond to guarantee court costs and legal fees if the plaintiff owns no real property in Argentina that could secure such payment. The bond must have a value sufficient to satisfy the payment of court fees and defendant's attorney fees, as determined by the Argentine judge. This requirement does not apply to the enforcement of foreign judgments.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

Background. The Company was registered with the *Inspección General de Justicia de la Ciudad Autónoma de Buenos Aires* (the Buenos Aires Registry of Public Commerce, or “IGJ”) on 27 April 2017 pursuant to a procedure under Argentine corporate law called *Escisión*, which resulted in the split up of the cable television, internet and mobile businesses of Grupo Clarín S.A. (“Split Up”), the largest media conglomerate in Argentina. As a result of the Split Up described herein, Grupo Clarín S.A. (“Grupo Clarín”) span off a portion of its equity to create us, Cablevisión Holding, as a new independent company. Grupo Clarín retained and continued with all the activities, operations, assets and liabilities that were not specifically allocated to the Company.

The Split Up caused the proportional reduction of Grupo Clarín’s equity, the transfer of equity made by Grupo Clarín to the Company and the consequent distribution of new shares of the Company to the existing holders of Grupo Clarín shares, in accordance with the exchange ratio described in the section “Information Relating to the Split Up or *Escisión* —Distribution of Cablevisión Holding Shares” of this Prospectus.

In such vein, the Company issued – in each case based on the exchange ratio established in this Prospectus: (a) in favour of the holders of class A shares of Grupo Clarín, 47,753,621 Class A registered non-endorsable common shares with nominal value of Ps. 1 each and entitled to 5 votes per share of the Company; (b) in favour of the holders of class B shares of Grupo Clarín (the “GCSA Class B Shares”), 117,077,867 Class B book-entry shares with nominal value of Ps. 1 each and entitled to 1 vote per share of the Company; and (c) in favour of the holders of class C shares of Grupo Clarín, 15,811,092 Class C registered non-endorsable common shares with nominal value of Ps. 1 each and entitled to 1 vote per share of the Company.

On 5 October 2017, GS Unidos requested on behalf of Blue Media that we convert 4,028,215 Class C Shares into 4,028,215 Class B Shares (the “Share Conversion”). Subsequently, GS Unidos deposited such Class B Shares with the Depositary in order to create 4,028,215 global depositary shares and instructed the Depositary to transfer (x) 1,891,315 global depositary shares to Booth American Company, a corporation organised under the laws of Michigan (“BAC”) and (y) 2,136,900 global depositary shares to R Booth Family LLC, a limited liability company organised under the laws of Delaware (“RBF”).

For more information regarding the Split Up, see the Section “Information Relating to the Split Up or *Escisión*” of this Prospectus.

This Prospectus includes under Annex A the Company’s audited interim consolidated financial statements for the five-month period beginning 1 May 2017 and ended 30 September 2017 (“CVH’s Audited Interim Financial Statements”). CVH’s Audited Interim Financial Statements have been prepared on a consolidated basis from the Company’s and its subsidiaries’ historical accounting records and represent the historical operations of the Company.

On 30 June 2017, Cablevisión S.A. (“Cablevisión”), the Company’s principal subsidiary, entered into a Preliminary Merger Agreement with Telecom Argentina S.A. (“Telecom”), Argentina’s largest telecommunications provider. Pursuant to the Preliminary Merger Agreement, subject to satisfying a series of conditions precedent (including the approval by the shareholders of both companies) and obtaining the requisite regulatory approvals, Cablevisión would be merged into Telecom. The conditions precedent were satisfied and the shareholder and regulatory approvals were obtained on 31 August 2017 and 21 December 2017, respectively. The parties to the Preliminary Merger Agreement set 1 January 2018 as the effective merger date, day on which the Chairmen of the Boards of Directors of Telecom and Cablevisión signed the minutes regarding the transfer of operations. We refer to the surviving entity as TEO.

Insofar as through 31 December 2017 the Company’s investment in Cablevisión accounted for substantially all of its assets, this Prospectus includes financial statements on Cablevisión under Annex B, which comprises audited consolidated financial statements of Cablevisión for the year ended 31 December 2016, compared with the same period in 2015, audited consolidated financial statements of Cablevisión for the year ended 31 December 2015, compared with the same period in 2014 (together, the “Cablevisión Audited Financial Statements”), and Cablevisión’s condensed consolidated financial statements for the nine-month period ended 30 September 2017, compared with the same period in 2016 (save in relation to balance sheet data), which have been subject to review by our independent accountants Price Waterhouse & Co. S.R.L. (the “Cablevisión

Interim Financial Statements,” and together with the Cablevisión Audited Financial Statements, “Cablevisión’s Financial Statements”).

Cablevisión’s Financial Statements have been prepared on a consolidated basis from Cablevisión’s and its subsidiaries’ historical accounting records and represent the historical operations of Cablevisión.

This Prospectus also includes under Annex C (i) Telecom’s most recent annual report on Form 20-F (as filed with the Securities and Exchange Commission (the “SEC”) on 26 April 2017), including Telecom’s consolidated financial statements as of 31 December 2016 and 31 December 2015 and for the years ended 31 December 2016, 2015 and 2014 (“Telecom Audited Financial Statements”), and (ii) Telecom’s interim report on Form 6-K (as filed with the SEC on 1 December 2017), including its most recent unaudited interim financial statements for the nine-month period ended 30 September 2017 (the “Telecom Interim Financial Statements,” and together with the Telecom Audited Financial Statements, the “Telecom Financial Statements”).

Telecom’s Financial Statements have been prepared on a consolidated basis from Telecom’s and its subsidiaries’ historical accounting records and represent the historical operations of Telecom.

CVH’s Audited Interim Financial Statements, Cablevisión’s Financial Statements and Telecom’s Financial Statements (together the “Financial Statements”), have been prepared and presented in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). The Financial Statements included in this Prospectus have been reproduced without modification.

Presentation of Certain Terminology

In this Prospectus, all references to:

- “**Argentina**” are to the Republic of Argentina;
- “**Ps.**,” “**P\$**,” “**\$**” or “**Pesos**” are to the lawful currency of Argentina;
- “**U.K.**” and “**United Kingdom**” are to the United Kingdom of Great Britain and Northern Ireland;
- “**U.S. Dollar**” and “**US\$**” are to the lawful currency of the United States of America; and
- “**U.S.**” and “**United States**” are to the United States of America.

Definitions of certain terminology associated with the Company’s business and industry are set forth under “Glossary of Selected Terms.”

In this Prospectus, except where the context otherwise requires or implies, we use the words “Cablevisión Holding,” “the Company,” “CVH,” “we,” “us,” and “our” to refer to Cablevisión Holding S.A. and, when the context otherwise requires, its consolidated subsidiaries.

Rounding

Certain figures included in this Prospectus and in the Financial Statements have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

EXCHANGE RATE INFORMATION

Exchange Rates

The following table sets forth the annual high, low, average and period-end “reference” exchange rates for the periods indicated, expressed in Pesos per U.S. Dollar and not adjusted for inflation. There can be no assurance that the Peso will not depreciate or appreciate in the future. The Federal Reserve Bank of New York does not report a noon buying rate for Pesos.

	Exchange rates ⁽¹⁾			
	High	Low	Average ⁽²⁾	Period end
Year ended 31 December				
2014	8.556	6.543	8.119	8.552
2015	13.763	8.554	9.269	13.005
2016	16.039	13.069	14.779	15.850
2017	18.083	15.174	16.631	18.774
Month				
January	19.653	18.416	19.029	19.653
February (through 14 February 2018)	20.126	19.470	19.726	20.025

Source: Central Bank

(1) Central Bank reference exchange rates (Communication A 3500 of Central Bank).

(2) Average of daily closing quotes.

Currency conversions, including conversions of Pesos into U.S. Dollars, are included for the convenience of the reader only and should not be construed as a representation that the amounts in question have been, could have been or could be converted into any particular denomination, at any particular rate or at all.

We have translated some of the Peso amounts contained in this Prospectus into U.S. Dollars at specified rates for convenience purposes only. Our functional currency is Pesos, not U.S. Dollars. As of 14 February 2018, the Peso-U.S. Dollar reference exchange rate was Ps. 20.025 to US\$1.00, as quoted by Central Bank (Communication A 3500).

Exchange Controls

Due to the deterioration of the Argentine economy and financial system in 2001, the inability of Argentina to service its public external debt and the decreased level of deposits in the financial system, the federal government issued Decree No. 1,570/2001 on 3 December 2001, which established certain monetary and currency exchange control measures, including restrictions on the free disposition of funds deposited in banks and restrictions on the transfer of funds abroad, subject to certain exceptions.

In addition to the above measures, on 8 February 2002, the Central Bank made certain transfers of funds abroad to service principal and/or interest payments on foreign indebtedness subject to prior authorisation of the Central Bank. Although some of the restrictions adopted by the Central Bank have been eliminated or reduced as of the date of this Prospectus, some of them remain in force.

Following the Presidential elections in Argentina in October and November of 2015, in December 2015, the Central Bank issued Communication “A” 5850, as amended, which eliminated a significant portion of the foreign exchange restrictions imposed in 2012. See “Risk Factors—Risks Related to Argentina—Exchange controls and restrictions on capital inflows and outflows imposed by the Central Bank may limit the availability of international credit and the liquidity of the market for securities of Argentine issuers.” Further restrictions

were also lifted or relaxed pursuant to Communication “A” 6037, issued by the Central Bank on 8 August 2016 effective as of 9 August 2016, and through the issuance by the Ministry of Economy of Resolution 1E/2017 (“Resolution1E/2017”) on 4 January 2017, effective as of 5 January 2017.

The primary changes related to the foreign exchange market implemented after the last presidential elections include, among others: (i) the elimination of the requirement to mandatorily transfer and settle the proceeds from new foreign financial indebtedness incurred by the financial sector, the non-financial private sector and local governments through the *Mercado Único y Libre de Cambios* (Foreign Exchange Market, or “MULC”); (ii) the elimination of the mandatory minimum period that proceeds of any new financial indebtedness and renewal of existing indebtedness incurred by Argentine residents, held by foreign creditors and transferred through the MULC must remain in Argentina; (iii) the ability to purchase foreign currency to acquire offshore assets without specific allocation or prior approval by Argentine residents that are individuals, legal entities from the private sector organised in Argentina and not authorised to deal in foreign exchange, certain trusts and other estates domiciled in Argentina, as well as Argentine local governments; (iv) the reduction from 30% to 0% of a mandatory, non-transferable and non-interest bearing deposit of the amount of certain transactions involving foreign currency inflows for a 365 calendar day period; (v) the elimination of the requirement of a minimum holding period (three business days) related to the purchase and sale of securities authorised to be listed or negotiated in different local and international stock exchange markets; and (vi) the replacement of the *Declaración Jurada Anticipada de Importación* (Advance Sworn Import Declaration, or “DJAI”) with a new import procedure that requires certain filings and import licences for certain goods (including textiles, footwear, toys, domestic appliances and automobile parts), which, unlike the previous system, does not require discretionary federal government approval of payments through the MULC for the import of products.

The Central Bank’s Communication “A” 6037 (as may be amended from time to time, “Communication “A” 6037”) amended rules on the following topics: (i) the general functioning of the MULC, (ii) payment of Argentine imports of goods and other payments, (iii) services, income, current transfers and non-financial assets, (iv) financial indebtedness, (v) foreign offshore assets of Argentine residents, (vi) financial derivatives, and (vii) exchange transactions with non-residents.

On 4 January 2017, the Ministry of the Treasury eliminated the mandatory minimum stay period applicable to (i) the inflow of funds to the local foreign exchange market arising from certain foreign indebtedness and (ii) any entry of funds to the foreign exchange market by non-residents. On 20 January 2017, the Domestic Trade Secretariat (“*Secretaría de Comercio Interior*” or “SCI”) extended the period for the proceeds from the export of goods to be transferred and settled through the MULC, from five to ten years. In addition, on 19 May 2017, the Central Bank eliminated most of the foreign exchange restrictions in place until then by means of Communication “A” 6244, effective as of 1 July 2017.

On 1 November 2017, the Executive Branch enacted Decree No. 893/17 which partially repealed Decrees No. 2,581/64, No. 1,555/86 and No. 1,638/01, and eliminated the obligation of Argentine residents to transfer to Argentina and sell in the MULC the proceeds of their exports of goods. On 10 November 2017, the Central Bank issued Communication “A” 6363, that eliminated all restrictions applicable to Argentine residents related to the transfer and sale of proceeds in the MULC resulting from the export of goods.

More information is publicly available on the website of the Central Bank at www.bcra.gov.ar.

SUMMARY

Summaries are made up of disclosure requirements known as “Elements.” These Elements are numbered in Sections A—E (A.1—E.7). This summary contains all the Elements required to be included in a summary for this type of securities and the Company. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and the Company, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “not applicable.”

Section A—Introduction and Warnings

A.1	Introduction and Warnings	<p>This summary should be read as an introduction to the Prospectus. Any decision to invest in the Securities should be based on consideration of the Prospectus as a whole by the investor.</p> <p>Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.</p>
A.2.	Consent by the issuer or person responsible for drawing up the prospectus to the use of the prospectus for subsequent resale or final placement of securities by financial intermediaries.	<p>Not applicable. There is no public offering of securities since the distribution of the Class B Shares and the related GDSs were issued in connection with the Split Up. The Company has therefore not consented to the use of the Prospectus for subsequent use or final placement of the securities by financial intermediaries.</p>

Section B—Company

Section B—Company		
B.31	Information about the issuer of the underlying Shares	
B.1	The legal and commercial name of the company	Cablevisión Holding S.A.
B.2.	The domicile and legal form of the company, the legislation under which the company operates and its country of incorporation.	<p>We have been established as a <i>sociedad anónima</i>, a corporation with limited liability, organised, existing and incorporated under the laws of Argentina. Our offices are located at Tacuarí 1842 (1139), 4th floor, Buenos Aires, Argentina.</p> <p>On 27 April 2017, the IGJ registered our bylaws. The Split Up became effective as of 1 May 2017.</p> <p>On 27 June 2017, the CNV approved the public trading of our Class B Shares, subject to the satisfaction of certain conditions, including the filing</p>

		<p>of a final prospectus. The CNV confirmed that these conditions had been fulfilled on 10 August 2017. We are subject to the CNV regulations relating to public companies in Argentina.</p>
<p>B.3</p>	<p>A description of, and key factors relating to, the nature of the company's current operations and its principal activities, stating the main categories of products sold and/or services performed and identification of the principal markets in which the company competes.</p>	<p>Cablevisión Holding is an Argentine holding company. As a result of the merger between Cablevisión and Telecom, substantially all of CVH's assets consist of its ownership of the surviving company, TEO. TEO expects to provide "quadruple play" services, combining the provision of fixed and mobile telecommunications services as well as pay television and Internet services, pursuant to a new regulatory framework that came into effect in January 2018.</p> <p><u>The Cablevisión Business</u></p> <p>TEO is one of the largest private-sector companies in Argentina in terms of revenues, net income, capital expenditures and number of employees. Through our ownership of TEO, we are the largest operator of cable television services and data cable transmission systems in Argentina and one of the largest providers of cable services in Latin America in terms of subscribers.</p> <p>The Cablevisión Business engages in the installation, operation and development of cable television and data cable transmission services. It is the largest multi-system operator ("MSO") in Argentina and Latin America in terms of subscribers. An MSO is a company that owns multiple cable systems in different locations under the control and management of a single, common organisation.</p> <p>As of 30 September 2017 the Cablevisión Business had 3.92 million "clientes únicos" or active customer relationships, of which 59% received broadband services, 90% received cable services and 48% received both services. As of 30 September 2017, the Cablevisión Business also had 556,000 mobile post-paid customers. The Cablevisión Business' customer base grew by 3% during the last three years, while average revenue per user (in Pesos) increased by 161% during the same period. The Cablevisión Business operates under the brands Cablevisión, Fibertel, FiberCorp and Nextel.</p> <p>We believe the Cablevisión Business' cable networks are the most technologically advanced in Argentina and Uruguay. As of 30 September 2017, its networks passed through approximately 7.9 million homes in Argentina and Uruguay (homes are considered passed through if the Cablevisión Business can connect them to its distribution system without further extending the transmission lines). The Cablevisión Business can deliver a two-way bandwidth capacity of more than 750 MHz to approximately 79% of the homes passed through by its networks, reaching approximately 6.2 million homes. Through these networks, the Cablevisión Business offers not only cable services and broadband services but also additional revenue-generating services and products, such as premium services and pay-per-view, as well as high-speed data transmission and Internet access using two-way high-speed cable modems. According to trade publications and the Cablevisión Business' internal estimates, as of 31 December 2016, the Cablevisión Business served more than 39% of the Argentine pay television market and more than 30% of the Argentine Internet broadband market, in each case in terms of the number of subscribers.</p> <p>In 2016, the Cablevisión Business' gross income was Ps. 16.4 billion, and the Cablevisión Business' net income was Ps. 4.1 billion. In 2015, the</p>

		<p>Cablevisión Business' gross income was Ps. 10.9 billion and the Cablevisión Business' net income was Ps. 2.5 billion.</p> <p><u>The Telecom Business</u></p> <p>The Telecom Business has a non-expiring licence (the "Licence") to provide fixed-line telecommunications services in the Northern Region of Argentina, and it also provides other telephone-related services such as international long-distance service, data transmission, IT solutions outsourcing and Internet services. Through its subsidiaries, TEO also provides mobile telecommunications services and international wholesale services.</p> <p>At Telecom's Ordinary and Extraordinary Shareholders' Meeting held on 22 June 2015, the shareholders approved amendments to Telecom's corporate purpose to include the provision of Audiovisual Communication Services. Telecom obtained authorisation for the amendments from the telecommunications regulator at that time (<i>Autoridad Federal de Tecnologías de la Información y de las Comunicaciones</i> or "AFTIC"), the CNV and the General Agency of Corporations (<i>Inspección General de Justicia</i> or "IGJ"). IGJ registered the amendment to Telecom's bylaws on 26 September 2015. In addition, at Telecom Personal S.A.'s ("Personal") Extraordinary Shareholders' Meeting held on 26 November 2015, the shareholders also approved amendments to Personal's corporate purpose to include the provision of Audiovisual Communication Services. The amendment to Personal's bylaws was registered by IGJ on 25 January 2016.</p> <p>As of 31 December 2016, the Telecom Business had approximately 4 million fixed lines in service. This is equivalent to approximately 19 lines in service per 100 inhabitants in the Northern Region of Argentina and 360 lines in service per employee.</p> <p>As of 31 December 2016, the Telecom Business' Internet business reached approximately 1.7 million Accesses and the Telecom Business' mobile business had approximately 19.5 million subscribers in Argentina and approximately 2.5 million subscribers in Paraguay.</p>
B.4a	<p><i>A description of the most significant recent trends affecting the company and the industries in which it operates.</i></p>	<p>The most significant recent trends affecting us and the Argentinean telecommunications industry include:</p> <ul style="list-style-type: none"> • the demand by cable television customers for higher quality products, such as an increase in the number of high-definition channels and video-on-demand options; • an increase in the use of non-traditional technologies such as "over-the-top" services which demand higher bandwidth capacity, thus requiring telecommunication companies to invest in order to improve their network; • a trend towards consolidation of players active in the telecommunications industry, which was enhanced by the lifting as of 1 January 2018 of existing regulations preventing telephone companies from providing cable television services; and • an increased focus on cross-sell marketing in order to retain current customers and increase profitability as opposed to a strategy tailored to each particular product.

B.4b. ***A description of any known trends affecting the company and the industries in which it operates.***

The known trends affecting us and the Argentinean telecommunications industry include:

- The development and implementation of new technologies in the mobile market (such as fourth generation (4G) access and the next generation of mobile networks) presenting new challenges to the telecommunication companies; and
- an increase in fixed-mobile convergence products.

B.5 ***If the company is part of a group, a description of the group and the company's position within the group.***

The Company is a holding company and, as such, we derive our operating income and cash flow from the operations of our main subsidiary, TEO.

The Company also owns VLG Argentina LLC ("VLG"), which in turn holds 20.19% of TEO's voting stock. VLG was initially set up to hold capital stock of Cablevisión. Through its ownership in VLG, the Company is entitled to vote VLG's 20.19% shares of TEO. CVH holds through VLG 20.19% of TEO in addition to 18.89% held directly.

The Company also owned a 100% interest in GCSA Equity LLC ("GCSA Equity"). GCSA Equity was dissolved on 27 December 2017 and had no substantial assets or liabilities.

Below is a chart showing our current corporate structure:

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graph TD
    CVH[CVH] -- 100% --> VLG[VLG]
    CVH -- 18.89% --> TEO[TEO]
    VLG -- 20.19% --> TEO
    TEO -- 100% --> Telecom[Telecom Argentina USA]
    TEO -- 67.5% --> Nucleo[Núcleo]
    TEO -- 100% --> ADESOL[ADESOL]
    ADESOL -- 100% --> TELEMAS[TELEMAS]
  
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The above chart does not show ownership interests of the Company that are not considered material.

<p>B.6.</p>	<p><i>In so far as is known to the company, the name of any person who, directly or indirectly, has an interest in the company's capital or voting rights which is notifiable under the company's national law, together with the amount of each such person's interest.</i></p> <p><i>Whether the company's major shareholders have different voting rights if any.</i></p> <p><i>To the extent known to the company, state whether the company is directly or indirectly owned or controlled and by whom and describe the nature of such control.</i></p>	<p>Our capital is of Ps. 180,642,580, and the distribution of our shares took place on 30 August 2017. Pursuant to the Split Up, our capital stock has been fully subscribed and paid in. As of the date of this Prospectus, our capital stock is represented by 47,753,621 Class A registered non-endorsable shares of common stock with nominal value of Ps. 1 each and entitled to 5 votes each, 121,106,082 Class B book-entry shares with nominal value of Ps. 1 each and entitled to 1 vote each, and 11,782,877 Class C registered non-endorsable shares of common stock with nominal value of Ps. 1 each and entitled to 1 vote each. With respect to our 121,106,082 Class B Shares, 1,578 Class B Shares are treasury stock (the "Treasury Stock"). Under the Argentine Corporations Law (as defined below) and CNV regulations, we are required to transfer or cancel treasury stock within one year of its acquisition.</p> <p>CNV rules provide that any individual or entity that, either directly or indirectly, purchases or sells securities, alters its direct or indirect participation in the share capital of a publicly traded company, converts debt securities into stock or exercises purchase or sale options of any such securities must immediately report such purchase, sale, alteration, conversion or exercise to the CNV, provided the securities involved represent at least five percent (5%) of the voting rights of the publicly traded company. Any additional variation in such voting rights must be reported to the CNV.</p> <p>The table below identifies beneficial owners of more than five percent (5%) of any class of our shares, based on shares outstanding as of 30 November 2017. Except as described below, we are not aware of any holder of more than five percent of any class of our shares. Holders of five percent (5%) or more of any class of our shares have the same voting rights with respect to their shares as do holders of less than five percent (5%) of the same class.</p> <table border="1" data-bbox="566 1160 1428 1915"> <thead> <tr> <th data-bbox="566 1160 710 1272">Security Class</th> <th data-bbox="715 1160 970 1272">Name and Address of Beneficial Owner</th> <th data-bbox="975 1160 1268 1272">Amount and Nature of Beneficial Ownership</th> <th data-bbox="1273 1160 1428 1272">Percent of Class</th> </tr> </thead> <tbody> <tr> <td data-bbox="566 1279 710 1915">Class A Shares</td> <td data-bbox="715 1279 970 1915"> <p>GC Dominio S.A.⁽¹⁾</p> <p>Piedras 1743, City of Buenos Aires, C1140ABK, Argentina</p> </td> <td data-bbox="975 1279 1268 1915"> <p>47,753,621 Class A Shares granting five votes per share (238,768,105 votes).</p> <p>GC Dominio S.A. is an Argentine corporation, which shares are owned by:</p> <p>(i) ELHN - Grupo Clarín New York Trust⁽²⁾ (35.555%);</p> <p>(ii) HHM - Grupo Clarín New York Trust⁽³⁾ (35.355%);</p> <p>(iii) LRP - Grupo Clarín New York Trust⁽⁴⁾ (14.555%); and</p> </td> <td data-bbox="1273 1279 1428 1915">100%</td> </tr> </tbody> </table>	Security Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class	Class A Shares	<p>GC Dominio S.A.⁽¹⁾</p> <p>Piedras 1743, City of Buenos Aires, C1140ABK, Argentina</p>	<p>47,753,621 Class A Shares granting five votes per share (238,768,105 votes).</p> <p>GC Dominio S.A. is an Argentine corporation, which shares are owned by:</p> <p>(i) ELHN - Grupo Clarín New York Trust⁽²⁾ (35.555%);</p> <p>(ii) HHM - Grupo Clarín New York Trust⁽³⁾ (35.355%);</p> <p>(iii) LRP - Grupo Clarín New York Trust⁽⁴⁾ (14.555%); and</p>	100%
Security Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class							
Class A Shares	<p>GC Dominio S.A.⁽¹⁾</p> <p>Piedras 1743, City of Buenos Aires, C1140ABK, Argentina</p>	<p>47,753,621 Class A Shares granting five votes per share (238,768,105 votes).</p> <p>GC Dominio S.A. is an Argentine corporation, which shares are owned by:</p> <p>(i) ELHN - Grupo Clarín New York Trust⁽²⁾ (35.555%);</p> <p>(ii) HHM - Grupo Clarín New York Trust⁽³⁾ (35.355%);</p> <p>(iii) LRP - Grupo Clarín New York Trust⁽⁴⁾ (14.555%); and</p>	100%							

			(iv) Mr. José Antonio Aranda (14.555%).	
		Class B Shares	ELHN - Grupo Clarin New York Trust⁽²⁾ 825 Third Avenue, 12 th floor, New York, NY 10022	48,008,436 Class B Shares. 39.6%
		Class B Shares	HHM - Grupo Clarin New York Trust⁽³⁾ 825 Third Avenue, 12 th floor, New York, NY 10022	21,056,531 Class B Shares. 17.4%
		Class B Shares	LRP - Grupo Clarin New York Trust⁽⁴⁾ 825 Third Avenue, 12 th floor, New York, NY 10022	5,926,059 Class B Shares. 4.9%
		Class B Shares	Mr. José Antonio Aranda Piedras 1743, City of Buenos Aires, C1140ABK, Argentina	Mr. Aranda is the owner of 5,307,789 Class B Shares. Aranlú S.A., which is directly and indirectly controlled by Mr. Aranda, owns 839,222 Class B Shares. Luarán S.A., which is directly and indirectly controlled by Mr. Aranda, owns 271,157 Class B Shares.
		Class C Shares	Blue Media Investment Inc. ("Blue Media") RG Hodge Plaza, 2nd floor Road Town, Tortola PO Box 915, British Virgin Islands	11,782,877 Class C Shares of Cablevisión Holding. Blue Media is the beneficial owner of GS Unidos LLC, which owns 11,782,877 Class C Shares of Cablevisión Holding. Blue Media is controlled by The 1999 Ernestina Laura Herrera de Noble New York Trust ⁽⁵⁾ , The HHM Media New York Trust ⁽⁶⁾ , The LRP New

		York Trust ⁽⁷⁾ and Mr. José Antonio Aranda.	
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(1) Pursuant to the bylaws of GC Dominio S.A. ("GC Dominio"), except in the case of certain transfers, transfers of shares in GC Dominio are subject to a right of first refusal in favour of all non-selling shareholders (ratable to their ownership interest in GC Dominio). Furthermore, any non-selling shareholder is entitled to require that the selling shareholder exchange all or part of the shares in GC Dominio it proposes to sell for a number of Class B Shares and GCSA Class B Shares proportional to the ownership of GC Dominio in each of these entities. Finally, GC Dominio retains a residual right of first refusal with respect to any shares proposed to be sold by any of its shareholders that have not been acquired or exchanged by its non-selling shareholders. The shares in GC Dominio owned by ELHN – Grupo Clarín New York Trust, HHM – Grupo Clarín New York Trust and LRP – Grupo Clarín New York Trust are subject to usufructs in favour of certain of Mrs. Ernestina Laura Herrera de Noble's family members and affiliates, Mr. Héctor Horacio Magnetto and certain of his family members, and Mr. Lucio Rafael Pagliaro and certain of his family members, respectively. Except with respect to matters contemplated in Sections 197 and 244 of the Argentine Corporations Law and amendments to the maximum and minimum number of directors of the board, decisions are adopted by the simple majority of the shares of GC Dominio present or represented at a shareholders meeting.

(2) ELHN – Grupo Clarín New York Trust is an irrevocable trust established under the law of the State of New York, which has no expiration date. The settlor of the trust is Mrs. Ernestina Laura Herrera de Noble. The ultimate beneficiaries of the trust are Mrs. Marcela Noble Herrera and Mr. Felipe Noble Herrera. The trust has seven trustees, who are Messrs. Héctor Horacio Magnetto, José Antonio Aranda, Lucio Rafael Pagliaro, José María Sáenz Valiente, Pablo César Casey, Ignacio José María Sáenz Valiente and Ezequiel Amaranto Camerini. Except for certain decisions that cannot be adopted without the consent of certain of the trustees (including, on certain matters, the voting of the shares of GC Dominio and Cablevisión Holding owned by the trust), decisions are adopted by the vote of the majority of the trustees. All shares in GC Dominio and Cablevisión Holding currently owned by the trust are currently subject to an usufruct in favour of certain of Mrs. Ernestina Laura Herrera de Noble's family members and affiliates.

(3) HHM – Grupo Clarín New York Trust is an irrevocable trust established under the law of the State of New York, which has no expiration date. The settlor of the trust is Mr. Héctor Horacio Magnetto. The ultimate beneficiaries of the trust are Mrs. Marcia Ludmila Magnetto and Mr. Horacio Ezequiel Magnetto. The trust has six trustees, who are Messrs. Héctor Horacio Magnetto, José Antonio Aranda, Lucio Rafael Pagliaro, Pablo Cesar Casey, José María Sáenz Valiente and Ezequiel Amaranto Camerini. Except for certain decisions that cannot be adopted without the consent of certain of the trustees (including, on certain matters, the voting of the shares of GC Dominio and Cablevisión Holding owned by the trust), decisions are adopted by the vote of the majority of the trustees. All shares in GC Dominio and Cablevisión Holding currently owned by the trust are subject to an usufruct in favour of Mr. Héctor Horacio Magnetto and certain of his family members.

(4) LRP – Grupo Clarín New York Trust is an irrevocable trust established under the law of the State of New York, which has no expiration date. The settlor of the trust is Mr. Lucio Rafael Pagliaro. The beneficiaries of the trust are Mr. Lucio Andrés Pagliaro, Mr. Francisco Pagliaro and Mrs. María Florencia Pagliaro. The trust has six trustees, who are Messrs. José María Sáenz Valiente, Ignacio José María Sáenz Valiente, Lucio Andrés Pagliaro, Francisco Pagliaro, María Florencia Pagliaro and Ezequiel Amaranto Camerini. Except for certain decisions that cannot be adopted without the consent of certain of the trustees (including, on certain matters, the voting of the shares of GC Dominio and Cablevisión Holding owned by the trust), decisions are adopted by the vote of the majority of the trustees. All shares in GC Dominio and Cablevisión Holding currently owned by

the trust are currently subject to an usufruct in favour of Mr. Lucio Rafael Pagliaro and certain of his family members.

(5) The 1999 Ernestina Laura Herrera de Noble New York Trust is an irrevocable trust established under the law of the State of New York, which has no expiration date. The settlor of the trust is Mrs. Ernestina Laura Herrera de Noble. The ultimate beneficiaries of the trust are Mrs. Marcela Noble Herrera and Mr. Felipe Noble Herrera. The trust has six trustees, who are Messrs. Héctor Horacio Magnetto, José Antonio Aranda, José María Sáenz Valiente, Pablo César Casey, Ignacio José María Sáenz Valiente and Ezequiel Amaranto Camerini. Except for certain decisions that cannot be adopted without the consent of certain of the trustees, decisions are adopted by the vote of the majority of the trustees.

(6) The HHM Media New York Trust is an irrevocable trust established under the law of the State of New York, which has no expiration date. The settlor of the trust is Mr. Héctor Horacio Magnetto. The ultimate beneficiaries of the trust are Mrs. Marcia Ludmila Magnetto and Mr. Horacio Ezequiel Magnetto. The trust has six trustees, who are Messrs. Héctor Horacio Magnetto, José Antonio Aranda, Pablo Cesar Casey, José María Sáenz Valiente, Ignacio José María Sáenz Valiente and Ezequiel Amaranto Camerini. Except for certain decisions that cannot be adopted without the consent of certain of the trustees, decisions are adopted by the vote of the majority of the trustees.

(7) The LRP New York Trust is an irrevocable trust established under the law of the State of New York, which has no expiration date. The settlor of the trust is Mr. Lucio Rafael Pagliaro. The beneficiaries of the trust are Messrs. Lucio Andrés Pagliaro, Francisco Pagliaro and María Florencia Pagliaro. The trust has six trustees, who are Messrs. José María Sáenz Valiente, Ignacio José María Sáenz Valiente, Lucio Andrés Pagliaro, Francisco Pagliaro, María Florencia Pagliaro and Ezequiel Amaranto Camerini. Except for certain decisions that cannot be adopted without the consent of certain of the trustees, decisions are adopted by the vote of the majority of the trustees.

B.7 **Selected historical key financial information regarding the company, presented for each financial year of the period covered by the historical financial information, and any subsequent interim financial period accompanied by comparative data from the same period in the prior financial year except that the requirement for comparative balance sheet information is satisfied by presenting the year-end balance sheet information. This should be accompanied by a narrative description of significant change to the company's financial condition and operating results during or subsequent to the period covered by the historical key financial information.**

Set forth below is the Company's selected key audited financial information for the five-month period beginning 1 May 2017 and ended 30 September 2017.

	For the five-month period beginning 1 May 2017 and ended 30 September 2017 (in millions of Pesos)⁽¹⁾
Statement of Comprehensive Income Data:	
Revenues	17,225
Cost of sales ⁽¹⁾	(7,937)
Gross income	9,288
Selling expenses ⁽¹⁾	(2,639)
Administrative expenses ⁽¹⁾	(1,946)
Other income and expenses, net	0.4
Financial costs.....	(1,152)
Other financial income and expenses, net.....	(460)
Financial results	(1,612)
Equity in earnings from associates.....	63
Net income before income tax.....	3,155
Income tax.....	(1,114)
Net income for the year/period	2,041
Balance Sheet Data:	
Non-current assets.....	27,034
Current assets	18,132
Total assets	45,165
Non-current liabilities	23,639
Current liabilities	8,046
Total liabilities.....	31,685
Total shareholders' equity.....	13,480

(1) Includes amortisation of intangible assets and depreciation of property, plant and equipment of Ps. 1,597 million.

Set forth below is Cablevisión's selected key audited financial information as of and for the years ended 31 December 2016, 2015 and 2014 respectively. The tables below also include Cablevisión's key unaudited financial information as of and for the nine-month period ended 30 September 2017 and 2016, respectively.

	For the year ended 31 December			For the nine-month period ended 30 September	
	2016	2015	2014	2017	2016
	(in millions of Pesos)			(in millions of Pesos)	
Statement of Comprehensive Income Data:					
Revenues	30,571	20,125	14,226	29,778	22,237
Cost of sales ⁽¹⁾	(14,190)	(9,244)	(7,233)	(13,578)	(10,130)
Gross income	16,381	10,881	6,993	16,200	12,108
Selling expenses ⁽¹⁾	(4,398)	(2,525)	(1,803)	(4,430)	(3,062)
Administrative expenses ⁽¹⁾	(3,641)	(2,628)	(1,728)	(3,347)	(2,581)
Other income and expenses, net..	(11)	2	8	11	(2)
Results of acquisition of associates.....	114	-	-	-	114
Financial costs.....	(2,597)	(2,785)	(1,546)	(1,287)	(2,033)
Other financial income and expenses, net..	222	(28)	(61)	(302)	182
Financial results	(2,374)	(2,813)	(1,607)	(1,589)	(1,851)

Equity in earnings from associates	131	505	58	116	100
Net income before income tax	6,202	3,422	1,922	6,961	4,825
Income tax	(2,095)	(909)	(597)	(2,405)	(1,581)
Net income for the year/period	4,107	2,513	1,325	4,556	3,244

(1) Includes amortisation of intangible assets and depreciation of property, plant and equipment of Ps. 2,840 million and Ps. 1,713 million for the nine-month period ended at 30 September 2017 and 30 September 2016, respectively, and of Ps. 2,588 million, Ps. 1,566 million and Ps. 1,231 million in aggregate fiscal years 31 December 2016, 2015 and 2014, respectively.

	As of 31 December			As of 30
	2016	2015	2014	September 2017
	(in millions of Pesos)			
Balance Sheet Data:				
Non-current assets.....	23,113	15,072	10,038	27,466
Current assets .	5,822	4,436	3,337	6,095
Total assets	28,935	19,509	13,375	33,560
Non-current liabilities	10,024	4,294	3,177	10,869
Current liabilities	7,203	6,489	3,692	7,881
Total liabilities ..	17,227	10,783	6,869	18,777
Total shareholders' equity	11,708	8,726	6,506	14,784

Selected Operating Data and Financial Data (excluding Nextel):

	For the year ended 31 December			For the nine-month period ended 30 September	
	2016	2015	2014	2017	2016
	(in millions of Pesos) ⁽¹⁾			(in millions of Pesos) ⁽¹⁾	
Active Customer Relationships ⁽²⁾	3.91	3.87	3.79	3.92	3.92
Cable Television Subscribers ⁽³⁾ ..	90%	91%	92%	90%	90%
Broadband Customers ⁽³⁾	56%	53%	48%	59%	55%
ARPU (excluding Nextel)	566	420	300	766	547
Churn Ratio:					
Cable TV ⁽³⁾	13.8%	12.6%	13.6%	14.7%	13.6%
Broadband ⁽³⁾	16.2%	15.6%	16.3%	17.1%	15.8%

(1) Except for ARPU, which is in Pesos, and percentages and ratios.

(2) Figures in millions.

(3) Subscribers as a percentage of total active customer relationships.

Set forth below is Telecom's selected key audited financial information as of and for the years ended 31 December 2016, 2015 and 2014 respectively.

	For the year ended 31 December		
	2016	2015	2014
	(in millions of Pesos)		
INCOME STATEMENT DATA:			
Total revenues and other income.....	53,323	40,540	33,388

Operating expenses (without depreciation and amortisation)	(38,899)	(29,674)	(24,686)
Operating expenses - depreciation and amortisation.....	(6,198)	(4,438)	(3,243)
Gain /(Loss) on disposal of PP&E and impairment of PP&E	(383)	(199)	(16)
Operating income	7,843	6,229	5,443
Other, net (1).....	(2,244)	(1,102)	253
Income tax expense...	(1,594)	(1,692)	(1,967)
Net income	4,005	3,435	3,729
Other Comprehensive Income, net of tax	263	257	243
Total Comprehensive Income	4,268	3,692	3,972
<i>Total Comprehensive Income attributable to Telecom Argentina.....</i>	<i>4,142</i>	<i>3,580</i>	<i>3,837</i>
<i>Total Comprehensive Income attributable to Non-controlling Interest</i>	<i>126</i>	<i>112</i>	<i>135</i>
Number of shares outstanding at year-end (in millions of shares) (2)	969	969	969
Net income per share (basic and diluted) (3)	4.10	3.51	3.79
Net income per ADS (4)	20.51	17.56	18.95
Dividends per share (5)	2.06	0.83	1.24
Dividends per ADS (6)	10.32	4.15	6.20

(1) Other, **net** includes Finance income and expenses.

(2) Number of ordinary shares outstanding at year-end (as of 31 December 2016, 2015 and 2014 excludes treasury shares).

(3) Calculated based on the weighted average number of ordinary shares outstanding during each period (969,159,605 ordinary shares for the years 2016, 2015 and 2014).

(4) Calculated based on the equivalent in ADSs to the weighted average number of ordinary shares outstanding during each period (193,831,921 ADSs for the years 2016, 2015 and 2014).

(5) Dividends per share translated into U.S. dollars amounts to US\$0.14; US\$0.09; US\$0.15; as of 31 December 2016, 2015 and 2014, **respectively**. The translation into US Dollar was made using the ask rate published by the Banco de la Nación Argentina (National Bank of Argentina) prevailing as of the date when dividends were available to Telecom's shareholders.

(6) Dividends per ADS translated into U.S. dollars amounts to US\$0.70; US\$0.46; and US\$0.75; as of 31 December 2016, 2015 and 2014, respectively. The translation into US Dollar was made using the ask rate published by the Banco de la Nación Argentina (National Bank of Argentina) prevailing as of the date when dividends were available to Telecom Argentina's shareholders.

		For the year ended 31 December		
		2016	2015	2014
		(in millions of Pesos)		
BALANCE SHEET DATA:				
Current assets	15,562	11,492	6,393	
PP&E and intangible assets	30,757	25,622	19,140	
Other non-current assets	1,595	1,351	784	
Total assets.....	47,914	38,465	26,317	
Current liabilities	16,511	16,914	9,097	

Non-current liabilities			
.....	11,525	3,941	2,451
Total liabilities	28,036	20,855	11,548
Total equity	19,878	17,610	14,769
<i>Equity attributable to Telecom Argentina</i>	<i>19,336</i>	<i>17,194</i>	<i>14,418</i>
<i>Non-controlling Interest</i>	<i>542</i>	<i>416</i>	<i>351</i>
Total Capital Stock (7)	984	984	984

(7) Ordinary shares of P\$1 of nominal value each.

The table below includes Telecom's key unaudited financial information as of and for the nine-month period ended 30 September 2017 and 2016, respectively.

	For the nine months ended 30 September	
	2017	2016
	(in millions of Pesos)	
INCOME STATEMENT DATA:		
Revenues	47,263	38,818
Other income.....	61	36
Operating costs without depreciation and amortisation	(33,078)	(28,644)
Operating income before depreciation and amortisation	14,246	10,210
Depreciation and amortisation	(5,133)	(4,485)
Disposal and impairment of PP&E	(95)	(202)
Operating income	9,018	5,523
Financial results, net.....	(276)	(1,682)
Income before income tax expense	8,742	3,841
Income tax expense.....	(3,047)	(1,346)
Net income	5,695	2,495
Attributable to:		
Telecom Argentina (Controlling Company).....	5,641	2,471
Non-controlling interest.....	54	24
	5,695	2,495
Basic and diluted earnings per share attributable to Telecom Argentina (in pesos)	5.82	2.55
	For the nine months ended 30 September	
	2017	2016
	(in millions of Pesos)	
BALANCE SHEET DATA:		
Current assets	19,125	12,398
Non-current assets	38,910	30,597
Total assets	58,035	42,995
Current liabilities	20,515	21,563
Non-current liabilities	11,771	3,053
Total liabilities	32,286	24,616
Equity attributable to Telecom Argentina (Controlling Company)	25,063	17,843
Equity attributable non-controlling interest.....	686	536
Total Equity	25,749	18,379
Total liabilities and equity	58,035	42,995

		Except for the consummation of the Merger, there has been no significant change to the Cablevisión Group's financial condition and operating results during or subsequent to the period covered by the historical financial information.
B.8	Selected key pro-forma financial information.	Not applicable.
B.9	Where a profit forecast or estimate is made, state the figure.	Not applicable; the Prospectus does not include a profit forecast or estimate.
B.10	A description of the nature of any qualifications in the audit report on the historical financial information.	<p>Our audited interim consolidated financial statements for the five-month period beginning 1 May 2017 and ended 30 September 2017 include an emphasis of matter paragraph in connection with Cablevisión's ongoing litigation regarding Resolution No. 50/10 ("Resolution No. 50") issued by SCI which established a formula for the calculation of cable television services monthly subscription fees.</p> <p>Cablevisión's unaudited condensed consolidated financial statements for the nine-month period ended 30 September 2017, compared with the same period in 2016 (save in relation to balance sheet data), include an emphasis of matter paragraph in connection with the ongoing litigation regarding Resolution No. 50/10 issued by the SCI.</p> <p>Cablevisión's audited consolidated financial statements for the year ended 31 December 2016, compared with the same period in 2015, also include an emphasis of matter paragraph in connection with the ongoing litigation regarding Resolution No. 50 issued by the SCI.</p> <p>Cablevisión's audited consolidated financial statements for the year ended 31 December 2015, compared with the same period in 2014, include emphasis of matter paragraphs regarding (i) Cablevisión's acquisition of certain companies and their subsequent merger with Multicanal S.A. and other companies; (ii) the establishment of a new regulatory framework for Argentina's telecommunications services after the enactment of Law No. 27,078 (the "Digital Argentina Law"); (iii) the issuance of Emergency Decree No. 267/15 which introduced changes to the existing regulatory framework and that created the National Communications Agency ("ENACOM," for its Spanish acronym) as authority responsible for the enforcement of Laws No. 26,522 and No. 27,078; (iv) the issuance of Resolution No. 50; and (v) the enactment of Law No. 19,307 in the Republic of Uruguay regulating the activities of Adesol S.A. ("Adesol"), a subsidiary of Cablevisión.</p> <p>Notwithstanding the inclusion of these emphasis of matter paragraphs, Price Waterhouse & Co. S.R.L., as both CVH's and Cablevisión's independent auditors, stated that its opinion with respect to CVH's Audited Interim Financial Statements and Cablevisión's Financial Statements, is not qualified in respect of these matters.</p> <p>As independent auditors of Telecom, Price Waterhouse & Co. S.R.L. also confirms that its audit report in respect of Telecom's financial statements for the year ended 31 December 2016, compared with the same periods in 2015 and 2014 is not qualified. Telecom's unaudited condensed consolidated financial statements for the nine-month period ended 30 September 2017, compared with the same period in 2016 (save in relation</p>

		to balance sheet data) include a limited review conclusion without observations.
B.32	Information about the issuer of the depositary receipts, including the name and registered office of the issuer of the depositary receipts and the legislation under which the issuer of the depositary receipts operates and legal form which it has adopted under the legislation.	The Depositary is JPMorgan Chase Bank N.A. The Depositary's primary address for depositary related matters is located at Four New York Plaza, New York, New York, 10004 United States of America. The Depositary is a national association organised under the laws of the United States.

Section C—Securities

Section C—Securities		
C.13	Information about the underlying Shares	
C.1	A description of the type and the class of the securities being offered and/or admitted to trading, including any security identification number.	<p>The Prospectus has been prepared in connection with the issuance of up to 121,106,082 Class B Shares (the "Issuance"), with nominal value of one (1) Peso and one (1) vote per share, and with rights to dividends equal to those of the other outstanding shares of the Company. As part of the Issuance, the Company is issuing Class B Shares in the form of GDSs evidenced by GDRs. Each GDS represents one (1) Class B Share.</p> <p>Cablevisión Holding has obtained authorisation to have its Class A Shares, Class B Shares and Class C Shares admitted to the public offering regime in Argentina and its Class B Shares and Class C Shares have been authorised to trade in Argentina. In addition, its Class B Shares are listed on the BYMA and have been admitted to trading on the BYMA.</p>
C.2	Currency of the securities issued.	The Class B Shares are denominated in Pesos.
C.3	The number of shares issued and fully paid and issued but not fully paid. The par value per share, or that the shares have not par value.	Cablevisión Holding has a capital stock of Ps. 180,642,580 represented by 47,753,621 Class A registered non-endorsable common shares with nominal value of Ps. 1 each and entitled to 5 votes per share, 121,106,082 Class B book-entry shares with nominal value of Ps. 1 each and entitled to 1 vote per share, and 11,782,877 Class C registered non-endorsable common shares with nominal value of Ps. 1 each and entitled to 1 vote per share. The shares have been fully paid and do not have par value. Our 121,106,082 Class B Shares include 1,578 Class B Shares of Treasury Stock.
C.4	A description of the rights attached to the securities.	<p>Appraisal Rights:</p> <p>Whenever the Company's shareholders approve:</p>

- a merger or spin-off in which the Company is not the surviving corporation, unless the acquiror's shares are authorised for public offering or listed on any stock exchange;
- a transformation of the Company's corporate legal status;
- a fundamental change in the Company's bylaws;
- a change in the Company's domicile outside Argentina;
- a voluntary termination of the public offering or listing authorisation;
- a decision in favour of the Company's continuation upon delisting or cancellation of the Company's public offering authorisation; or
- a total or partial recapitalisation following a mandatory reduction of the Company's capital or liquidation.

Any shareholder that voted against such action or did not attend the relevant meeting may exercise appraisal rights, that is, the right to withdraw from the Company and have its shares cancelled in exchange for the book value of its shares, determined on the basis of our latest balance sheet prepared, or that should have been prepared, in accordance with Argentine laws and regulations, provided that such shareholder exercises its appraisal rights within the time frame set forth below.

Appraisal rights must be exercised within five days following the meeting at which the resolution was adopted in the event of a dissenting shareholder that voted against such resolution, or within 15 days following such meeting in the case of a dissenting shareholder that did not attend the meeting and who can prove that it was a shareholder at the date of the meeting. In the case of mergers or spin-offs involving an entity authorised to make public offering of its shares, appraisal rights may not be exercised if the shares to be received as a result of the transaction are listed on any stock exchange. Appraisal rights are terminated if the resolution giving rise to such rights is overturned at another shareholders' meeting held within 60 days as from the meeting at which the resolution was adopted.

Payment of appraisal rights must be made within one (1) year of the date of the shareholders' meeting at which the resolution was adopted, except where the resolution that gave rise to such rights was to delist the capital stock of the company or to reject a public offering or listing proposal, in which case the payment period is reduced to 60 days from either (x) the date of the shareholders' meeting that such shareholder did not attend and at which the resolution was adopted to exercise such rights or (y) the date of publication of the notice informing the delisting or rejection of the public offering or listing of the capital stock.

Due to the absence of legal precedent directly on this point, there is doubt as to whether holders of GDSs will be able to exercise appraisal rights either directly or through the depository with respect to Class B Shares in the form of GDSs.

Meetings of Shareholders and Voting Rights

Notices of shareholders' meetings are governed by the provisions of our bylaws, Law No. 19,550 (the "Argentine Corporations Law") and Law No. 26,831, as supplemented (the "Argentine Capital Markets Law"). Notice of shareholders' meetings must be published for five days in the Official Gazette, in an Argentine newspaper of wide circulation and in the publications of Argentine exchanges or securities markets on which the shares are traded, at least 20 calendar days but not more than 45 calendar days prior to the date on which the meeting is to be held and must include information regarding the type of meeting to be held, the date, time and place of such meeting and the agenda. If a quorum is not available for such meeting, a notice for a second meeting, which must be held within 30 calendar days from the date on which the first meeting was called, must be published for three days, at least eight days before the date of the second meeting. The above-described notices of shareholders' meetings may be effected simultaneously, in the case of ordinary meetings, in order for the second meeting to be held on the same day as the first meeting except in certain circumstances.

The quorum for an ordinary shareholders' meeting is the majority of the share capital entitled to vote. The quorum for an extraordinary meeting is at least 60% of the share capital entitled to vote. Shareholders may attend in person or by proxy. Directors, syndics, members of the Supervisory Committee, managers and employees of the Company may not hold proxies in representation of shareholders. If the quorum is not achieved, meetings may be reconvened with lower quorum requirements. Decisions at an ordinary or extraordinary shareholders' meeting require the affirmative vote of the absolute majority of the present votes. Class B Shares and Class C Shares are entitled to one (1) vote per share. Class A Shares are entitled to five votes per share. The Argentine Corporations Law requires that certain resolutions, such as early dissolution, major changes in corporate purpose or the transfer of a company's legal domicile abroad, be decided by the majority of all outstanding shares and without allowing multiple votes per share.

Our bylaws require that decisions with respect to any of the matters listed below be adopted by an extraordinary shareholders meeting with the attendance of holders of voting shares representing at least 50% of our capital (including on second call), for so long as the Class C Shares represent at least 5% or more of the Company's equity:

- subject to certain limitations, a merger, spin-off, reorganisation, voluntary dissolution and/or liquidation of the Company;
- subject to certain limitations, the issuance of equity instruments of the Company exceeding certain thresholds; and
- any amendment of the bylaws.

Decisions to be taken by individual classes of shares require the absolute majority of the present votes of the relevant class. In

		certain cases, if the relevant class may not make a decision due to lack of quorum, the decision may be taken by all present votes acting as a single class.
C.5	<i>A description of any restrictions on the free transferability of the securities.</i>	<p>There is no restriction on the transfer of our fully paid shares, except that pursuant to the Shareholders Agreement (as defined below) and the bylaws of the Company:</p> <ul style="list-style-type: none"> • Class C shares of common stock may not be transferred to parties that are not transferees approved by a majority of holders of Class A shares. If such Class C shares are transferred to parties other than approved transferees, they must be converted into Class B shares of common stock; • certain parties to the Shareholders Agreement have the right to request the inclusion of their shares of common stock in the Company in a proposed sale or transfer of shares of common stock (or global depositary shares representing such common stock) in the Company by certain holders of Class A and Class C shares of common stock that are party to the Shareholders Agreement; and • holders of Class A shares of common stock that are party to the Shareholders Agreement are entitled to certain drag along rights in respect of shares held by other parties to the Shareholders Agreement. <p>Certain of the transfer restrictions described above do not apply to transfers of shares made pursuant to any underwritten offer in Argentina, Brazil, the United States, United Kingdom or one or more member states of the European Union, a bona fide sale pursuant to Rule 144A under the Securities Act, an underwritten offering pursuant to Rule 144A under the Securities Act, or a sale of shares of common stock (other than in a block trade) over a stock exchange.</p>
C.6	<i>An indication as to whether the securities offered are or will be the object of an application for admission to trading on a regulated market and the identity of all the regulated markets where the securities are or are to be traded.</i>	Cablevisión Holding has obtained authorisation to have its Class A Shares, Class B Shares and Class C Shares admitted to the public offering regime in Argentina and its Class B Shares and Class C Shares have been authorised to trade in Argentina. In addition, its Class B Shares are listed on the BYMA and have been admitted to trading on the BYMA. There is no public offering of securities since the distribution of the Class B Shares and the related GDSs were issued in connection with the Split Up.
C.7	<i>A description of dividend policy.</i>	Cablevisión Holding does not have, and has no current plan to establish, a formal dividend policy governing the amount and payment of dividends or other distributions. According to the bylaws and the Argentine Corporations Law, Cablevisión Holding may make one or more declarations of dividends with respect to any single fiscal year, including advance dividend payments under Article 224 second paragraph of the Argentine Corporations Law, out of Cablevisión Holding's distributable net income (utilidades realizadas y líquidas) as reflected in Cablevisión Holding's consolidated balance sheet prepared in accordance with IFRS and CNV regulations as of the last day of such fiscal year, or in consolidated special or interim balance

		<p>sheets in the case of advanced or provisional dividends, provided that any such dividends would be payable ratably to all holders of Cablevisión Holding's shares of common stock as of the relevant record date.</p> <p>Cablevisión Holding conducts all of its operations through subsidiaries and, accordingly, Cablevisión Holding's main source of cash to pay dividends are the dividends received from its subsidiaries. As a holding company, Cablevisión Holding's ability to pay dividends and obtain financing depends on the results of operations and financial condition of its subsidiaries and could be restricted by legal, contractual or other limitations binding upon those subsidiaries.</p> <p>Under applicable CNV regulations, cash dividends must be paid to shareholders within 30 days of the shareholders' meeting approving such dividends. In the case of stock dividends, shares are required to be delivered within three months of our receipt of notice of the authorisation of the CNV for the public offering of the shares so issued. The statute of limitations to the right of any shareholder to receive dividends declared by the shareholders' meeting is two (2) years from the date in which they have been made available to the shareholder.</p> <p>Holders of GDSs will be entitled to receive any dividends payable in respect of our underlying Class B Shares under the terms and conditions of the Deposit Agreement.</p>
C.14	Information about the depositary receipts	
C.1	<i>A description of the type and the class of the securities being offered and/or admitted to trading, including any security identification number.</i>	<p>Each GDS represents one Class B Share. The GDSs were issued and delivered by the Depositary pursuant to the Deposit Agreement (as defined herein). The GDSs will be evidenced by GDRs. The security identification numbers for the GDSs are as follows:</p> <p>CUSIP: 12687E 104 ISIN: US12687E1047 Common Code: 167465978 LSE trading symbol: "CVH"</p> <p>There is no public offering of securities since the distribution of the Class B Shares and the related GDSs were issued in connection with the Split Up.</p>
C.2	<i>Currency of the securities issue.</i>	The GDSs are denominated in U.S. dollars.
C.4	<i>A description of the rights attached to the securities.</i>	See c.14.
C.5	<i>A description of any restrictions on the free transferability of the securities.</i>	<p>There are no restrictions on the transfer of the GDSs under the Securities Act.</p> <p>There are certain restrictions on transfer of GDSs and the withdrawal and deposit of Class B Shares under the Deposit Agreement, including where the Depositary deems it expedient to restrict such transfer, withdrawal or deposit, or where deposit or withdrawal would not be permitted by applicable law. In addition, persons seeking to deposit Class B Shares under the</p>

		<p>Deposit Agreement will be required to meet certain requirements set forth therein, including, if such person is an affiliate (within the meaning of the Securities Act) of the Company, that the GDSs issued in respect of such shares will not be, on the sale thereof, “restricted securities” (within the meaning of the Securities Act).</p>
<p>C.14</p>	<p><i>Information about the depositary receipts. Describe the exercise of and benefit from the rights attaching to the underlying shares, in particular voting rights, the conditions on which the issuer of the depositary receipts may exercise such rights, and measures envisaged to obtain the instructions of the depositary receipt holders—and the right to share in profits and any liquidations surplus which are not passed on to the</i></p>	<p>Dividends and Distributions</p> <p>Generally, each registered holder of GDSs has the right to receive distributions made by the Company on the underlying Class B Shares deposited with the Custodian. Receipt of these distributions may be limited, however, by practical considerations and legal limitations. Registered holders of GDSs will receive such distributions under the terms of the Deposit Agreement in proportion to the number of GDSs held as at a specified GDS record date, which the Depositary will use reasonable efforts to establish as close as practicable to the record date set by the Company for the Class B Shares underlying the GDSs.</p> <p>Distributions of Cash</p> <p>Whenever the Company makes a cash distribution in respect of Class B Shares on deposit with the Custodian, the Depositary will distribute any U.S. dollars available to the Depositary, subject to appropriate adjustments for taxes withheld and such distribution being impermissible or impracticable with respect to certain registered holders of GDSs. In addition, the Depositary may convert foreign currency received from the Company to U.S. dollars and transfer foreign currency or U.S. dollars to the United States, in each case as the Depositary may determine provided that such conversion or transfer is made on a reasonable basis.</p> <p>The amounts distributed to holders of GDSs will be net of the fees, charges, expenses, taxes and governmental charges payable by holders under the terms of the Deposit Agreement, including any fees or charges of the Depositary or its agents incurred in converting or transferring foreign currency or U.S. dollars, as the case may be. The Depositary may make adjustments to a distribution if any of the Class B Shares is not entitled, by reason of its date of issuance or otherwise, to receive the full amount thereof.</p> <p>Distributions of Class B Shares</p> <p>Whenever there is a dividend or free distribution of Class B Shares in respect of the Class B Shares on deposit with the Custodian, the Company will deposit the applicable number of Class B Shares with the Custodian. Upon receipt of confirmation of such deposit from the Custodian, the Depositary will distribute to holders additional GDSs representing the Class B Shares deposited. Only whole GDSs will be issued. Shares that would result in fractional GDSs will be sold and the proceeds of such sale will be distributed as in the case of a cash distribution.</p> <p>The distribution of new GDSs or the modification of the GDS-to-Class B Shares ratio upon a distribution of Class B Shares will be made net of the fees, charges, expenses, taxes and governmental charges payable by registered holders of</p>

<p><i>holder of the depositary receipt.</i></p>	<p>GDSs under the terms of the Deposit Agreement. In order to pay such taxes or governmental charges, the Depositary may sell all or a portion of the additional Class B Shares so distributed.</p> <p>No such distribution of new GDSs or payments in connection therewith will be made in violation of applicable laws (including the U.S. securities laws and Argentine foreign exchange regulations) or if it is not operationally practicable.</p> <p>Distributions of Rights</p> <p>In the case of a distribution of rights to purchase additional Class B Shares, if the Company assists the Depositary in determining whether it is lawful to distribute the rights to registered holders of GDSs, the Depositary will establish procedures to distribute rights to purchase additional GDSs to registered holders of GDSs and to enable registered holders of GDSs to exercise such rights. In the event that the Company does not provide such information and sales of such rights are practicable, the Depositary will distribute any proceeds from such sales as in the case of a cash distribution. Each registered holder of GDSs will be responsible for the related fees, charges, expenses and taxes and other governmental charges to subscribe for the Class B Shares upon the exercise of the rights. The Depositary is not obligated to establish procedures to facilitate the distribution and exercise by registered holders of GDSs of rights to purchase additional Class B Shares other than in the form of GDS.</p> <p>There can be no assurance that registered holders of GDSs in general or any registered holder of GDSs in particular will be given the opportunity to exercise rights on the same terms and conditions as the holders of Class B Shares or to exercise such rights at all.</p> <p>Elective Distributions</p> <p>Subject to applicable laws, whenever the Company intends to distribute a dividend payable at the election of shareholders either in cash or in additional Class B Shares, it will assist the Depositary in determining whether such distribution is lawful and reasonably practicable.</p> <p>The Depositary may make the election available to registered holders of GDSs only if the Company has timely requested that the elective distribution be made available to holders, it is reasonably practicable and the Company has provided all of the documentation contemplated in the Deposit Agreement (such as opinions of counsel as to compliance with applicable law). In such case, the Depositary will establish a record date and procedures to enable each registered holder of GDSs to elect to receive either cash or additional Class B Shares in the form of GDSs, in each case as described in the Deposit Agreement.</p> <p>If the election is not made available to the registered holders of GDSs, registered holders of GDSs will, to the extent permitted by law, receive either cash or GDSs, depending on whether a shareholder in Argentina would receive cash or shares on failing to make an election. The Depositary is not obliged to make available to registered holders of GDSs a method to receive the</p>
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elective dividend in the form of shares rather than in the form of GDSs.

There can be no assurance that registered holders of GDSs or owners of beneficial interests in GDSs generally, or any registered holder of GDSs in particular, will be given the opportunity to receive elective distributions on the same terms and conditions as the holders of the Class B Shares.

Other Distributions

Subject to applicable laws, whenever the Company distributes property other than cash, additional Class B Shares or rights to purchase additional Class B Shares the Depositary will distribute the property to the registered holders of GDSs in a manner it reasonably deems equitable and practicable.

The distribution will be made net of fees, charges, expenses, taxes and governmental charges payable by registered holders of GDSs under the terms of the Deposit Agreement. In order to pay such taxes and governmental charges, if permitted by applicable law the Depositary may sell all or a portion of the property received.

Any U.S. Dollars will be distributed by checks drawn on a bank in the United States for whole dollars and cents. Fractional cents will be withheld without liability and dealt with by the Depositary in accordance with its then current practices.

To the extent that the Depositary determines that any of the methods set forth in the Deposit Agreement are not practicable with respect to any specific registered holder of GDSs, the Depositary may choose any practical method of distribution for such specific registered holder of GDSs, including the distribution of foreign currency, securities or property, or it may retain such items, without paying interest on or investing them, on behalf of the GDR holder as Class B Shares. To the extent the Depositary holds such foreign currency, any and all costs and expenses related to, or arising from, the holding of such foreign currency shall be paid from such foreign currency, thereby reducing the amount so held hereunder.

The Depositary is not responsible if it decides that it is not lawful or reasonably practicable to make a distribution available to any GDR holders.

There can be no assurances that the Depositary will be able to convert any currency at a specified exchange rate or sell any property, rights, shares or other securities at a specified price, nor that any of such transactions can be completed within a specified time period.

Voting Rights

Holders may exercise voting rights with respect to the Class B Shares in the form of GDSs represented by GDRs only in accordance with the provisions of the Deposit Agreement. There are no provisions under Argentine law or under our Bylaws that limit the ability of registered holders of GDSs to exercise their voting rights through the Depositary with respect to the

underlying Class B Shares, except if the Depositary is a foreign entity and it is not registered with the IGJ. The Depositary is not registered with the IGJ for purposes of the Deposit Agreement and does not perform voting activities directly. However, there are practical limitations upon the ability of registered holders of GDSs to exercise their voting rights due to the additional procedural steps involved in communicating with such holders. For example, the Argentine Capital Markets Law requires us to notify our shareholders by publications in certain official and private newspapers at least 20 and no more than 45 days in advance of any shareholders' meeting.

Registered holders of GDSs will not receive any notice of a shareholders' meeting directly from us. In accordance with the Deposit Agreement, we will provide the notice to the Depositary, which will in turn provide to each registered holder of GDS:

- the notice of such meeting;
- voting instruction forms; and
- a statement as to the manner in which instructions may be given by holders.

To exercise their voting rights, registered holders of GDSs must then provide instructions to the Depositary how to vote the shares in the form of GDSs represented by GDRs. Because of this additional procedural step involving the Depositary, the process for exercising voting rights will take longer for registered holders of GDS than for holders of Class B Shares. If the Company has complied with the requirements under the Deposit Agreement, including the giving of timely notice to the Depositary, the GDSs for which the Depositary does not receive timely voting instructions from a registered holder of GDSs may be voted at any meeting by a person designated by the Company.

Except as described in this Prospectus, holders will not be able to exercise voting rights attaching to the GDSs.

Guarantee

Not applicable; there are no bank or other guarantees attached to the depositary receipts.

Description of the bank or other guarantee attached to the depository receipts and intended to underwrite the company's obligations.

Section D—Risks

D.2

Key information on the key risks that are specific to the issuer of the underlying shares.

Risks Related to Our Business

- Substantially all of our revenues are generated in Argentina and thus are highly dependent on economic and political conditions in Argentina.
- We are a holding company and, as such, we conduct our operations through our subsidiaries and do not hold substantial assets.
- The media industry is a dynamic and evolving industry, and if it does not develop and expand as we currently expect, our business may suffer.

Risks Related to the Cablevisión Business and its Operations

- Technological advances and replacement of the Cablevisión Business' equipment may require us to make significant expenditures to maintain and improve the competitiveness of the services we offer through the Cablevisión Business.
- The Cablevisión Business may not be able to renew programming contracts on favourable terms.
- The Cablevisión Business may not be able to renew some leases of the facilities for the installation of our cable system.
- Our revenues may be adversely affected by an increase in the Cablevisión Business' churn rates.

		<ul style="list-style-type: none"> • The majority of the Cablevisión Business' workforce is unionised and the Cablevisión Business may be subject to organised labour action, including work stoppages and litigation. • If the constitutionality of Resolution No. 50 is upheld, it could have a material adverse impact on the Cablevisión Business' cable television segment, thus indirectly affecting our results of operations. <p>Risks Related to the Telecom Business and its Operations</p> <ul style="list-style-type: none"> • Current or future regulatory policies could affect the operations of the telecommunications industry, including the Telecom Business. • The Telecom Business must comply with conditions in its licence, and regulations and laws related thereto, and such compliance may at times be outside of its control. • The Telecom Business operates in a competitive environment that may result in a reduction in its market share in the future. • The Auction Terms and Conditions approved by Resolution SC No. 38/14 established strict coverage and network deployment commitments which will require significant capital expenditures on the part of Personal in the near future • Actual or perceived health risks or other problems relating to mobile handsets or transmission masts could lead to litigation or decreased mobile communications usage • Operational risks could adversely affect the Telecom Business' reputation and profitability • The Telecom Business' operations and financial condition could be affected by union negotiations • The Telecom Business is involved in various legal proceedings which could result in unfavourable decisions and financial penalties for the Telecom Business. • The enforcement of the Law for the Promotion of Registered Labor and Prevention of Labor Fraud may have a material adverse effect on the Telecom Business. <p>Risks Related to Argentina</p> <ul style="list-style-type: none"> • The current administration has implemented significant changes in economic and other policies and announced additional measures, and the lack of implementation or success of such additional measures could impact the Argentine economy and the securities market.
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		<ul style="list-style-type: none"> • The Argentine economy remains vulnerable and any significant decline could adversely affect our financial condition. • The current levels of inflation undermine Argentina's ability to reach sustainable economic growth and affect the price of our GDSs. • Fluctuations in the value of the Peso could adversely affect the Argentine economy and, in turn, adversely affect our results of operations. • Government intervention may adversely affect the Argentine economy and, as a result, our business and results of operations. • Government measures, as well as pressure from labour unions, could require salary increases or added benefits, all of which could increase companies' operating costs. • Exchange controls and restrictions on capital inflows and outflows imposed by the Central Bank may limit the availability of international credit and the liquidity of the market for securities of Argentine issuers. • The Argentine economy remains vulnerable to external shocks that could be caused by significant economic difficulties of Argentina's major regional trading partners, particularly Brazil, or by more general "contagion" effects, including those precipitated by the United Kingdom's impending departure from the European Union. Such external shocks and "contagion" effects could have a material adverse effect on Argentina's economic growth and its ability to service its public debt. <p>Risks Related to TEO's Industry</p> <ul style="list-style-type: none"> • We face substantial and increasing competition in the Argentine cable television and data cable transmission industry. • TEO faces substantial and increasing competition in the Argentine mobile services industry. • TEO's revenues are cyclical and depend upon the condition of the Argentine economy. • TEO may become subject to burdensome government regulations and legal uncertainties affecting our Internet/digital content services which could adversely affect our operations. • Restrictive covenants in the indentures of existing notes issued by Cablevisión to which TEO became successor as a result of the Merger may restrict its ability to pursue its business strategies.
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		<p>Risks Related to Our Controlling Shareholder and Capital Structure</p> <ul style="list-style-type: none"> • Our Controlling Shareholder has the ability to direct our business, and potential conflicts of interest could arise. • The failure or inability of our subsidiaries to pay dividends or other distributions may adversely affect us and our ability to pay dividends to holders of shares. • It may be difficult for you to obtain or enforce judgments against us. • Holders of the GDSs will not be able to benefit from certain U.K. anti-takeover protections. • Changes in Argentine tax laws may adversely affect the tax treatment of our Class B Shares and/or the GDSs. • If in the future the Central Bank or the Argentine government re-introduces restrictions on transfers of foreign exchange and the repatriation of capital from Argentina, this may impair your ability to receive dividends and distributions on, and the proceeds of any sale of, the Class B Shares underlying the GDSs. • Non-Argentine legal entities that own our Class B Shares directly and not as GDSs may not be able to exercise their rights as shareholders unless they are registered in Argentina and comply with certain information requirements. <p>Risks Related to the Split Up or <i>Escisión</i></p> <ul style="list-style-type: none"> • The historical performance of Cablevisión may not be representative of our performance following the <i>Escisión</i>. • We are a new company that has operated independently of Grupo Clarín for only 5 months. • There is no existing market for our GDSs and we cannot ensure the establishment and continuity of such market. <p>Risks Related to the Merger</p> <ul style="list-style-type: none"> • Telecom may fail to integrate its business with Cablevisión and, as a result, TEO may not realise all of the anticipated benefits of the Merger. • Although the Merger qualifies as a tax-free reorganisation under Argentine law, we can provide no assurances as to the tax treatment that the Argentine tax authorities will give the Merger.
D5/D3	<i>Key information on the key risks that are specific to the securities.</i>	<ul style="list-style-type: none"> • The failure or inability of our subsidiaries to pay dividends or other distributions may adversely affect us and our ability to pay dividends to holders of shares.

		<ul style="list-style-type: none"> • Under Argentine corporate law, shareholder rights may be fewer or less well defined than in other jurisdictions. • Holders of our Class B Shares and the GDSs located in the United States may not be able to exercise pre-emptive rights. • Your ability to participate in any rights offering of our Company is limited. • Your voting rights with respect to the GDSs are limited by the terms of the Deposit Agreement. • There is no existing market for our Class B Shares and GDSs and we cannot ensure the establishment and continuity of such market. • Future offerings of securities ranking senior or preferred to our shares may limit our operating and financial flexibility and may adversely affect the market price of, and dilute the value of, our shares and GDSs. • Our shareholders may be subject to liability for certain votes of their securities. • Holders of the GDSs will not be able to benefit from certain U.K. anti-takeover protections.
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Section E—Offer

E.1	<i>The total net proceeds and an estimate of the total expenses of the issue/offer, including estimated expenses charged to the investor by the company or the offeror.</i>	<p>Not applicable. There will be no net proceeds resulting from the admission of the Class B Shares, since it is the result of the Split Up.</p> <p>The total fees and expenses payable by the Company in connection with the admission of the Class B Shares will be approximately US\$300,000. No expenses will be charged to investors.</p>
E.2a	<i>Reasons for the offer, use of proceeds, estimated net amount of the proceeds.</i>	<p>The Issuance has been carried out to complete the Split Up. The primary purposes of the <i>Escisión</i> were:</p> <ul style="list-style-type: none"> • to promote the specialisation of Grupo Clarín's existing portfolio; • to allow each of Grupo Clarín and Cablevisión Holding to tailor its growth strategies and objectives based on the demands of each particular market, distinct industry and market risk, organisational process and capital structure; and • to improve the competitive position of each company. <p>The Split Up which resulted in the creation of Cablevisión Holding was approved on 28 September 2016 (the "Approval Date"), by the vote of the shareholders of Grupo Clarín at an extraordinary shareholders' meeting.</p>

E.3	<i>A description of the terms and conditions of the offer.</i>	<p>There is no public offering of securities since the distribution of the Class B Shares and the related GDSs were issued in connection with the Split Up.</p> <ul style="list-style-type: none"> • Issuance: The Issuance consisted of 117,077,867 Class B Shares in the form of Global Depository Shares that were issued as a result of the Split Up. Each GDS represents one (1) Class B Share. <p>The capital stock of Cablevisión Holding was deemed issued and outstanding on the first day of the first calendar month following completion of certain corporate and administrative procedures, including (i) the registration of the <i>Escisión</i> with the IGJ and (ii) the registration of the incorporation of Cablevisión Holding with the IGJ (such day, the “Effective Date”). On a date announced by Grupo Clarín after the Effective Date (the “Share Distribution Date”), each holder of Grupo Clarín became the owner of a number of Cablevisión Holding shares of the corresponding class according to the “split ratio” (the “Split Ratio”) described below.</p> <ul style="list-style-type: none"> • On the Share Distribution Date, certain class A shares, class B shares and class C shares of Grupo Clarín were cancelled, and shares of Cablevisión Holding were distributed based on the Split Ratio. • According to the Split Ratio approved by Grupo Clarín’s shareholders on 28 September 2016, with respect to the aggregate amount of Grupo Clarín shares per class, the Grupo Clarín shareholders as of the business day prior to the Effective Date (the “Share Record Date”): <ul style="list-style-type: none"> i. retained 37.15% in shares of Grupo Clarín (post-<i>Escisión</i>), and ii. received 62.85% in shares of Cablevisión Holding. • Listing and Trading: Application will be made, or was made, as applicable, (i) to the Financial Conduct Authority for a block listing of up to 121,106,082 GDSs, (ii) to the London Stock Exchange for such GDSs to be admitted to trading on the Regulated Market of the London Stock Exchange through the regulated market segment of the International Order Book (the “IOB”) and (iii) to the BYMA for the listing of all Class B and Class C Shares of the Company with an authorisation to trade Class B Shares of the Company. Trading through the BYMA commenced on 30 August 2017 and trading through the IOB will commence on or about 21 February 2018.
E.4	<i>A description of any interest that is material to the issue/offer including conflicting interests.</i>	Not applicable
E.5	<i>Name of the person or entity offering to sell the security. Lock-up agreements: the parties</i>	Not applicable.

	<i>involved; and indication of the period of the lock up.</i>	
E.6.	<i>The amount and percentage of immediate dilution resulting from the offer.</i>	Not applicable; there will be no immediate dilution resulting from the Issuance, since the Shares and the GDSs were issued as a result of the Split Up in exchange for existing Grupo Clarín shares at the Split Ratio explained above.
E.7	<i>Estimated expenses charged to the investor by the company or the offeror.</i>	Not applicable; the investor will not be charged any expenses by the Company in connection with the Issuance.

RISK FACTORS

An investment in the Securities involves a high degree of risk. Investors should carefully consider the following information about these risks, together with the information contained elsewhere in this Prospectus. Each of these risks could have a material adverse effect on the Company's business, financial condition, results of operations or the trading price of the Securities, and investors could lose all or part of their investment.

The Company has described the risks and uncertainties that the Company believes are material, but these risks and uncertainties may not be the only ones the Company faces. Additional risks and uncertainties relating to the Company that are not currently known to the Company, or that it currently deems immaterial, may also have an adverse effect on the Company's business, financial condition and operating results. If this occurs, the price of the Securities may decline, and investors could lose all or part of their investment.

The order in which the risks are presented does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on the Company's business, financial condition, results of operations or the trading price of the Securities.

Investors should consider carefully whether an investment in the Company's Securities is suitable for them in light of the information included in this Prospectus and their personal circumstances.

Risks Related to Our Business

Substantially all of our revenues are generated in Argentina and thus are highly dependent on economic and political conditions in Argentina.

We are an Argentine corporation (*sociedad anónima*) and the parent company of TEO and VLG. Our principal business activities are currently carried on by TEO. Substantially all of TEO's assets and operations and subscribers are located in Argentina. Accordingly, our financial condition and results of operations depend to a significant extent on macroeconomic, regulatory, social and political conditions prevailing in Argentina, including the level of growth, inflation rates, foreign exchange rates, interest rates and other local, regional and international events and conditions that may affect Argentina. Between 2007 and 2015, the government under the Fernández de Kirchner administrations increased direct intervention in the Argentine economy, including through the implementation of expropriation measures, price controls, exchange controls and changes in laws and regulations affecting foreign trade and investment. See "Risk Factors—Risks Related to Argentina—Government intervention may adversely affect the Argentine economy and, as a result, our business and results of operations." These measures had a material adverse effect on private sector entities, including Cablevisión and Telecom. We cannot assure you that similar measures will not be adopted by the current or future Argentine government or that economic, social and political developments in Argentina, over which we have no control, will not have a material adverse effect on the Argentine economy and, in turn, adversely affect our financial condition and results of operations. See "Operating and Financial Review—The Argentine Economy."

We are a holding company and we conduct our business through our subsidiaries. Our ability to invest in our business developments will depend on our subsidiaries' ability to generate dividends to us.

As a holding company, we conduct our operations through our subsidiaries, the largest of which is TEO. Consequently, we do not operate or hold substantial assets, except for equity investments in our subsidiaries. Except for such assets, our ability to invest in our business developments and to repay obligations is subject to the funds generated by our subsidiaries and their ability to pay cash dividends, which might be subject to contractual limitations with respect to such payments.

The media industry is a dynamic and evolving industry, and if it does not develop and expand as we currently expect, our business may suffer.

We expect to derive an increasing amount of revenues from our operations, but we may not do so if our non-traditional media operations (cable television and Internet) do not develop and expand as we

currently expect. The role of cable television in Argentina became increasingly important in the past. More recently, non-traditional technologies, including “Over-The-Top” services (which are services provided by a telecommunications provider through IP networks not necessarily owned by the provider, including communications, content and cloud-based offerings), such as Netflix or HBO, have come to play a larger role in the Argentine telecommunications industry. These companies take advantage of the deregulation of the sector to bring their services through third-party networks without paying any fee or right to use such networks. These technology and new services areas are in the early stages of development, and growth may be inhibited for a number of reasons, including:

- the cost of connectivity;
- concerns about security, reliability, and privacy;
- unexpected changes in the regulatory framework;
- the appearance of technological innovations;
- the ease of use; and
- the quality of service.

Our business, financial condition and results of operations will be materially and adversely affected if these markets do not continue to grow or grow more slowly than we anticipate.

In addition, unlike the Argentine cable television industry, which has traditionally comprised mainly companies located in Argentina, our competitors may be based outside of Argentina and enjoy certain competitive advantages such as scale and access to financial resources on terms that are better than those available to us.

Risks Related to the Cablevisión Business and its Operations

Technological advances and replacement of the Cablevisión Business’ equipment may require us to make significant expenditures to maintain and improve the competitiveness of the services we offer through the Cablevisión Business.

The cable, broadband and telecommunications industries are subject to significant changes in technology and the introduction of new products and services. We cannot predict the effect of technological changes on our business. New services and technological advances are likely to offer additional opportunities to compete against us on the basis of cost, quality or functionality. It may not be practicable or cost-effective for us to replace or upgrade our installed technologies in response to our competitors’ actions. Responding to such change may require us to devote substantial capital to the development, procurement or implementation of new technologies, and may depend on the final cost in local currency of imported technology and our ability to obtain additional financing. No assurance can be given that we will have the funds to make the capital expenditures to improve the Cablevisión Business’ systems, compete with others in the market or replace the Cablevisión Business’ equipment.

The Cablevisión Business may not be able to renew programming contracts on favourable terms.

The Cablevisión Business purchases basic and premium programming from more than 50 programming suppliers. Several programming suppliers agreed to offer the Cablevisión Business volume discount pricing structures because of its growth and market share. Following Argentina’s economic crisis in 2002, the Cablevisión Business renegotiated the terms of a majority of the respective programming contracts that had originally been denominated in U.S. Dollars to provide for Peso-denominated pricing formulas that were generally linked to the number of subscribers and eliminated minimum purchase requirements. As a result of the renegotiation, contract terms were generally shortened and pricing provisions were adjusted in order to transfer the benefit of increases in the monthly fee for basic cable television services to the programming companies. The new contracts also provided for automatic termination upon the occurrence of major macroeconomic disruptions. We cannot ensure that the Cablevisión Business will continue to be able to regularly negotiate renewals of its programming contracts at current cost levels, particularly since many of its suppliers have U.S.

Dollar-based costs. Additionally, suppliers are expected to seek price increases as a reflection of improved economic conditions in Argentina. There can similarly be no assurances that the Cablevisión Business will be able to obtain volume discounts in the future.

The Cablevisión Business may not be able to renew some leases of the facilities for the installation of its cable system.

The Cablevisión Business' programming is distributed through wire networks installed in facilities leased from third parties, either through the lease of space on roofs or on utility poles. The Cablevisión Business regularly renegotiates the renewal of its short-term lease contracts for the use of poles in different areas of the country in the ordinary course of its business. If the Cablevisión Business is not able to renew some of those lease contracts, its operations in the relevant areas may be suspended if alternative third party facilities are not promptly obtained on a cost-efficient basis. Underground distribution of the Cablevisión Business' wire network would require additional governmental authorisations and significant capital expenditures that it may not be able to afford or that it may be restricted from making pursuant to the terms and conditions of its indebtedness and its existing covenants. There can be no assurance that such renewals of lease contracts will be granted.

The Cablevisión Business may not be in compliance with local ordinances.

The Cablevisión Business was initially required to bring its cable systems fully into compliance with municipal regulations prohibiting above-ground cables in Mar del Plata by November 2001, although pursuant to a modification in municipal regulations in February 2005, the deadline was extended to December 2007. The Cablevisión Business will seek to continue to upgrade its existing cable systems, including any network upgrades or modifications required by regulatory or local authorities if it has sufficient cash flow and financing is available at commercially attractive rates. The applicable regulation provides that certain penalties may be imposed, including the suspension of the right to use the air space; however the city generally has not imposed penalties on non-compliant cable systems. As of the date of this Prospectus, no fines have been imposed in relation to this matter.

If the constitutionality of Resolution No. 50 is upheld, it could have a material adverse impact on the Cablevisión Business.

Pursuant to Resolution No. 50, the SCI imposed certain restrictions on providers of cable television services including the application of a mandatory formula to calculate the monthly subscription fees. However, pursuant to the decision rendered in "LA CAPITAL CABLE S.A. c/ Ministerio de Economía-Secretaría de Comercio Interior de la Nación," the application of Resolution No. 50 has been enjoined by the issuance of an injunction in favour of all cable television licencees represented by the Argentine Cable Television Association (including the Cablevisión Business) pending judgment as to the constitutionality of Resolution No. 50 and the applicable legal framework created by it. As of the date of this Prospectus, the Cablevisión Business cannot determine the impact on its financial condition that would result from the application of the formula imposed by Resolution No. 50. We can give no assurances that the Argentine courts will declare Resolution No. 50 unconstitutional. If the legality of Resolution No. 50 is upheld the adverse impact on our financial condition and results of operations would be material, as the Cablevisión Business would be forced to calculate its monthly cable television subscription fees based on the parameters of the formula set forth under Resolution No. 50.

The Cablevisión Business' revenues may be adversely affected by an increase in its churn rates.

Our revenues depend partially on the Cablevisión Business' ability to retain customers by limiting its churn rates. The churn rate is determined by calculating the total number of disconnected customers over a given period as a percentage of the initial number of customers for the same period. The Cablevisión Business seeks to enforce a strict disconnection policy, which provides for the disconnection of cable television services after a three-month period of non-payment and delivery of a notice of disconnection. With respect to broadband, the Cablevisión Business disconnects its services after a two-month period of non-payment and delivery of a corresponding notice of disconnection. During the nine-month period ended 30 September 2017, the Cablevisión Business' cable customer churn rate was 14.7% and its broadband customer churn rate was 17.1%. To minimise its annual churn rates, the Cablevisión Business pursues a vigorous customer service and retention policy. Any

substantial increase in the Cablevisión Business' churn rates may have a material adverse effect on our revenues and results of operations.

The majority of the Cablevisión Business' workforce is unionised and we may be subject to organised labour action, including work stoppages and litigation.

As of 30 September 2017, approximately 70.8% of the Cablevisión Business' employees were unionised. Notwithstanding the fact that the Cablevisión Business' relationship with the labour unions remains stable as of the date of this Prospectus, we cannot exclude that tensions with the unions in the future may result in strikes or litigation, which could have a substantial adverse effect on the Cablevisión Business' results of operations.

Risks Related to the Telecom Business and its Operations

Current or future regulatory policies could affect the operations of the telecommunications industry, including the Telecom Business.

In Argentina, the telecommunications markets have developed within an increasingly regulated framework in recent years.

The Regulatory Authorities have imposed increasing burdens and new regulations on companies that could increase the penalties they can impose for breaches of the regulatory framework.

According to SC Resolution No. 5/13 regarding the quality of telecommunication services, there could be a further increase in penalties imposed by the Regulatory Bodies as it sets higher compliance standards than international standards, especially, considering the difficulties in obtaining municipal authorisation to install antennas in the mobile business. Telecom, Personal and other telecommunications operators have submitted technical comments for a review of the standards. On 3 March 2017, SECTIC Resolution No. 3-E/17 was issued declaring the opening of the consultation procedure regarding the quality of services of ICT networks, with the aim of ruling a new quality of service framework.

If the technical comments submitted by Telecom are not taken into account or changes in the parameters of Resolution No.5/13 do not occur, compliance with the current standards could be difficult which may result in penalties for telecommunications operators, including TEO and Personal, affecting the Telecom Business' ability to execute its business plan since such penalties could impose increased operation costs, among other effects.

Additionally, according to the Auction Terms and Conditions for the awarding of frequency bands approved by SC Resolution No. 38/14 for mobile operators, repeated or persistent breaches of obligations related to quality indicators of services provided under the terms of the Regulation for the Quality of Telecommunications Services approved by SC Resolution No. 5/13, qualifies as one of the circumstances under which the authorisation to use radio electric spectrum (as defined in the Auction) could be revoked.

Furthermore, the new Information and Communication Technology ("ICT") services law, the LAD, which became effective on 19 December 2014, incorporated numerous modifications to the regulatory framework applicable to telecommunications services in Argentina. Since the law requires the enactment of new regulations most of which have not been issued to date, there is uncertainty regarding how certain aspects, such as the sanctions regime, the provision of infrastructure to other providers and the asymmetries that may be imposed on the dominant operator, among others, will be regulated as well as uncertainty regarding the impact that any new regulations may have on TEO and Personal. Recently, some public consultation documents procedures were opened with the aim to rule new standards, such as SECTIC Resolution No. 2-E/17 which opened the consultation document related to the project for the interconnection and access regime, whose provisions could generate a negative effect on the Telecom Business's operations.

In turn, through Decree No. 267/15 a new Regulatory Body for ICT services, the "ENACOM" was created, and some aspects of the LAD (and of the Law of Audiovisual Communication Services) were amended, imposing regulatory asymmetries regarding the development of subscription-based

broadcasting services by subscription to the detriment of the business development of TEO and Personal.

Specifically, the Decree No. 267/15 restricted Telecom and Personal from providing broadcasting services by subscription, whether through physical and/or radioelectric means, for a period of 2 years beginning 1 January 2016. This period may be extended for another year by ENACOM. However, Decree No.1,340/16 established that operators included in section 94 of the LAD (among them, Telecom and Personal), may register the broadcasting service by subscription, by physical or radio connection as of the enforcement of Decree No.1,340/16, setting 1 January 2018 as the initial date for the provision of such service in the AMBA (and extended AMBA), and in the cities of Rosario and Córdoba in the Province of Santa Fe and the Province of Córdoba, respectively. The decree also provides that, for the rest of the Argentine Territory, the initial date for the provision of the services of these operators shall be determined by the ENACOM.

Decree No. 267/15 puts the Telecom Business at a disadvantage with respect to other providers and could negatively affect the future development of TEO's and Personal's operations.

Article 28 of Decree No. 267/15 created the Commission for the Development of the Draft Bill for the Reform, Update and Unification of Laws No. 26,522 and No. 27,078 within the Ministry of Communications. This commission could further modify the regulatory framework for ICT services in Argentina, causing uncertainty as to the impact any potential modifications might have on the development of TEO's and Personal's business and operations, as well as that of its competitors, in the coming years.

Additionally, the LAD (as amended by Decree No. 267/15), under Article 48 of Title VI, established that licencees of ICT services may set their prices which shall be fair and reasonable, to offset the costs of exploitation and to tend to the efficient supply and reasonable margin of operation. However, the Regulatory Authority is entitled to observe the prices set by the company if it understands that such prices do not comply with Article 48 of the LAD. If prices are observed as imposing restrictions on our prices our operating margins may be negatively affected.

The Telecom Business must comply with conditions in its licence, and regulations and laws related thereto, and such compliance may at times be outside of its control.

The Telecom Business is subject to a complex series of laws and regulations with respect to most of the telecommunications or ICT services that it provides. Such laws and regulations are often governed by considerations of public policy. We provide telecommunications services pursuant to licences that are subject to regulation by various Regulatory Bodies. Any partial or total revocation of Telecom's licences would likely have a material adverse impact on its financial condition, results of operations and cash flows. TEO's dissolution and the declaration of bankruptcy, among others, are events that may lead to a revocation of its licences.

Certain conditions of the Telecom Business' licences are not within the scope of its control. For example, any transfer of shares resulting in a direct or indirect loss of control in TEO without prior approval of the Regulatory Authorities may result in the revocation of the Telecom Business' licences.

Compliance with conditions in the Telecom Business' licence and related regulations and laws may be affected by events or circumstances outside of the Telecom Business' control, and therefore we cannot predict whether such events or circumstances will occur and if any do occur, this could result in an adverse effect on the Telecom Business' financial condition, operations and cash flows.

The Telecom Business operates in a competitive environment that may result in a reduction in its market share in the future.

The Telecom Business competes with licenced provider groups, composed of, among others, independent fixed line service providers, mobile and cable operators, as well as individual licencees, some of which are affiliated with major service providers outside Argentina.

Internet and mobile services, which we expect will continue to account for an increasing percentage of the Telecom Business' revenues in the future, are characterised by rapidly changing technology, evolving industry standards, changes in customer preferences and the frequent introduction of new

services and products. To remain competitive in the fixed telecommunications market, the Telecom Business must invest in its fixed-line network and information technology. Specifically, in the Internet services market, The Telecom Business must constantly upgrade its access technology and software in order to increase the speed, embrace emerging transmission technologies and improve the commercial offers and the user experience. Also, to remain competitive in the mobile telecommunications market, the Telecom Business must continue to enhance its mobile networks by expanding its 3G network and deploying its 4G network. Future technological developments may result in decreased customer demand for certain of the Telecom Business' services or even render them obsolete. In addition, as new technologies develop, equipment may need to be replaced or upgraded or network facilities (in particular, mobile and Internet network facilities) may need to be rebuilt in whole or in part, at substantial cost, to remain competitive. These enhancements and the implementation of new technologies will continue requiring increased capital expenditures.

We also anticipate that the Telecom Business will have to devote significant resources to the refurbishment and maintenance of its existing network infrastructure to comply with regulatory obligations and to remain competitive with respect to the quality of its services. In addition, the Telecom Business must comply with the obligations arising from the acquisition of the 4G spectrum. We also expects to continue to devote resources to customer retention and loyalty in such segments.

The deployment of the Telecom Business' wireless network requires authorisations from municipalities to enable the installation of new sites throughout the country, which if not obtained in a timely manner and form, limit the growth of Telecom's business and affect the quality of services provided by Personal. If Personal is not successful in obtaining those permissions and if its competitors do obtain them, this could result in a competitive disadvantage for Personal.

The macroeconomic situation in Argentina may adversely affect the Telecom Business' ability to successfully invest in, and implement, new technologies, coverage and services in a timely fashion. Accordingly, We cannot assure you that the Telecom Business will have the ability to make needed capital expenditures and operating expenses. If the Telecom Business is unable to make these capital expenditures, or if the Telecom Business' competitors are able to invest in their businesses to a greater degree and/or faster than the Telecom Business is able to do so, the Telecom Business' competitive position will be adversely impacted.

Moreover, the products and services that the Telecom Business offers may fail to generate revenues or attract and retain customers. If the Telecom Business' competitors present similar or better responsiveness, functionality, services, speed, plans or features, the Telecom Business' customer base and its revenues may be materially affected.

Competitiveness is and will continue to be affected by the Telecom Business' competitors' business strategies and alliances. The Telecom Business may face competition from other operators under the Mobile Virtual Operator ("MVO") figure in accordance with Ministry of Communications Resolution No. 38/16. Accordingly, the Telecom Business may face additional pressure on the prices that it charges for its services or experience a loss of market share of fixed and mobile services. In addition, the general business and economic climate in Argentina may affect the Telecom Business and its competitors differently; thus the Telecom Business' ability to compete in the market could be adversely affected.

Even though the Telecom Business grew and developed in recent years in a highly competitive market, because of the range of regulatory, business and economic uncertainties the Telecom Business faces, it is difficult for us to predict with precision and accuracy the Telecom Business' future market share in relevant geographic areas and customer segments, the possible drop in the Telecom Business' customer's consumption that could result in a reduction of the Telecom Business' revenue market share, the speed with which such change in the Telecom Business' market share or prevailing prices for services may occur or the effects of competition. Those effects could be material and adverse to the Telecom Business' overall financial condition, results of operations and cash flows.

The Auction Terms and Conditions approved by Resolution SC No. 38/14 established strict coverage and network deployment commitments which will require significant capital expenditures on the part of Personal in the near future.

The Auction Terms and Conditions approved by Resolution SC No. 38/14 established strict coverage and network deployment commitments which will require significant capital expenditures on the part of Personal. Additionally, many municipal governments have issued regulations that exceed their authority, many of which limit, hinder or restrict the installation of the infrastructure required to comply with such commitments. Therefore, such legislation negatively impacts on Personal and its competitors' obligations they assumed pursuant to the requirements set out in Resolution SC No. 5/13 and related regulations (Regulation for the Quality of Telecommunications Services).

Similarly, Resolution SC No. 25/15 passed on 11 June 2015 awarded to Personal the SCMA 713-723 MHz and 768-778 MHz frequency bands that make up Lot 8 and that were previously pending assignment by the SC. These frequency bands were partially occupied by third parties (broadcasting licencees prior to the public auction). SC Resolutions No. 17/14 and No. 18/14 granted a two-year period for the migration of systems operated in these frequency bands. Personal has informed the regulator of the interference caused by these third parties and has requested state action to halt these activities. Pursuant to Decree No. 1,340/16 the term of authorisations for the use of all the frequencies that make up Lot 8 for the provision of SCMA, as well as the corresponding deployment obligations, shall be computed since the effective migration of services currently operating in these bands in the scope of Area II, defined according to the provisions of Decree No 1,461/93 and its amendments.

However, the permanence of such interference and of the subsequent occupation of the frequency bands have a negative impact on the performance of SCMA and may significantly affect investments made for their purchase and projections of planned deployment for their use in the committed terms, such as optimisation of the use of other frequency bands acquired jointly to provide the SCMA.

Actual or perceived health risks or other problems relating to mobile handsets or transmission masts could lead to litigation or decreased mobile communications usage.

The effects of, and any damage caused by, exposure to an electromagnetic field were and are the subject of careful evaluations by the international scientific community, but until now there is no scientific evidence of harmful effects on health. We cannot rule out that exposure to electromagnetic fields or other emissions originating from wireless handsets will not be identified as a health risk in the future.

Personal complies with the international security standards established by the World Health Organization and Argentine regulations, which are similar and mandatory for all Argentine mobile operators. Our mobile business may be harmed as a result of any future alleged health risk. For example, the perception of these health risks could result in a lower number of customers, reduced usage per customer or potential consumer liability.

Operational risks could adversely affect the Telecom Business' reputation and profitability.

The Telecom Business faces operational risks inherent in its business, including those resulting from inadequate internal and external processes, fraud, inability to perform certain operations required by the judiciary due to inadequate technology, employee errors or misconduct, failure to comply with applicable laws and regulations, failure to document transactions properly or systems failures. In addition, unauthorised access to the Telecom Business' information systems or institutional sites could cause the loss or improper use of confidential information, unauthorised changes in the Telecom Business' information and network systems or alterations to the information that the Telecom Business publishes on these sites. These events could result in direct or indirect losses, technical failures in the Telecom Business' ability to provide its services, inaccurate information for decision making, adverse legal and regulatory proceedings, and harm our reputation and operational effectiveness, among others.

The Telecom Business' suppliers of goods and services are contractually obliged to comply with laws and regulations (including tax, labour, social security, anti-corruption, money laundering standards, etc.). Additionally, the Telecom Business' suppliers shall comply with a set of conduct standards, such as the Code of Ethics, established by the Telecom Group and must require similar compliance by their

employees and subcontractors. Despite these legal safeguards and monitoring efforts made in the Telecom Group in relation to its suppliers, we cannot ensure that they will comply with all applicable standards. As a result, the Telecom Business could be adversely affected in a monetary, criminal or reputational way, despite its contractual rights to claim for compensations for damages that they could cause to us.

The Telecom Business has Risk Management practices at the highest levels including a Risk Management Committee designed to detect, manage and monitor the evolution of operational risks.

However, we can give no assurances that these measures will be successful in effectively mitigating the operational risks that the Telecom Business faces and such failures could have a material adverse effect on its results of operations and could harm its reputation.

The Telecom Business operations and financial condition could be affected by union negotiations.

In Argentina, labour organisations have substantial support and considerable political influence. In recent years, the demands of the Telecom Business' labour organisations have increased mainly as a result of the increase in the cost of living, which was affected by increased inflation, higher tax pressure over salaries and the consequent decline in the population's purchasing power.

If labour organisation claims continue or are sustained, this could result in increased costs, greater conflict in the negotiation process and strikes (including general strikes and strikes by the Telecom Business' employees and the contractors and subcontractors' employees) that may adversely affect Telecom's operations.

In addition, certain telecommunication unions have initiated claims to Telecom alleging non-compliance of certain conditions provided for in the collective bargaining agreements that could allow them to negotiate the inclusion of some suppliers' employees in their collective bargaining agreements.

The Telecom Business is involved in various legal proceedings which could result in unfavourable decisions and financial penalties for The Telecom Business.

The Telecom Business is party to a number of legal proceedings, some of which have been pending for several years. We cannot be certain that these claims will be resolved in our favour. Responding to the demands of litigation may divert Management's time attention and financial resources. As of 31 December 2016, the Telecom Business recorded provisions that it estimates are sufficient to cover those contingencies considered probable. See Notes 2 and 17 to Telecom's Consolidated Financial Statements as at 31 December 2016 included under Annex C to this Prospectus.

The treatment of employment matters under Argentine law incentivises individuals to pursue employment-related litigation.

The Telecom Business is also exposed to claims of employees of suppliers, contractors and commercial agents claiming direct or indirect responsibility of the Telecom Business based on a broad interpretation of the rules of labour law.

Also, the Telecom Business is subject to various lawsuits initiated by some employees and former employees who claim wage differences. Certain judicial rulings have created a negative precedent in these matters and could increase our labour costs.

Personal was and is subject to claims by former representatives (commercial agents) who end their business relationship by making claims for reasons that are not always justified by contractual terms.

Customers and consumers' trade unions brought up different claims against Personal regarding improperly billed charges. Although Personal has taken certain actions in order to reduce risks in connection with these claims, we cannot assure you that new claims will not be filed in the future.

The Telecom Business has sanctions imposed by the Regulatory Bodies for technical reasons, mainly related to the delay in repairing defective lines, installing new lines and/or service failures. The Telecom Business has recorded provisions for the amounts of sanctions that it estimates are probable. Although

sanctions are appealed in the administrative stage, if the appeals are not resolved in our favour at the administrative or judicial stage or if they are resolved for amounts larger than those recorded, it could have an adverse effect on the Telecom Business' financial situation, results of its operations and cash flows. See Note 2 to Telecom's Consolidated Financial Statements as at 31 December 2016 included under Annex C to this Prospectus.

As of the date of this Prospectus, there are still pending administrative appeals filed by Telecom Argentina in 2012 against several resolutions that rendered deductions in the payments to the Universal Service ("SU") ineffective with reference to several programmes provided by The Telecom Business in the "play" mode of the SU. Moreover, a response is still pending with respect to the presentation made by Telecom and Personal to the Regulatory Authority exposing the need to introduce amendments to the affidavit forms approved by ENACOM Resolution No. 6.981-E/16 in order to continue deducting the SU services that both companies are providing. Although the Telecom Business' Management, with the assistance of its legal advisors, considers that there are compelling legal arguments for defending the criteria that the Telecom Business has held and holds with regard to the SU scheme, if a resolution of the appeals and presentations made by the Telecom Business is not favourable, such resolution could have an adverse effect on the telecom Business' results of operations, financial condition and cash flows.

Certain content providers filed administrative and judicial claims against Personal requesting that contracts be considered under the interconnection regulation. Notwithstanding the request made by the content providers, ENACOM through Resolution No. 2017-1122-APN-ENACOM # MCO, which we believe to be unclear, established specific rules that apply to the content providers who initiated the claims against Personal as follows: (i) mobile operators may receive, for every service they provide, a percentage that should not exceed 40% of the services invoiced by the content providers, and (ii) the application of the same rules for providers of audiotext and mass calling value added services. On 22 March 2017, Personal filed an appeal requiring that ENACOM revoke Resolution No. 2017-1122-APN-ENACOM # MCO. However, if the recourse is not successful Personal's revenues could be negatively impacted. If this occurs, we cannot guarantee that it will not have an adverse effect on the Telecom Business' results of operations, financial condition and cash flows.

In 2009, the Argentine national environmental agency (Secretaría de Medioambiente y Desarrollo Sustentable) required that the Telecom Business register before the National Registry of Generators and Operators of Hazardous Waste as a result of alleged problems with our liquid drainage in an underground chamber. Such registration would require the Telecom Business to pay an annual fee calculated in accordance with a formula that takes into consideration the hazard's extent effect and the quantity of the waste. The Telecom Business filed a request for administrative review seeking the rejection of the environmental agency's ordinance. We cannot guarantee that the ordinance will be rejected. In addition, changes in environmental legislation or the evolution of products and services the Telecom Business offers could require the Telecom Business to be registered in the National Registry of Generators and Operators of Hazardous Waste. In that case or if the ordinance of the environmental agency is not rejected, the Telecom Business would face increased costs which may include retroactive fees.

We may face increased risk of employment, commercial, regulatory, tax, consumer trade union and customers' proceedings, among others. If this occurs, we cannot guarantee that it will not have an adverse effect on the Telecom Business' results of operations, financial condition and cash flows, despite the provisions that the Telecom Business has recorded to cover these matters.

The enforcement of the Law for the Promotion of Registered Labor and Prevention of Labor Fraud may have a material adverse effect on the Telecom Business.

On 2 June 2014 Law No. 26,940 for the Promotion of Registered Labor and Prevention of Labor Fraud (*Ley de Promoción del Trabajo Registrado y Prevención del Fraude Laboral*) was published in the Official Gazette. This law, among other things, establishes a Public Record of Employers subject to Labor Sanctions ("Repsal") and defines a series of labour and social security infringements as a result of which an employer shall be included in the Repsal.

The employers included in the Repsal shall be subject to sanctions, such as: the inability to access public programmes, benefits, subsidies or credit from state-owned banks, the inability to enter into

contracts and licences of property owned by the Argentine government, or the inability to participate in the awarding of concessions of public services and licences. Employers commit the same infringement for which they were added to the Repsal within a 3-year period after the final first decision imposing sanctions, shall not be able to deduct from the Income Tax the expenses related to their employees while the employers are included in the Repsal. This new regulation applies both to the Telecom Business and its contractors and subcontractors, who could initiate claims to the Telecom Business for direct or indirect responsibility.

As of the date of this Prospectus, Telecom and Personal have no sanctions registered in the Repsal, however if sanctions are applied in the future it could have a significant impact on the our financial position, result of operations and cash flows.

Risks Related to Argentina

The current administration has implemented significant changes in economic and other policies and announced additional measures, and the lack of implementation or success of such additional measures could impact the Argentine economy and the securities market.

Presidential, state and congressional elections in Argentina took place on 25 October 2015, and a runoff election (*ballotage*) between the two leading Presidential candidates was held on 22 November 2015, which resulted in Mr. Mauricio Macri (from the *Cambiamos* coalition) being elected President of Argentina. The current administration assumed office on 10 December 2015.

On 22 October 2017, mid-term legislative elections were held at the federal and provincial government levels. Macri's *Cambiamos* alliance obtained the most votes in the City of Buenos Aires, as well as in the provinces of Buenos Aires, Chaco, Córdoba, Corrientes, Entre Ríos, Jujuy, La Rioja, Mendoza, Neuquén, Salta, Santa Cruz and Santa Fe. As a result, as of 10 December 2017, *Cambiamos* increased its representation in the Argentine Congress by nine federal senators (holding in the aggregate 24 of a total of 72 seats in the Federal Senate) and by 21 members of the Federal House of Deputies (holding in the aggregate 107 of a total of 257 seats in such Chamber).

Since assuming office, the current administration announced and executed several significant economic and policy reforms, including:

- ***INDEC reforms.*** On 8 January 2016, based on its determination that the *Instituto Nacional de Estadísticas y Censos* (the National Statistics and Census Institute, or "INDEC") had failed to produce reliable statistical information, particularly with respect to consumer price index ("CPI"), GDP, poverty and foreign trade data, the current administration declared the national statistical system and the INDEC in a state of administrative emergency through 31 December 2016. As of the date of this Prospectus, the INDEC has published certain revised data, including the CPI, foreign trade and balance of payment statistics. On 29 June 2016, the INDEC published INDEC Report including revised GDP data for the years 2004 through 2015 (the "2016 Revised INDEC Report"). On 22 September 2016, the INDEC resumed publication of its essential goods and services basket assessment. On 9 November 2016, the IMF Executive Board lifted its censure on Argentina, noting that Argentina had resumed the publication of data in a manner consistent with its obligations under the Articles of Agreement of the IMF. In March 2017, the INDEC published preliminary estimated GDP data for 2016, which shows a 2.3% GDP contraction compared to 2015. See "Risk Factors—Risks Related to Argentina—Some national and international economic agents have expressed their concerns about the accuracy of the INDEC's CPI and other economic data published by INDEC in the past."
- ***Foreign exchange reforms.*** The current administration eliminated substantially all of the restrictions, including certain currency controls, that were imposed under the previous administration. These reforms are expected to provide greater flexibility and easier access to the MULC. On 8 August 2016, the Central Bank issued Communication "A" 6037 (as amended), which eliminated certain additional foreign exchange restrictions that were still in effect and established new foreign exchange rules. The principal measures adopted as of the date of this Prospectus include:

- (i) the reestablishment of Argentine residents' rights to purchase and remit foreign currency outside of Argentina without limit and without specific allocation (*atesoramiento*);
- (ii) the effective elimination of a mandatory, non-transferable and non-interest bearing deposit in connection with certain transactions involving foreign currency inflows by reducing the amount of the deposit from 30% of such transactions to 0%;
- (iii) the elimination of the requirement to transfer and settle the proceeds from new foreign financial indebtedness incurred by the foreign financial sector, the non-financial private sector and local governments through the MULC; and
- (iv) the elimination of the mandatory minimum stay period, applicable to the proceeds of any new financial indebtedness and renewal of existing indebtedness incurred by residents, held by foreign creditors and transferred through the MULC.

On 19 May 2017, the Central Bank eliminated most of the foreign exchange restrictions in place by means of Communication "A" 6244, effective as of 1 July 2017. In addition, on 1 November 2017, President Macri enacted Decree No. 893/17 which partially repealed Decrees No. 2,581/64, No. 1,555/86 and No. 1,638/01, and eliminated the obligation of Argentine residents to transfer to Argentina and sell in the MULC the proceeds of their exports of goods. On 10 November 2017, the Central Bank issued Communication "A" 6363, that eliminated all restrictions applicable to Argentine residents related to the transfer and sale of proceeds in the MULC resulting from the export of goods.

- *Foreign trade reforms.* The Kirchner and Fernández de Kirchner administrations imposed export duties and other restrictions on several sectors, particularly the agricultural sector. The current administration eliminated export duties on wheat, corn, beef, mining, oil, and regional products, and reduced the duty on soybean exports by 5%, from 35% to 30%. Further, a 5% export duty on most industrial exports was also eliminated. With respect to payments for imports of goods and services to be performed abroad, the current administration eliminated the restrictions on access to the MULC. Importers were offered short-term debt securities issued by Argentina to be used to repay outstanding commercial debt for the import of goods. In addition, the import system was modified by the replacement of the *Declaraciones Juradas Anticipadas de Importación* system with a new import procedure that requires certain filings and import licences for certain goods (including textiles, footwear, toys, domestic appliances and automobile parts), which, unlike the previous system, does not contemplate discretionary federal government approval of payments for the import of products through the MULC. On 20 January 2017, the SCI increased the term within which the proceeds from the export of goods must be transferred and settled through the MULC from five to ten years.
- *Fiscal policy.* The current administration took steps to anchor the fiscal accounts, to reduce the primary fiscal deficit and achieved a primary fiscal deficit of 4.6% of GDP in 2016 through the elimination of subsidies and the reorganisation of certain expenditures and the generation of increased revenue through the Tax amnesty. The 2018 budget bill of the federal government projects a fiscal deficit representing 3.2% of GDP in 2017. The current administration's ultimate aim is to achieve a balanced primary budget by 2019.
- *Correction of monetary imbalances.* The current administration announced the adoption of an inflation targeting regime in parallel with the floating exchange rate regime and set inflation targets for the next four years. The Central Bank has increased sterilisation efforts to reduce excess monetary imbalances and raised Peso interest rates to offset inflationary pressure. Since January 2017, the Central Bank started to use the 7-day repo reference rate as the anchor of its inflation targeting regime. Short term notes issued by the Central Bank ("LEBACs") would be used to manage liquidity. On 28 December 2017, the Central Bank announced its inflation targets for 2018, 2019 and 2020. The inflation target for 2018 is 15%, an increase from the Central Bank's previous target range of 8%-12% for the same year. Inflation targets for 2019 and 2020 are 10% and 5%, respectively.
- *National electricity state of emergency and reforms.* Following years of very limited investment in the energy sector, as well as the continued freeze on electricity and natural gas tariffs since

the 2001-2002 economic crisis, Argentina began to experience energy shortages in 2011. In response to the growing energy crisis, the current administration declared a state of emergency with respect to the national electricity system, which will remain in effect until 31 December 2017. The state of emergency allows the government to take actions designed to ensure the supply of electricity to the entire country, such as instructing the Ministry of Energy and Mining to design and implement, with the cooperation of all federal public entities a coordinated programme which guarantees the quality and safety of the electric system. Pursuant to Resolution No. 6/2016 of the Ministry of Energy and Mining and Resolution No. 1/2016 of the National Electricity Regulator, the current administration announced the elimination of a portion of the energy subsidies and a substantial increase in electricity tariffs. Consequently, the average price of electricity has increased and could increase further. By correcting tariffs, modifying the regulatory framework and reducing the government's role as an active market participant, the current administration sought to correct distortions in the energy sector and stimulate investment. However, certain governmental initiatives were challenged in the Argentine courts and resulted in judicial injunctions or rulings limiting the government's initiatives.

During 2016, lower court injunctions suspended in certain provinces and cities end-user electricity tariff increases implemented as of 1 February 2016, and instructed the Ministry of Energy and Mining and the ENRE to conduct a non-binding public hearing prior to sanctioning any such increases. On 28 October 2016, a non-binding public hearing was conducted by the Ministry of Energy and Mining and ENRE to present tariff proposals submitted by distribution companies covering the greater Buenos Aires area (approximately 15 million inhabitants) for the 2017-2021 period in the framework of the Integral Tariff Review (as defined below). On 14 December 2016, eight non-binding public hearings (in Buenos Aires, Mendoza, Neuquén, Mar del Plata, Formosa, Santiago del Estero and Puerto Madryn) were conducted by the Ministry of Energy and Mining and ENRE to present tariff proposals for electricity transmission at the national and regional level and the seasonal reference prices of capacity and energy in the wholesale electricity market, as well as a proposal to reduce subsidies for the 2017-2021 period.

- *Tariff increases.* With the aim of encouraging companies to invest and improve the services they offer and enabling the Argentine government to assist those in need, the current administration has begun updating the tariffs for electricity, transportation, gas and water services (the "Integral Tariff Review"). Each of the announced tariff increases includes the *tarifa social* (social tariff), which is designed to provide support to vulnerable groups, including beneficiaries of social programmes, retirees and pensioners that receive up to two minimum pensions, workers that receive up to two minimum salaries, individuals with disabilities, individuals registered in the *Monotributo* Social programme, domestic workers and individuals receiving unemployment insurance. Subsequent modifications to these announced tariff increases were made, including a 20% discount on the regular distribution price for 400 designated energy-intensive companies that purchase electricity directly from distributors.

On 18 August 2016, the Supreme Court of Argentina in "*Centro de Estudios para la Promoción de la Igualdad y la Solidaridad v/ Ministerio Federal de Energía y Minería*," affirmed lower court injunctions suspending end-user gas tariff increases sanctioned as of 1 April 2016, and instructed the Ministry of Energy and Mining and ENARGAS to conduct a non-binding public hearing prior to sanctioning any such increases. On 16 September 2016, a non-binding public hearing was conducted by the Ministry of Energy and Mining and ENARGAS to submit (i) transitional tariffs for transportation and distribution of natural gas at the national level in the framework of the Integral Tariff Review for the period 2017-2021, (ii) a new set of gas prices at the Point of Entry to the Transportation System ("PIST") and (iii) a proposal to reduce subsidies for the period 2016-2022. Between 2 October and 7 October 2016, public hearings were also conducted at the national level with regard to tariff proposals for gas transportation and distribution throughout the country for the period 2017-2021 in the framework of the Integral Tariff Review.

On 6 October and 7 October 2016, after conducting non-binding public hearings, the Ministry of Energy and Mining and ENARGAS published a new end-user gas tariff scheme. The scheme

establishes a two tariff schedule for private residences, establishing lower tariffs for units that decreased consumption compared to the same period in the previous year by at least 15%.

On 11 October 2016, the Ministry of Energy and Mining (a) expanded the amount of eligible beneficiaries of social tariffs to include retirees and pensioners that receive pensions equal to up to two minimum salaries, certain war veterans and medically dependent customers, and (b) decreed that institutions that perform activities of public interest would be entitled to residential rates.

In June 2017, an administrative court of the city of La Plata issued an injunction suspending the increases in electricity tariffs for customers located within the Province of Buenos Aires pursuant to a petition filed by the provincial Ombudsman, Guido Lorenzino. As of the date of this Prospectus, the injunction has been appealed and the decision is pending.

The year-on-year increase in the price of energy in the wholesale electricity market for end-users, which excludes transportation and distribution costs and accounts for approximately 45% of the tariff to end-users in the City of Buenos Aires, totalled 233% (from Ps.96/MWh to Ps.320/MWh on average), while the increase in the price of natural gas for end-users was 68% (from Ps.37/MMBtu to Ps.62/MMBtu on average).

- *Corporate Criminal Liability Law (Ley de Responsabilidad Penal Empresaria)*. On 5 July 2017, the Federal House of Deputies approved a bill providing for the criminal liability of corporate entities for criminal offenses against public administration and cross-border bribery committed by, among others, its shareholders, attorneys-in-fact, directors, managers, employees, or representatives. A company found liable under this bill may be subject to various sanctions, including, among others, fines ranging from 1% to 20% of its annual gross income and the partial or total suspension of its activities for up to ten years. In addition, the bill proposes to extend the criminal liability under the Argentine Criminal Code to cases of bribery committed outside Argentina by Argentine citizens or companies domiciled in Argentina. On 27 September 2017 the Federal Senate approved the draft bill with modifications designed to reduce in part the impact of the statute, for instance by eliminating the inapplicability of the statute of limitations to certain of the criminal offenses originally proposed in the draft (the statute of limitations now has been set at six years). Further, the bill as modified by the Senate reduces the amount of fines originally proposed for criminal offenses that are not subject to a statute of limitations. On 8 November 2017, Congress passed the bill including those amendments, and the law will come into force 90 days after 1 December 2017, the date of its publication in the Official Gazette.
- *Increase in Minimum Income Thresholds*. In December 2016, the Argentine Congress approved an increase in the minimum income threshold by approximately 23%, from Ps. 25,000 to Ps. 30,670 for married workers with two children and from Ps. 18,880 to Ps. 23,185 for single workers. The minimum income threshold will be subject to automatic adjustment going forward, by reference to increases in the average wages paid to public sector employees. The Argentine Congress also passed modifications to the income tax brackets to take into account the impact of inflation in recent years.
- *Draft bill for the development of the Argentine capital markets*. On 13 November 2017, the Executive Branch submitted to Congress a draft bill that aims to develop the Argentine domestic capital markets. The draft bill provides for the amendment and update of the Argentine Capital Markets Law, the Mutual Funds Law and the Argentine Negotiable Obligations Law, among others. Furthermore, the bill provides for the amendment of certain tax provisions, regulations relating to derivatives and the promotion of a financial inclusion programme. See “Description of Share Capital—Proposed Amendment to the Argentine Capital Markets Law and the Mandatory Tender Offer Rules.”
- *Labor and social security draft reform bill*. The current administration recently announced a labour and social security draft reform bill which has been sent to Congress for debate. The draft bill intends to improve competitiveness and efficiency of the different productive sectors, increase generation of employment, attract investment and reduce the labour costs.

- *Pension Reform Law (Ley de Reforma Previsional)*. On 28 December 2017, Congress passed the Pension Reform Law, with the goal of improving the sustainability and predictability of Argentina's pension program, while still protecting the most vulnerable persons. To that effect, the Pension Reform Law modified the basic formula for the periodic adjustment of retirements, pensions and the Universal Child Allowance (*Asignación Universal por Hijo*). Under the pre-existing regime, the periodic adjustments occur twice a year, in March and September, and were based on the variation in certain tax revenues of ANSES (with a 50% weighting) and the change in the average wage, based on the greater of the *Remuneración Imponible Promedio de los Trabajadores Estables* (RIPTE), an index published by the Ministry of Labor that measures the salary increases of state employees, or the data published by INDEC (with a 50% weighting). Beginning in March 2018, the adjustments will be quarterly on the basis of a system that combines the variation of inflation (with a 70% weighting) and the RIPTE index (with a 30% weighting). The law also guarantees a one-time supplemental payment to beneficiaries of the Universal Basic Benefit (*Prestación Básica Universal*) who have established 30 years or more of service with effective contributions, so that the beneficiary's pension is equivalent to eighty-two percent (82%) of the value of the minimum living wage.

The Pension Reform Law also deferred the right of employers to announce an employee's retirement at age 70, compared to age 65 under the prior regime. This is without prejudice to the right of employees who are entitled to do so to request pension benefits before turning 70 years of age. Public sector employees are excluded from the foregoing provision.

To mitigate the adverse impact of the transition from the previous adjustment regime to the formula approved by Congress on certain beneficiaries, on 20 December 2017, President Macri granted a special one-time Ps.750 subsidy to pensioners who receive less than Ps.10,000 per month and meet certain age and years of service requirements under the law. Beneficiaries of non-contributory pensions for old age or disability who receive less than Ps.10,000 per month and those who meet the requirements of the Universal Pension for the Elderly (*Pensión Universal para el Adulto Mayor*) were also granted a one-time subsidy of Ps.375. Finally, the presidential measure provided a one-time subsidy of Ps.400 to beneficiaries of the Universal Child Allowance and/or the Universal Pregnancy Allowance (*Asignación Universal por Embarazo*).

- *Tax on Financial Transactions (Impuesto al Cheque)*. On 27 December 2017, Congress extended the tax on financial transactions through 2022, and earmarked amounts collected for the Argentine Integrated Pension System.
- *Tax Reform (Reforma Tributaria)*. On 27 December 2017, the Argentine Congress also approved a series of reforms intended to eliminate certain of the existing complexities and inefficiencies of the Argentine tax regime, diminish evasion, increase the coverage of income tax as applied to individuals and encourage investment while sustaining Argentina's medium and long term efforts aimed at restoring fiscal balance. The reforms will gradually come into effect over the next five years. The fiscal cost of the reform is estimated at 0.3% of GDP. The reforms form part of a larger programme announced by President Macri intended to increase the competitiveness of the Argentine economy (including by reducing the fiscal deficit) and employment, and diminish poverty on a sustainable basis. The main aspects of the tax reform are the following:
 - (i) Interest and capital gains derived from the sale or disposition of bonds issued by the federal government, the provinces and municipalities of Argentina and the City of Buenos Aires obtained by Argentine tax residents (individuals and undivided estates located in Argentina) will be subject to income tax at a rate of (a) 5%, in the case of peso-denominated securities that do not include an indexation clause, and (b) 15%, in the case of peso-denominated securities with an indexation clause or foreign currency denominated securities; gains realized by Argentine tax residents (individuals and undivided estates located in Argentina) from the sale of equity securities on a stock exchange will remain exempt, subject to compliance with certain requirements.
 - (ii) Holders of notes issued by the federal government, the provinces and municipalities of Argentina and the City of Buenos Aires that are not Argentine tax residents will be exempt from

Argentine income taxes on interest and capital gains to the extent such beneficiaries do not reside in or channel their funds through non-cooperating jurisdictions. The non-cooperating jurisdictions list will be prepared and published by the executive branch. LEBACs are outside the scope of these exemptions applicable to non-Argentine residents.

(iii) The aforementioned amendments have been in force since 1 January 2018.

(iv) Corporate income tax will be gradually reduced to 30% for the fiscal year commencing 1 January 2018, and to 25% for fiscal years commencing on or after 1 January 2020. Withholding taxes will be assessed on certain dividends or distributed profits bringing the total effective tax rate on corporate profits to 35%.

The tax reforms also provide for other amendments regarding social security contributions, tax administrative procedures law, criminal tax law, tax on liquid fuels and excise taxes.

As of the date of this prospectus, the impact that the aforementioned measures will have on the Argentine economy as a whole cannot be predicted. In addition, there is uncertainty as to which of the measures, announced during the Presidential election campaign, will be implemented by the current administration and the timing of such implementation. In particular, we cannot predict how the current administration will address certain political and economic issues that were central during the Presidential election campaign, such as the financing of public expenditures, public service subsidies and tax reforms, or the impact that any measures related to these issues that are implemented by the current administration will have on the Argentine economy as a whole. Additionally, in the recent mid-term elections, political parties opposed to the current administration retained a majority of the seats in the Argentine Congress, which will require the current administration to seek political support from the opposition for its economic proposals. This creates further uncertainty in the ability of the current administration to pass any measures. The inability of the current administration to properly implement measures as a result of lack of political support may adversely affect the Argentine economy and financial condition and, as a consequence, our financial condition.

The Argentine economy remains vulnerable and any significant decline could adversely affect our financial condition.

The Argentine economy has experienced significant volatility in recent decades, characterised by periods of low or negative growth, high levels of inflation and currency devaluation. Sustainable economic growth in Argentina is dependent on a variety of factors, including the international demand for Argentine exports, the stability and competitiveness of the Peso against foreign currencies, confidence among consumers and foreign and domestic investors, a stable rate of inflation, national employment levels and the political circumstances of Argentina's regional trade partners.

The Argentine economy remains vulnerable, as reflected by the following economic conditions:

- inflation remains high and may continue at similar levels in the future;
- according to the revised calculation of the 2004 gross domestic product ("GDP") published by the INDEC, which forms the basis for the real GDP calculation for every year after 2004, GDP contracted by 2.3% in 2016, grew 2.4% in 2015, contracted 2.6% in 2014, according to INDEC. Previous GDP performance has depended to some extent on high commodity prices which, despite having a favourable long-term trend, are volatile in the short-term and beyond the control of the Argentine government and private sector;
- the discretionary increase in public expenditures has resulted and could continue to result in a substantial fiscal deficit;
- investment as a percentage of GDP remains insufficient to sustain the growth rate of the past decade;
- protests and strikes may take place, as they did in the past, which could adversely affect various sectors of the Argentine economy;

- energy or natural gas supply may not be sufficient to supply industrial activity (thereby limiting industrial development) and consumption;
- unemployment and informal employment remains high; and
- in the climate created by the above-mentioned conditions, demand for foreign currency could grow, generating a capital flight effect.

As in the recent past, Argentina's economy may be adversely affected if political and social pressures inhibit the implementation by the Argentine government of policies designed to control inflation, generate growth and enhance consumer and investor confidence, or if policies implemented by the Argentine government that are designed to achieve these goals are not successful. These events could materially adversely affect our financial condition and results of operations.

We cannot assure you that a decline in economic growth, increased economic instability or an expansion of economic policies and measures taken by the Argentine government to control inflation or address other macroeconomic developments that affect private sector entities, all developments over which we have no control, would not have an adverse effect on our business, financial condition or results of operations.

The current levels of inflation undermine Argentina's ability to reach sustainable economic growth.

Historically, inflation has materially undermined the Argentine economy and the Argentine government's ability to create conditions that permit growth. In recent years, Argentina has experienced high inflation rates.

In recent years, Argentina has confronted significant inflation, driven by significantly higher fuel, energy and food prices, among other factors. According to the INDEC, the CPI increased 10.9% in 2010, 9.5% in 2011, 10.8% in 2012 and 10.9% in 2013. In 2014, following the implementation of methodology changes for its reports, INDEC released CPI increases of 23.9% for 2014. See "Risk Factors—Risks Related to Argentina—Some national and international economic agents have expressed their concerns about the accuracy of the INDEC's CPI and other economic data published by INDEC in the past" below.

According to the City of Buenos Aires' CPI, inflation was 26.6% in 2013, 38.0% in 2014, 26.9% in 2015 and 41.0% in 2016. According to the Province of San Luis' CPI, inflation was 31.9% in 2013, 39.0% in 2014, 31.6% in 2015 and 31.4% in 2016. In June 2016, INDEC published the CPI for the first time since the declaration of administrative emergency on the national statistical system. According to INDEC's CPI, inflation was 16.9% for the period from May to December 2016. Inflation for the period from January to June 2017 was 11.8% in accordance with the INDEC.

On 11 July 2017, the INDEC started to publish the National CPI. The inflation rate for July, August, September and October and November 2017 published by the INDEC using the National CPI methodology stood at 1.7%, 1.4%, 1.9%, 1.5% and 1.4%, respectively. For the period of January through November 2017, accumulated inflation using the National CPI stood at 21%. In the past, the Argentine government has implemented programmes to control inflation and monitor prices for essential goods and services, including attempts to freeze the price of certain supermarket products, and price support arrangements agreed between the Argentine government and private sector companies in several industries and markets that did not address the structural causes of inflation and failed to reduce inflation. Adjustments approved by the Argentine government in electricity and gas tariffs, as well as the increase in the price of gasoline have been passed through to prices, creating additional inflationary pressures.

High inflation rates affect Argentina's foreign competitiveness, social and economic inequality, negatively impact employment, consumption and the level of economic activity and undermines confidence in Argentina's banking system, which could further limit the availability of and access to domestic and international credit by local companies and political stability.

Inflation remains a challenge for Argentina given its persistent nature in recent years. The current administration has announced its intention to reduce the primary fiscal deficit as a percentage of GDP over time and also reduce the Argentine government's reliance on Central Bank financing. If, despite the measures adopted by the current administration, these measures fail to address Argentina's structural inflationary imbalances, the current levels of inflation may continue and have an adverse effect on Argentina's economy and financial condition. Inflation can also lead to an increase in Argentina's debt. Inflation in Argentina has contributed to a material increase in our operating costs, particularly labour costs, and has negatively impacted our results of operations, financial position and business.

Inflation rates could escalate in the future, and there is uncertainty regarding the effects that the measures adopted, or that may be adopted in the future, by the Argentine government to control inflation may have. Increased inflation could adversely affect the Argentine economy and the price of our GDSs.

Some national and international economic agents have expressed their concerns about the accuracy of the INDEC's CPI and other economic data published by INDEC in the past.

Following the 2015 Presidential elections, the Macri administration appointed Mr. Jorge Todesca, previously a director of a private consulting firm, as head of the INDEC. The INDEC has implemented since 2016 certain methodological reforms and adjusting certain macroeconomic statistics. On 8 January 2016, Decree No. 55/16 was issued by the Argentine government declaring a state of administrative emergency on the national statistical system and on the official agency in charge of the system, the INDEC, until 31 December 2016. As a result of the declaration, the INDEC suspended the release of statistical data pending a reorganisation of its technical and administrative structure to recover its ability to produce reliable statistical information. As a result of this administrative emergency on the national statistical system, the INDEC discontinued the publication of the CPI based on the methodology used prior to 2016 (the "INDEC CPI") and, during the first six months of this reorganisation period, INDEC published official CPI figures produced by the City of Buenos Aires and the Province of San Luis for reference. On 15 June 2016, the INDEC started publishing the inflation rate based on a survey conducted in the greater Buenos Aires Metropolitan area (the "2016 CPI"). The INDEC has since published the CPI for each month starting May 2016 through June 2017.

On 11 July 2017, the INDEC began publication of a national CPI (the "National CPI"). The National CPI is based on a survey conducted by INDEC and several provincial statistical offices in 39 urban areas encompassing each of Argentina's provinces. Results are not reported by the provinces, but on a national level and for six statistical regions: the greater Buenos Aires Metropolitan area (which is the CPI that resumed publication in June 2016), the Cuyo region, the Northeast region, the Northwest region, the Central (Pampeana) Region and the Southern (Patagonia) region.

The National CPI is prepared in accordance with current international standards and classifies individual consumption by purpose, disaggregating information based on 12 factors, instead of the nine factors previously used in the preparation of the former INDEC CPI. The adoption of the National CPI brings Argentina's statistical practice in line with the OECD guidelines as well as the methodology followed by the statistical divisions of several international organisations, including the United Nations, World Bank, International Monetary Fund, Economic Commission for Latin America and the Caribbean, and the Inter-American Development Bank.

On 29 June 2016, the INDEC published the 2016 Revised INDEC Report. Among other adjustments, in calculating GDP for 2004 the INDEC made changes to the composition of GDP that resulted in a downward adjustment of approximately 12% for that year. In calculating real GDP for subsequent years based on the revised 2004 GDP, the INDEC used deflators that are consistent with its revised methodology to calculate inflation. By understating inflation in the past, the INDEC had overstated growth in real terms. The adjustments made by the INDEC resulted in a determination of real GDP growth for the period 2004-2015 of 48.6%, as opposed to a 62.9% growth in real terms for the same period resulting from the information used prior to 29 June 2016.

The Argentine government's reforms of the INDEC seek to produce official data that meets international standards. In order to be effective, however, such reforms require certain implementation steps and the timely collection of data, which the Argentine government does not control if the implementation of these reforms prove not to be successful, the Argentine economy may be adversely affected, in particular by

undermining expectations that reliable information as to its performance is available. The INDEC's past or future data may be materially revised to reveal a different economic or financial situation in Argentina. In addition, uncertainty with respect to the success of the measures taken to implement the expected changes may impair measures taken by the Central Bank to reduce inflation, which, in turn, could have a negative impact on the Argentine economy and, as a result, could have an adverse effect on our ability to access international capital markets to finance our operations and growth, which could adversely affect our result of operations and financial condition.

Fluctuations in the value of the Peso could adversely affect the Argentine economy and, in turn, adversely affect our results of operations.

Fluctuations in the value of the Peso may also adversely affect the Argentine economy, our financial condition and results of operations. While most of our debt and a portion of the Cablevisión Business' operating costs and expenses are denominated in U.S. Dollars, our revenues are generated primarily in Pesos. We are therefore exposed to the risks associated with the fluctuation of the Peso relative to the U.S. Dollar. Since January 2002, the Peso has fluctuated significantly in value. The devaluation of the Peso may have a negative impact on the ability of certain Argentine businesses to service their foreign currency-denominated debt, lead to inflation, significantly reduce real wages and jeopardise the stability of businesses, such as our business, whose success depends on domestic market demand, and also adversely affect the Argentine government's ability to honour its foreign debt obligations. After several years of moderate variations in the nominal exchange rate, the Peso lost approximately 14.2% of its value with respect to the U.S. Dollar in 2012. This was followed by a devaluation of the Peso with respect to the U.S. Dollar that exceeded 32.5% in 2013 and 31.3% in 2014, including a loss of approximately 23% in January 2014. In 2015, the Peso lost approximately 52% of its value with respect to the U.S. Dollar, including a 10% devaluation from 1 January 2015, to 30 September 2015, a 37.3% devaluation during the last quarter of 2015, mainly concentrated after 16 December 2015, and a 22% devaluation during 2016. During the first nine months of 2017, the peso lost approximately 8.93% of its value with respect to the U.S. dollar.

Persistent high inflation during 2013, 2014 and 2015, together with formal and de facto exchange controls, resulted in an increasingly overvalued official exchange rate. Compounded by the effects of foreign exchange controls and restrictions on foreign trade, these highly distorted relative prices resulted in the loss of competitiveness of Argentine production, impeded investment and caused economic stagnation. A significant appreciation of the Peso against the U.S. Dollar also presents risks for the Argentine economy, including the possibility of a reduction in exports (as a consequence of the loss of external competitiveness). Any such appreciation could also have a negative effect on economic growth and employment and reduce tax revenues in real terms.

From time to time, the Central Bank may intervene in the foreign exchange market in order to support the currency. Additional volatility, appreciation or depreciation of the Peso or reduction of the Central Bank's reserves as a result of currency intervention could adversely affect the Argentine economy and TEO's ability to service its debt obligations.

If the Peso devalues further, the negative effects on the Argentine economy could have adverse consequences for our business and results of operations.

Government intervention may adversely affect the Argentine economy and, as a result, our business and results of operations.

The two administrations of President Fernández de Kirchner, who governed from 2008 through 9 December 2015, increased state intervention in the Argentine economy, including through expropriation and nationalisation measures, price controls and pervasive exchange controls.

In 2008, the Fernández de Kirchner administration absorbed and replaced the former private pension system for a public "pay as you go" pension system. As a result, all resources administered by the private pension funds, including significant equity interests in a wide range of listed companies, were transferred to a separate fund (*Fondo de Garantía de Sustentabilidad*, or the "FGS") to be administered by the National Social Security Administration (*Administración Nacional de la Seguridad Social*, or the "ANSES"). The dissolution of the private pension funds and the transfer of their financial assets to the FGS had important repercussions on the financing of private sector companies. Debt and equity

instruments which previously could be placed with pension fund administrators became entirely subject to the discretion of the ANSES. Since acquiring equity interests in privately owned companies, including a 9.0% interest in Grupo Clarín, through the process of replacing the pension system, the ANSES designated representatives of the Argentine government to the boards of directors of corporations listed on the local exchange, whether by exercising cumulative voting rights (where available) or through understandings with the controlling shareholders. Pursuant to Decree No. 1,278/12, issued by the Executive Branch on 25 July 2012, the ANSES's representatives must report directly to the Ministry of Economy and are subject to a mandatory information-sharing regime, under which, among other obligations, the representatives must immediately inform the Ministry of Economy of the agenda for each board of directors' meeting and provide related documentation.

In April 2012, the Fernández de Kirchner administration decreed the removal of directors and senior officers of YPF S.A. ("YPF"), the country's largest oil and gas company, which was controlled by the Spanish group Repsol, and submitted a bill to the Argentine Congress to expropriate shares held by Repsol representing 51% of the shares of YPF. The Argentine Congress approved the bill in May 2012 through the passage of Law No. 26,741, which declared the production, industrialisation, transportation and marketing of hydrocarbons to be activities of public interest and fundamental policies of Argentina and empowered the Argentine government to adopt any measures necessary to achieve self-sufficiency in hydrocarbon supply. In February 2014, the Argentine government and Repsol announced that they had reached an agreement on the terms of the compensation payable to Repsol for the expropriation of the YPF shares. Such compensation totalled US\$ 5 billion payable by delivery of Argentine sovereign bonds with various maturities. The agreement, which was ratified by Law No. 26,932, settled the claim filed by Repsol with the International Centre for Settlement of Investment Disputes ("ICSID").

Law No. 26,991 (the "Supply Law") became effective on 28 September 2014. The Supply Law applies to all economic processes linked to goods, facilities and services which, either directly or indirectly, satisfy basic needs of the population ("Basic Needs Goods") and grants broad delegations of power to its enforcing agency to become involved in such processes. It also empowers the enforcing agency to order the sale, production, distribution and/or delivery of Basic Needs Goods throughout the country in case of a shortage of supply.

In February 2015, the Fernández de Kirchner administration sent a bill to the Argentine Congress in order to revoke certain train concessions, return the national rail network to state control and provide powers to review all concessions currently in force. The bill was enacted on 20 May 2015 as Law No. 27,132.

Law No. 27,181, enacted on 23 September 2015, affords certain protections, as a matter of public interest, to any equity interests held by the Argentine government as part of the investment portfolio of the FGS and to any shares or equity interests held by the Argentine government or the Ministry of Economy and Public Finance as a minority shareholder. Pursuant to this law, unless written approval is granted by two-thirds of the members of the Argentine Congress, the transfer and/or any other acts or actions that might restrict, modify, eliminate or change the use, ownership or nature of such shares, the legal title thereto, any income derived therefrom or the use of such income are prohibited. The Argentine government's shares in YPF, however, are excepted from the scope of Law No. 27,181. Additionally, Law No. 27,181 created the National Government Equity Holdings Agency (*Agencia Nacional de Participaciones Estatales en Empresas*), a decentralised agency operating under the scope of the Argentine Executive Branch, which is in charge of implementing policies and actions related to the exercise by the Argentine government of any rights arising out of its equity holdings.

It is widely reported by private economists that expropriations, price controls, exchange controls and other direct involvement by the Fernández de Kirchner administration in the economy had an adverse impact on the level of investment in Argentina, the ability of Argentine companies to access the international capital markets and Argentina's commercial and diplomatic relations with other countries. Further actions taken by the Argentine government concerning the economy, including decisions with respect to interest rates, taxes, price controls, salary increases, provision of additional employee benefits, foreign exchange controls and potential changes in the foreign exchange market could continue to have a material adverse effect on Argentina's economic growth and in turn affect our financial condition and results of operations. Moreover, any additional Argentine government policies established to pre-empt, or in response to, social unrest could adversely and materially affect the economy, and therefore our business, results of operations and financial condition.

Government measures, as well as pressure from labour unions, could require salary increases or added benefits, all of which could increase companies' operating costs.

In the past, the Argentine government has passed laws and regulations forcing privately owned companies to maintain certain wage levels and provide added benefits for their employees. Additionally, both public and private employers have been subject to strong pressure from the workforce and trade unions to grant salary increases and certain benefits. See “Risk Factors—Risks Related to Our Business—The majority of our workforce is unionised and we may be subject to organised labour action, including work stoppages and litigation.”

Labour relations in Argentina are governed by specific legislation, such as labour Law No. 20,744 and Collective Bargaining Law No. 14,250, which, among other things, dictate how salary and other labour negotiations are to be conducted. Every industrial or commercial activity is regulated by a specific collective bargaining agreement that groups companies together according to industry sector and trade union. Although the process of negotiation is standardised, each chamber of industrial or commercial activity separately negotiates the increases of salaries and labour benefits with the relevant trade union of such commercial or industrial activity.

Argentine employers, both in the public and private sectors, have experienced significant pressure from their employees and labour organisations to increase wages and to provide additional employee benefits. Due to the high levels of inflation, employees and labour organisations demanded significant wage increases. In August 2012, the Argentine government established a 25% increase in minimum monthly salary to Ps. 2,875, effective as of February 2013. The Argentine government increased the minimum salary to Ps. 3,300 in August 2013, to Ps. 3,600 in January 2014, to Ps. 4,400 in September 2014 and to Ps. 5,588 in August 2015. It further decreed an increase of the maximum salary applicable in January 2016 to Ps. 6,060. In 2015, the INDEC published the *Coeficiente de Variación Salarial* (“CVS”) (Salary Variation Index), an index that shows the evolution of salaries. The CVS showed an increase of approximately 30% in registered private sector salaries. During the first quarter of 2016, the CVS showed an increase of 5%.

In the future, the Argentine government could take new measures requiring salary increases or additional benefits for workers, and the labour force and labour unions may apply pressure for such measures. Any such increase in wage or worker benefit could result in added costs and reduced results of operations for Argentine companies, including us. Such added costs could adversely affect our business, financial condition and results of operations.

Exchange controls and restrictions on capital inflows and outflows imposed by the Central Bank may limit the availability of international credit and the liquidity of the market for securities of Argentine issuers.

In 2001 and 2002, following a run on the financial system triggered by the public's lack of confidence in the continuity of the convertibility regime that resulted in massive capital outflows, the Argentine government introduced exchange controls and restrictions on the transfer of foreign currency in an attempt to prevent capital flight and a further depreciation of the peso. These exchange controls substantially limited the ability of issuers of debt securities, among others, to accumulate or maintain foreign currency in Argentina or make payments abroad. Although several of such exchange controls and transfer restrictions were subsequently suspended or terminated, in June 2005 the federal government issued a decree that established new controls on capital flows, which resulted in a decrease in the availability of international credit for Argentine companies and Provinces.

In addition, from 2011 until the current administration took office in December 2015, the Argentine government increased controls on the sale of foreign currency and the acquisition of foreign assets by local residents, limiting the possibility of transferring funds abroad. Together with regulations established in 2012 that subjected certain foreign exchange transactions to prior approval by Argentine tax authorities or the Central Bank, the measures taken by the previous administration significantly curtailed access to the MULC by individuals and private sector entities. In response, an unofficial U.S. dollar trading market developed in which the peso-U.S. dollar exchange rate differed substantially from the official peso-U.S. dollar exchange rate.

The Macri administration eliminated substantially all of the foreign exchange restrictions that developed under the previous administration. Notwithstanding the measures adopted by the current administration, if in the future the Central Bank or the Argentine government re-introduces exchange controls and imposes restrictions on capital transfers, such measures may negatively affect Argentina's international competitiveness, discouraging foreign investments and lending by foreign investors or increasing foreign capital outflows, which could have an adverse effect on economic activity in Argentina, which, in turn, could adversely affect our business and results of operations.

The Argentine economy could be adversely affected by economic events in other markets including those precipitated by the United Kingdom's impending departure from the European Union. Such external shocks and "contagion" effects could have a material adverse effect on Argentina's economic growth and its ability to service its public debt.

Weak, flat or negative economic growth of any of Argentina's major trading partners, such as Brazil, could adversely affect Argentina's balance of payments and, consequently, economic growth.

The Argentine economy is influenced, to varying degrees, by economic conditions in other markets. Argentina is particularly affected by events in the economies of its main regional trading partners, such as Brazil, or countries, such as the United States, that are significant trading partners of Argentina or have influence over world economic cycles. For example, if interest rates increase significantly in developed countries, including the United States and Europe (particularly as a result of the United Kingdom's vote in favour of leaving the European Union on 23 June 2016 (the "Brexit")), Argentina and other emerging economies may find it more difficult and costly to obtain credit and refinance their current debt, which could negatively affect their economic growth. In order to effect the Brexit, a process of negotiation will determine the future terms of the United Kingdom's relationship with the European Union. Depending on the terms of Brexit, if any, the United Kingdom could lose access to the single EU market and to the global trade deals negotiated by the European Union on behalf of its members. The effects of the Brexit vote and the perceptions as to the impact of the withdrawal of the United Kingdom from the European Union may adversely affect business activity and economic and market conditions in the United Kingdom, the Eurozone and globally, and could contribute to instability in global financial and foreign exchange markets. In addition, Brexit could lead to additional political, legal and economic instability in the European Union. On 8 November 2016, Mr. Donald J. Trump was elected to become the 45th president of the United States and took office on 20 January 2017. As a candidate, President Trump adopted an inclination to consider greater restrictions on free trade and limitations on immigration. Changes in social, political, regulatory and economic conditions in the United States or in laws and policies governing foreign trade could create uncertainty in the international markets and could have a negative impact on emerging market economies, including the Argentine economy. Also, if these countries fall into a recession, the Argentine economy would be impacted by a decline in its exports, particularly of its main agricultural commodities. All these factors could have a negative impact on Argentina's economy.

The economy of Brazil, Argentina's largest export market and the principal source of imports, is currently experiencing heightened negative pressure due to the uncertainties stemming from the ongoing political crisis, including the impeachment of Brazil's president, that resulted in the Senate of Brazil removing Ms. Dilma Rousseff from office for the rest of her term. The Brazilian economy contracted by 3.6% during 2016, mainly due to a 4.2% decrease in household consumption and a 10.2% decrease in gross fixed capital formation. In addition, the Brazilian currency devalued against the U.S. dollar by approximately 50.5% from January 2015 to February 2016, the steepest depreciation in over a decade, in its attempt to increase exports. Although the Brazilian real appreciated by approximately 17% between 1 March 2016 and 1 June 2017. A further deterioration of economic conditions in Brazil may reduce demand for Argentine exports and increase demand for Brazilian imports. While the impact of Brazil's downturn on Argentina or our operations cannot be predicted, we cannot exclude the possibility that the Brazilian political and economic crisis could have further negative impact on the Argentine economy and our operations.

The Argentine economy may be affected by "contagion" effects. International investors' reactions to events occurring in one developing country sometimes appear to follow a "contagion" pattern, in which an entire region or investment class is disfavoured by international investors. In the past, the Argentine economy has been adversely affected by such contagion effects on a number of occasions, including the 1994 Mexican financial crisis, the 1997 Asian financial crisis, the 1998 Russian financial crisis, the

1999 devaluation of the Brazilian real, the 2001 collapse of Turkey's fixed exchange rate regime and the global financial crisis that began in 2008.

Decreased growth on the part of Argentina's trading partners could have a material adverse effect on the markets for Argentina's exports and, in turn, adversely affect economic growth. Any of these potential risks to the Argentine economy could have a material adverse effect on our business, financial condition and results of operations.

A decline in international prices for Argentina's principal commodity exports could have a material adverse effect on Argentina's economy and public finances.

Historically, the commodities market has been characterised by high volatility. Despite the volatility of prices of most of Argentina's commodities exports, commodities have significantly contributed to the Government's revenues during recent years. Consequently, the Argentine economy has remained relatively dependent on the price of its main agricultural exports, primarily soy. This dependence has, in turn, rendered the Argentine economy more vulnerable to commodity prices fluctuations. International commodities prices decreased during 2015 but have partially recovered during the first five months of 2016. Declines in commodity prices may adversely affect the Argentine economy, and the Government's fiscal revenues. In addition, the current administration has eliminated export taxes on many agricultural products and reduced the export taxes on soy from 35% to 30%. While the measure was intended to encourage exports, reductions in export taxes in the future, unless replaced with other sources of revenues, may impact negatively on Argentina's public finances.

High public expenditure could result in long lasting adverse consequences for the Argentine economy.

During the last few years, the Kirchner Administration substantially increased public expenditure. In 2015, public sector expenditure increased by 38.1% as compared to 2014 and the government reported a primary fiscal deficit of Ps.291.7 billion, equal to 5.4% of GDP, and in the first quarter of 2016, the primary deficit was Ps.49.6 million, a 10.0% increase as compared to the same period in 2015, based on information from the Argentine Ministry of Economy. During recent years, the Kirchner Administration resorted to the Central Bank and to the ANSES to source part of its financing needs.

In light of increasingly tight public finances, the Kirchner Administration adopted certain measures to finance its public expenditures, such as tapping the local capital markets to obtain new financing and implementing an expansionary monetary policy. These policies led to high inflation and, therefore, adversely affected, and could further adversely affect, consumer purchasing power and economic activity.

The current administration has undertaken important steps to curb the fiscal deficit through a series of tax and other measures aimed at increasing revenues, reducing energy, gas and transport subsidies and controlling public expenditures. However, certain programmes announced by the current administration may also increase public expenditures, including the bill for the *Programa de Reparación Histórica para Jubilados y Pensionados* (Historical Reparations Programme for Retirees and Pensioners) enacted on 29 June 2016, which would require retroactive compensation in an aggregate amount of more than Ps. 47.0 billion and an investment of up to Ps. 75.0 billion to cover all potential beneficiaries. The funding is expected to be generated in part through revenues raised under the Tax Amnesty Law.

As of the date of this Prospectus, in spite of the fact that the new administration has started to take specific action to reduce public expenditure and to ensure adequate funding, such as a sharp reduction of the annual growth of the monetary base from 40.6% in December 2015 to 28.3% in August 2016 by issuing *Notas del Banco Central* (Central Bank Notes, or Nobacs) and the issuance of LEBACs bonds between January 2016 and August 2016 of Ps.191.0 billion, and the reduction of energy and public transportation subsidies, there is uncertainty as to what effects this and other futures policies could have in the Argentine economy and our business.

The current administration has taken steps to implement significant measures to solve the current energy sector crisis, but the outcome of such measures is unknown.

Economic policies since the 2001-2002 crisis have had an adverse effect on Argentina's energy sector. The failure to reverse the freeze on electricity and natural gas tariffs imposed during the 2001-2002 economic crisis created a disincentive for investments in the energy sector. Instead, the Government sought to encourage investment by subsidising energy consumption. The policy proved ineffective and operated to further discourage investment in the energy sector and caused production of oil and gas and electricity generation, transmission and distribution to stagnate while consumption continued to rise. To address energy shortages starting in 2011, the Government increased imports of energy, with adverse implications for the trade balance and the international reserves of the Central Bank.

In response to the growing energy crisis, the current administration declared a state of emergency with respect to the national electricity system, which will be in effect until 31 December 2017. The state of emergency allows the Argentine Government to take actions designed to stabilise the supply of electricity to the country, such as instructing the Ministry of Energy and Mining (*Ministerio de Energía y Minería de la Nación*) to design and implement, with the cooperation of all federal public entities, a coordinated programme to guarantee the quality and security of the electricity system. In addition, the current administration has eliminated certain energy subsidies and implemented significant adjustments to electricity rates to reflect generation costs.

As a result, average electricity prices have already increased and could increase further. By correcting tariffs, modifying the regulatory framework and reducing the Argentine government's role as an active market participant, the current administration sought to correct distortions in the energy sector and stimulate investment. However certain of the government's initiatives were challenged in the Argentine courts and resulted in judicial injunctions or rulings limiting the government's initiatives.

During 2016, lower court injunctions suspended in certain provinces and cities end-user electricity tariff increases implemented as of 1 February 2016, and instructed the Ministry of Energy and Mining and the ENRE to conduct a non-binding public hearing prior to sanctioning any such increases. On 28 October 2016, a non-binding public hearing was conducted by the Ministry of Energy and Mining and ENRE to present tariff proposals submitted by distribution companies covering the greater Buenos Aires area (approximately 15 million inhabitants) for the 2017-2021 period in the framework of the Integral Tariff Review. On 14 December 2016, eight non-binding public hearings (in Buenos Aires, Mendoza, Neuquén, Mar del Plata, Formosa, Santiago del Estero and Puerto Madryn) were conducted by the Ministry of Energy and Mining and ENRE to present tariff proposals for electricity transmission at the national and regional level and the seasonal reference prices of capacity and energy in the wholesale electricity market, as well as a proposal to reduce subsidies for the 2017-2021 period.

A failure to address the negative effects on energy generation, transportation and distribution in Argentina resulting in part from the pricing policies of the prior administrations could weaken confidence in and adversely affect the Argentine economy and financial condition, and adversely affect our results of operations. There can be no assurance that the measures adopted by the current administration to address the energy crisis will not be challenged in the local courts and/or will be sufficient to restore production of energy in Argentina within the short or medium term.

Failure to adequately address actual and perceived risks of institutional deterioration and corruption may adversely affect Argentina's economy and financial condition.

A lack of a solid institutional framework and corruption have been identified as, and continue to be a significant problem for Argentina. In Transparency International's 2016 Corruption Perceptions Index survey of 167 countries, Argentina was ranked 95 and 107 in 2015 and 2014 surveys, respectively. In the World Bank's Doing Business 2016 report, Argentina ranked 121 out of 189 countries, up from 124 in 2015.

Recognising that the failure to address these issues could increase the risk of political instability, distort decision-making processes and adversely affecting Argentina's international reputation and ability to attract foreign investment, the current administration has announced several measures aimed at strengthening Argentina's institutions and reducing corruption. These measures include the reduction of criminal sentences in exchange for cooperation with the Government in corruption investigations,

increased access to public information, the seizing of assets from corrupt officials, increasing the powers of the Anticorruption Office (*Oficina Anticorrupción*) and the passing of a new public ethics law, among others. The Government's ability to implement these initiatives is uncertain as it would require the involvement of the judiciary branch, which is independent as well as legislative support from opposition parties. There can be no assurances that the implementation of such measures will be successful.

Foreign shareholders of companies operating in Argentina have initiated investment arbitration proceedings against Argentina that have resulted and could result in arbitral awards and/or injunctions against Argentina and its assets and, in turn, limit its financial resources.

In response to the emergency measures implemented by the Federal Government during the 2001-2002 economic crisis, a number of claims were filed before ICSID against Argentina. Claimants allege that the emergency measures were inconsistent with the fair and equitable treatment standards set forth in various bilateral investment treaties by which Argentina was bound at the time.

Claimants have also filed claims before arbitral tribunals under the rules of the United Nations Commission on International Trade Law ("UNCITRAL") and under the rules of the International Chamber of Commerce ("ICC").

We are not a party to any of these cases and, as such, cannot give any assurance that Argentina will prevail in having any or all of those cases dismissed, or that if awards in favour of the plaintiffs are granted, that it will succeed in having those awards annulled. Any awards rendered against Argentina could have a material adverse effect on the Argentine economy.

Risks Related to TEO's Industry

We face substantial and increasing competition in the Argentine cable television and data cable transmission industry.

The cable television and data transmission business in Argentina is very competitive. Cable operators are not given exclusive territorial broadcasting licences and Argentina's regional telephone companies, are allowed to provide data transmission services, and pursue this market. Under current law, however, telephone companies are not permitted to provide cable television services until 1 January 2018. To the extent telephone companies are given the right to provide cable television services, we may lose a portion of our market share within this industry due to increased competition. In order to confront competition, we may consider transactions that result in a further consolidation of the industry and convergence with the telecommunications industry, which may create additional risks and adversely impact our financial condition and results of operations. See "Risk Factors—Risks Related to TEO's Industry—TEO may become subject to burdensome government regulations and legal uncertainties affecting its Internet/digital content services which could adversely affect its operations."

We compete with other cable television operators that have built networks in the areas in which we operate, providers of other pay television services, including direct broadcasting, direct-to-home satellite and multi-channel multi-point distribution system services, licenced suppliers of basic telephone services and cooperative entities providing utility services and also with free broadcasting services which are currently available to the Argentine population in certain areas from four privately-owned television networks (including one owned by Grupo Clarín) and their local affiliates and one state-owned national public television network. We expect competition to increase in the future due to a number of factors, including the development of new technologies.

Technological innovation relating to cable transmission of cable television and data increases the level of competition that TEO faces and requires us to make frequent investments to develop new and innovative programming services and products to attract and retain cable television subscribers. We cannot assure you that TEO will be able to make investments necessary to remain competitive, or that TEO will be able to attract new subscribers and retain its current subscribers. A substantial loss of TEO's subscribers to competitors would have a material adverse effect on TEO's results of operations.

TEO also faces competition from other broadband service providers, including large competitors associated with Argentina's regional telephone companies that provide fixed telephony services in the

country. Certain competitors of TEO have well-established name recognition, larger customer bases, and significant financial, technical and marketing resources. This may allow them to devote greater resources than TEO to the development and promotion of their business. These competitors may also engage in more extensive research and development, adopt more aggressive pricing policies and make more attractive offers to advertisers. Competitors may develop products and services that are equal or superior to TEO's offers or that achieve greater market acceptance. As a result, competition may have a material adverse effect on TEO's operations.

We cannot assure you that TEO will expand broadband service to other areas or continue to provide it in the areas in which it is currently offered, or that TEO will be able to compete successfully with other broadband providers.

TEO faces substantial and increasing competition in the Argentine mobile services industry.

TEO now faces highly consolidated competitors in the mobile services market with high penetration rates. Well-established regional mobile telephone companies such as Telefónica de Argentina S.A. ("Telefónica"), and América Móvil have a larger customer base and significant financial, technical and marketing resources. Thus, other companies in the industry may be able to devote more resources to develop and promote their business through the adoption of more aggressive commercial promotions in order to attract new mobile services customers or retain existing ones. We expect competition to increase in the future due to a number of factors, including the development of new technologies. Technological innovation relating to mobile services will require TEO to make frequent investments to remain competitive. However, we cannot assure you that TEO will be able to make the investments necessary to remain competitive, or that we will be able to attract new customers and win subscribers away from our competitors. The inability to retain or attract customers could have a material adverse effect on TEO, its financial condition and results of operations.

TEO's revenues are cyclical and depend upon the condition of the Argentine economy.

Revenues generated by TEO's cable television and internet access operations have proven cyclical and depend on general economic conditions. In the past, a general economic downturn in Argentina has had, and would be expected to have in the future, a negative effect on TEO's revenues and a material adverse effect on its results of operations. Historically, increases in losses of cable television subscribers have corresponded with general economic downturns and regional and local economic recessions. In particular, the 2001-2002 Argentine economic crisis had a material adverse effect on the our cable television revenues. Moreover, most of TEO's revenues are denominated in Pesos, exposing us to risks related with fluctuations in the value of the Peso. See "Risk Factors—Risks Related to Argentina—Fluctuations in the value of the Peso could adversely affect the Argentine economy and, in turn, adversely affect our results of operations."

TEO may become subject to burdensome government regulations and legal uncertainties affecting its Internet/digital content services which could adversely affect its operations.

TEO and its subsidiaries' activities are subject to risks associated with the adoption and implementation of governmental regulations that reflect changing governmental policies over time. After the deregulation of Argentina's telecommunications and media industries in 1990, the Broadcasting Law (as defined below), the Digital Argentina Law and their implementing regulations have been amended on a number of occasions, modifying requirements to hold or transfer broadcasting licences. In addition, TEO is subject to the regulations of certain other governmental entities, including the SCI, which has issued resolutions requiring Argentine cable television operators to apply a formula to calculate their customers' monthly subscription prices. Although we have contested such SCI regulations, we can offer no assurances that it will not be subject to similar regulations in the future, which could force TEO to modify the prices of its subscription services and have a material adverse effect on the revenues generated by its core businesses. See "Legal Proceedings—Antitrust Legal Proceedings—Proceedings related to monthly subscription prices."

New regulations may be adopted to limit TEO's ability to operate or to permit new competitors to enter the cable television industry. For example, under current Argentine law, telephone companies are not permitted to provide cable television services until 1 January 2018.

We may also be subject to additional and unanticipated governmental regulations in the future. See “Regulatory Framework and Description of the Argentine Cable and Broadband Industries—Regulatory Overview.”

Restrictive covenants in the indentures of existing notes issued by Cablevisión to which TEO became a successor as a result of the Merger may restrict its ability to pursue its business strategies.

The indentures governing Cablevisión’s existing notes to which TEO became a successor by virtue of the Merger contain a number of restrictive covenants that impose significant operating and financial restrictions on it and may limit TEO’s ability to engage in acts that may be in its long-term best interests. These agreements governing its indebtedness include covenants restricting, among other things, its ability to:

- incur or guarantee additional debt;
- create liens on its assets to secure debt; and
- merge or consolidate with another person or sell or otherwise dispose of all or substantially all of its assets.

A breach of any covenant contained in the indentures governing TEO’s notes or the agreements governing any of its other indebtedness could result in a default under those agreements. If any such default occurs, the holders of such indebtedness may elect (after the expiration of any applicable notice or grace periods) to declare all outstanding borrowings, together with accrued and unpaid interest and other amounts payable thereunder, to be immediately due and payable. If any of TEO’s debt, including its notes, were to be accelerated, its assets may not be sufficient to repay in full that debt or any other debt that may become due as a result of that acceleration.

Risks Related to Our Controlling Shareholder and Capital Structure

Our Controlling Shareholder has the ability to direct our business, and potential conflicts of interest could arise.

All of our outstanding Class A Shares are beneficially owned by GC Dominio S.A. (the “Controlling Shareholder”). Our Class A Shares have five votes per share. As a result, our Controlling Shareholder is entitled to elect a majority of our directors and can exercise control over other general corporate matters. The interests of the Controlling Shareholder may differ from your interests as a holder of Class B Shares or GDSs and it may take actions that might be desirable to it but not to other shareholders. So long as the Controlling Shareholder holds the Class A Shares, it will be able to exercise control over our business through its power to elect a majority of our board of directors, as well as to determine, subject to certain approval rights granted to the holders of our Class C Shares, the outcome of almost all actions that require shareholder approval. For example, the Controlling Shareholder has the ability to cause us to declare dividends and to control our access to capital. This concentration of ownership might also prevent or delay a change in control.

The failure or inability of our subsidiaries to pay dividends or other distributions may adversely affect us and our ability to pay dividends to holders of shares.

We are a holding company with no significant assets other than the shares of our subsidiaries and our holdings of cash and cash equivalents. Accordingly, our cash flows will be derived principally from dividends and other distributions made to us by our subsidiaries. As of the date of this Prospectus our subsidiaries do not have contractual obligations that require them to pay dividends to us. The ability of our subsidiaries to pay dividends and make other transfers to us may be limited by various regulatory and legal constraints that affect them. In addition, debt and other contractual obligations of our subsidiaries may in the future impose restrictions on the ability of our subsidiaries to make dividend or other payments to us, which in turn may adversely affect our ability to pay dividends to shareholders and meet our debt and other obligations.

Your voting rights with respect to the GDSs are limited by the terms of the Deposit Agreement.

Holders may exercise voting rights with respect to the Class B Shares underlying GDSs only in accordance with the provisions of the Deposit Agreement. There are no provisions under Argentine law or under our bylaws that limit registered holders of GDSs' ability to exercise their voting rights through the Depositary with respect to the underlying Class B Shares, except if the Depositary is a foreign entity and it is not registered with the IGJ. The Depositary is not registered with the IGJ for purposes of the Deposit Agreement and does not perform voting activities directly. There are practical limitations upon the ability of registered holders of GDSs to exercise their voting rights due to the additional procedural steps involved in communicating with such holders. For example, in accordance with the Argentine Capital Markets Law we are required to notify our shareholders by publication in certain newspapers at least 20 calendar days but no more than 45 calendar days in advance of any shareholders' meeting. Registered holders of GDSs will not receive any notice of a shareholders' meeting directly from us. In accordance with the Deposit Agreement, we will provide the notice to the Depositary, which will in turn, if we so request, provide to each registered holder of GDSs:

- the notice of such meeting;
- voting instruction forms; and
- a statement as to the manner in which instructions may be given by holders.

To exercise their voting rights, registered holders of GDSs must then provide instructions to the Depositary on how to vote the shares underlying their GDSs. Because of the additional procedural step involving the Depositary, the process for exercising voting rights will take longer for registered holders of GDSs than for holders of Class B Shares. If the Company has complied with the requirements under the Deposit Agreement, including the giving of timely notice to the Depositary, the GDSs for which the Depositary does not receive timely voting instructions from a registered holder of GDSs may be voted at any meeting by a person designated by the Company.

Except as described in this Prospectus, holders will not be able to exercise voting rights attaching to the GDSs.

Under Argentine corporate law, shareholder rights may be fewer or less well defined than in other jurisdictions.

Our corporate affairs are governed by our bylaws and by Argentine corporate law, which differ from the corporate regulatory framework that would apply if we were incorporated in a jurisdiction in the United States (such as Delaware or New York), in England or in other jurisdictions outside Argentina. We do not apply the Corporate Governance Code of the United Kingdom, or other corporate governance rules applicable to companies in Western European countries. Thus, your rights under Argentine corporate law to protect your interests relative to actions by our Board of Directors may be fewer and less well defined than under the laws of those other jurisdictions. Although insider trading and price manipulation are illegal under Argentine law, the Argentine securities markets may not be as highly regulated or supervised as the U.S. securities markets or markets in some of the other jurisdictions. In addition, rules and policies against self-dealing and regarding the preservation of shareholder interests may be less well defined and enforced in Argentina than in the United States, or other jurisdictions outside Argentina, putting holders of our Class B Shares and GDSs at a potential disadvantage.

Holders of our Class B Shares and the GDSs located in the United States may not be able to exercise pre-emptive rights.

Under Argentine corporate law, if we issue new shares as part of a capital increase, our shareholders may have the right to subscribe to a proportional number of shares to maintain their existing ownership percentage. Rights to subscribe for shares in these circumstances are known as pre-emptive rights. In addition, shareholders are entitled to the right to subscribe for the unsubscribed shares remaining at the end of a pre-emptive rights offering on a pro rata basis, known as accretion rights. Upon the occurrence of any future increase in our capital stock, United States holders of Class B Shares or GDSs will not be able to exercise the pre-emptive and related accretion rights for such Class B Shares or GDSs unless a registration statement under the Securities Act is effective with respect to such Class B Shares or GDSs or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement with respect to those Class B Shares or GDSs. We

may not file such a registration statement, or an exemption from registration may not be available. Unless those Class B Shares or GDSs are registered or an exemption from registration applies, a U.S. holder of our Class B Shares or GDSs may receive only the net proceeds from those pre-emptive rights and accretion rights if those rights can be sold by the Depositary; if they cannot be sold, they will be allowed to lapse. Furthermore, the equity interest of holders of Class B Shares or GDSs located in the United States may be diluted proportionately upon future capital increases.

Your ability to participate in any rights offering of our Company is limited.

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities under the Deposit Agreement. The Depositary will not offer rights to holders of GDSs or Class B Shares unless both the rights and the securities to which such rights relate are either exempt from registration under the Securities Act or are registered under provisions of the Securities Act. However, we are under no obligation to file a registration statement with respect to any such rights or underlying securities or to endeavour to cause such a registration statement to be declared effective. Accordingly, holders of our GDSs or Class B Shares may be unable to participate in rights offerings by us and may experience dilution of their holdings as a result.

It may be difficult for you to obtain or enforce judgments against us.

We are incorporated in Argentina. All of our directors and executive officers reside outside the U.K. and the United States, and substantially all of our subsidiaries' assets are located outside the U.K. and the United States. As a result, it may not be possible for you to effect service of process within the U.K. or the United States upon these persons or to enforce against them or us in U.K. or U.S. courts judgments predicated upon the civil liability provisions of the securities laws of the U.K. or the U.S., as the case may be.

Enforcement of foreign judgments would be recognised and enforced by the courts in Argentina provided that the requirements of Articles 517 through 519 of the National Civil and Commercial Procedure Code (if enforcement is sought before federal courts) are met, such as (i) the judgment, which must be final in the jurisdiction where rendered, was issued by a court competent in accordance with the Argentine principles regarding international jurisdiction and resulted from a personal action, or an *in rem* action with respect to personal property if such was transferred to Argentine territory during or after the prosecution of the foreign action; (ii) the defendant against whom enforcement of the judgment is sought was personally served with the summons and, in accordance with due process of law, was given an opportunity to defend against the foreign action; (iii) the judgment must be valid in the jurisdiction where rendered and its authenticity must be established in accordance with the requirements of Argentine law; (iv) the judgment does not violate the principles of public policy of Argentine law; and (v) the judgment is not contrary to a prior or simultaneous judgment of an Argentine court.

Future offerings of securities ranking senior or preferred to our shares may limit our operating and financial flexibility and may adversely affect the market price of, and dilute the value of, our shares and GDSs.

If we decide to issue additional securities in the future ranking senior to our shares or otherwise incur indebtedness, it is possible that these additional securities will be governed by an indenture or other instrument containing covenants restricting our operating flexibility and limiting our ability to make distributions to holders of our shares and GDSs. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges, including with respect to distributions, more favourable than those of our shares and GDSs and may result in dilution to holders of our shares and GDSs. Because our decision to issue securities in any future offering or otherwise incur indebtedness will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings or financings, any of which could reduce the market price of our shares and GDSs and dilute the value of our shares and GDSs.

Holders of the GDSs will not be able to benefit from certain U.K. anti-takeover protections

Because the Company is incorporated and its management and centre of operations are based outside the United Kingdom, the Channel Islands and the Isle of Man, the City Code on Takeovers and Mergers

will not apply to the Company, including in the case of a mandatory tender offer upon a change of control of the Company.

Changes in Argentine tax laws may adversely affect the tax treatment of our Class B Shares and/or the GDSs.

The sale, exchange or other transfer of shares and other securities is subject to a capital gain tax at a rate of 15% for Argentine resident individuals and foreign beneficiaries. There is an exemption for Argentine resident individuals if certain requirements are met; however, there is no such exemption for non-Argentine residents.

The income tax treatment of income derived from the sale of GDSs or exchanges of shares from the GDS facility may not be uniform under Argentine income tax laws. The possibly varying treatment of source income could impact both Argentine resident holders as well as non-Argentine resident holders. In addition, should a sale of GDSs be deemed to give rise to Argentine source income, as of the date of this Prospectus no regulations have been issued regarding the mechanism for paying the Argentine capital gains tax when the sale exclusively involves non-Argentine parties. However, as of the date of this Prospectus, no administrative or judicial rulings have clarified the ambiguity in the law.

As of the date of this Prospectus, many aspects of the income tax regulations as they apply to the holding and sale of GDSs remain unclear. There are certain exemptions from the income tax upon disposition of securities for Argentine residents if certain requirements are met, but no such exemption exists for non-Argentine residents.

Furthermore, the Argentine government has announced a reform of tax regulations which, among other things, includes the following reforms: (i) income obtained from currently exempt bank deposits and sales of securities (including government securities) by individuals that are Argentine tax residents will be subject to tax at the rate of (x) 5% in the case of those denominated in pesos, subject to fixed interest rate and not indexed, and (y) 15% for those denominated in a foreign currency or indexed; income obtained from the sales of shares made on a stock exchange will remain exempt, subject to compliance with certain requirements; (ii) corporate income tax will initially decline to 30% in 2019 and 2020 and to 25% starting in 2021. Dividends will be taxed at a rate such that the overall corporate income tax impact is 35%; and (iii) the percentage of tax debits and credits that can be credited towards income tax will be gradually increased over a 5 year period, from the current 17% for credits to 100% for credits and debits. As of the date of this Prospectus, these reforms remain subject to approval by the Argentine Congress.

Holders of our Class B Shares or the GDSs are encouraged to consult their tax advisors as to the particular Argentine tax consequences of owning our Class B Shares or the GDSs. See "Taxation—Taxation in Argentina."

Restrictions on transfers of foreign exchange and the repatriation of capital from Argentina may impair your ability to receive dividends and distributions on, and the proceeds of any sale of, the Class B Shares underlying the GDSs.

Since the beginning of December 2001 until President Macri assumed office in December 2015, the Argentine government implemented monetary and foreign exchange control measures that included restrictions on the withdrawal of funds deposited with banks and on the transfer of funds abroad, including dividends, without prior approval by the Central Bank, some of which are still in effect.

Although the transfer of funds abroad by local companies in order to pay annual dividends only to foreign shareholders and the Depositary for the benefit of registered holders of GDSs based on approved audited financial statements no longer requires Central Bank approval, other exchange controls could impair or prevent the conversion of anticipated dividends, distributions, or the proceeds from any sale of Class B Shares, as the case may be, from Pesos into U.S. dollars and the remittance of the U.S. dollars abroad. In particular, with respect to the proceeds of any sale of Class B Shares underlying the GDSs, as of the date of this Prospectus, the conversion from Pesos into U.S. dollars and the remittance of such U.S. dollars abroad is not subject to prior Central Bank approval provided the foreign beneficiary is either a natural or legal person residing in or incorporated and established in

jurisdictions, territories or associated states that are considered “co-operators for the purposes of fiscal transparency.” If such requirements are not met, prior Central Bank approval will be required.

Furthermore, during the last few months under the Fernández de Kirchner administration, the Central Bank exercised a *de facto* prior approval power for certain foreign exchange transactions otherwise authorised to be carried out under the applicable regulations, such as dividend payments or repayment of principal of inter-company loans as well as the import of goods, by means of regulating the amount of foreign currency available to financial institutions to conduct such transactions.

The Argentine government could reinstate restrictive measures in the future. In such a case, the Depositary for the GDSs may be prevented from converting Pesos it receives in Argentina for the account of registered holders of GDSs. If this conversion is not possible, the Deposit Agreement allows the Depositary to distribute the foreign currency only to those registered holders of GDSs to whom it is possible to do so. If the exchange rate fluctuates significantly during a time when the Depositary cannot convert the foreign currency, you may lose some or all of the value of the dividend distribution. Also, if payments cannot be made in U.S. dollars abroad, the repatriation of any funds collected by foreign investors in Pesos in Argentina may be subject to restriction. See “Exchange Controls.”

Non-Argentine legal entities that own our Class B Shares directly and not as GDSs may not be able to exercise their rights as shareholders unless they are registered in Argentina and comply with certain information requirements.

Under Argentine law, foreign legal entities that own shares in an Argentine corporation are required to register with the IGJ in order to exercise certain shareholder rights, including voting rights. If you own Class B Shares directly (rather than GDSs) and you are a non-Argentine company and you are not registered with the IGJ and/or you do not comply with certain information requirements of the IGJ, your ability to exercise your rights as a holder of our Class B Shares may be limited.

Our shareholders may be subject to liability for certain votes of their securities.

Our shareholders are not liable for our obligations. Instead, shareholders are generally liable only for the payment of the shares they subscribe. However, shareholders who have a conflict of interest with us and who do not abstain from voting may be held liable for damages to us, but only if the transaction would not have been approved without such shareholders’ votes. Furthermore, shareholders who wilfully or negligently vote in favour of a resolution that is subsequently declared void by a court as contrary to the Argentine Corporations Law or our bylaws may be held jointly and severally liable for damages to us or to other third parties, including other shareholders.

Risks Related to the Split Up or *Escisión*

The historical performance of Cablevisión may not be representative of our performance following the *Escisión*.

Cablevisión’s Financial Statements and the selected financial data included herein have been prepared on a consolidated basis from Cablevisión’s and its subsidiaries’ historical accounting records and represent the historical operations of Cablevisión prior to the *Escisión*.

The historical financial information included in this Prospectus is not necessarily indicative of what our results of operations, financial position and cash flows will be in the future. There may be changes that will occur in our or our subsidiaries’ cost structure, funding and operations as a result of our separation from Grupo Clarín, including higher costs associated with reduced economies of scale, and higher costs associated with being a publicly traded, stand-alone company.

We are a new company that has operated independently of Grupo Clarín for only 5 months.

We are a new company that has operated independently of Grupo Clarín for only 5 months. Our ability to function as a new company will suffer if we do not develop our own administrative infrastructure quickly and cost-effectively.

There is no existing market for our GDSs and we cannot ensure the establishment and continuity of such market.

There is currently no public market for our GDSs. Our Class B Shares are listed and trade on the BYMA, in Argentina. We will also apply to have our GDSs admitted to the Official List and to trading on the London Stock Exchange's Regulated Market through the IOB. We cannot assure you as to the liquidity of any markets that may develop for the shares or GDSs or the price at which the shares or GDSs may be sold. Also, the liquidity and the market for our shares may be affected by a number of factors including variations in exchange and interest rates, the deterioration and volatility of the markets for similar securities and any changes in our liquidity, financial condition, creditworthiness, results and profitability. As a result, the initial trading prices of our Class B Shares and GDSs may not be indicative of future trading prices.

Risks Related to the Merger

Telecom may fail to integrate its business with Cablevisión and, as a result, TEO may not realise all of the anticipated benefits of the Merger.

Telecom and Cablevisión entered into the Preliminary Merger Agreement (as defined below) with the expectation that the Merger will result in various benefits, including, among other things, the ability to become a successful quadruple-play services provider in Argentina. The success of the Merger will depend, in part, on the ability of TEO to realise such anticipated benefits from combining the businesses of Telecom and Cablevisión and certain regulatory changes in the telecommunications sector that are scheduled to begin in January 2018. The anticipated benefits and cost savings of the Merger may not be realised fully, or at all, or may take longer to realise than expected. Failure to achieve anticipated benefits could result in increased costs and decreases in the amounts of expected revenues or results of TEO.

Telecom and Cablevisión have operated independently and continue to work on an integration plan for the combined business going forward. It is possible that the integration process could result in the loss of key employees, the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures or policies that adversely affect TEO's ability to maintain a relationship with customers and employees or to achieve the anticipated benefits of the Merger.

Although the Merger qualifies as a tax-free reorganisation under Argentine law, we can provide no assurances as to the tax treatment that the Argentine tax authorities will give the Merger.

Although TEO expects that all requirements for the merger to qualify as a tax-free reorganisation will be met, in accordance with Section 77 et seq. of the Argentine Income Tax Law, no assurances can be given as to the tax treatment that Argentine tax authorities will give to the Merger and whether and when those requirements will be met. If the Merger is recognised by the Argentine tax authorities as a tax-free reorganisation under Argentine law, no Argentine capital gains or withholding tax would apply to investors receiving Telecom shares in the Merger.

If the Merger does not qualify as a tax-free reorganisation, each transfer of assets and liabilities to Telecom caused by the Merger shall be subject to tax in accordance with the respective applicable law and we may be required to revise Cablevisión's and Telecom's tax return filings in order to reflect the fact that the proposed Merger would not be tax-free, which may have an adverse impact on TEO's financial condition and results of operations.

SELECTED FINANCIAL INFORMATION

Insofar as its investment in TEO accounts for substantially all of the Company's assets, this Prospectus includes Cablevisión's and Telecom's Financial Statements under Annexes B and C respectively, which have been prepared on a consolidated basis and represent the historical operations of Cablevisión and Telecom. Cablevisión's and Telecom's Financial Statements included in this Prospectus have been reproduced without modification.

The Company and TEO are Argentine companies subject to the laws of Argentina. CVH's Audited Interim Financial Statements, Cablevisión's Financial Statements and Telecom's Financial Statements are presented in Pesos. The Financial Statements have been prepared and presented in accordance with IFRS as issued by the IASB.

The Company's selected financial information as of 30 September 2017 and for the five-month period beginning 1 May 2017 and ended 30 September 2017, was extracted from, and should be read in conjunction with, CVH's Audited Interim Financial Statements and related notes (included under Annex A to this Prospectus), and the information under "Presentation of Financial and Other Information" and "Operating and Financial Review" included elsewhere in this Prospectus.

	For the five-month period beginning 1 May 2017 and ended 30 September 2017 (in millions of Pesos)⁽¹⁾
Statement of Comprehensive Income Data:	
Revenues	17,225
Cost of sales	(7,937)
Gross income	9,288
Selling expenses	(2,639)
Administrative expenses	(1,946)
Other income and expenses, net	0.4
Financial costs	(1,152)
Other financial income and expenses, net	(460)
Financial results	(1,612)
Equity associates in earnings from	63
Net income before income tax	3,155
Income tax	(1,114)
Net income for the year/period	2,041
Balance Sheet Data:	

Non-current assets		27,034
Current assets		18,132
Total assets		45,165
Non-current liabilities		23,639
Current liabilities		8,046
Total liabilities		31,685
Total equity	shareholders'	13,480

(1) Includes amortisation of intangible assets and depreciation of property, plant and equipment of Ps. 1,597 million.

Cablevisión's selected financial information as of and for the years ended 31 December 2016, 2015 and 2014 and as of and for the nine-month period ended 30 September 2017 and 2016, was extracted from, and should be read in conjunction with, Cablevisión's Financial Statements and related notes, and the information under "Presentation of Financial and Other Information" and "Operating and Financial Review" included elsewhere in this Prospectus.

	For the year ended 31 December			For the nine-month period ended 30 September,	
	2016	2015	2014	2017	2016
	(in millions of Pesos)				
Statement of Comprehensive Income Data:					
Revenues	30,571	20,125	14,226	29,778	22,237
Cost of sales ⁽¹⁾	(14,190)	(9,244)	(7,233)	(13,578)	(10,130)
Gross income	16,381	10,881	6,993	16,200	12,108
Selling expenses ⁽¹⁾	(4,398)	(2,525)	(1,803)	(4,430)	(3,062)
Administrative expenses ⁽¹⁾	(3,641)	(2,628)	(1,728)	(3,347)	(2,581)
Other income and expenses, net	(11)	2	8	11	(2)
Results of acquisition of associates	114	-	-	-	114
Financial costs	(2,597)	(2,785)	(1,546)	(1,287)	(2,033)
Other financial income and expenses, net	222	(28)	(61)	(302)	182
Financial results	(2,374)	(2,813)	(1,607)	(1,589)	(1,851)
Equity in earnings from associates	131	505	58	116	100
Net income before income tax	6,202	3,422	1,922	6,961	4,825
Income tax	(2,095)	(909)	(597)	(2,405)	(1,581)
Net income for the year/period	4,107	2,513	1,325	4,556	3,244

(1) Includes amortisation of intangible assets and depreciation of property, plant and equipment of Ps. 2,840 million and Ps. 1,713 million for the nine-month period ended at 30 September 2017 and 30 September 2016, respectively, and of Ps. 2,588 million, Ps. 1,566 million and Ps. 1,231 million in aggregate fiscal years 31 December 2016, 2015 and 2014, respectively.

	As of 31 December			As of 30 September,
	2016	2015	2014	2017
	(in millions of Pesos)			
Balance Sheet Data:				
Non-current assets	23,113	15,072	10,038	27,466

Current assets				
.....	5,822	4,436	3,337	6,095
Total assets				
.....	<u>28,935</u>	<u>19,509</u>	<u>13,375</u>	<u>33,560</u>
Non-current liabilities				
.....	10,024	4,294	3,177	10,869
Current liabilities				
.....	7,203	6,489	3,692	7,881
Total liabilities				
.....	<u>17,227</u>	<u>10,783</u>	<u>6,869</u>	<u>18,777</u>
Total shareholders' equity				
.....	<u>11,708</u>	<u>8,726</u>	<u>6,506</u>	<u>14,784</u>

Selected Operating Data and Financial Data (excluding Nextel):

	For the year ended 31 December			For the nine-month period ended 30 September	
	2016	2015	2014	2017	2016
	(in millions of Pesos) ⁽¹⁾			(in millions of Pesos)	
Active Customer Relationships ⁽²⁾ . Cable Television Subscribers ⁽³⁾	3.91	3.87	3.79	3.92	3.92
.....	90%	91%	92%	90%	90%
Broadband Customers ⁽³⁾	56%	53%	48%	59%	55%
ARPU (excluding Nextel)	566	420	300	766	547
Churn Ratio:					
Cable TV ⁽³⁾	13.8%	12.6%	13.6%	14.7%	13.6%
Broadband ⁽³⁾	16.2%	15.6%	16.3%	17.1%	15.8%

(1) Except for ARPU, which is in Pesos, and percentages and ratios.

(2) Figures in millions.

(3) Subscribers as a percentage of total active customer relationships.

Telecom's selected financial information as of and for the years ended 31 December 2016, 2015 and 2014 and as of and for the nine-month period ended 30 September 2017 and 2016, was extracted from, and should be read in conjunction with, Telecom's Financial Statements and related notes, and the information under "Presentation of Financial and Other Information" and "Operating and Financial Review" included elsewhere in this Prospectus.

	For the year ended 31 December		
	2016	2015	2014
	(in millions of Pesos)		
INCOME STATEMENT DATA:			
Total revenues and other income	53,323	40,540	33,388
Operating expenses (without depreciation and amortisation)	(38,899)	(29,674)	(24,686)
Operating expenses - depreciation and amortisation	(6,198)	(4,438)	(3,243)
Gain /(Loss) on disposal of PP&E and impairment of PP&E	(383)	(199)	(16)
Operating income	7,843	6,229	5,443
Other, net ⁽¹⁾	(2,244)	(1,102)	253
Income tax expense	(1,594)	(1,692)	(1,967)

Net income	4,005	3,435	3,729
Other Comprehensive Income, net of tax	263	257	243
Total Comprehensive Income	4,268	3,692	3,972
Total Comprehensive Income attributable to Telecom Argentina	4,142	3,580	3,837
Total Comprehensive Income attributable to Non-controlling Interest	126	112	135
Number of shares outstanding at year-end (in millions of shares) ⁽²⁾	969	969	969
Net income per share (basic and diluted) ⁽³⁾	4.10	3.51	3.79
Net income per ADS ⁽⁴⁾	20.51	17.56	18.95
Dividends per share ⁽⁵⁾	2.06	0.83	1.24
Dividends per ADS ⁽⁶⁾	10.32	4.15	6.20

(1) Other, net includes Finance income and expenses.

(2) Number of ordinary shares outstanding at year-end (as of 31 December 2016, 2015 and 2014 excludes treasury shares).

(3) Calculated based on the weighted average number of ordinary shares outstanding during each period (969,159,605 ordinary shares for the years 2016, 2015 and 2014).

(4) Calculated based on the equivalent in ADSs to the weighted average number of ordinary shares outstanding during each period (193,831,921 ADSs for the years 2016, 2015 and 2014).

(5) Dividends per share translated into U.S. dollars amounts to US\$0.14; US\$0.09; US\$0.15; as of 31 December 2016, 2015 and 2014, respectively. The translation into US Dollar was made using the ask rate published by the Banco de la Nación Argentina (National Bank of Argentina) prevailing as of the date when dividends were available to Telecom's shareholders.

(6) Dividends per ADS translated into U.S. dollars amounts to US\$0.70; US\$0.46; and US\$0.75; as of 31 December 2016, 2015 and 2014, respectively. The translation into US Dollar was made using the ask rate published by the Banco de la Nación Argentina (National Bank of Argentina) prevailing as of the date when dividends were available to Telecom Argentina's shareholders.

	For the year ended 31 December		
	2016	2015	2014
	(in millions of Pesos)		
BALANCE SHEET DATA:			
Current assets	15,562	11,492	6,393
PP&E and intangible assets	30,757	25,622	19,140

Other non-current assets	1,595	1,351	784
Total assets	47,914	38,465	26,317
Current liabilities	16,511	16,914	9,097
Non-current liabilities	11,525	3,941	2,451
Total liabilities	28,036	20,855	11,548
Total equity	19,878	17,610	14,769
Equity attributable to Telecom Argentina	19,336	17,194	14,418
Non-controlling Interest	542	416	351
Total (7)	984	984	984

(7) Ordinary shares of P\$1 of nominal value each.

The table below includes Telecom's key unaudited financial information as of and for the nine-month period ended 30 September 2017 and 2016, respectively.

	For the nine months ended 30 September	
	2017	2016
	(in millions of Pesos)	
INCOME STATEMENT DATA:		
Revenues	47,263	38,818
Other income	61	36
Operating costs without depreciation and amortisation	(33,078)	(28,644)
Operating income before depreciation and amortisation	14,246	10,210
Depreciation and amortisation	(5,133)	(4,485)
Disposal and impairment of PP&E	(95)	(202)
Operating income	9,018	5,523
Financial results, net	(276)	(1,682)
Income before income tax expense	8,742	3,841
Income tax expense	(3,047)	(1,346)
Net income	5,695	2,495
Attributable to:		
Telecom Argentina (Controlling Company)	5,641	2,471
Non-controlling interest	54	24
	5,695	2,495
Basic and diluted earnings per share attributable to Telecom Argentina (in pesos)	5.82	2.55

	For the nine months ended 30 September	
	2017	2016
	(in millions of Pesos)	
BALANCE SHEET DATA:		
Current assets	19,125	12,398
Non-current assets	38,910	30,597
Total assets	58,035	42,995
Current liabilities	20,515	21,563
Non-current liabilities	11,771	3,053
Total liabilities	32,286	24,616
Equity attributable to Telecom Argentina (Controlling Company)	25,063	17,843
Equity attributable non-controlling interest	686	536
Total Equity	25,749	18,379
Total liabilities and equity	58,035	42,995

Merger Accounting Treatment

The Merger will be accounted for using the acquisition method, as outlined by IFRS 3. IFRS 3 requires, in a business combination effected through an exchange of equity interests, all relevant facts and circumstances to be considered when identifying the acquirer. Based on the terms of the Final Merger Agreement, Cablevisión (the legally absorbed entity) is to be considered the accounting acquirer and Telecom (the surviving entity) is to be considered the accounting acquiree, which qualifies the transaction as a “reverse acquisition” in accordance with IFRS. The factors that were relied upon to determine that Cablevisión should be treated as the accounting acquirer in the Merger were (1) the relative voting rights in the surviving entity (55% for the current shareholders of Cablevisión and 45% for the current shareholders of Telecom), (2) the composition of the board of directors in the surviving entity and other committees (audit, supervisory and executive), (3) the relative fair value assigned to Cablevisión and Telecom and (4) the composition of senior management of the surviving entity. Accordingly, the assets and liabilities of Cablevisión will be recognised and measured in the consolidated financial statements at their pre-Merger carrying amounts, while the identifiable assets and liabilities of Telecom will be recognised at fair value at acquisition date. Goodwill resulting from the application of the acquisition method will be measured as the excess of the fair value of the consideration paid over the net fair value of Telecom’s identifiable assets and liabilities.

THE ADMISSION

The Company Cablevisión Holding S.A., a *sociedad anónima* existing and organised under the laws of Argentina.

The Admission Up to 121,106,082 Class B Shares in the form of GDSs.

GDS Closing Date On 31 August 2017.

Class B Shares Shares of class B common stock of the Company, were issued in book entry form with a nominal value of one (1) Peso per share and one (1) vote per share, and with rights to dividends equal to those of the outstanding shares of the Company.

GDSs Each GDS represents one Class B Share. The GDSs were issued and delivered by the Depositary pursuant to the Deposit Agreement (as defined herein). The GDSs are evidenced by the GDRs. See "Terms and Conditions of the Global Depositary Shares." GDSs representing up to 121,106,082 Class B Shares were initially created for the purpose of the admission of the Class B Shares. Pursuant to the Deposit Agreement, the Class B Shares are held by Banco Santander Río S.A., as Custodian, for the account of the Depositary and for the benefit of holders and beneficial owners of GDSs.

Except in limited circumstances, certificated GDRs will not be issued to holders in exchange for interests in the GDSs represented by the GDRs recorded on the Direct Registration System. See "Terms and Conditions of the Global Depositary Shares."

Depositary JPMorgan Chase Bank N.A.

Voting Rights The Class B Shares are subject to applicable provisions of Argentine Corporations Law and the Bylaws. The exercise of votes by the holders of GDSs will be effected through the Depositary pursuant to the terms of the Deposit Agreement.

Existing Shareholders The following table summarises the percentage of our outstanding Class B Shares that are held by our existing shareholders:

Shareholder	Number of Shares	Percentage of Class
ELHN - Grupo Clarín New York Trust	48,008,436	39.6%
HHM - Grupo Clarín New York Trust	21,056,531	17.4%
LRP - Grupo Clarín New York Trust	5,926,059	4.9%
Mr. José Antonio Aranda	5,307,789	5.2%
Float	35,668,673	33.7%

Dividend Policy Cablevisión Holding does not have, and has no current plan to establish, a formal dividend policy governing the amount and payment of dividends or other distributions. According to the bylaws and the Argentine Corporations Law, Cablevisión Holding may

make one or more declarations of dividends with respect to any single fiscal year, including advance dividend payments under Article 224 second paragraph of the Argentine Corporations Law, out of Cablevisión Holding's distributable net income (*utilidades realizadas y líquidas*) as reflected in Cablevisión Holding's consolidated balance sheet prepared in accordance with IFRS and CNV regulations as of the last day of such fiscal year, or in consolidated special or interim balance sheets in the case of advanced or provisional dividends, provided that any such dividends would be payable ratably to all holders of Cablevisión Holding's shares of common stock as of the relevant record date.

Cablevisión Holding conducts all of its operations through subsidiaries and, accordingly, Cablevisión Holding's main source of cash to pay dividends are the dividends received from its subsidiaries. As a holding company, Cablevisión Holding's ability to pay dividends and obtain financing depends on the results of operations and financial condition of its subsidiaries and could be restricted by legal, contractual or other limitations binding upon those subsidiaries. See "Risk Factors—Risks Related to Our Controlling Shareholder and Capital Structure—The failure or inability of our subsidiaries to pay dividends or other distributions may adversely affect us and our ability to pay dividends to holders of shares" and "Risk Factors—Risks Related to Argentina—Changes in the Argentine tax laws may adversely affect the tax treatment of our Class B Shares and/or the GDSs."

Under applicable CNV regulations, cash dividends must be paid to shareholders within 30 days of the shareholders' meeting approving such dividends. In the case of stock dividends, shares are required to be delivered within three months of our receipt of notice of the authorisation of the CNV for the public offering of the shares so issued. The statute of limitations to the right of any shareholder to receive dividends declared by the shareholders' meeting is two (2) years from the date in which they have been made available to the shareholder.

Holders of GDSs will be entitled to receive any dividends payable in respect of our underlying Class B Shares under the terms and conditions of the Deposit Agreement. See "Terms and Conditions of the Global Depositary Shares."

Share Capital Following the Split Up and the admission of the Class B Shares

As a result of the Split Up, Cablevisión Holding has a capital stock of Ps. 180,642,580, which as of the date of this Prospectus, is represented by 47,753,621 Class A registered non-endorsable common shares with nominal value of Ps. 1 each and entitled to 5 votes per share, 121,106,082 Class B book-entry shares with nominal value of Ps. 1 each and entitled to 1 vote per share, and 11,782,877 Class C registered non-endorsable common shares with nominal value of Ps. 1 each and entitled to 1 vote per share. Our 121,106,082 Class B Shares include 1,578 Class B Shares of Treasury Stock.

Split Ratio

According to the Split Ratio approved by Grupo Clarín's shareholders on the Approval Date, with respect to the aggregate amount of Grupo Clarín shares per class owned by the Grupo Clarín shareholders as of the Share Record Date, such shareholders:

- (i) retained 37.15% in shares of Grupo Clarín (post-Escisión), and
- (ii) received 62.85% in shares of Cablevisión Holding.

Shares issued by Cablevisión Holding in favour of the shareholders of Grupo Clarín

As a result of the above description of the capital stock of Cablevisión Holding, we have issued, in each case based on the Split Ratio established above: (a) in favour of the holders of class A shares of Grupo Clarín, 47,753,621 Class A registered non-endorsable common shares with nominal value of Ps. 1 each and entitled to 5 votes per share of Cablevisión Holding; (b) in favour of the holders of GCSA Class B Shares, 117,077,867 Class B book-entry shares with nominal value of Ps. 1 each and entitled to 1 vote per share of Cablevisión Holding; and (c) in favour of the holders of class C shares of Grupo Clarín, 15,811,092 Class C registered non-endorsable common shares with nominal value of Ps. 1 each and entitled to 1 vote per share of Cablevisión Holding. However, as of the date of this Prospectus, our capital stock is represented by 47,753,621 Class A registered non-endorsable common shares with nominal value of Ps. 1 each and entitled to 5 votes per share, 121,106,082 Class B book-entry shares with nominal value of Ps. 1 each and entitled to 1 vote per share, and 11,782,877 Class C registered non-endorsable common shares with nominal value of Ps. 1 each and entitled to 1 vote per share. Our 121,106,082 Class B Shares include 1,578 Class B Shares of Treasury Stock.

Certification of the Split Ratio

Price Waterhouse & Co S.R.L. ("PwC Argentina"), as Grupo Clarín's external auditors, has been entrusted by the Board of Directors of Grupo Clarín with the certification of the terms and conditions of the Split Ratio.

Opinion of Grupo Clarín's Audit Committee

Grupo Clarín's Audit Committee, at its meeting held on 16 August 2016, taking into consideration, among other things, the certification issued by PwC Argentina, stated that it had no objection to the terms and conditions of the proposed transaction.

Reasons for the Split Up

The primary purposes of the Split Up were:

- to promote the specialisation of Grupo Clarín's existing portfolio;
- to allow each of Grupo Clarín and Cablevisión Holding to tailor its growth strategies and objectives based on the demands of each particular market, distinct industry and market risk, organisational process and capital structure; and
- to improve the competitive position of each company.

Corporate Authorisations

The Split Up which resulted in the creation of Cablevisión Holding was approved on the Approval Date, by the vote of the shareholders of Grupo Clarín at an extraordinary shareholders' meeting.

Split Up Effective Date

1 May 2017.

Taxation	For a discussion of certain U.S. federal income tax, U.K. tax and Argentine tax consequences of purchasing and holding the Class B Shares or GDSs, see “Taxation.”
Listing and Trading	Application will be made, or was made, as applicable, (i) to the Financial Conduct Authority for a block listing of up to 121,106,082 GDSs, (ii) to the London Stock Exchange for such GDSs to be admitted to trading on the Regulated Market of the London Stock Exchange through the regulated market segment of the International Order Book (the “IOB”) and (iii) to the BYMA for the listing of all Class B and Class C Shares of the Company with an authorisation to trade Class B Shares of the Company. The trading through the BYMA commenced on 30 August 2017 and trading through the IOB will commence on or about 21 February 2018.
Settlement	Application was made to have the ownership of the GDRs recorded on the Direct Registration System of DTC. Delivery of the GDSs was made through the facilities of DTC on 31 August 2017. Upon acceptance by DTC, a single GDR was issued to DTC and recorded on the Direct Registration System. Except in limited circumstances described herein, investors may hold beneficial interests in the GDSs evidenced by the GDR only through DTC.
Clearance and Security Numbers	<p>The security identification numbers for the GDSs are as follows:</p> <p style="padding-left: 40px;">CUSIP: 12687E 104 ISIN: US12687E1047 Common Code: 167465978 LSE trading symbol: “CVH”</p> <p>The security identification numbers for the Class B Shares is as follows:</p> <p style="padding-left: 40px;">BCBA trading symbol: “CVH”</p>
Transfer Restrictions	There are no transfer restrictions applicable to the GDSs under the Securities Act. See “Transfer Restrictions” for a detailed description of the restrictions on transfers of the GDSs and the Class B Shares in certain jurisdictions.
Risk Factors	Prospective investors should consider carefully certain risks discussed under “Risk Factors.”
Tender offer regime	<p><i>Optional mandatory tender offer regime in the case of a change in control</i></p> <p><i>Mandatory tender offer or exchange in Argentina.</i> As of the date of this Prospectus, we are subject to the mandatory tender offer rules set forth in the Argentine Capital Markets Law and in the regulations issued by the CNV. These rules provide that in certain circumstances a mandatory tender offer (“OPA”) with respect to some or all of our outstanding shares must be launched. The circumstances include situations in which anyone intends to purchase, either directly or indirectly, for cash, either individually or collectively, either in one act or in a series of successive acts during a period of 90 consecutive days, a number of voting shares, subscription rights or stock options, convertible negotiable securities or similar securities which together with that person’s existing holdings could, directly or indirectly, entitle such person to</p>

subscribe, purchase or convert voting shares, shares entitled to or that once exercised grant the right to a “significant share” in the voting capital stock of a publicly traded company.

In such circumstances, the OPA must be launched by the prospective purchaser within 10 days of having made the decision to participate in such purchase.

The obligation to launch an OPA is not applicable in cases where the acquisition would not trigger a change of control of the company. It also does not apply in cases where there is a change of control as a consequence of a corporate reorganisation or as a consequence of mere redistributions of shares among companies of the same group.

Concept of a “Significant Share”

CNV Regulation No. 689 issued on 25 April 2017 (“Regulation 689”) establishes that, for purposes of article 87 of the Argentine Capital Markets Law, a “Significant Share” shall mean (i) the acquisition of at least 35% of the voting stock of a legal entity or (ii) the acquisition of at least 50% of the voting stock of a legal entity. The duty to launch an OPA with respect to part or all of the outstanding shares of the target will depend on the percentage of the voting capital stock to be acquired. CNV Regulations provide for the following duties relating to the OPA:

- If the goal is to acquire a holding equal to or greater than 35% of the voting capital stock or of the company votes, the offer must be made for a number of securities that would enable the purchaser to acquire at least 50% of the voting capital stock of the affected company, provided that no OPA must be launched, if the purchase would not result in a change of control.
- If an entity already has a holding equal to or greater than 35% of the voting capital stock or the votes of the company, but less than 50% of such rights, and the intention is to increase such shareholding in target’s capital stock at least 6% during a 12-/month period, the offer shall be made on the number of securities representing at least 10% of the voting capital stock of the target.
- If the Purchaser seeks to acquire a holding equal to or greater than 51% of the voting capital stock or the votes of the target, the offer shall be made for the number of securities that would enable the purchaser to obtain 100% of the voting capital stock of the affected company.

Determination of the price of the OPA in the case of a change in control

The price shall be determined by the offeror with the following exceptions:

- If the purchaser has purchased other securities related to the offering within the 90 days prior to the announcement

of the offer, the price cannot be lower than the highest price the purchaser paid in such transactions.

- If the purchaser has obtained firm sale commitments from the controlling shareholder or other shareholders entitled to take part in the public offering, the price cannot be lower than the price provided for in such commitments

In order to determine the price, the purchaser shall also consider the following criteria, according to the CNV Rules: (i) book value of the shares; (ii) valuation of the target company according to discounted cash flows (DCF) or other applicable valuation criteria applicable to comparable business; and (iii) average price of the shares for the last six months before the “offer.” Based on certain interpretations of the Argentine Capital Markets Law and the CNV Rules, there is no certainty as to whether the average price of the shares for the last six months before the “offer” should be considered as a minimum price. The price could be challenged by both the CNV and any offeree shareholder.

Penalties

Without prejudice to the penalties established by the CNV, the Argentine Capital Markets Law provides that purchases in violation of such regime will be declared irregular and ineffective for administrative purposes by the CNV and cause the auction of the shares acquired in violation of the applicable regulation, without prejudice to the penalties that may correspond.

Tender offer regime in the case of a voluntary withdrawal from the public offering and listing system in Argentina.

Determination of the price of the OPA in the case of a voluntary withdrawal from the public offering and listing system in Argentina. The price offered should be an equitable price, as such, one must consider the following relevant criteria:

- The equity value of the shares, taking into account a special financial statement for the withdrawal from the public offering system or listing.
- The value of the company, in accordance with discounted cash flow criteria and ratios applicable to comparable businesses or companies.
- The company's liquidation value.
- Average quotation prices on the stock exchange where the shares are listed during the six month period immediately preceding the withdrawal application, regardless of the number of sessions necessary for such negotiation.
- The consideration offered before, or the placement of the new shares, in the event that a public offering has been made with regard to the same shares or if new shares have been issued, if applicable, during the last year, to be counted as of the date of the agreement for the withdrawal application.

Under no circumstances can the price offered be lower than the price indicated in the fourth bullet above.

Jurisdiction

The Deposit Agreement and the GDRs shall be governed by and construed in accordance with the laws of the State of New York. In the Deposit Agreement, the Company has submitted to the jurisdiction of any state or federal court in the Borough of Manhattan, New York, New York, and appointed an agent for service of process on its behalf.

By holding a GDS or an interest therein, registered holders of GDRs and owners of GDSs each irrevocably agree that any dispute, controversy or cause of action against or involving the Company and/or the Depositary arising out of or based upon the Deposit Agreement, the GDSs or any transaction contemplated therein or thereby, may only be instituted in any state or federal court in the Borough of Manhattan, New York, New York, and each irrevocably waives any objection which it may have to the laying of venue of any such proceeding, and irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action or proceeding.

BUSINESS DESCRIPTION

Our Company

We are an Argentine holding company. As a result of the Merger, substantially all of our assets consist of our ownership interest in our subsidiary, TEO. TEO expects to provide “quadruple play” services, combining the provision of fixed and mobile telecommunications services as well as pay television and Internet services, pursuant to a new regulatory framework that came into effect in January 2018.

The Cablevisión Business

Prior to the Merger, Cablevisión grew to become the largest operator of cable television services and data cable transmission systems in Argentina and one of the largest providers of cable services in Latin America in terms of subscribers. The Cablevisión Business engages in the installation, operation and development of cable television and data cable transmission services. It is the largest MSO in Argentina and Latin America in terms of subscribers. An MSO is a company that owns multiple cable systems in different locations under the control and management of a single, common organisation.

Cablevisión operates in some of the most populated regions of Argentina and Uruguay, including the City of Buenos Aires and the provinces of Buenos Aires, Santa Fe, Entre Ríos, Córdoba, Corrientes, Formosa, Misiones, Salta, Chaco, Neuquén and Río Negro, among others. See “Business Description—Cablevisión’s Networks and Operating Region.”

As of 30 September 2017, Cablevisión had 3.92 million “*clientes únicos*” or active customer relationships, of which 59% received broadband services, 90% received cable services and 48% received both services. As of 30 September 2017, Cablevisión also had 556,000 mobile post-paid customers. Cablevisión’s customer base grew by 3% during the last three years, while ARPU (in Pesos) increased by 161% during the same period. Cablevisión operates under the brands Cablevisión, Fibertel, FiberCorp and Nextel.

We believe Cablevisión’s cable networks are the most technologically advanced in Argentina and Uruguay. As of 30 September 2017, its networks passed through approximately 7.9 million homes in Argentina and Uruguay (homes are considered passed through if Cablevisión can connect them to its distribution system without further extending the transmission lines). Cablevisión can deliver a two-way bandwidth capacity of more than 750 MHz to approximately 79% of the homes passed through by its networks, reaching approximately 6.2 million homes. Through these networks, Cablevisión offers not only cable services and broadband services but also additional revenue-generating services and products, such as premium services and pay-per-view, as well as high-speed data transmission and Internet access using two-way high-speed cable modems. As of 31 December 2016, Cablevisión served more than 39% of the Argentine pay television market and more than 30% of the Argentine Internet broadband market, in each case in terms of the number of subscribers.

The Telecom Business

Telecom is one of the largest private-sector companies in Argentina in terms of revenues, net income, capital expenditures and number of employees. Telecom Argentina has a non-expiring licence (the “Licence”) to provide fixed-line telecommunications services in Argentina, and it also provides other telephone-related services such as international long-distance service, data transmission, IT solutions outsourcing and Internet services. Through our subsidiaries, we also provide mobile telecommunications services and international wholesale services.

At Telecom’s Ordinary and Extraordinary Shareholders’ Meeting held on 22 June 2015, the shareholders approved amendments to Telecom’s corporate purpose to include the provision of Audiovisual Communication Services. Telecom obtained authorisation for the amendments from the telecommunications regulator at that time (*Autoridad Federal de Tecnologías de la Información y de las Comunicaciones* or “AFTIC”), the CNV and the General Agency of Corporations (*Inspección General de Justicia* or “IGJ”). IGJ registered the amendment to Telecom’s bylaws on 26 September 2015. In addition, at Telecom Personal S.A.’s (“Personal”) Extraordinary Shareholders’ Meeting held on 26 November 2015, the shareholders also approved amendments to Personal’s corporate purpose to

include the provision of Audiovisual Communication Services. The amendment to Personal's bylaws was registered by IGJ on 25 January 2016.

As of 31 December 2016, Telecom had approximately 4 million fixed lines in service. This is equivalent to approximately 19 lines in service per 100 inhabitants in the Northern Region of Argentina and 360 lines in service per employee.

As of 31 December 2016, Telecom's Internet business reached approximately 1.7 million Accesses and Telecom's mobile business had approximately 19.5 million subscribers in Argentina and approximately 2.5 million subscribers in Paraguay.

Our History

We were established pursuant to a procedure under Argentine corporate law called *Escisión*, which split up the cable television, internet and mobile businesses of Grupo Clarín, the largest media conglomerate in Argentina. See "Information Relating to the Split Up or *Escisión*."

Cablevisión Holding S.A. is a *sociedad anónima* organised under the laws of Argentina with its principal executive offices at Tacuarí 1842 (1139), 4th floor Buenos Aires, Argentina. Our telephone number is (5411) 4309-3417. Our website is www.cablevisionholding.com.

We were incorporated on 28 September 2016, for a term of 99 years and our by-laws were registered with the IGJ on 27 April 2017 under No. 7925, Book 83, Volume "—" of corporations.

Cablevisión is a *sociedad anónima* organised under the laws of Argentina. It was incorporated on 5 April 1979, for a term of 99 years (the maximum term permitted by Argentine corporate law upon formation) and its by-laws were registered with the IGJ on 29 August 1979 under No. 2,719, Book 93, Volume "A" of corporations. Under Argentine law, Cablevisión's shareholders are entitled to extend this term before its termination.

Recent Acquisitions

On 11 September 2015, Cablevisión acquired 49% of the outstanding capital of Nextel Communications Argentina S.R.L. ("Nextel"). On 27 January 2016, Cablevisión, both directly and indirectly through some of its subsidiaries, completed the acquisition of the remaining 51% outstanding capital of Nextel.

On 3 March 2016, ENACOM approved Cablevisión's acquisition of a 100% stake in Nextel. On 12 April 2017, the CNDC approved Cablevisión's acquisition of Nextel.

Cablevisión acquired Nextel to further its strategy of entering into the Argentine mobile market and expanding its mobile services. By combining its fibre optic network with Nextel's network, Cablevisión can offer its customers fourth generation (4G) access, among other innovative mobile services. See "Operating and Financial Review—Factors Affecting our Results of Operations—Acquisition and Internal Growth."

On 6 March 2017, ENACOM approved Nextel's refarming project and authorised Nextel to exploit the required frequencies to provide advanced mobile communication services ("SCMA"). On 12 April 2017, Nextel and ENACOM entered into an agreement (the "ENACOM Agreement") setting forth the terms and conditions under which Nextel will provide SCMA. Pursuant to the ENACOM Agreement prior to providing SCMA, Nextel has to comply with certain obligations, that are currently being fulfilled by Nextel.

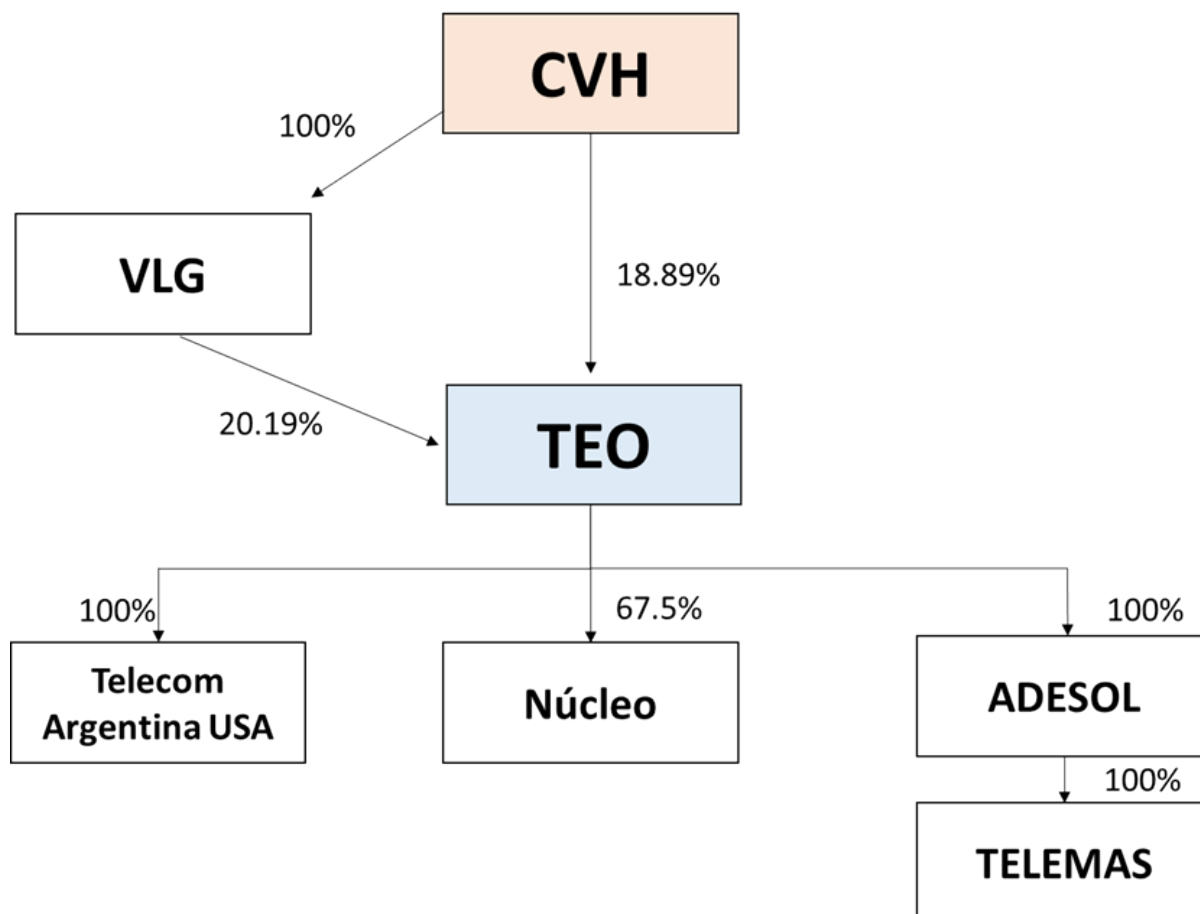
As of 30 September 2017, Nextel had 556,000 post-paid clients, 300,000 prepaid clients and approximately 1,000 transmission towers, of which around 300 are co-located with third-party mobile operators.

In June 2016, Cablevisión acquired Trixco S.A. ("Trixco"), a title holder of radio electric space in the 900 MHz frequency range. In addition, Nextel purchased Skyonline Argentina S.A. ("Skyonline"), Netizen S.A. ("Netizen"), Infotel S.A. ("Infotel") and Callbi S.A. ("Callbi"), which provide wireless telecommunication and radioelectric services in the 2.5 Ghz range.

Cablevisión completed all the steps required to absorb Nextel, Trixco, Skyonline, Netizen, Infotel and Callbi and filed the merger with the CNV for regulatory approval on 17 July 2017.

Corporate Structure

The chart set forth below shows our general consolidated corporate structure following the Merger.



Following the Merger, we own and have the power to vote (subject to certain limitations as set forth in the TEO Shareholders Agreement), directly and indirectly, 50% plus 2 shares of the total share capital and voting power of TEO as well as 100% of the share capital of VLG.

As a result of the Merger, Telecom increased its capital stock by 1,184,528,406 ordinary shares of common stock in the form of TEO class A shares and TEO class D shares, which were issued as consideration to the shareholders of Cablevisión in accordance with the terms of the Preliminary Merger Agreement.

The table below shows the most significant consolidated subsidiaries of TEO, as well as its percentage of direct and indirect interest in the capital stock and votes of each of such subsidiaries as of 31 December 2017:

Subsidiary of TEO	Country of Incorporation	Percentage in Share Capital and Votes (%)
Adesol S.A. ⁽¹⁾	Uruguay	100
Telemás S.A.....	Uruguay	100
Telecom Argentina USA Inc.	USA	100
Núcleo.....	Paraguay	67.5

- (1) Includes interests in special purpose entities, i.e. Audomar, Bersabel, Dolfycor, Reiford, Space Energy, Tracel and Visión Satelital.

The Cablevisión Business

Overview

We are present in Argentina through the Cablevisión Business, which offers a full range of cable television, internet and telecommunications services.

In 2015, Cablevisión's revenues totalled Ps. 20,125 million and its total assets were Ps. 19,509 million. In 2016, Cablevisión had revenues and total assets of Ps. 30,571 million and Ps. 28,935 million, respectively. Cablevisión's total ARPU totalled Ps. 420 and Ps. 566 for 2015 and 2016, respectively. For the nine-month period ended 30 September 2017 Cablevisión had revenues and total assets of Ps. 29,778 million and Ps. 33,560 million, respectively. Cablevisión's total ARPU totalled Ps. 566 and Ps. 766 for the year ended 31 December 2016 and the nine-month period ended 30 September 2017, respectively.

The Cablevisión Business provides services directly and through our consolidated subsidiaries to approximately 3,920,000 subscribers. We also hold minority interests in unconsolidated entities providing cable television services to approximately 283,000 subscribers in the aggregate. Unless otherwise specified, the Cablevisión Business' subscriber data included in this Prospectus does not include such subscribers.

The Cablevisión Business' Competitive Strengths

We believe the following strengths of the Cablevisión Business will allow it to execute its business strategy described below:

- **The Cablevisión Business benefits from its leading market positions.** The Cablevisión Business is the largest provider of cable television services in Argentina in terms of subscribers and accounts for approximately 30% of the Argentine Internet broadband segment of the expanding media and telecommunications market. In Argentina the cable television services had a penetration rate of approximately 79%, while broadband services had a penetration rate of 61%, in each case as of 31 December 2016.
 - The Cablevisión Business' leading position as the largest operator of cable and data cable transmission systems in Argentina and its solid cable customer base provides the Cablevisión Business with a competitive advantage over other providers. In addition, we believe that the Cablevisión Business' upgraded network provides it with a superior technological infrastructure for delivering triple-play services as a high-value offer to its customer base and, thus, continue to increase its broadband penetration through the offer of complementary services to its existing cable customers.
 - We believe that the Cablevisión Business' competitive pricing and the quality of its broadband service, as well as the superior speed of the Cablevisión Business' offerings, including through the cable modem technology offered by its Fibertel trademark, provide customers a superior value offer and differentiate the Cablevisión Business from its competitors.
 - The Cablevisión Business' cable television customer base represents a unique asset to which the Cablevisión Business can up- and cross-sell additional digital and broadband products and services. The Cablevisión Business' single and combined offering of digital television and broadband internet services, together with its established Fibertel brand, the current general trend towards digitalisation and its increased broadband penetration, offers the Cablevisión Business' the opportunity to sell additional services, including broadband, to its existing cable customer base. We believe that the Cablevisión Business has been successful in promoting the complimentary nature of its cable television and broadband services, thereby improving the marketability of its combined offer packages to existing and potential customers.

- **Extensive network and infrastructure provides the Cablevisión Business with a superior platform.** We believe that the size and reach of the Cablevisión Business' cable network positions it well in the media and telecommunications markets. We believe that the Cablevisión Business' cable networks are among the most technologically advanced in Argentina and Uruguay based on its infrastructure investments of US\$3 billion over the past ten years. Through the Cablevisión Business' networks it offers not only cable and internet access, but also additional revenue-generating services and products, such as premium services and pay-per-view. In addition, the Cablevisión Business' fibre optic systems have the advantage of greater capacity and reliability, resistance to electrical interference and cost reductions. These systems are capable of being quickly adapted to future technological developments, which strongly positions the Cablevisión Business to meet its customers' evolving needs and demand for technological advancements.
- **The Cablevisión Business has strong brand positioning and offers high-quality services.** We believe the Cablevisión Business is widely recognised by its customers for network reliability and high-quality customer care. This high level of brand recognition enables the Cablevisión Business to up-sell and cross-sell its innovative products and services, each of which requires the existence of a high level of trust from customers. Fibertel is also acknowledged by its customers for internet access reliability and high-quality service tailored to customers' growing needs, thereby, attracting a loyal clientele. The Cablevisión Business' Fibercorp brand is gaining increased recognition in the corporate business sector.
- **The Cablevisión Business' financial management is strong and conservative.** The Cablevisión Business has a proven track record of profitable growth and high operating cash flows while maintaining a low leverage. As a result, we believe the Cablevisión Business will be able to meet on-going and future additional capital expenditures needed to face increased competition and a changing regulatory environment in the telecommunications and mobile services industries.
- **Experienced management and committed shareholders.** The Cablevisión Business has a highly experienced management team with deep industry knowledge. Each member of the Cablevisión Business' senior management team has at least 10 years of relevant experience in the field. The Cablevisión Business' top management is supported by a broad base of experienced second-level managers. In addition, the Cablevisión Business has a proven track record of committing to the business and growth strategy plans developed by the Cablevisión Business' management.
- **Quadruple Play.** The Cablevisión Business' is one of the few participants in the Argentine market in a position to offer quadruple play. Moreover, we believe that the Cablevisión Business' strong position both as provider of cable television services as well as broadband will allow it to remain competitive against other market participants that may provide quadruple play services in the future.

The Cablevisión Business' Business Strategy

The Cablevisión Business' long-term business strategy focuses on the continued upgrading of its networks to improve the quality of the service provided to its customers and increase its broadband business penetration. The central elements of the Cablevisión Business' long-term strategy include:

- **Increase the Cablevisión Business' Internet bandwidth penetration and expand its Internet bandwidth services.**
 - The Cablevisión Business will seek to expand its broadband internet subscriber base by emphasising its bandwidth capabilities and compelling value offer. The Cablevisión Business intends to continue to provide and offer bandwidth connectivity to its existing cable television subscribers and to new customers, offering higher speeds and more value at competitive prices. The Cablevisión Business intends to increase the share of new broadband internet customers and add subscribers from its competitors by launching new products and services with faster speed options tailored to customers' evolving needs, such as the increasing demand for higher speed bandwidth at customers' homes.

- The Cablevisión Business will seek to preserve and enhance customer loyalty of its subscriber base by continuing to offer a high-quality bandwidth service with the best selection of speeds in the market at competitive prices through its Fibertel brand. The Cablevisión Business plans to continue upgrading its two-way coverage and, in addition, it has incorporated technology that allows for the addition of high-bandwidth data transfer to an existing cable television (CATV) system (known as Data Over Cable Service Interface Specification or Docsis 3.0) and is currently in the process of upgrading its network to 1Ghz.
- **Increase the Cablevisión Business' cable television penetration by offering digital TV and other premium digital cable services.** The Cablevisión Business seeks to grow its cable television subscriber base by providing innovative premium digital services. The Cablevisión Business' plans to continue up-selling premium digital cable services to its existing customer base and to provide innovative multimedia and entertainment service packages to existing and new customers in new areas. The Cablevisión Business has enhanced its TV product by introducing additional HD channels and premium subscription channels that it offers in packages. The Cablevisión Business seeks to make the greatest amount of content available to customers through the most diverse range of devices, enabling customers to access TV programming from any device at any time. By introducing an innovative "Over-The-Top" online platform, known as "Cablevisión Flow," the Cablevisión Business will seek to increase customer satisfaction and loyalty. This online platform service complements the Cablevisión Business' video-on-demand (VOD) legacy service through time shift TV services, integral searcher, personalised recommendation engine and cloud DVR, and provides its customers access to a broad library of content such as movies, shows and live sport events.
- **Pursue additional growth from the Cablevisión Business' mobile services and by expanding its Wi-Fi network.**
 - The Cablevisión Business intends to continue to facilitate internet connectivity "any time and anywhere" for its customers. In 2012, the Cablevisión Business launched "Fibertel Zone," the first Wi-Fi circuit in Argentina, through its fixed fibre optic networks. Users can access a Wi-Fi network free of cost at the best speeds available in bars, restaurants, movie theatres, gyms and parks, among other public spaces. The Cablevisión Business' network reached approximately 2,000 outside wireless access points in high-usage areas during 2016. The Cablevisión Business will continue to offer this service to both Fibertel's customers and non-customers, granting its customers certain additional benefits, such as faster speeds, priority in surfing and connection without time limit. The Cablevisión Business plans to make additional capital investments to increase the number of its Fibertel Zone wireless access points and offer customers and non-customers broader access to Wi-Fi Internet connection.
 - The Cablevisión Business plans to combine its fibre optic network with Nextel's network to offer customers fourth generation (4G) access, among other innovative mobile services.
- **Expand the Cablevisión Business corporate businesses and branding.** The Cablevisión Business will seek to continue developing its corporate businesses through its brand "FiberCorp," seizing the operational advantages of economies of scale created by the capabilities of the Cablevisión Business' fibre optic network, providing connectivity, cloud storage, virtualisation sharing, housing and hosting to the corporate sector.
- **Continue to seek opportunities for growth.** In addition to organic growth, we have expanded our business through acquisitions. If as a result of the change in the regulatory framework opportunities for consolidation in the telecommunications industry arise, we may consider opportunities that we believe may add value to our Shareholders and are compatible with our business strategy. See "Business Description—The Merger."
- **Maintain focus on operational excellence and emphasise customer service.** We believe that customer satisfaction is key to the development and growth of the Cablevisión Business brand. The Cablevisión Business continuously monitors its customers' perception of the quality of its services. The Cablevisión Business closely monitors key performance indicators to assess its operational processes, sales and marketing efficiency and the reliability of its infrastructure.

To enhance customer loyalty, the Cablevisión Business maintains training and development programmes for its sales force and call centre agents.

- **Targeted focus on individual customers.** The Cablevisión Business recognises that the various individual members of any household have a unique set of needs and preferences. As a result, the Cablevisión Business will continue to provide a tailored and targeted offering to its customers in their individual capacities, rather than focusing on household units in a generalised manner. Since single households may have multiple screens, the Cablevisión Business will seek to tailor its programming and services to meet the demands of each individual customer.
- **Maintaining and increasing our focus on innovation.** The Cablevisión Business' fibre optic systems in Argentina have the advantage of greater capacity and reliability, resistance to electrical interference and cost reductions. These systems can be readily adjusted to accommodate technological developments. The Cablevisión Business will continue to make investments in its systems and infrastructure, and commit resources to maintain its business on the cutting edge of technological advances and innovation.

The Cablevisión Business' Networks and Operating Region

The Cablevisión Business' principal activity is the operation of cable networks in the Buenos Aires Metropolitan Area, which includes the City of Buenos Aires and surrounding areas and which, together with the city of La Plata, form the "AMBA Region." The Cablevisión Business also operates in other cities within the provinces of Buenos Aires, Santa Fe, Entre Ríos, Córdoba, Corrientes, Formosa, Misiones, Salta, Chaco, Neuquén and Río Negro. As of 30 September 2017, The Cablevisión Business served approximately 3.5 million cable television customers and 2.3 million broadband customers, which were organised into four operational regions: the AMBA Region, the Province of Buenos Aires and Patagonia Region, the Central Region and the Litoral Region. As of 30 September 2017, The Cablevisión Business' network passed through approximately 7.9 million homes and extended to over approximately 50,900 kilometres, and its interurban fibre optic network passed through approximately 10,000 kilometres.

The following table shows data in respect of the Cablevisión Business' active customer relationships as of 30 September 2017 (excluding Nextel) and is based on information published by third parties and the Cablevisión Business' internally generated market information:

	Total	AMBA	Province of Buenos Aires and Patagonia	Center	Litoral	Uruguay
Active Customer Relationships ⁽¹⁾	3,919	1,704	986	543	542	144
Cable Customers ⁽²⁾	90%	88%	88%	89%	94%	100%
Broadband Customers ⁽²⁾	59%	71%	52%	55%	49%	N/A

(1) Figures in thousands.

(2) Customers as a percentage of total active customer relationships.

As of 30 September 2017, the Cablevisión Business' cable network passed through approximately 7.9 million homes. The Cablevisión Business can deliver a two-way network with a bandwidth capacity of more than 750 MHz to approximately 79% of the homes passed through its cable network and, in the AMBA Region, this percentage increases to 89% of the homes passed through its cable network. Through these networks, the Cablevisión Business offers additional revenue-generating services and products, such as premium services and pay-per-view, as well as high-speed data transmission and Internet access using two-way high-speed cable modems.

The AMBA Region includes cable systems deployed in the City of Buenos Aires and its surrounding metropolitan area. It is the region with the highest purchasing power in Argentina and is also the most densely populated. There are approximately 12.8 million inhabitants in the AMBA Region, representing approximately 33% of the total population of Argentina.

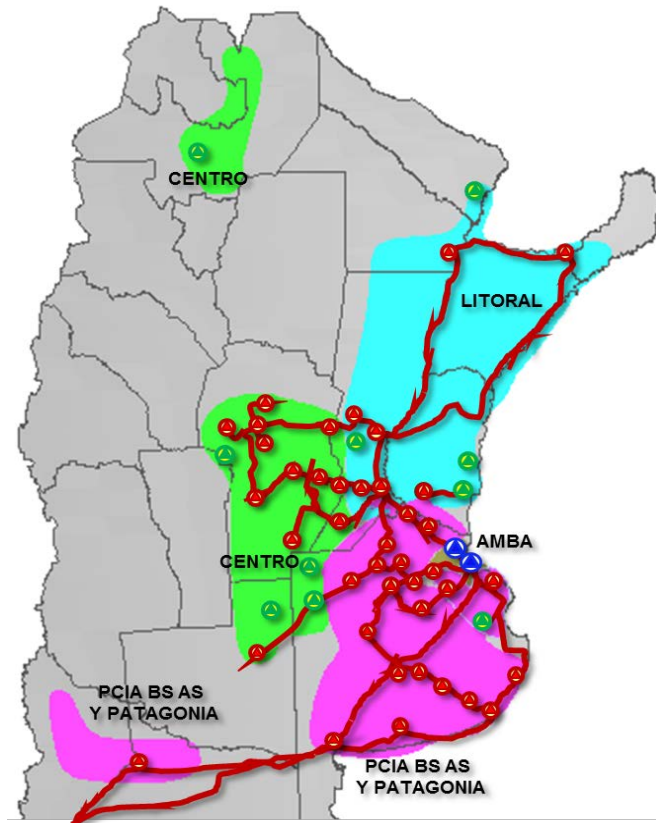
The Cablevisión Business' Province of Buenos Aires and Patagonia Region consists of five sub-regions: La Plata, Neuquén, Lincoln, Bahía Blanca and Mar del Plata, including 100 municipalities.

The Cablevisión Business' Central Region includes cable systems located in the provinces of Córdoba, La Pampa and Salta, including the cities of Córdoba, Río Cuarto, Villa María, Santa Rosa, Salta and San Francisco.

The Cablevisión Business' Litoral Region includes cable systems located in the Northeast region of Argentina, including the cities of Rosario and Santa Fe, in the province of Santa Fe; Paraná, in the province of Entre Ríos; Posadas, in the province of Misiones; Resistencia, in the province of Chaco, the city of Corrientes and other cities in the Province of Corrientes and the city of Formosa in the Province of Formosa.

Network Architecture

The following map sets forth The Cablevisión Business' network infrastructure and main coverage areas as of 30 September 2017.



Green circles represent the sky digital headends in airspace, blue circles represent main digital headends, red circles represent secondary digital headends and red lines represent fibre optic backbones.

The Cablevisión Business' network's trunk or backbone portion in the AMBA Region consists entirely of fibre optic cable. The Cablevisión Business built a fibre optic cable ring around the City of Buenos Aires that provides network redundancy (which is a method for ensuring network availability in the event of a network device or path failure resulting in unavailability) and improves network reliability. The Cablevisión Business has deployed a similar fibre optic network architecture in Córdoba and Salta, in the Central Region, and in the cities of Santa Fe, Paraná and Rosario in the Litoral Region.

Cable television and data signals are transmitted from the main headend—the control centre of the cable system, where incoming signals are amplified, converted, processed and combined for transmission to the customer—to the hubs that provide services to specific areas. Each hub concentrates and transmits the cable television and data signals it receives via fibre optic cable to optical nodes. At each node the signals are converted from optic to electric codes and are then re-transmitted via coaxial cable to a distribution node. From there, the signal is transmitted to the subscriber's domicile along a coaxial or "drop" cable.

The Cablevisión Business' cable networks outside of the areas described above are built with coaxial cable architecture. The Cablevisión Business intends to continue extending the fibre optic cable and other technological improvements that currently exist in the AMBA Region and the main cities of the other three regions, such as hybrid fibre coaxial technology, to other operational cities within such regions as part of its long-term plan to expand and improve its network capacity.

Main Products

The Cablevisión Business offers its cable and broadband customers a diverse range of products, including:

- *Cablevisión Clásico*: Cablevisión's basic, analogue cable television product;

- *Cablevisión Digital*: In addition to the basic grid included in *Cablevisión Clásico*, this option, which the Cablevisión Business provides through a digital decoder, gives cable subscribers access to radio and music channels, among others, and certain premium channels;
- *Cablevisión HD*: In addition to the options offered through *Cablevisión Digital*, subscribers to this product are provided a high definition decoder that grants them access to over 50 high definition channels;
- *Cablevisión On Demand*: Where available, this product allows subscribers to access the Cablevisión Business “On Demand” service that includes a variety of content including: (i) SVOD (where the subscriber is charged a monthly fee in order to access unlimited programmes), (ii) TVOD (where the subscriber is charged a fee based on the content it watches) and (iii) FVOD (free on demand services to the subscriber which generally include basic cable signals);
- *Broadband Products*: Subscribers gain access to the Cablevisión Business’ high-speed broadband services;
- *Fibertel Zone*: Users gain to access a Wi-Fi network free of cost outside their homes;
- *Cablevisión Flow*: The Cablevisión Business launched Cablevisión Flow (“Over-The-Top” services) on 8 November 2016. This product will enable its subscribers to view TV content on multiple types of devices such as smartphones, tablets and smart-TVs. Over time, Cablevisión Flow will replace Cablevisión Play; and
- *Fibercorp Products*: Fibercorp is Fibertel’s corporate business unit. Fibercorp provides telecommunication services to large, medium and small size companies through a wide communications network for the transfer of data, video and oral information, that enables it to provide internet access, infrastructure with dynamic connections, symmetric access and IP video security, among other products.

Programming and Other Cable Television Services

The Cablevisión Business invests significant resources to offer a wide variety of programming options in order to appeal to potential new subscribers and meet their needs. The Cablevisión Business’ revenues are derived primarily from monthly subscription fees for basic cable service and high-speed Internet access. To a lesser extent, the Cablevisión Business also derives revenues from connection fees and advertising and from fees for premium and pay-per-view programming services, digital packages, DVR, HD packages, video-on-demand services (VOD) and magazine distribution.

The Cablevisión Business purchases basic and premium programming from more than 50 signal providers, including, among others, ESPN SUR S.A., Imagen Digital S.A., HBO Latin America Group (“HBO”), Fox Latin America Channel S.R.L., LAPTIV, Tele Red Imagen Sociedad Anónima (“TRISA”), Pramer, Discovery Latin America (“Discovery”), as well as all broadcast television channels of Buenos Aires. The programming arrangements have an average duration of 24 to 36 months, and are primarily denominated in Pesos. The fees paid to signal providers under these arrangements are linked to the growth of the Cablevisión Business’ subscriber base and the fees it charges to its customers.

Premium Services

The Cablevisión Business’ customers are given the option to acquire premium additional packages not included in the basic package by paying an additional fee. These packages and services include channels in addition to those included in the basic package, provide exclusive content, and divide such content by movie genres, adult programmes and sports, or a combination of these categories. The monthly fees charged for premium services vary depending on the package subscribed to by the customer and the geographic and operational region in which the Cablevisión Business offers such service. Premium subscribers receive a free digital box that enables them to access this service and gives them the option to choose pay-per-view programmes.

Basic Digital Service

The Cablevisión Business offers the digital service in the AMBA Region and in the most important cities of Argentina in terms of size and wealth (such as Córdoba, Rosario, Santa Fe, among others). This service gives subscribers the option to increase the number of channels offered and includes an onscreen programming guide.

The Cablevisión Business' offers a package called the "Basic Digital Pack." Through this package, the Cablevisión Business' customers receive the following channels, among others: Al Jazeera, Allegro, America Sports, Antena 3, Arirang, Baby TV, BBC, Bloomberg, CNN International, Deutsche Welle, Discovery Civilization, Discovery Science, Discovery Turbo, DX TV, ESPN 3, ESPN Extra, Eurochannel, Euronews, Fox News, Fox Sports 2, Fox Sports 3, France 24, Glitz, History 2, HTV, Maschic, MTV Hits, Much Music, Mundo Fox, Natgeo Wild, NBA TV, Nick Jr., Paramount, Solo Tango, Sun Channel, SyFy, The Golf Channel, Tooncast, TV Chile, TV Galicia, TV 5, VH1, VH1 Megahits, WOBI TV. They also receive more than 50 additional audio channels, which give Cablevisión's customers access to radio signals such as Radio Mitre, Radio Rivadavia, Radio Disney, FM 100, as well as to opera, rock, tango and salsa music, among other options.

HD Services

To continue providing its customers with the best programming, the Cablevisión Business offers high definition versions of its Basic HD and Premium HD Packages, such as Cablevisión Max HD, in locations where the required technology to broadcast this format has been deployed. This programming package includes a large variety of genres such as sports, movies, series, documentaries and music, with high resolution and better image quality. Moreover, this offer also includes open air channels under an HD format such as Canal 9, El Trece, Telefé and TV Pública, together with other channels such as Fox Sports, Cinecanal, MTV, Disney, BBC, Discovery, Sony and Space.

Through its HD platform, the Cablevisión Business broadcasts events using 3D technology for subscribers of the Premium HD service programme that have the necessary equipment for this type of technology. In addition, since 2012, the Cablevisión Business has offered its HD customers a new VOD service that enables them to purchase programmes or packages offered through an onscreen programming guide, with access to certain free services. The VOD programming services enables the Cablevisión Business to offer its customers interactive audiovisual content without time constraints. Such VOD programming includes channels such as Wobi TV, HBO, Discovery and ARTEAR.

Internet Access, Corporate Products and Interactive Services

The Cablevisión Business has offered high-speed cable modem access to the Internet through its networks under the Fibertel brand since September 1997. the Cablevisión Business' Internet connectivity products are specially tailored for the needs of each residential or corporate user, and include specific solutions such as virtual private network services, traditional Internet protocol ("IP") links and corporate products that offer additional services. Since 1997, the Cablevisión Business has consistently upgraded its networks in order to increase the speed of its products. The Cablevisión Business' customers currently have an average access to networks of between 6 and 12 megabytes.

In 2010, with the purpose of enhancing the development and innovation of corporate products, the Cablevisión Business' created FiberCorp, which is a corporate business unit within Fibertel that provides telecommunication solutions to large, medium and small-size companies. FiberCorp has a wide communications network for the transportation of data, sound and video, which enables it to provide internet access, dynamic connections, symmetric access and IP video vigilance, among other services.

The Cablevisión Business also provides high-speed Internet services in the AMBA Region, Córdoba, Rosario, Campana, Río Cuarto, Posadas, Salta, Olavarría, Pergamino, Mar del Plata, Bahía Blanca, Santa Fe, among other cities in Argentina.

Additionally, the Cablevisión Business also offers international IP access through well-known global backbone providers.

Mobile Services

We offer mobile services through our subsidiary Nextel to existing customers by means of an Integrated Digital Enhanced Network which enable us to offer “push to talk” technology to such mobile services customers.

Over-The-Top Services

In order to provide customers the best experience while still providing the best access to the Cablevisión Business’ content, in November 2016 the Cablevisión Business launched a new online content programme known as “Flow” that enables the company to distribute its signals in a new way. Through the “Flow” programme, the Cablevisión Business can distribute its contents through an IP structure coupled with digital television quadrature amplitude modulation, which include adequate security measures. “Flow” enables the Cablevisión Business’ clients to use new modern functions such as lineal streaming, reverse electronic programme guide, the possibility to “start over” a programme, access to “video on demand” contents and “cloud DVR” (which permits subscribers to save content in the providers database instead of in the subscribers digital recorder). These new functions are provided through a new subscribers interface coupled with new search systems and advanced recommendations tailored to each subscriber, and may be accessed through different devices (such as tablets, smartphones, smart TVs, among others).

Sales, Marketing and Customer Service

The Cablevisión Business’ marketing strategy focuses on subscribers that receive only one of its main services to cross sell its cable and broadband services packages, to offer innovative services to its existing customers, and to upgrade existing broadband customers to higher speeds. An increase in the number of subscribers who receive both of the Cablevisión Business’ cable and broadband services together with an increase in the numbers of services provided to its existing subscribers is expected to result in an increased ARPU.

Advertising and Marketing

The Cablevisión Business relies on various marketing tools, including promotions, customer service centres, communication of company news, and dissemination of institutional and programming information through its websites. The Cablevisión Business advertises in graphic media and on its own broadcast advertising spaces. In addition, the Cablevisión Business publishes a monthly magazine called “*Miradas*,” which is sold to a portion of its subscriber base.

The Cablevisión Business’ marketing activities include:

- advertising on television, radio, newspapers, billboards on the streets and local programming channels offered to customers;
- personal visits to current and potential customers;
- telemarketing directed to potential and former customers, as well as current customers who have not subscribed to any premium services;
- mailing information and special promotional material to current and potential customers; and
- special events for its customers, some of which are sponsored jointly with programming providers.

Customer Service

The Cablevisión Business’ customer service is provided through a unified centre (the “Contact Centre”) available 24 hours a day and 365 days a year. The Cablevisión Business’ customers can contact the Contact Centre by phone, e-mail and chat through its website, as well as through social media such as Twitter and Facebook. Accessibility through social media is particularly important in Latin American countries and especially in Argentina, which shows a high degree of social media penetration.

The Cablevisión Business has obtained the Customer Operations Performance Centre, or (“COPC”), certificate for its Contact Centre. COPC promotes improvements in the way customer requests are handled and addressed, and is awarded based on the quality of customer service practices as well as customer satisfaction. One of the main achievements obtained by the Contact Centre during 2016 was the recertification of the COPC VMO 5.2. This accomplishment portrays the excellence achieved by The Cablevisión Business’ customer service as a result of the combined effort of all sectors of the Contact Centre. The quality certification was also extended to the procedures used in connection with the new social network channel as well as with corporate clients. These achievements are not only the result of the implementation of changes in the Cablevisión Business’ procedures but also improvements in subscriber satisfaction.

The Cablevisión Business’ customer satisfaction indexes have been maintained above its goal of 85%, based on top two box methods, confirming the excellence of the services provided. We believe that the Cablevisión Business’ attention to customer service differentiates it from its competitors and is rewarded with customer loyalty.

Billing and Subscriber Management

The Cablevisión Business’ standard billing practice is to distribute invoices to its subscribers together with the monthly programming guide. Accordingly, almost all subscribers are invoiced in advance for their monthly cable television service. The Cablevisión Business also invoices most of its high-speed cable modem Internet access subscribers in advance.

A majority of Argentine cable television and broadband subscribers pay their monthly invoices by automatic credit card or bank account debits. The Cablevisión Business’ subscribers may also pay their invoices in person, personally at local banks or through external collection agents. The Cablevisión Business pays a commission to collection agents.

The Cablevisión Business seeks to enforce a strict disconnection policy, which results in the disconnection of cable television services after a three-month period of non-payment and delivery of a notice of disconnection. With respect to broadband services, the Cablevisión Business disconnects its services after a two-month period of non-payment and delivery of a corresponding notice of disconnection.

Management of Churn

Churn refers to the termination of a customer’s account. The churn rate is determined by calculating the total number of disconnected customers over a given period as a percentage of the initial number of relevant customers for the same period.

The Cablevisión Business’ cable customer churn rate for the nine-month period ended 30 September 2017, was 14.7%, compared to 13.6% for the same period of 2016.

The Cablevisión Business’ broadband customer churn rate for the nine-month period ended 30 September 2017, was 17.1%, compared to 15.8% for the same period of 2016.

The Cablevisión Business’ cable customer churn rate in 2016, was 13.8%, compared to 12.6% in 2015 and 13.6% in 2014.

The Cablevisión Business’ broadband customer churn rate in 2016, was 16.2%, compared to 15.6% in 2015 and 16.3% in 2014.

To reduce losses associated with churn, the Cablevisión Business seeks to enforce a strict disconnection policy.

Competition

With respect to cable television transmission, the Cablevisión Business faces competition from other cable television operators and providers of other television services, including direct broadcasting, satellite and wireless transmission services. As a result of the non-exclusive nature of its licences, the Cablevisión Business’ cable systems frequently have been overbuilt by one or more competing cable

networks; in addition to the satellite television service that is also available. Free broadcasting services are currently available in Argentina. In the AMBA Region, these services primarily include four privately-owned channels and their local affiliates, and one state-owned national public television network. In addition, the Argentine government has distributed digital boxes to certain sectors of the population that provide free access to certain channels in connection with the Argentine Terrestrial Digital Television System.

While the Argentine paid television industry is highly fragmented and comprises over 700 operators, the Cablevisión Business' largest competitors are Telecentro S.A., which is focused in the AMBA Region, and Directv Argentina S.A. ("DirecTV") (satellite television), present throughout the entire country. The Cablevisión Business also considers Over-The-Top internet video system providers such as Netflix, Arnet play and On Video as competitors.

Among paid television systems, competition is driven primarily by:

- price;
- programming services offered;
- customer satisfaction; and
- quality of the system.

The Argentine high-speed Internet access industry is characterised by the presence of large competitors associated with Argentina's telephone companies that provide fixed telephony services in the country. These companies also provide 4G services through their respective brands, Personal and Movistar. Claro also provides 4G services and began offering high-speed internet services through optic fibres in certain regions of the country in 2011.

The Cablevisión Business therefore faces substantial competition from various players active in the Argentine cable television and data cable transmission industry, which continues to grow. See "Risk Factors—Risks Related to TEO's Industry—We face substantial and increasing competition in the Argentine cable television and data cable transmission industry."

Regulation

The telecommunications services provided by the Cablevisión Business are principally regulated by the Digital Argentina Law and Decree No. 267 and are subject to the supervision and control of ENACOM, an autarchic and decentralised entity under the jurisdiction of the Argentine Modernization, Innovation and Technology Ministry. Although Law No. 22,285 (the "Broadcasting Law") has been repealed by the Digital Argentina Law and Decree No. 267, the Broadcasting law is still relevant to the extent that the Cablevisión Business has been granted licences that remain valid under such law. See "Regulatory Framework and Description of the Argentine Cable and Broadband Industries."

Business of Telemás

Uruguay

Through our subsidiary Telemás, we provide programming and management services to ultra-high frequency ("UHF") systems and to seven cable operators in Uruguay for a fee relating to programming and management services. As of 30 September 2017, the Cablevisión Business offered services to approximately 144,000 subscribers in Uruguay. In the cities of Montevideo and Canelones, Telemás offers an important variety of channels with a digital system and competes with other cable systems that offer similar products.

Capital Expenditures

The following table sets forth our capital expenditures for the periods indicated.

Year ended 31 December	Nine-month period ended 30 September,
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	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2017</u>	<u>2016</u>
	(in millions of Pesos)				
Net Capital Expenditures ⁽¹⁾					
.....	8,713	4,173	2,371	7,895	6,000

(1) Net of decrease of property, plant and equipment.

Beginning in 2015, Cablevisión increased significantly its capital expenditures to improve the quality and increase the coverage of its cable and data transmission networks. To achieve these objectives the Cablevisión Business invests in new infrastructure and the modernisation and upgrading of its networks and IT backbones.

Net capital expenditures in property, plant and equipment in 2016 resulted in improvements in the quality of the Cablevisión Business' networks, increasing their capacity and coverage. For the year ended 31 December 2016, Cablevisión invested Ps. 8,713 million in net capital expenditures in property, plant and equipment, representing approximately 28% of Cablevisión's total revenues, a 109% increase compared to 2015.

Cablevisión increased the aggregate capital expenditures budgeted for 2016, principally to improve its networks and increase their capacity and coverage. Cablevisión's capital expenditures for 2016 were financed through operating cash flows and borrowing, including the issuance of its 2021 Notes (as defined below). Our capital expenditures going forward will depend on the need to acquire technical developments as well as on economic and market conditions.

As of the date of this Prospectus, the Cablevisión Business owns real estate properties including its corporate headquarters located in Barracas, in the City of Buenos Aires, and an operations centre in Munro, in the Province of Buenos Aires.

Environmental Matters

We endeavour to comply with all relevant environmental legislation and no claims have been brought against us in respect of environmental matters.

We have performed several tests to analyse the levels of radiation emitted by our equipment. All such tests have evidenced that the radiation levels are in line with industry standards.

Environmental Impact Assessment

We view sustainability as a way of conducting business and operating and providing services. Several years ago, the Cablevisión Business began taking action to manage environmental matters, at first through separate activities, some of which have been implemented.

On 29 August 2014, the Cablevisión Business incorporated the Environmental Model ISO 14001, which has been implemented in the city of Rosario and will be expanded to the Cablevisión Business' entire operations.

The Cablevisión Business has overseen the systematic collection of information relating to environmental management indicators, in line with to the Global Reporting Initiative guidelines for voluntary reporting to ensure the monitoring of its environmental footprint and to continue improving its environmental performance. This initiative has involved the collection and consolidation of environmental performance information in over 280 sites across Argentina, where various activities are carried out, namely: administrative offices, commercial offices, channels for television content production and technical bases. The cooperation of company officers responsible for the sites, health, security, occupational assistance and environment teams, as well as from various areas of the Cablevisión Business' management have been crucial. Management's support highlights the importance of monitoring the Cablevisión Business environmental impact with a view to improving its approach and planning of initiatives and improving its performance.

The Telecom Business

About Telecom Argentina S.A.

Telecom was incorporated as a sociedad anónima under the laws of Argentina. The duration of Telecom is 99 years from the date of registration with the Public Registry of Commerce of the City of Buenos Aires (13 July 1990). Telecom's principal executive offices are located at Alicia Moreau de Justo 50, City of Buenos Aires, Argentina (C1107AAB). Telecom's telephone number is (54-11) 4968-4000. Telecom's website address is www.telecom.com.ar. None of the information available on its website or elsewhere will be deemed to be included or incorporated by reference into this Prospectus.

Business Strategy

On 8 March 2016 Fintech took indirect control of Telecom Argentina, which resulted in the appointment of a new management team that has worked to design and implement a new business strategy for the Telecom Group, taking into consideration its existing positioning, reputational and operational strengths and the challenges that face the ICT market within the context of deep changes in rules applicable for the industry.

Below are described the outstanding aspects of the new business strategy of the Telecom Group, where the convergence of multiple services and the intensification of competition among operators is deemed to become deeper in the coming years.

The Telecom Group strategy and their stakeholders

In the Telecom Group, the priority is to generate value for its customers, investors, suppliers, employees and, in broad terms, for the communities in which it operates, providing services and solutions to improve people's quality of life, their education, their opportunities for personal development and the improvement of the productivity of the economy as a whole. The Group's focus is to be key players in the country's digital transformation for its habitants.

To achieve these objectives, the Telecom Business develops and executes business plans consistent with the microeconomic and macroeconomic environment of Argentina and the telecommunications and technology market, investing both in the development of innovative products and services, as well as in the professional development of its employees, with the aim of adding value to the user experience with content, interactivity and convenience in communication.

In addition, the Telecom Business' approach prioritises the digital transformation of its industry, focusing on people, organisational culture, general and transformational processes, technological tools and key factors for achieving competitiveness and ensuring the long-term sustainability of the business. All of the above is achieved by applying the best practices in corporate governance, and compliance with laws and regulations applicable to the Telecom Business.

The Telecom Business also strategically focuses on being a facilitating tool for its customers, both in their corporate and business segments, as well as developing, providing and prioritising solutions and digital services in its "*nube*" (cloud services), which is provided through its four state of the art data centres and serves as an essential node of its next-generation networks, fulfilling its customers' quality, safety and availability requirements. The Telecom Business' portfolio of solutions will evolve with the incorporation of new services like *big data*, *video-on-demand* and IoT (Internet of things), which will focus on industry pillars such as agroindustry, finance, manufacturing, health and government, among others.

Incubating and accelerating new business development, investing in projects led by Argentine entrepreneurs and transforming ideas into real businesses to make available technology solutions to help in the development of Argentine small- and medium-sized companies, all these are part of the Telecom Business' commitment to this sector of the economy.

Home, the traditional ambit of the Telecom Business' services, is today the strategic environment for the convergence of solutions where the Telecom Business focuses on providing devices and sensors services, and, at the same time, "Value Added Services" ("VAS") in every time and every place. Access to applications, value-added services, social networks, content in different formats, e-commerce and entertainment are the focus of home services.

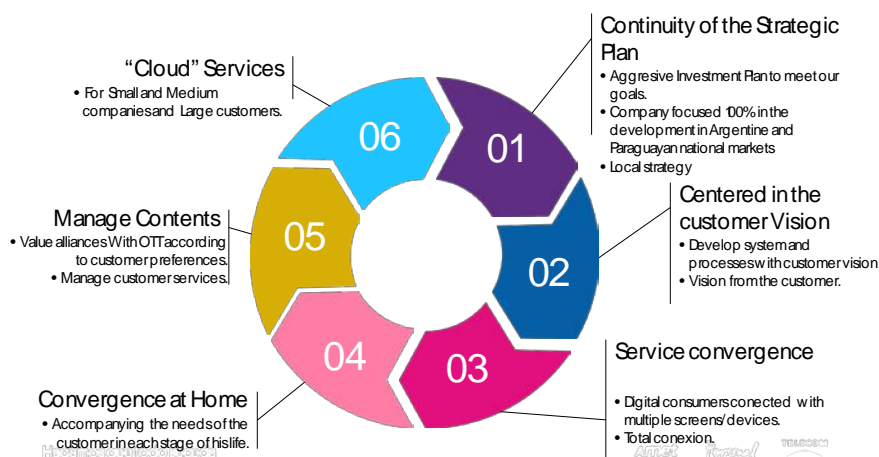
Investments in technology are one of the fundamental pillars of the Telecom Business' strategy, as it is focused on (i) the coverage and capacity of the Telecom Business' infrastructure and (ii) new service platforms to meet, with higher quality, the increasing needs created by traffic and bandwidth generated by changes in consumer habits and by the expansion of its customer base. Investments in cutting-edge technologies ensure that the Telecom Business provides products and services that are developed for the future. These investments further ensure that the Telecom Business is always at the forefront, improving timing and reducing implementation costs, and being more efficient in the use of its resources and allocation of the underlying benefits to those who decide to choose the Telecom Business as their supplier of communications solutions, infrastructure, entertainment and any other service that it may offer in the future.

Strategic priorities and their implementation: “customer-centred,” “innovation” and “operational excellence”

The aspiration of the Telecom Business is “to be the leading company in solutions and convergent connectivity services with an agile organisation focused on our customers.” This implies that the Telecom Business becomes the preferred company in “user experience” in the markets where it operates. The Telecom Business aims to provide its customers with solutions, technology, connectivity and entertainment, leveraging customer satisfaction with a focus on the interest of its customers, and the value contribution of its suppliers and employees, positively impacting its business results and adequately remunerating its investors (e.g., financial creditors and shareholders).

The growth of the Telecom Business will be supported by excellent management, transforming processes by focusing on “customer-centred” and innovation as the pillar of self-improvement and creativity to transform its traditional businesses as well as to capture new service opportunities for individuals and businesses.

In order to implement the aforementioned strategy, the development of new forms of work, projects or initiatives is a priority where creativity will serve the Telecom Business' customers and multidisciplinary teams work will enrich its value proposition. The Telecom Business will strive to turn this process into a competitive advantage sustainable over time. Strategic initiatives will be implemented through the following business initiatives:



Technological convergence generates both opportunities and threats. The digital transformation and a connected world enable us to participate in new businesses. However, there are also new players in the services market: “the digital giants” (OTT) and the new *startups*. The exploitation of these opportunities and the mitigation of the risks posed by these new players are key elements of our strategic planning process.

In addition, and in line with the new regulatory framework, the concept of “convergence” is understood as the challenge the Telecom Business' customer requires when the Telecom Business supplies them with services and solutions and new services, such as paid TV and distribution of content, business consulting, outsourcing of hardware and software services, technology and managed services, each case for the local, international and/or regional markets. New services and offerings will result in a

balanced cost-benefit analysis, ensuring profitability for shareholders and suitability for different customer segments.

The Telecom Business' professionals, as a differential element, are one of the strategic assets of the Telecom Business. The professionalisation of human capital and the strict compliance with the best practices of corporate governance are basic and indispensable transformational pillars of the new ecosystem of collaborative connection with customers, suppliers, government, companies and communities.

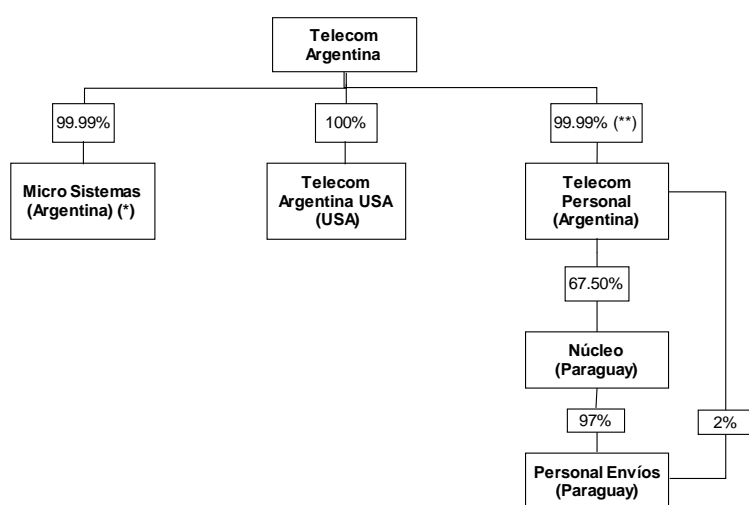
In this ecosystem, the Telecom Business aims to be the leading company in the markets where it operates in using analytical intelligence and strategic vision, with a deep understanding of leadership, based on:

- Prioritising attention and understanding the needs of its current and potential customers;
- Investing in technology, infrastructure and its professionals;
- Designing a convenient and segmented commercial offering according to customer behaviour;
- Developing capabilities for data processing and analysis;
- Enhancing the skills and internal knowledge utilised for different solutions and business;
- Increasing the speed of process execution and innovation in services;
- Increasing operational efficiency; and
- Complying with the applicable laws and regulations.

For the abovementioned reasons, the new strategies designed and the processes of implementation set out the necessary foundation to achieve in a sustainable manner the Telecom Business' objectives for enriching its offering of products and services, quality improvement, market position and operational efficiency that its stakeholders are demanding and to allow the Telecom Business to become the leader of ICT services of Argentina in the years to come.

Telecom's Corporate Structure

The following chart shows Telecom's subsidiaries as of 31 December 2016, and jurisdiction of organisation.



(*) Dormant entity as of 31 December 2016.

(**) Telecom Personal, was absorbed by Telecom Argentina on 1 December 2017.

Revenues generated by each company in the Telecom Group

The following table presents information relating to the percentage of revenues and other income, net of intercompany transactions, generated by each company in the Telecom Group during the year ended as of 31 December 2016:

Company (1)	Activity	Segment	Percentage of Telecom's Total Revenues and other income (5)
Telecom Argentina S.A.	Fixed services	Fixed services	27.76
Telecom Personal S.A.....	Mobile Services	Personal Mobile Services	66.76
Núcleo S.A. (2)	Mobile Services	Núcleo Mobile Services	4.91
Personal Envíos S.A. (3).....	Financial Mobile Services	Núcleo Mobile Services	0.05
	International Wholesale		
Telecom Argentina USA Inc. ...	Services	Fixed Services	0.52
Micro Sistemas S.A. (4).....	–	Fixed Services	–
Total			100.00

- (1) Personal and Micro Sistemas are incorporated in Argentina, Núcleo and Envíos are incorporated in Paraguay and Telecom Argentina USA Inc. is incorporated in the United States.
(2) Interest held indirectly through Personal. The non-controlling interest of 32.50% is held by ABC Telecomunicaciones S.A. (a Paraguayan company).
(3) Interest held indirectly through Núcleo. The non-controlling interest of 32.50% is held by ABC Telecomunicaciones S.A.
(4) Dormant entity as of 31 December 2016.
(5) Includes service revenues, equipment sales and other income with third parties.

Telecom's Business

Liberalisation of the Argentine Telecommunications Industry

In March 1998, the Argentine government issued Decree No. 264/98, introducing a plan for the liberalisation of the Argentine telecommunications industry, (or the "Plan"). Decree No. 264/98 provided for the extension of the period of exclusivity with respect to the provision of Basic Telephone Services until sometime between 8 October 1999, and 8 November 1999, depending on the particular region. The Plan also provided for: (i) the immediate liberalisation of paid telephone services and (ii) during July 1998, the liberalisation of telephone service in rural areas. In addition, the Plan contemplated that in January 1999, data transmission services within the countries included in Mercosur would be open to competition, subject to the following conditions: (i) each of the Mercosur countries enters into agreements providing for the liberalisation of these services and establishing similar regulatory bodies and (ii) reciprocity exists between countries with respect to the granting of licences. Beginning in late 1999, two new operators, formed by independent operators, mobile operators and cable television operators were permitted to offer services. These new operators, together with the existing licencees of Basic Telephone Services, allowed customers to choose from four operators until the full liberalisation of services occurred. The Plan also granted data transmission operators existing before the privatisation of ENTel the right to operate domestic and international long-distance services by the end of 2000. Finally, the full liberalisation of local, domestic and international long-distance services took place in November 2000.

During the "Transition Period" (1998-1999), new regulatory obligations were also introduced with respect to quality and service targets applicable to both Telecom and Telefónica.

As long-distance services were liberalised, competition was introduced by pre-subscription of long-distance service for locations with more than 5,000 clients. Following the introduction of Presubscription of Long-Distance Service, a call-by-call selection service will be installed. These requirements obligated the telephone companies to make significant investments and modifications to their networks.

During 1999, competition in local, national and international long-distance services was established among Telecom Argentina and Telefónica and Compañía Telefónica del Plata (CTP, Movicom Bell South) and Compañía de Telecomunicaciones Integrales S.A. (CTI, now Claro), the two new national operators permitted to offer services by Decree No. 264/98. Some provisions of Decree No. 264/98 and related resolutions were modified by Decree No. 764/00, mainly provisions related to licensing conditions, interconnection and Universal Service. Decree No. 764/00 established the general regulation of licences and provided that each licensed company was allowed to launch its services in November 2000 when the full liberalisation of the telecommunications market began. As of the date of this Prospectus, the main licencees providing local and/or fixed long-distance telephone service are Telmex, Level 3 Communications (formerly Impsat), IPlan, Telecentro, CPS Comunicaciones (Metrotel), Telefónica, TEO and many other small independent operators.

Pursuant to the Plan, the liberalisation of public telephone services began. On 9 December 1998, Telecom Argentina was granted (upon the subsequent issuance of SC General Resolution No. 2,627/98) a licence to provide public telephone services in the Southern Region.

General

Prior to the Merger, the Telecom Business was conducted through six legal entities, each representing a distinct operating segment. The Telecom Business aggregates these operating segments into three segments – Fixed Telecommunications Services (“Fixed Services”), Personal Mobile Telecommunications Services (“Personal Mobile Services”) and Núcleo Mobile Telecommunications Services (“Núcleo Mobile Services”) – according to the type of products and services provided and taking into account the regulatory and economic framework under which each entity operates.

The companies the Telecom Business aggregated to create the segments are as follows:

Segment	Consolidated Company/Operating Segment
Fixed Services	Telecom Argentina
	Telecom Argentina USA
	Micro Sistemas ⁽¹⁾
Personal Mobile Services	Personal ⁽²⁾
Núcleo Mobile Services	Núcleo
	Envíos

(1) Dormant entity as of 31 December 2016.

(2) Personal was absorbed by Telecom pursuant to a reorganisation that became effective on 1 December 2017.

Fixed Services. The Telecom Business owns a local telephone line network, public long-distance telephone transmission facilities and a data transmission network in the Northern Region. Since the market was open to competition, the Telecom Business expanded its network in the Southern Region of Argentina providing nationwide services. Fixed services are comprised of the following:

- **Basic Telephone Services.** The Telecom Business provides Basic Telephone Services, including local, domestic and international long-distance telephone services and public telephone services. As of 31 December 2016, the Telecom Business had approximately 4 million of lines in service;
- **Interconnection services.** The Telecom Business provides interconnection services, which primarily include Access, termination and long-distance transport of calls;
- **Data transmission and Internet services.** the Telecom Business provides data transmission and Internet services, including traditional Broadband, Internet dedicated lines, private networks, national and international video streaming, transportation of radio and TV signals and videoconferencing services. As of 31 December 2016, the Telecom Business had approximately 1.7 million Internet subscribers;

- *Information and Communication Technology Services.* The Telecom Business provides ICT services, datacentre services, telecommunications consulting and value-added solutions;
- *Other telephone services.* Other services provided by the Telecom Business include supplementary services such as call waiting, call forwarding, conference calls, caller ID, voice mail, itemised billing and maintenance services; and
- *Sale of equipment.*

Personal Mobile Services and Núcleo Mobile Services.

The Telecom Business provides mobile services through its subsidiaries in Argentina and Paraguay.

Personal's service offerings include voice communications, high-speed mobile Internet content and applications download, MMS, SMS, online streaming, corporate e-mail and social network access, among others; and sale of mobile communication devices (handsets, Modems mifi and wingles, smart watches). The services are supported in the different technologies of the mobile network (2G/3G/4G).

The Telecom Business also provides mobile services in Paraguay through Núcleo, a subsidiary of Personal.

As of 31 December 2016, Personal had approximately 19.5 million mobile subscribers in Argentina and Núcleo had approximately 2.5 million subscribers in Paraguay.

See Annex C of this Prospectus and, in particular, Note 28 to Telecom's Consolidated Financial Statements as at 31 December 2016 and "Operating and Financial Review and Prospects—Years ended 31 December 2016, 2015 and 2014—(B) Results of Operations by Segment," for additional information as to Telecom's results of operations by segment.

Fixed Services

The Telecom Business is the principal provider of Basic Telephone Services in the Northern Region, and since late 1999 has also provided Basic Telephone Services in the Southern Region.

Since November 2000, the telecommunications sector in Argentina is completely open to competition. The Telecom Business' operations are subject to a complex series of laws and regulations. In addition, the Telecom Business is subject to the supervision of the Regulatory Bodies. See "—Regulatory and Legal Framework—Regulatory Framework" below.

The Telecom Business' Telephone Network

The Telecom Business' fixed-line telephone network includes installed telephones and switchboards, a network of access lines connecting customers to exchanges and trunk lines connecting exchanges and long-distance transmission equipment.

The following table illustrates the deployment of the Telecom Business' telephone network:

	31 December 2016	31 December 2015	31 December 2014	31 December 2013	31 December 2012
Number of installed lines ⁽¹⁾	4,908,102	4,903,700	4,763,336	4,699,254	4,850,554
Net lines installed (during each year)	4,402	140,364	64,082	(151,300)	58,024
Net lines installed cumulative ⁽²⁾	3,337,138	3,332,736	3,192,372	3,128,290	3,279,590
Number of lines in service ⁽³⁾	3,919,577	4,042,624	4,093,038	4,123,795	4,127,858
Net (Reductions)/Additions in lines in service for the year	(123,047)	(50,414)	(30,757)	(4,063)	(13,277)
Net (Reductions)/Additions in lines in service cumulative	2,517,608	2,640,655	2,691,069	2,721,826	2,725,889
Lines in service per 100 inhabitants ⁽⁴⁾	19	19	19	19	20
Pending applications ⁽⁵⁾	75,300	64,093	75,213	91,950	152,210

(1) Reflects total number of lines available in Switches.

(2) Cumulative net lines installed since the Transfer Date.

- (3) Includes lines customers, own usage, public telephony and ISDN channels.
(4) Corresponds to the Northern Region of Argentina.
(5) Corresponds to lines requested by clients, but not yet installed.

The following table illustrates the evolution of Internet services:

	31 December,				
	2016	2015	2014	2013	2012
Fixed Internet access lines.....	1,737,534	1,813,590	1,771,050	1,706,787	1,629,294
Arnet subscribers.....	1,725,609	1,791,030	1,749,111	1,686,982	1,621,643

Arnet customer base decreased by 4% in 2016 while it increased by 2%, 4% and 4% in 2015, 2014 and 2013, respectively.

Revenues

Fixed services include, among other charges, monthly charges, measured service charges, installation charges, public telephone services and interconnection services related to “essential facilities.” The prices for these services were regulated by rules governing Telecom Argentina’s licence, which established “maximum prices” that could be charged to clients. The Telecom Business was able to charge prices below the maximum regulated prices as long as the discount was applied equally to clients who share the same characteristics (under the so-called principle of “non-discrimination”). In accordance with this ability, the Telecom Business charged lower prices than the maximum regulated prices for certain of the services offered. Since the enactment of the LAD it was established that licencees of ICT services may set their prices.

The remaining services included in the Fixed Services segment, such as data transmission services and Internet services, were not subject to regulation and, as a result, the Telecom Business was able to set the corresponding prices. Market conditions could limit price increases.

a) Retail – Residential and SME (Small and Medium Enterprises)

Monthly Charges. The Telecom Business bills a monthly charge to its customers. As of 31 December 2016 and 2015 approximately 82% of lines in service were for residential customers and public telephony and approximately 18% were for professional, commercial and government customers. Additionally, due to the regulatory regime, the Telecom Business is obligated to offer discounts to certain retired individuals and low-consumption residential customers.

Measured Service Charges. In addition to a monthly charge, the Telecom Business bills to a portion of its customers for a monthly measured service charge, which is based on telephone usage. Measured service is billed at the price per unit of time. Charges for local and domestic long-distance measured service vary with the price per unit of usage. The number of units of usage depends on the time of day, the day of the week, the distance and the duration of calls. Additionally, due to competition, the Telecom Business offers discounts to customers mainly for domestic long-distance service as semi-flat rate plans that include a set quantity of minutes for a fixed charge.

During 2016 and 2015, the volume of local minutes decreased by approximately 13.9% and 9.9%, respectively, due to the strong growth in mobile telephony and the resulting migration of traffic to mobile service. Although the traffic volume decreased during 2016, revenues from local traffic continued to increase leveraged by the increase in prices of the semiflat rate plans.

Total volume of domestic long-distance minutes decreased by approximately 13.2% and 8.6% in 2016 and 2015, respectively. Ever since the Northern Region was opened to competition in 1999, the Telecom Business has maintained its position as the regional market leader for domestic long-distance traffic. During 2016, deploying a similar strategy to that which was adopted for local traffic, the Telecom Business maintained sales of targeted and selective flat-rate plans positioned to maintain average revenues generated by customers.

International Long-Distance Service. International long-distance traffic minutes decreased approximately 48.6% in 2016 and 19.6% in 2015. Since 1992, international rates have been reduced

annually as a consequence of the application of a price cap. The Telecom Business has also reduced international long-distance prices in order to compete with the new providers of long-distance calling services.

Installation Charges. Revenues from installation charges consist primarily of fees levied for installation of new fixed lines. The Telecom Business offers discounts in multiple localities to reduce the rates, with the aim of stimulating demand in those areas. The penetration of fixed-line telephony has been affected by the maturity of the Argentine market.

Other Domestic Telephone Services. The Telecom Business provides other domestic telephone services including charges for supplementary services such as call waiting, call forwarding, conference calls, caller ID, voicemail and itemised billing.

Internet. The Telecom Business has been providing residential Internet services under the brand name Arnet since 1998. The Telecom Business mainly offers this service in the major cities of Argentina. In recent years, the Telecom Business' Internet service has experienced higher demand and usage in less populated areas of the country. The Internet services include Access and Arnet service.

Broadband can be delivered through three technologies: cable Modem, ADSL and wireless; cable Modem and ADSL being the most widely used. In the local market, ADSL connections exceeded the number of cable Modem and wireless connections. The Telecom Business markets its ADSL service through its Arnet brand and in partnership with other Internet services providers.

As of 31 December 2016, the Telecom Business reached approximately 1.7 million Accesses. During 2016, the Telecom Business' efforts to communicate effectively with its customers and make special offers with competitive prices according to segment helped the Telecom Business maintain the leadership of its products under the brand Arnet. In November 2016, the Telecom Business launched the new offer "Arnet + Voz" providing Internet and unlimited local and national calls, as part of a bundled package. At the end of 2016, the Telecom Business announced the first convergent offer of the market, offering a bundle, including Internet services, fixed line telephony and mobile connectivity, with a differential and convenient price.

Continuing the evolution of Internet access services, during the year 2016 services focused on offering higher speed access to customers. The number of customers with UBB has grown 40% in 2016, increasing the average speed of the customer base.

Internet revenues include both Internet access services and the provision of Internet service.

A small portion of Internet access services is provided by the Telecom Business' 0610, 0611 and 0612 services. Internet dial-up service represents a marginal percentage of the Telecom Business' revenues, The Telecom Business continues to provide this service to a small market where Broadband service is not available.

b) Corporate Customers

The large customer segment includes leading companies in the Argentine market as well as the National government, provincial governments and municipalities. These customers demand cutting-edge technology and solutions tailored to their needs, including voice, data, Internet and Value Added Services.

In response to the constant changes demanded by the market, the Telecom Business maintained its strategy to position itself as the integrated provider for large customers through the offer of convergence of ICT solutions, including fixed and mobile voice, data, Internet, Multimedia, ICT, datacentre and application services through sales, consulting, management and specialised and targeted post-sale customer services.

The data services business includes nationwide data transmission services, virtual private networks, symmetric Internet access, national and international signal transport and videoconferencing services. These services are provided mainly to corporations and governmental agencies. The Telecom Business also provides certain Value Added Services, including electronic standard documents telecommunication software exchange and fax storage and delivery service. The data services

business also includes the lease of networks to other providers, telecommunications consulting services, operation and maintenance of telecommunications systems, supply of telecommunications equipment and provision of related services. Corporate data transmission services are mainly Ethernet and IP services.

During 2016, the Telecom Business maintained its efforts in ICT solutions and the sale of data services and dedicated Internet accesses. This strategy is supported by the world class multi-site network of datacentres focused on communications, with over 7,000 square meters used to keep computer technology services throughout Argentina. Through this infrastructure, the Telecom Business offers a broad services portfolio including dedicated hosting and housing, connectivity, cloud services which enable its customers to optimise their costs by increasing the security of their information and avoiding hardware and software obsolescence issues. All the services are provided with support, security, connectivity and the ability to engage further management, professional, monitoring, storage and backup services.

In addition, the Telecom Business continued making additional investments at the major datacentre in Pacheco, consolidating its position as leader in the market and enhancing the level of services supplied. Such investments will enable the Telecom Business to support business growth in the next few years with the highest market standards.

The main solutions and businesses developed in recent years and which continued during 2016 included:

- Renovation and maintenance of infrastructure and terminals of the truncated communications system for Buenos Aires City Police force.
- Extension and renegotiation of 911 systems for public safety management in a province of the Litoral region.
- A datacentre solution in alliance with Oracle, to optimise operation in databases for an important industrial company.
- Implementation of datacentre and VPD (Virtual Private Datacentre) solutions, and development of Managed Services and NOC (Network Operations Centres) in main clients of the private sector.
- A DWDM (Dense Wavelength Division Multiplexing) solution for a relevant customer in the financial industry
- Integrated fleet management and monitoring system for a customer that provides assistance service in the Mediterranean region.
- Implementation of a unified communications solution with redundancy in sites of high criticality in Municipality, Mediterranean Region.

c) Wholesale

Interconnection Revenues: the Telecom Business collects fees from other operators for interconnection services. These fees primarily include local Access, termination and long-distance transport of calls, rentals of network capacity and commissions on calling party pays fees. These fees are payable by mobile operators as well as fixed-line operators. Additionally, the Telecom Business remained one of the leading providers of wholesale telecommunications solutions for various fixed and mobile operators, independent operators, local operators, public telephony licencees, cable operators, ISP, TV and radio channels, production companies and other service providers. The services marketed by the Telecom Business include, among others, traffic and interconnection resources, third-party billing, dedicated Internet access services, transport of video signals in standard definition and high definition, streaming audio and video, dedicated links, backhaul links for mobile operators, Internet Protocol Virtual Private Network and data centre hosting services.

The Telecom Business continued to strengthen its position as a provider of solutions for the broadcasting segment by offering transportation solutions for audio and video signals both as dedicated private links and on the Internet. We provide solutions to cable operators and TV channels for the distribution of video signals.

International Long-Distance Service: Telecom Argentina holds a non-expiring license to provide international telecommunications services in Argentina, including voice and data services and international point-to-point leased circuits.

Revenues from wholesale international long-distance service reflect payments under bilateral agreements between Telecom Argentina and foreign telecommunications carriers, covering virtually all international long-distance calls into or out of Argentina using our network. Revenues from international long-distance service therefore consist mainly of:

- amounts earned from foreign telecommunications carriers for connection to the Argentine telephone network;
- bandwidth capacity under an Indefeasible Right of Use (“IRU”) basis;
- international point-to-point leased circuits; and
- international data and IP transit services.

Operating revenues from international long-distance service depend on the volume of traffic and the prices charged by each party under agreements between the Argentine provider and foreign telecommunications carriers. Settlements among carriers are usually made on a net basis. Incoming traffic with carriers measured in minutes accounted for 329 million minutes in 2016 and 455 million minutes in 2015.

The Telecom Business is connected to international telecommunications networks, mainly through the following submarine Fiber Optic cables: Americas 2 (USA), Columbus 3 (Europe), Atlantis 2 (Brazil – Europe), Sea-Me-We (Europe – Asia), Bicentenario (Uruguay), Latin American Nautilus (LAN), a company in the Telecom Italia Group, and other minor cables.

In order to meet the growth in its Internet access base, the Telecom Business has acquired some IRUs on a submarine facility of Latin America Nautilus (LAN) (a subsidiary of Telecom Italia), which connects Argentina with the U.S. (Miami) in a submarine fibre optic ring. These rights, which last for 15 years, allow the interconnection of the IP backbone of Telecom Argentina with IP Transit providers in Miami. The Telecom Business has also contracted international capacity under lease modality (Transit IP) in Buenos Aires to ensure better performance regarding regional traffic.

Through its wholly owned subsidiary in the United States, Telecom Argentina USA, a corporation organised under the laws of the State of Delaware, the Telecom Business focus mainly on wholesale long-distance international traffic, video and data services.

Telecom Argentina USA, routes the majority of its wholesale traffic through its own switching capabilities. In 2016, Telecom Argentina USA, continued operating a Node of high-definition video in Miami, thus extending the Telecom Business’ video matrix to the international market.

Network and Equipment

The network strategy focuses on medium and long-term guidelines in line with technological developments, the demand for new services and the customer experience. In that sense, the “core network” seeks to provide the capacity, improve the closeness and increase the availability of the Telecom Business’ services for the end user, together with the standardization of protocols and network architectures, allowing the Telecom Business to reduce the related operating costs and operate more efficiently.

In access networks, the Telecom Business’ strategy is based on continuing to meet the growing bandwidth needs that require the services requested by the Telecom Business’ customers, mainly Internet access to Multimedia content and video. The increased deployment of fibre optic infrastructure

for access to different architectures and technologies continued, optimised according to demands and geographic areas. On the other hand, progress was achieved with enhancements of capacity and the inclusion of new POPs of content, providing a better user-experience when it comes to accessing the network and, in particular, OTT services.

Personal Mobile Services and Núcleo Mobile Services

The Telecom Business provides mobile services through its subsidiaries in Argentina and Paraguay.

Mobile Telecommunication Services in Argentina—Personal

The market for mobile telecommunications services in Argentina is characterised by intense competition. Operators are generally free from regulation to determine the pricing of services. There are currently three mobile operators offering nationwide service. According to the statistics published by the national telecommunications regulatory agency (ENACOM), the penetration of mobile service in Argentina has increased from approximately 138.9% of the population in 2014, to approximately 141.9% in 2015 and to approximately 142.4% in the first half of 2016. This information regarding penetration of mobile service is an estimate, based on demographic data from 2010 national census as there are no official statistics published in Argentina, and only considers lines serviced by the three operators providing nationwide mobile telecommunications services (i.e., it does not include Nextel providing trunking telephony and other telecommunication services in Buenos Aires and cities in the interior).

Service providers in Argentina are making significant capital expenditures in new network infrastructure for the enhancement and deployment of 3G and 4G technology, which allows for the higher transmission speeds required for Value Added Services such as data transfer, video calling and Internet browsing.

The Telecom Business' mobile telecommunications services in Argentina are provided through our subsidiary, Personal. We provide mobile services on the 850 MHz and 1,900 MHz, through GSM and 3G technology (by STM/SRMC and PCS networks). In addition, since December 2014, Personal has offered LTE technology service (by SCMA network) through the frequency bands awarded to Personal in 2014 and 2015 (1730-1745 MHz; 2130-2145; 713-723 MHz and 768-778 MHz).

a) Residential and Business Customers

The Telecom Business offers Personal subscribers a variety of flexible pricing options for mobile services. These options include prepaid, post-paid and mixed ("*Abono Fijo*") plans.

Prepaid Plans. Under prepaid plans, subscribers pay in advance for their services, using prepaid credit. Since there are no monthly bills, prepaid plans allow subscribers to communicate with maximum flexibility while maintaining control over their consumption. Prepaid credit can be purchased through prepaid cards or virtual credit on Personal's website, by phone, at ATMs and drugstores, or through authorised agents. This credit allows subscribers to use data to browse on the Internet, make and receive local, national and international calls and buy multimedia content.

Personal offers a variety of "packs" which enable customers to use the abovementioned services at a lower price. These packs may include a fixed amount of minutes to make national or international calls, SMS, a daily quota of megabytes to access the Internet during 1, 7 or 30 days or different combinations of these services.

In addition, customers can buy multimedia contents, or subscriptions to these contents, in order to receive them periodically.

Prepaid customers can access different benefits according to their monthly credit charges, such as days of free Whatsapp access, credit gifts, and two telephone numbers to communicate for free, one for calls and the other for SMS.

Post-Paid Plans. Under post-paid plans, a subscriber pays a monthly fee, plus charges for additional services not included in its plan. According to Personal's current offer, most of the plans include a quota of megabytes for browsing Internet, unbounded airtime for on-net calls and SMS. Some plans include an amount of free seconds for off net calls. Once the free seconds have been used, they can continue

using the mobile service at a set price per second. They can also buy packs of additional megabytes to continue browsing Internet after they have consumed the megabytes included in the monthly fee. The charges for additional airtime, megabytes or multimedia contents, will be added to the next month's bill. The plans offer Personal digital invoicing, enabling subscribers to view, download and print their invoices from the web.

Under post-paid plans, Personal also offers M2M plans, based on the “*Internet of Things*” (IoT) concept, which refers to the digital interconnection of everyday objects with the Internet, and are specially focused on customers of the business segment. These plans include solutions such as geolocation and fleet monitoring, refrigeration control, information security solutions, sales management solutions, and cloud solutions for information storage and protection, among others.

Abono Fijo. Under the “Abono Fijo” plans, a subscriber pays a set monthly bill. Like in post-paid plans, most of these plans include a quota of megabytes for browsing in the Internet, unbounded airtime for on-net calls, SMS and a fixed amount of credit that can be used to buy packs or multimedia contents. Once the free seconds have been used or Internet quota has been met, the subscriber can obtain additional credit by recharging its line through the prepaid system. With this new credit, customers can buy packs of 100 MB, 500 MB or 1 GB to continue browsing Internet or packs of seconds for off net calls. The plans offer Personal digital invoicing, enabling subscribers to view, download and print their invoices from the web.

The following table presents information regarding Personal's post-paid, prepaid, “*Abono Fijo*” and Mobile Internet dongle subscribers bases for the periods indicated:

	As of 31 December,					
	2016	% of Total	2015	% of Total	2014	% of Total
<i>Mobile subscribers:</i>						
Prepaid ⁽¹⁾	13,007,22	1	13,187,95	8	13,262,26	5
Post-paid ⁽²⁾	2,159,797	11.1	2,134,376	10.9	2,155,258	11.0
“Abono Fijo” ⁽²⁾	4,248,050	21.8	4,216,519	21.4	3,993,349	20.4
Mobile Internet dongles.....	98,906	0.4	117,802	0.6	174,711	0.9
Total.....	19,513,97	4	19,656,65	5	19,585,58	3
		100.0		100.0		100.0

(1) Lines with at least one recharge in the last thirteen months as of 31 December of each year.

(2) Lines with payment modality through the billing to the customer.

New products and services. In 2016, Personal continued boosting its strategy with a customer-centric approach based on the concept “Hagamos que todo suceda” (Let’s make it all happen). This concept stands for Personal placing technology at the centre of relationships, allowing interaction to take place as something real that is beyond the virtual scope.

The loyalty programme Club Personal continued throughout 2016 providing important benefits, such as discounts on gastronomy, shows, shopping, leisure and tourism, and the possibility of exchanging accumulated points for consumption, to maintain the satisfaction of the members and incorporate new ones. Club Personal is one of the most important benefit programmes in the country with more than 4.4 million members.

Finally, Personal continued its strategy of repositioning its brand by holding the 12th annual Personal Fest, one of the most important international music festivals in Buenos Aires, and also its summer edition in five of the major cities of Argentina.

Personal’s ARPU was approximately P\$112.3 per month for 2016 and P\$91.5 per month for 2015.

b) Wholesale

International Business: During 2016, Personal continued to strengthen its position in the international roaming services market, expanding 3G and 4G LTE agreements, in order to provide a better user’s experience to its subscribers.

Personal entered into five (5) GPRS and 13 3G agreements during 2016, reaching an overall total of 366 commercial agreements of international roaming, which provide service in more than 166 countries.

Personal has increased its voice and data roaming destinations, through the implementation of new agreements under “CAMEL” standard (“*Customised Applications for Mobile networks Enhanced Logic*”), which expand the roaming services for pre-paid subscribers of other carriers that use our network.

Also, Personal enhanced destination’s coverage reached by the International SMS service adding a third SMS Hub, which will enable greater flexibility and reliability of the service.

In order to improve the customer’s roaming service experience, Personal has launched nine LTE agreements in the modality “Outbound” (4G services for Personal’s foreign customers). These agreements allowed customers to use a higher Internet navigation speed, especially at “La Copa América Centenario USA 2016” and the “Rio 2016 Olympic Games,” both major international sports events in 2016.

Domestic Business: The main national wholesale revenues are composed by TLRD, CPP, and to a lesser extent, national roaming sold to other operators in connection with the use of Personal’s network, as well as by leasing of infrastructure sites.

During 2016, Personal continued to strengthen its relationship with operators and telecommunication services providers, cooperative’s federations, and clearing house services suppliers, renewing the existing contracts or entering into new ones.

Personal also signed new agreements with cooperatives for installing new cell sites in their local area with the purpose of achieving or improving mobile coverage in their influence areas and in accordance with its deployment plan.

Personal expanded agreements to contract resources and facilities of other operators (data links, interconnection resources, origination, termination, and transport minutes, conventional and non-conventional site leases and domestic roaming) that contributed to continue the mobile network development and its 4G evolution improving the offer to customers.

Personal’s Network and Equipment

In 2016, the company continued with the strategy of improving the coverage and capacity of the mobile access network. To that end, an important deployment plan for 4G (LTE) technology was held that has synergistically continued the modernization of the 2G/3G network using the new spectrum acquired in the auction process carried out in 2014. This deployment essentially allows increasing Internet access speed, thus improving customers’ user experience, in particular their experience related to accessing Multimedia content.

From the beginning of their deployment, the 700 MHz band where there is no interference, and 1,700/2,100 MHz bands, were enabled at the same time allowing the optimal use of both spectrums through the “carrier aggregation” functionality (functionality that enables adding carriers to increase bandwidth). In accordance with the abovementioned, the capacity of existing sites continued to increase after the activation of the reassigned spectrum of the 2G network and the new PCS/SRMC spectrum acquired in the auction process of 2014.

In addition, the plan to increase the number of base stations linked through optic fibre and full IP connectivity continued, aimed at ensuring the availability of bandwidth for current and future needs.

To strengthen the use of new frequency bands, Personal has continued selling 4G smartphones to new and existing clients with the aim to promote a faster adoption of the new technology. As of 31 December 2016 the customers using 4G handsets were approximately 5.5 million.

Finally, the start-up and migration of the Core Mobile platform on a virtual infrastructure was initiated. This new platform includes the migration of all the existing features of the current core and adds features in the IMS (Internet Map System) architecture, oriented toward the convergence and evolution of services such as VoLTE (Voice-over-LTE), VoWiFi (Voice-over-WiFi), etc.

Mobile Telecommunications Services in Paraguay—Núcleo

The Telecom Business provides nationwide mobile telecommunications services in Paraguay through its subsidiary, Núcleo, under the commercial name of “Personal.” Núcleo is 67.5% owned by Personal and 32.5% owned by ABC Telecomunicaciones S.A., a Paraguayan corporation. Núcleo has been granted licences to provide commercial mobile services, Internet access and videoconference and data transmission services in Paraguay.

At the end of 2015, Núcleo decided to launch LTE services on its available 1,900 MHz frequency bands, implementing an aggressive investment plan for the deployment of the new technology.

The communication strategy of Núcleo in 2016 for post-paid customers was an aggressive proposal that enabled it to increase the capture of customers, to ensure base loyalty and to boost data use. As of the second quarter, the strategic focus for prepaid customers was based on the growth of 0-30 customers (customers that regularly recharge within the last 30 days) and on the recharge processes. With these objectives in mind, tactical actions for the customer base were implemented, with segmented campaigns, new recharge services, special Packs by cell and geographic area and additional benefits with recharges, among others.

In order to further enhance the penetration of 4G smartphones, Núcleo strengthened smartphone benefits by holding two “Smart” fairs, one in October 2016 and one in December 2016. It also launched new smartphone signing-financing alliances with two financial institutions.

In relation to the SVA, a promotional platform was implemented to increase “engagement” of customers who participate in promotions via SMS, consequently improving the participation of SVA in prices and sales.

Finally, with respect to brand and institutional campaigns, as of the second quarter of 2016, the focus on communication was the dissemination of the new brand purpose “*Hagamos que todo suceda.*” Núcleo launched a new campaign to convey the way in which the company seeks to improve people’s lives through technology.

Envíos, Núcleo’s subsidiary, is engaged in the provision of mobile financial services in Paraguay. Envíos commenced its operations in January 2015 but has not had significant result of operations for the Group in 2016.

Additionally, on 4 October 2016, Núcleo’s Board of Directors authorised the execution of the shares purchase option that TU VES S.A (Chile) granted to Núcleo in order to acquire the controlling interest in Tuves. Tuves is a company engaged in the broadcasting supplied by subscription. On 6 October 2016 Tuves’ shareholders accepted Núcleo’s proposal for executing the shares purchase option (70% Tuves’ total capital), which was approved by the *Comisión Nacional de Telecomunicaciones* (“CONATEL”) on 21 April 2017.

Núcleo’s Network and Equipment

In December, 2015 Núcleo decided not to participate in the auction of the licence for the supply of mobile telephone services, Internet access and data transmission in the 1,700/2,100 MHz (4G - LTE) frequency bands in the Republic of Paraguay, because it assessed more convenient launching 4G services in its available 1,900 MHz frequency bands where it has vacancy. As a result, during 2016 Núcleo implemented an aggressive investment plan for the deployment of the new technology, thus enhancing its LTE capacity and coverage in Paraguay. As of 31 December 2016, 610 LTE Nodes that provide coverage to 67 locations throughout Paraguay were installed.

In addition, Núcleo has continued its “*Dream 2*” project for the modernization of the access network after the swap or replacement of 180 sites in the mobile network. Additionally, Núcleo has expanded and improved the quality and capacity of its network, setting into operation 118 new cell sites in Paraguay (an increase of 12% of the total amount of its mobile network) in order to absorb the data traffic growth. Also, as part of the “*Dream 2*” project, the expansion of the Packet Core PS (“Packet Switch”) was carried out.

With respect to growing its transport network, Núcleo expanded its coverage of FFTH Gigabit-capable Passive Optical Network (“GPON”) network, aimed at providing Internet access services to the corporate segment.

Moreover, Núcleo has successfully completed the exchange process across the DWDM network replacing the existing hardware and, thus, successfully obtaining equipment with increased capacity and processing speeds that are able to support the demand for increased data traffic.

In addition, in order to strengthen the use of data through 4G technology, Núcleo promoted the selling of 4G smartphones to post-paid customers.

Competition

Fixed Services

Basic Telephony and International Long-Distance Services. Before November 1999, Telecom Argentina held an exclusive licence to provide Basic Telephone Services to the Northern Region. The Argentine telecommunications market has been open to full competition since November 2000. As of the date of this Prospectus, the main licencees providing local and/or fixed long-distance telephone service are Telmex, AMX Argentina (commercially known as Claro), Level 3 Argentina (commercially known as “Level 3 Communication” formerly “Global Crossing”), IPlan, Telecentro, Telefónica (principally in the Southern Region) and Telecom Argentina (principally in the Northern Region). Telefónica has the dominant market share for provision of telecommunications service in the Southern Region. Accordingly, if economic conditions in Argentina improve and competitors increase their presence in the Northern Region, we expect that the Telecom Business will face additional pressure on the prices it charges for its services and experience limited loss in market share in the Northern Region.

Internet and Data Services. The Telecom Business faces nationwide competition in the Internet service market in Argentina from Telefónica, Gigared and Telecentro (providing a triple-play offer), among others. Our data services business faces competition from Telefónica, AMX Argentina (commercially known as Claro), and from several providers of niche data services such as Level 3 Argentina, IPlan and others.

Mobile Telecommunications Services

Mobile Telecommunications Services in Argentina. The mobile telecommunications market in Argentina has been open to competition since 1993 and was expanded to include PCS services in 1999. In addition, GSM technology has created intense competition for subscribers among the various service providers, including giving rise to severe pricing pressure, significant handset subsidies and increased sales incentives provided to dealers. The introduction of 3G technology since May 2008 and of 4G technology since 2014 has allowed operators to focus competition on Value Added Services.

Currently, there are three operators providing nationwide mobile telecommunications services. These three operators are Personal, Telefónica Móviles Argentina and América Móvil.

América Móvil, operating in Argentina under the trade name “Claro” (formerly CTI), is the country’s largest mobile operators in terms of number of subscribers and has provided STM cellular services in the Northern and Southern Regions outside of the AMBA since 1994 through the 850 MHz band (25 MHz in each region). Claro also holds a non-expiring licence of 40 MHz licence for its PCS services in the AMBA and a 20 MHz licence for PCS in each of the Northern and Southern Regions. In addition, as a result of the Spectrum Public Auction, Claro was awarded the 15 year-term PCS frequency bands 1,867.5-1,870 MHz and 1,947.5-1,950 MHz for the Southern Region, 1,892.5-1,895 MHz and 1,972.5-1,975 MHz for the Northern Region and 1,870-1,875 MHz and 1,950-1,955 MHz for the AMBA and SCMA frequency bands 1,720-1,730 MHz and 2,120-2,130 MHz, while the SCMA 723-738 MHz and 778-793 MHz have been awarded in 2015.

Telefónica Móviles, operating in Argentina under the trade name “Movistar,” is another of the largest mobile operators in Argentina in terms of number of subscribers. Movistar is the result of Telefónica’s merger of Unifón and Movicom in 2005. Movistar operates in the AMBA through the non-expiring licence of 850 MHz band with a total of 30 MHz, and a total of 20 MHz for PCS. It also holds a total of 50 MHz for its PCS licences for the Northern Region, and a total of 25 MHz for its PCS licence in the Southern

Region. This Southern Region is Unifon's original service area, where it also holds a 25 MHz licence for STM. In addition, as a result of the Spectrum Public Auction, Movistar was awarded the 15 year-term SCMA frequency bands 1,710-1,720 MHz, 2,110-2,120 MHz, while the 703-713 MHz and 758-768 MHz have been awarded in 2015.

Meanwhile Personal holds a non-expiring licence to provide mobile telephony services (STM) in the Northern Region of Argentina holding 25MHz in 850MHz frequency bands, and licences to provide data transmission and VAS throughout the country, as well as registration for national and international long-distance services. In addition, Personal holds non-expiring licences to provide mobile radio communication services (SRMC), holding 12,5MHz in 850MHz frequency bands in AMBA, and non-expiring licences to provide PCS services nationwide. To provide PCS Personal holds 30MHz in 1900 frequency band in the AMBA, 20 MHz in the Northern Region, and 40 MHz in the Southern Region.

As a result of the Spectrum Public Auction, Personal was awarded additional frequency bands 830,25-834 MHz and 875,25-879 MHz for SRMC in AMBA (7,5MHz), and PCS frequency bands in 1890-1892,5 MHz and 1970-1972,5 MHz in the Northern Region (5 MHz) and 1862,5-1867,5 MHz and 1942,5-1947,5 MHz in the Southern Region (10MHz). Personal was also awarded 30 MHz for SCMA in 1730-1745 MHz and 2130-2145 MHz frequency bands, and the SCMA bands 713-723 MHz and 768-778 MHz have been awarded in 2015. All these frequencies were awarded for the term of 15 years. In accordance with Decree No. 1,340/16, the term of authorizations for the use of all frequencies that make up Lot 8 for the provision of SCMA, as well as the corresponding deployment obligations, shall be computed since the effective migration of services currently operating in these bands in the scope of Area II, defined according to the provisions of Decree No. 1,461/93 and its amendments.

On 5 May 2016, the Ministry of Communications issued Resolution No. 38/16 approving the new Regulation of Virtual Mobile Operators ("VMO"), thus allowing the entrance of new competitors.

The acquisition and retention of high-value customers continues to be a key factor to Personal's strategy, which is focused on maintaining customer's consumption through the launch of new products and services that enable retention of existing customers.

Mobile Telecommunications Services in Paraguay. Currently, there are four participants in the mobile telecommunications services market in Paraguay. As of 31 December 2016, Núcleo's major competitor was Tigo (a Millicom International Cellular subsidiary). The operators provide services through 2G, 3G and 4G technology. The Paraguayan market is highly competitive, where Tigo holds a great portion of the market (more than 65% of market share, in terms of revenues). In addition, in August 2012, Tigo acquired the major TV cable operator—which in turn held a portion of the 2,600 MHz band available for 4G services, thus widening its business and strengthening its position in the industry. In 2015, the governmental authorities called for an auction for the awarding of additional frequency bands to provide 4G services throughout Paraguay, but after assessing the auction's terms and conditions, Núcleo decided not to participate in the auction process. As a result of the auction Claro and Tigo were awarded with 30 MHz in the 1,700/2,100 MHz frequency bands.

The Merger

Overview

On 30 June 2017 Cablevisión and Telecom entered into a preliminary merger agreement pursuant to which, Cablevisión will be merged into Telecom and following which TEO will be the surviving entity and Cablevisión will be dissolved without liquidation and all of its assets and liabilities transferred to TEO (the "Preliminary Merger Agreement"), as applicable, in accordance with Argentine corporate law and the terms of the Preliminary Merger Agreement. The plan to merge their respective operations will enable TEO to provide "quadruple play" services, combining the provision of fixed and mobile telecommunications services as well as pay television and Internet services, pursuant to a new regulatory framework that came into effect in January 2018.

The Merger was approved at the general ordinary and extraordinary shareholders' meeting of Telecom and the extraordinary shareholders' meeting of Cablevisión held on 31 August 2017. The final merger agreement was entered into on 31 October 2017 (the "Final Merger Agreement," and together with the Preliminary Merger Agreement, the "Final Merger Agreement").

The Merger was approved by ENACOM on 21 December 2017 and became effective on 1 January 2018 (the “Merger Effective Date”); the date on which each of the following conditions were satisfied: (i) Telecom has prepared its technical and operational systems with the capacity to absorb the operations of Cablevisión; and (ii) the receipt of authorization from ENACOM.

In addition, pursuant to the *Ley de Defensa de la Competencia* No. 25,156, as amended (the “Argentine Antitrust Law”), the Merger has been notified to the CNDC and is subject to the approval of the SCI with the prior favourable opinion of the CNDC (the “Antitrust Approval”). Effectiveness of the Merger is not subject to the Antitrust Approval, which may be obtained after the effective date of the Merger.

Upon consummation of the Merger, under applicable Argentine rules, we may be requested to launch a mandatory tender offer for the acquisition of all TEO class B shares not held by us or Fintech.

Merger Agreement between Cablevisión and Telecom

The Preliminary Merger Agreement set forth the preliminary terms and conditions, as approved by the Board of Directors of each company, of the Merger. On 31 October 2017, both companies executed the Final Merger Agreement, which was filed with the CNV on 1 November 2017 for approval. For more information regarding the Preliminary Merger Agreement see “General Information—Material Contracts—Preliminary Merger Agreement.”

TEO Shareholders Agreement

The TEO shareholders agreement, dated 7 July 2017 (the “TEO Shareholders Agreement”) among the Fintech Parties, VLG and the Company, regulates certain matters as to the corporate governance of TEO which became effective upon the Merger Effective Date, while other provisions became effective, upon the execution of the TEO Shareholders Agreement. For more information regarding the TEO Shareholders Agreement see “General Information—Material Contracts—TEO Shareholders Agreement.”

Integration Plan

We believe that the Merger will enhance TEO’s position in the Argentine telecommunications industry, enabling it to become the first market participant offering an integrated “quadruple-play” service, which bundles Telecom’s mobile telephony with Cablevisión’s existing triple-play platform, and assist TEO in improving customer service by leveraging best practices from Cablevisión and Telecom. The re-branding of TEO’s consumer business with the Cablevisión brand will bring TEO approximately 31 million Revenue Generating Units (“RGUs”) and, we believe, will enhance consumer appeal for TEO’s range of communications services. The approximately 31 million RGUs will consist of 20 million mobile subscribers, 4.1 million fixed broadband subscribers, 3.5 million pay TV subscribers and 3.8 million fixed voice subscribers.

The combination between Cablevisión and Telecom’s business is expected to increase the attractiveness of TEO’s service packages through the convenience given to customers of purchasing more products through a single provider, as well as increasing cross-selling opportunities.

REGULATORY FRAMEWORK AND DESCRIPTION OF THE ARGENTINE CABLE AND BROADBAND INDUSTRIES

General

As of 31 December 2016, it was estimated that Argentina had a total population of approximately 40.3 million, with an estimated 11.5 million households. Argentina is the largest and most developed cable television and data cable transmission market in Latin America. As of 31 December 2016, it had penetration of paid television services of around 79%, while broadband internet penetration reached 61%. Cable systems serve nearly 67% of Argentine pay television subscribers, while approximately 33% of Argentine pay subscribers are served by MMDS, multi-channel multi-point distribution systems, ultra-high frequency spectrums and DTH, direct-to-home satellite.

Cable Systems

A cable system can be defined as a broadband network employing radio frequency transmission that utilises coaxial and/or fibre optic cables as a means to transmit multiple channels carrying image, sound and data information between a central facility and individual subscribers. A cable system consists of three major parts:

- A headend, which is a collection of hardware that typically includes one or more satellite dishes, satellite receivers, modulators, amplifiers and videocassette playback machines. The headend amplifies, processes and feeds the signals that are sent via the distribution network.
- A distribution network, which consists of fibre optic trunk lines, coaxial network cables, network amplifiers and passive wires related to subscribers. These carry the signals from the headend towards the areas where subscribers and potential subscribers are located. Lastly, there is the “domestic installation,” where the rush cable connects the network signal deriver with the subscriber’s television receiver or cable modem.
- The home terminal, which allows an individual subscriber to receive the cable signal (whether television or cable modem).

The evolution of fibre optic technology in the last few years has increased the use of this technology as part of the trunk network or backbone of cable television networks. Fiber optics have a number of advantages over coaxial cable, including the following:

- greater capacity;
- resistance to electrical interference;
- greater reliability; and
- cost reduction due to the elimination of amplifying equipment.

Fiber optic systems require less maintenance which, in turn, results in lower operational costs. Most fibre optic networks are constructed with a bandwidth capacity of up to 1 GHz. Such networks can generally transmit up to 110 analogue and over 500 digital channels. Additionally, these systems may transmit improved cable television services by means of analogue or digital decoders and provide access to broadband Internet through two-way, high-speed cable modems. Video digital decoders allow subscribers to communicate with a computer at a central headend so that the system may respond directly to each subscriber’s programming requirements. The current digital decoder technology allows the cable operator to improve capacity, lower capacity or disconnect the connection of each subscriber. It also allows the operator to offer “pay-per-view” services and video on demand (in the case of digital decoders).

Multipoint Distribution Service (“MMDS”)

MMDS, often referred to as wireless cable, is a pay television distribution technology based on a microwave transmission system that operates from a headend, consisting of a satellite receiver or other

subsystem used for the reception and retransmission of signals. Programming is then transmitted by microwave transmitters from an antenna located on a tower or on top of a building to a small receiving antenna located at a subscriber's premises, where the encoded microwave signals are decoded. Although establishing an MMDS network is less capital intensive than constructing a cable television network, we believe that cable television has competitive advantages over MMDS:

- MMDS transmissions cannot be received in "shadowed" areas where microwave transmission is blocked by terrain, buildings or other physical objects. In some cases, however, signal blockages may be overcome through the use of low-power signal repeaters that retransmit an otherwise blocked signal over a limited area;
- MMDS has limited channel capacity, lower reliability and lower quality of signal; and
- generally, the installation of an MMDS client requires more sophisticated manpower and more expensive equipment than that required for a traditional cable television installation without a decoder.

As of the date of 31 December 2016, there were approximately 6 (six) MMDS operators serving approximately 94,000 subscribers in Argentina.

Direct to Home ("DTH")

DTH systems (also known as Direct Broadcasting Systems) systems use high power satellites to deliver signals to antennae located in homes, hotels and apartment buildings. In comparison to MMDS signals that are locally transmitted, a DTH satellite footprint can cover large land areas. High frequency Ku-Band DTH technology permits the use of a smaller satellite receiver dish of 60 centimetres, offers more channels and better picture quality than C-Band DTH technology. DTH service in Argentina is regulated by the Media Law.

At present, only two (2) companies, Red Intercable Satelital S.A. ("INTV") and DirecTV, provide DTH services in Argentina. DirecTV has increased its subscribers base in Argentina from 636 thousand in 2007 to 2.8 million subscribers as of 31 December 2016.

DTH service may continue to grow in Argentina, especially in rural areas, as no cable networks are available. Although we believe that cable television has advantages over DTH, as cable television does not require its subscriber to bear the upfront cost of purchasing a dish and related hardware necessary for DTH, we cannot assure you that DTH will not increase its market share in Argentina's pay television market.

Over-the-Air ("OTA") and Ultra High Frequency ("UHF")

There are a limited number of radio transmission stations in Argentina, all of which are located in Buenos Aires. Due to the limited reach of air frequencies, the radio transmission stations compete with cable television providers mainly in the AMBA Region.

UHF systems broadcast programming across airwaves with codified frequencies to subscribers who have obtained a signal decoder. Due to the limited reach of UHF frequencies available for broadcasting, UHF systems offer very few signals.

History and Development of the Argentine Cable and Broadband Market

Cable television in Argentina originated in the 1960s when community antenna systems were built to retransmit television service, from Buenos Aires to the country's interior. The Argentine government, acting through the *Comité Federal de Radiodifusión* ("COMFER"), granted non-exclusive licences to provide cable service in defined geographic areas which resulted in the development of a highly fragmented industry with over 2,000 operators. The non-exclusive licensing system has also resulted in overlapping cable service areas, particularly in large markets such as the City of Buenos Aires, the metropolitan Buenos Aires area and the province of Buenos Aires.

Beginning in 1993, in an effort to gain market share in the AMBA Region, the then-existing MSOs began to compete aggressively for subscribers, offering incentives that included lower basic service rates, free

activation and nine months of free basic service, leading both to increased subscriptions and high subscriber termination rates as subscribers switched from one operator to another. Around the same time, the Argentine cable industry entered into a consolidation phase, which significantly reduced the number of cable operators. During this period, Cablevisión and Multicanal S.A. (an entity that was merged into Cablevisión as of 1 October 2008, "Multicanal") made various acquisitions, including the acquisition in 1997 of 100% of the shares of the VCC Group, the second largest MSO at the time.

Since 1998, Cablevisión has also carried out several acquisitions and corporate reorganisations, the most significant of which were its acquisitions of Multicanal and Teledigital in September 2006 and Nextel in January 2016. For more information, see "Operating and Financial Review."

As of 30 September 2017, there were approximately 7.2 million subscribers of broadband Internet access services in Argentina. Cablevisión's Fibertel brand accounts for 32% of the market, measured in terms of number of subscribers. Speedy, of Grupo Telefónica, had a market share of 24%. Arnet, of Grupo Telecom, had a 24% market share. The remaining 21% was distributed among over 26 other broadband providers countrywide.

Cablevisión's Fibertel brand not only competes directly with other broadband Internet service providers, but also with ADSL technologies. Telefónica de Argentina S.A. and Telecom. both offer their ADSL services through third-party providers that market their products jointly with Argentina's two telephone companies, thereby increasing their distribution, communications and sales channels. Additionally, though in lower numbers, wireless technologies have captured a portion of the demand for Internet access.

Cablevisión's Fibertel brand concentrates its subscriber base in the AMBA Region, where approximately 54% of its subscribers are located and where it holds a market share of approximately 44% as of 31 December 2016.

Regulatory Overview

The regulatory framework applicable to the services that Cablevisión and Telecom provide in Argentina has recently undergone certain changes. The telecommunications services Cablevisión and Telecom provide are principally regulated by the Digital Argentina Law and Decree No. 267 and are subject to the supervision of ENACOM, an autarchic and decentralised entity under the jurisdiction of the Argentine Modernization, Innovation and Technology Ministry.

The Broadcasting Law

Cablevisión is currently the holder of licences for the provision of subscription cable television services by physical and radio electric link that were granted pursuant to the Broadcasting Law. Under the Broadcasting Law, any company that intended to provide cable television services in Argentina was previously required to obtain a non-exclusive licence issued by COMFER, the enforcement authority established by the Broadcasting Law. Such companies were also required to obtain certain authorisations, including authorisation by municipal agencies for some services.

The issuance of a licence under the Broadcasting Law enables the licensee to offer subscription cable television services within a specific area, and this licence period may be extended through an extension request.

Moreover, the Broadcasting Law provided for a multiple licence regime that did not limit the provision of subscription cable television services in different areas.

Under the Broadcasting Law, licences were granted for an initial period of 15 years and contemplated the possibility of a one-time extension for an additional period of 10 years, subject to COMFER's approval. Cablevisión and its subsidiaries currently hold licences granted by COMFER under the Broadcasting Law, some of which had been extended for an additional 10 years.

On 24 May 2005, Decree No. 527/05 suspended the terms of broadcasting licences and their extensions for 10 years. The original terms of the licences were automatically resumed upon expiration of the suspension term, subject to certain conditions. Companies seeking to benefit from the 10-year extension were required to submit proposals subject to COMFER's approval. Cablevisión submitted

these proposals, which were authorised by COMFER on 25 February 2008, thereby suspending for 10 years the term of the licences originally awarded to it, as well as the terms of the licences to which Cablevisión became the universal successor.

The Media Law

The Media Law was enacted on 10 October 2009, and became effective on 19 October 2009.

The Media Law provided for the replacement of COMFER with the AFSCA, a decentralised and autarchic agency under the jurisdiction of the national executive branch, which was vested with the authority to enforce the Media Law.

The Media Law, among other things:

- introduced a new scheme for granting and reviewing licences over which the National executive branch had broad discretion;
- set a 10-year limitation on the terms of the licences, with a one-time non-renewable extension;
- provided that authorisations and licences became non-transferrable;
- established a new regulatory framework for signals, production companies and advertising agencies, including registration requirements;
- created a multiple licence scheme that (i) restricted to a maximum of 10 the number of audiovisual communication service licences, plus a single broadcasting signal for radio, broadcast TV and subscription cable television services that used the radio spectrum; (ii) restricted the licensing of subscription broadcasting services rendered through a physical link (cable), limiting the number of licences to a maximum of 24; (iii) set forth further restrictions regarding the provision of these services, which could not be provided to more than 35% of all inhabitants or subscribers nationwide; (iv) prohibited the simultaneous exploitation of a broadcast TV signal and a cable television signal in the same area; and (v) established that broadcast TV networks could only own one cable television signal. TV networks could only own the so-called “local channel,” which was mandatory for every licence; and
- imposed mandatory quotas for certain types of content.

The Media Law also retroactively required holders of current broadcasting licences that were acquired rights under the Broadcasting Law to conform to the Media Law within the term of one year.

Grupo Clarín, its main subsidiaries, and Cablevisión, initiated legal proceedings that resulted in the suspension of certain provisions of the Media Law that imposed mandatory divestments with respect to Grupo Clarín, Cablevisión and other subsidiaries, until a final decision was rendered with regards to the constitutionality of such disputed sections. On 29 October 2013, the Supreme Court of Argentina dismissed the claim, thus confirming the constitutionality of the challenged sections. Grupo Clarín submitted a proposal to adopt measures designed to comply with the Media Law that was initially accepted but subsequently disputed by the AFSCA and was the subject of litigation until January 2016, when Decree No. 267 was enacted, repealing provisions of the Media Law and rendering the litigation moot.

Digital Argentina Law

In December 2014, the Argentine Congress enacted the Digital Argentina Law, partially repealing Law No. 19,798 (the “National Telecommunications Law”). The Digital Argentina Law conditions the effectiveness of Decree No. 764/00, which deregulated the telecommunications market, to the enactment of four new sets of rules that will govern the licence, interconnection, universal service and radio-electric spectrum regimes.

The Digital Argentina Law establishes a single country-wide licence scheme and the individual registration of the services to be rendered, renaming former telecommunication services as Information

and Communications Technology Services (“TIC Services”). The Digital Argentina Law does not, however, alter, the scope of the licences originally granted to Cablevisión and its subsidiaries.

The Digital Argentina Law contemplates a licence called “*Licencia Única Argentina Digital*,” which allows licencees to render any telecommunication services to the public, whether fixed or mobile, wired or wireless, national or international. Cablevisión and its subsidiaries are authorised by Secom to render the following services: data transmission, paging, videoconference, community retransmission, transport of broadcast signals, value-added, radio-electric trunking, internet access, public telephony, local telephony and national and international long-distance telephony.

Pursuant to the Digital Argentina Law, a new enforcement authority was created under the jurisdiction of the executive branch: the Information and Communications Technology Federal Enforcement Authority (“AFTIC”).

As of the date of this Prospectus, the regulation of certain aspects of the Digital Argentina Law are still pending, thus the economic and operational effects that these regulations might have on TEO’s operations remain uncertain.

Decree No. 267

The National Communications Agency, or ENACOM, a decentralised and autarchic agency under the jurisdiction of the Ministry of Modernization, Innovation and Technology, was created by Decree No. 267 as the enforcement authority under the Media Law and the Digital Argentina Law. ENACOM has the same powers as those of AFSCA and AFTIC under the Media Law and the AFTIC under the Media Law and the Digital Argentina Law.

Decree No. 267 repealed Section 161 of the Media Law, which established conditions for ownership and limited the number of licences that a single licencee could hold, and amended Section 45 of the Media Law.

Under the new regulatory framework, the licences granted to Cablevisión and its subsidiaries under the Broadcasting Law and the Media Law are now called “registrations” for the exploitation of physical link and radio-electric link subscription cable television services of a *Licencia Única Argentina Digital*.

The only licence Cablevisión holds which could be considered to be subject to the Media Law is the registered title of the signal METRO, a signal that is broadcasted through other services and therefore has a registration number issued by ENACOM that must be renewed on an annual basis.

Among other provisions, Decree No. 267 eliminates:

- the inability to offer in the same location broadcast television services and subscription cable television services. Subscription cable television services exploited through a physical link or radio-electric link are considered to be TIC services and are subject to the Digital Argentina Law;
- the limit of 10 licences for radio-electric link subscription cable television services and 24 licences for physical link subscription cable television services imposed by the Media Law, which as from 4 January 2016, are considered to be TIC services;
- the 35% of all subscribers limit imposed by the Media Law;

As a result of the inclusion of physical link and radio-electric link subscription cable television services within the framework of the Digital Argentina Law:

- these services no longer fall within article 45 of the Media Law, which sets forth the new multiple licence regime for audiovisual communication services;
- the registration of physical link subscription cable television services is no longer limited to a specific territorial area. Radio-electric link subscription television services, on the other hand, is subject to a specific territorial area as a result of the spectrum assigned for the provision of such services; and

- both registrations for physical link subscription cable television services and for radio-electric link subscription cable television services are no longer subject to expiration. However, the portions of the spectrum allocated to render radio-electric link subscription cable television services do expire. The duration of such services shall be the longest of the term provided under the original title and a period of 10 years counted as of 1 January 2016.

Pursuant to Decree No. 267, providers of basic telephone services whose licences were granted under the terms of Decree No. 62/90 and paragraphs 1 and 2 of Section 5 of Decree No. 264/98, as well as mobile telephone service providers whose licences were granted pursuant to the list of bidding conditions approved by Resolution No. 575/93 of the then Ministry of Economy and Public Works and Services and ratified by Decree No. 1,461/93, shall be able to provide subscription broadcasting services by means of physical or radio-electric link following the expiration of a term of two years commencing on 1 January 2016. Such term may be extended for an additional year at the discretion of ENACOM. Decree No. 267 was approved by the Argentine Congress on 6 April 2016 and is currently in full force and effect.

In spite of the fact that Registrations are no longer granted for a specific area, Cablevisión has complied with the procedure set forth in ENACOM Resolution No. 427/16 and disclosed via internet (aplicativo web) the geographical location of its services, indicating the original coverage area, the complementary territorial units and/or the extensions in which it is currently providing services.

Certain of Cablevisión's historic equity transfers and transfers of licences were not previously approved by the COMFER and the AFSCA. ENACOM however, issued Resolution No. 427/2016 establishing that licencees that do not hold a licence for the same type of service and have not already obtained a ruling recognising their request to extend the licence will be required to ratify such extension request. Although some of the entities in which Cablevisión holds a minority stake have already completed the ratification procedure, Cablevisión will not be required to file a ratification request with ENACOM, as its licences remain valid.

Pursuant to Decree No. 267 and ENACOM Resolution 427/16, all transfers of broadcasting and TIC Services licences are subject to the subsequent approval of ENACOM, which may be expressly granted or deemed approved if ENACOM does not make any official observation within 90 days from the effectiveness of the transfer. The transfer of licences or shares without the approval of ENACOM is subject to revocation.

Pursuant to ENACOM Resolution No. 1,394/16 ("Resolution 1,394"), which approved the general regulation of broadcasting services subscription by physical and/or radio link, Cablevisión and its subsidiaries that have purchased bidding forms to apply for a licence extension have requested an authorisation for the specific coverage area.

Finally, in order to enhance the convergence of networks and services on competitive conditions, promote the deployment of next generation networks, and the penetration of broadband internet access services across Argentina, the Executive Branch issued Decree 1,340/16 on 30 December 2016. Among other things, Decree 1,340/16:

- provides for a fifteen-year protection for last mile fixed "next generation" networks for broadband services that may be deployed by the licencees of TIC services, with respect to the rules for open access to broadband services that may be issued;
- orders the issuance of a series of regulations for the following purposes:
 - the calling of a public bid for the allocation of new frequency bands for mobile services.
 - to ensure the re-allocation of radio-electric spectrum frequencies that include economic compensation and shared use with frequencies previously allocated to other services, and to allocate such frequencies to providers of TIC Services that request to reuse them to render mobile services or fixed wireless services with "long term evolution" or higher technologies; and

- to allocate radio-electric spectrum frequencies on demand, while establishing compensations, deployment and coverage obligations with respect to current local or regional providers of TIC services and on the current providers of mobile communication services;
- sets forth that the persons restricted under Decree No. 267/15 from rendering physical or radio-electric link subscription television services may request the corresponding registration and begin to provide those services in certain areas commencing in 1 January 2018;
- recognises that the holders of satellite link subscription television services licences that as of 29 December 2015 rendered TIC services may maintain the ownership of both services; and
- orders the former Ministry of Communications, currently the Ministry of Modernization, Innovation and Technology, to guarantee the interconnection principles provided under the applicable legal framework in order to ensure the impartiality, non-discrimination and fair competition among providers of mobile services, restricting the possibility of delaying or hindering the technical, interconnection, operational or any other conditions that may create barriers for other providers to enter the market.

ENACOM decisions regarding Cablevisión

As of the date of this Prospectus, the ENACOM has decided:

- to approve the merger between Cablevisión S.A. and Telecom Argentina S.A. See “Business Description—The Merger;”
- that Cablevisión and its subsidiaries comply with the limits related to the multiplicity of licences established under Section 45 of Law No. 26,522, and that the proposal submitted by Cablevisión and its subsidiaries under the Media Law in order to conform to its requirements shall be deemed concluded and filed;
- to revoke Resolutions issued by the AFSCA that had ordered the ex-officio divestiture procedure of Cablevisión, and the resolutions issued by the COMFER withholding the approval of the merger between Cablevisión and Multicanal. S.A.;
- to authorise the transfer of ownership of the Exclusive Telecommunication Service License that had been granted to Fibertel S.A., in favour of Cablevisión S.A. under the merger process effective as of 1 April 2003 (ENACOM Resolution No. 1,359/16);
- to authorise the change of control in Nextel in favour of Cablevisión S.A.;
- to authorise the extensions for a term of 10 years as of date of the original expiration of the authorisations for the use of certain frequencies that had been previously dismissed and revoked by ENACOM;
- to authorise the transfer of control in favour of Nextel of the following licencees of TIC services: Fibercomm S.A, Trixco S.A., Callbi S.A., Infotel S.A, Skyonline de Argentina S.A., Netizen S.A. and Eritown Corporation Argentina S.A. (ENACOM Resolution No. 111/2017);
- to order the use of the 905-915 MHz and 950-960 MHz frequency bands to render advanced mobile communication services (ENACOM Resolution No. 1,033/2017);
- to order the use of the 2500-2690 MHz frequency bands to render advanced mobile communication Services, in addition to the current services where possible (ENACOM Resolution No. 1,034/2017);
- to approve the project for “Refarming with Economic Compensation,” filed by Nextel to provide advanced mobile communication services, and to register Nextel as a provider of advanced mobile communication services in the registry of services; and

- to register Nextel as provider of advanced mobile communication services in the registry of services and to authorise the use of certain advanced mobile communications services frequencies by Nextel.

The current regulatory framework and the authorisations obtained by Cablevisión and its subsidiaries enable the growth and consolidation of TEO as a quadruple play operator.

Programming Grid

AFSCA Resolution No. 296/2010 set guidelines for the organization of the programming grid applicable to owners of cable television services and regulated Section 65 of the Media Law.

In spite of Cablevisión's intentions to organise its programming grids in accordance with the Media Law, the AFSCA initiated multiple proceedings claiming that Cablevisión had failed to comply with Resolution No. 296/2010. Although Cablevisión has responded to such actions, fines were imposed in certain of the proceedings. As of the date of this Prospectus, many of the decisions imposing such fines have been appealed.

On 23 December 2013, Cablevisión filed new programming grid with the AFSCA, which contemplated both a digital and an analogue system.

Pursuant to Section 7 of Decree No. 267, all physical link and radio electric link cable television services are governed by the Digital Argentina Law. Therefore, Cablevisión is no longer subject to Section 65 of the Media Law and its implementing regulations.

Notwithstanding the foregoing, ENACOM Resolution 1394 states that providers of cable television services, whether through physical link or radio link, must comply with certain requirements relating to their programming grids.

In accordance with Section 7 of Decree No. 267, all physical link and radio electric link cable television services are governed by the Digital Argentina Law. Thus, Cablevisión and its subsidiaries are no longer subject to Section 65 of the Media Law.

Under the general rules approved by ENACOM through Resolution No. 1,394/16, providers for both physical link and radio-electric link services must guarantee compliance with a programming grid within a certain coverage area.

Contents

Since 1 November 2002, the successive administrative regulatory agencies (COMFER, AFSCA and ENACOM) have initiated proceedings against Cablevisión based on alleged violations of broadcast content regulations. As of the date of this Prospectus, 55% of the fines imposed pursuant to such administrative proceedings have been discharged, 41% have been submitted to the payment system contemplated in Resolution 661/12, and the remaining 4% of the decisions imposing fines have been appealed and have not yet been decided. We consider the aggregate amount of these fines to be immaterial.

Contributions to the Universal Service Fund, Radiofrequencies Fees, Control, Verifications and Supervision Fees and Broadcasting Fees

As of the date of this Prospectus, Cablevisión has complied with all of its obligations and payments arising from the universal service fund, the control rates, the verification and supervision fee and the payment of the broadcasting tax. Cablevisión was prevented from complying with these payment obligations while its Fibertel licence was being challenged, but resumed such payments as soon as this challenge was declared null. The sums not paid during this period have been included in Cablevisión's Financial Statements.

However, pursuant to Section 21 of Decree 267 and until a new law is enacted consolidating the regime contemplated in laws No. 26,522 and the Digital Argentina Law, the physical link and radio-electric link subscription cable television services exploited by Cablevisión and its subsidiaries will continue to be solely subject to the fee regime contemplated under Law No. 26,522, and thus Cablevisión and its

subsidiaries are exempt from the payment of 1% of their revenues and of the “control, oversight, and verification” fee provided under Sections 22 and 49 of the Digital Argentina Law.

The Uruguayan Audiovisual Communications Law

The Uruguayan Audiovisual Communications Law No. 19,307 (the “Uruguayan Audiovisual Law”) was published in the Official Gazette of Uruguay on 14 January 2015, and regulates the provision of radio, television and other audiovisual communication services. Although the executive branch was required by Section 202 of the Uruguayan Audiovisual Law to issue the corresponding regulations relating to this law within 120 days of its publication in the Official Gazette, as of the date of this Prospectus the executive branch has only issued Decree No. 45/15, which provides for the implementation of only some of its provisions.

Among other things, the Uruguayan Audiovisual Law provides that:

- licences for the use and assignment of the radio electric spectrum of non-satellite audiovisual communication services are valid for 15 years and can be renewed for additional 10-year periods subject to compliance with certain requirements;
- both individuals and legal entities are prohibited from being the sole or joint owners of more than six permits or licences for the sale of television services to subscribers in Uruguay. If any such permits or licences include the department of Montevideo, the limit is reduced from six to three;
- any individual or legal entity that owned more than the permitted number of permits or licences as of the date of effectiveness of the Uruguayan Audiovisual Law must transfer any permits or licences in excess of such limit within four years of the effectiveness of the Uruguayan Audiovisual Law; and
- providers of television services cannot offer phone or data transmission services in Uruguay.

As of the date of this Prospectus, Cablevisión’s Uruguayan subsidiary Adesol is analysing the potential consequences that the Uruguay Audiovisual Law may have on its operations, and is considering any legal actions that it might be entitled to take to protect its rights and those of its shareholders. Several actions have been filed by third parties claiming that the Uruguayan Audiovisual Communications Law is unconstitutional, the majority of which remain pending. However, any such rulings will only affect the relevant parties to the claims.

Licences granted to the Telecom Group of 31 December 2016

To Telecom Argentina

As of 31 December 2016, Telecom Argentina has been granted the following non-expiring licences to provide the following services in Argentina:

- Local fixed telephony;
- Public telephony;
- Domestic and international long-distance telephony;
- Domestic and international point-to-point link services;
- Domestic and international telex services;
- VAS, data transmission, videoconferencing and transportation of audio and video signals; and
- Internet access.

To Telecom Argentina's subsidiaries

As of 31 December 2016, Telecom Argentina's subsidiaries have been granted the following licences:

- Personal has been granted a non-expiring licence to provide mobile telecommunication services (STM) in the Northern Region of Argentina and data transmission and Value Added Services throughout the country. In addition, Personal owns licences to provide mobile radio communication services (SRMC) in the AMBA area, as well as a non-expiring licence to provide PCS services throughout the country, and it is registered to provide national and international long-distance telephone services. Additionally, from November 2014 Personal has been granted a licence to provide Mobile Advanced Communications Services (SCMA) for 15 years. In accordance with Decree No. 1,340/16 the term of authorizations for the use of all frequencies that make up Lot 8 for the provision of SCMA, as well as the corresponding deployment obligations, shall be computed since the effective migration of services currently operating in these bands in the scope of Area II, defined according to the provisions of Decree No. 1,461/93 and its amendments.
- Núcleo, a company controlled by Personal, has been granted a licence to provide mobile telecommunication services (STM and PCS) throughout Paraguay. In addition, Núcleo has been granted a licence for the installation and provision of Internet and Data throughout Paraguay. All these licences have been granted for renewable five-year periods.
- Personal Envíos, a company controlled by Núcleo, was authorised by the Central Bank of Paraguay to operate as an Electronic Payment Company (EMPE) through Resolution No. 6 issued on 30 March 2015 and its corporate purpose is restricted to such service.

For further information on the Telecom Business' regulatory framework, please refer to Telecom's Annual Report 2016 under Annex C.

INFORMATION RELATING TO THE SPLIT UP OR ESCISIÓN

Grupo Clarín decided to establish Cablevisión Holding pursuant to a corporate “Split Up” or *Escisión* as a separate Argentine corporation to principally hold the shares of Cablevisión and its subsidiaries, which are engaged in the cable television, internet and mobile businesses. The primary purposes of the *Escisión* were:

- to promote the specialization of Grupo Clarín’s existing portfolio;
- to allow each of Grupo Clarín and Cablevisión Holding to tailor its growth strategies and objectives based on the demands of each particular market, distinct industry and market risk, organizational process and capital structure; and
- to improve the competitive position of each company.

In an *Escisión* conducted pursuant to Argentine corporate law, an existing company is split up, creating a new company to which specified assets and liabilities are allocated. The shares of the new company are issued to the shareholders of the company conducting the *Escisión* (in our case, the shareholders of Grupo Clarín), pro rata to their share ownership in the existing company.

The *Escisión* which resulted in our creation was approved on the Approval Date, by the vote of the shareholders of Grupo Clarín at an extraordinary shareholders’ meeting.

We distributed our shares of capital stock to the shareholders of Grupo Clarín entitled to receive them on the Share Distribution Date.

Grupo Clarín has complied with all the requirements set forth in the Argentine Corporations Law with respect to the *Escisión*.

Distribution of Cablevisión Holding Shares

The capital stock of Cablevisión Holding was deemed issued and outstanding on the Effective Date and, as of the Share Distribution Date, each holder of Grupo Clarín shares has become the owner of a number of Cablevisión Holding shares of the corresponding class according to the Split Ratio described below. On the Share Distribution Date, 47,753,621 class A Shares, 117,077,867 class B Shares and 15,811,092 class C Shares of GCSA were cancelled and shares of the Cablevisión Holding were issued and delivered to the holders of the cancelled GCSA shares, in accordance with the Split Ratio.

According to the Split Ratio approved by Grupo Clarín’s shareholders on the Approval Date, with respect to the aggregate amount of Grupo Clarín shares per class owned by each Grupo Clarín shareholder as of the business day prior to Share Record Date, such shareholder:

- (i) retained 37.15% in shares of Grupo Clarín (post-*Escisión*), and
- (ii) received 62.85% in shares of Cablevisión Holding.

Cablevisión Holding Class B Shares already trade on the Buenos Aires Stock Exchange.

Distribution of Cablevisión Holding GDSs

On 31 August 2017 we entered into a deposit agreement with JPMorgan Chase Bank N.A., as Depositary, providing for the issuance of GDSs, each representing one Cablevisión Holding Class B Share. All of Grupo Clarín global depositary shares are currently registered in the name of, and held through, DTC or a nominee thereof. We arranged with the Depositary to deliver Cablevisión Holding GDSs to such clearing system for further distribution to participants holding Grupo Clarín global depositary shares. Therefore, persons holding Grupo Clarín global depositary shares through the facilities of DTC received Cablevisión Holding GDSs by book entry only, through the facilities of DTC. Persons holding Grupo Clarín global depositary shares through a broker or other securities intermediary were advised to consult such broker or other securities intermediary concerning distribution of Cablevisión Holding GDSs. We expect that the Cablevisión Holding GDSs will commence trading on the London Stock Exchange on 21 February 2018.

OPERATING AND FINANCIAL REVIEW

Overview

Cablevisión Holding is an Argentine holding company that was fully established pursuant to a corporate “Split Up” or *Escisión* of Grupo Clarín, approved by Grupo Clarín’s shareholders on the Approval Date. Our operating subsidiaries, including the Cablevisión Business, were all owned by Grupo Clarín (in the same percentage) prior to our establishment, and they were transferred to us on the Effective Date. See “Information Relating to the Split Up or *Escisión*.”

We are a holding company and our principal asset is our ownership of and power to vote 50% plus two shares of the common stock of TEO. Given that TEO constitutes approximately 99% of the business of the Company, we consider that Cablevisión’s and Telecom’s Financial Statements fairly represent the business of the Company. The following discussion should therefore be read in conjunction with Cablevisión’s and Telecom’s Financial Statements and notes thereto included in this Prospectus. Cablevisión’s and Telecom’s Financial Statements have been prepared on a consolidated basis and represent the historical operations of Cablevisión and Telecom. Cablevisión’s and Telecom’s Financial Statements included in this Prospectus have been reproduced without modification.

The Financial Statements have been prepared and presented in accordance with IFRS as issued by the IASB.

I. Cablevisión

Factors Affecting Results of Operations

Effects of the Escisión

We currently do not expect any material adverse effects on our business resulting from the *Escisión*. The *Escisión* is not expected to have a material effect on our consolidated results of operations, financial position, capital expenditures or cash flows.

We expect that in general our financial performance will not be materially affected by the separation from Grupo Clarín.

In particular, we do not expect material differences in our cost structure to result from the *Escisión*. The costs and expenses we record at the level of TEO will not be affected by our split up from Grupo Clarín. At the holding company level, we will incur limited additional expenses to rent office space and for such administrative matters as the legal, accounting and finance functions, including paying fees to Grupo Clarín for certain administrative and operational services during an initial period. We do not, however, expect these expenses to be material to our commercial, administrative and general expenses.

Our costs of financing will also not be immediately affected by the separation from Grupo Clarín, because all of our indebtedness is at the subsidiary level and does not enjoy credit support from Grupo Clarín. Similarly, we do not expect the separation to affect our liquidity. We cannot, however, be certain that in the future our subsidiaries, as part of a new and smaller group, will continue to have access to financing on equally favourable terms.

The Argentine Economy

Substantially all of our assets and operations and customers are located in Argentina. Accordingly, our financial condition and results of operations depend to a significant extent on macroeconomic and political conditions prevailing from time to time in Argentina. See “Risk Factors—Risks Related to Argentina.”

The following table sets forth information about certain economic indicators in Argentina for the years indicated. For information regarding the reliability of this data see “Risk Factors—Risks Related to Argentina— Some national and international economic agents have expressed their concerns about the accuracy of the INDEC’s CPI and other economic data published by INDEC in the past.”

	2016	2015	2014	2013
Economic Activity				
Real GDP (in billions of 2004 pesos)	704.3	720.9	702.3	720.4
Rate of change from prior year (% change) ⁽¹⁾ ..	(2.3)%	2.6%	(2.5)%	2.4%
Nominal GDP				
(in billions of Pesos)	8,056.0	5,854.0	4,579.1	3,348.3
Price Indexes and Exchange Rate Information				
Consumer Price Index (INDEC CPI)				
(% change)	n.a. ⁽²⁾	n.a. ⁽²⁾	24.0%	10.9%
Consumer Price Index (San Luis CPI)				
(% change).....	31.4%	31.6%	39.0%	31.9%
Consumer Price Index (City of Buenos Aires CPI)				
(% change).....	41.0%	26.9%	38.0%	26.6%
Wholesale Price Index (WPI)				
(% change).....	n.a.	n.a.	n.a.	14.8
Nominal Exchange Rate ⁽³⁾				
(in Ps./U.S. \$ at year end).....	15.850	13.005	8.552	6.518
External Indicators and International Reserves Position				
Trade Merchandise Balance				
(in millions of U.S. \$).....	2,015 ⁽⁹⁾	(388)	5,978	4,670
Current Account Balance ⁽⁴⁾				
(in billions of U.S. \$).....	(10.7) ⁽⁸⁾	(15.9)	(8.0)	(12.1)
Central Bank International Reserves ⁽⁵⁾				
(in billions of U.S. \$).....	38.8	25.6	31.4	30.6
Fiscal Indicators				
Federal Fiscal Revenues ⁽⁶⁾				
(in millions of Pesos).....	1,613,452 ⁽¹⁰⁾	1,298,566	997,208	707,889
As % of GDP.....	20.0	22.2	21.8	21.1
Federal Primary Expenses				
(in millions of Pesos).....	1,972,834 ⁽¹⁰⁾	1,403,363	1,035,769	730,368
As % of GDP.....	24.5	24.0	22.6	21.8
Federal Primary Fiscal Balance ⁽⁷⁾				
(in millions of Pesos).....	(359,382) ⁽¹⁰⁾	(104,77)	(38,562)	(22,479)

Sources: Ministry of Public Works of Argentina, Central Bank, Instituto Nacional de Censos y Estadísticas (INDEC) and Company estimates.

- (1) Variation provided by INDEC on 29 June 2016. Real GDP data of 2013-2014 was restated by this agency on that date.
- (2) The newly appointed INDEC authority, which took office in December 2015, has declared an emergency with respect to Argentina's statistics system. In this respect, the INDEC's website warns that the statistical information published from January 2007 through December 2015 should be considered with caution, except for that information which has been revised in 2016, as expressly stated in their release. The INDEC, pursuant to the authority conferred by regulations 181/15 and 55/16, initiated the required research in order to restore the regularity of procedures for data collection, its processing, the development of economic indicators and their dissemination.
- (3) Central Bank reference exchange rates (Communication A 3500 of Central Bank).
- (4) Earned Basis.
- (5) Balances at year end.
- (6) Includes pension contributions mandated by the Argentine Integrated Pension System.
- (7) Includes automatic and non-automatic transfers to provinces.
- (8) Information for 2016 is for the first nine months of 2016.
- (9) Information for 2016 is for the first nine months of 2016.
- (10) Information for 2016 is calculated based on a new methodology different from the one used for the previous years.

According to the revised data published by the INDEC on 29 June 2016, Argentina's real GDP increased 2.4% in 2013 as compared to 2012, as domestic demand in 2013 helped to offset weak demand from the rest of the world. In 2014, Argentina's real GDP decreased 2.5%, compared to 2013, reflecting the impact of the deceleration of growth in developing economies on Argentina's exports, growing uncertainty in the financial sector and fluctuations in foreign exchange rates.

In 2015, Argentina's real GDP increased by 2.6%, primarily as a result of (i) a 5.5% increase in gross investment, mainly due to a 9.3% increase in investments in durable equipment for production and a 2.5% increase in construction investments; and (ii) a 6.7% increase in private sector consumption and an 5.0% increase in public sector consumption. These factors were partially offset by a 5.5% increase in imports, driven by the expansion of economic activity, which resulted in a negative trade balance.

In 2016, Argentina's real GDP decreased by 2.3% compared to 2015. The decrease of real GDP was driven by a 1.4% decrease in private sector consumption, which was only partially offset by a slight increase in public sector consumption, and a 5.5% decrease in gross investment. Imports of goods and services grew by 5.4% compared to 2015.

The country faces significant challenges, including the need to attract investments in capital goods that will permit sustainable growth and reduce inflationary pressures, the renegotiation of utility contracts and the resolution of the current energy demand crisis. While the country's new administration has implemented since 2016 reforms that we believe will improve the long-term fundamentals of the electricity sector, making the sector more market-driven and sustainable, the macroeconomic context and the imbalances (including high inflation, fiscal deficit, trade restrictions) deriving from certain policies adopted during recent years represent substantial obstacles to the policy shifts announced by current administration.

In light of these uncertainties, the long-term prospects of the Argentine economy remains uncertain, and forecasts for 2017 are characterised by caution.

Source and Mix of Revenues and Costs

The Cablevisión Business derives substantially all of its revenue from subscriptions for basic cable and broadband access services. Between 2013 and 2016, Cablevisión's broadband service subscribers increased by 29%, from 1,691,000 to 2,182,600. During that period, the portion of its packages subscriber base increased by 26%, representing 46% of the total subscriber base as of 31 December 2016. Other sources of revenue include premium cable services, installation charges, charges for additional outlets, additional packages, DVR and the selling of Cablevisión's magazine, "Miradas." The revenue from subscriptions is primarily a function of the number of subscribers served by our networks during the relevant period. Cable and broadband subscribers are added through the expansion of our network and marketing of our services to homes passed by our networks.

The Cablevisión Business principally generates revenues through monthly fees charged to its subscribers that are payable in Pesos. The Cablevisión Business generally seeks to increase its revenues through the growth of its customer base and through the introduction of value-added services and products aimed at different customer needs. Further, the Cablevisión Business expects to increase its revenue through new product launches and the expansion of its broadband customer base. Cablevisión's results of operations are therefore dependent on its customer base and the number of services that each customer uses. Overall revenue and costs are also affected by the mix of services the Cablevisión Business provides, with broadband generally being associated with higher margins relative to cable television. In 2014, 2015, and 2016, 65.0%, 62.0% and 52.6% of Cablevisión's revenues, respectively, was generated by its cable subscriptions while 19.4%, 23.9% and 25.2%, respectively, was generated by its broadband subscriptions. The Cablevisión Business expects that the broadband subscriptions' percentage share of its revenues will continue to increase.

The Cablevisión Business' cost of sales, selling expenses and administrative expenses consist primarily of (i) programming costs; (ii) payroll and social security charges and other personnel expenses; (iii) property, plant and equipment depreciation, maintenance and leases; and (iv) public utilities and tax rates. Between 2014 and 2016, more than 90% of Cablevisión's total operating costs were Peso-denominated. The portion of operating costs that are U.S. Dollar-denominated is mainly comprised of programming costs related to special events, data transfer costs and maintenance of property, plant and equipment and network expenses, among others.

Programming costs are among the largest component of these expenses, and mainly consist of the fees that Cablevisión paid to certain programming suppliers. The Cablevisión Business' programming costs are primarily correlated with fee increases charged to customers and growth in the number of enhanced cable subscribers.

Effects of Inflation

Argentina has faced and continues to face inflationary pressures. From 2013 to 2015, Argentina experienced increases in inflation as measured by CPI and WPI that reflected the continued growth in the levels of private consumption and economic activity (including exports and public and private investment), which applied upward pressure on the demand for goods and services. According to INDEC data, the CPI grew 10.9% in 2013, and 24.0% in 2014. The WPI increased 14.8% in 2013. In February 2014, the INDEC released a new inflation index relying on a different methodology (the CPI Nu) intended to measure prices of goods on a country-wide basis. See “Risk Factors—Risks Related to Argentina—Some national and international economic agents have expressed their concerns about the accuracy of the INDEC’s CPI and other economic data published by INDEC in the past.” However, since December 2013, the Secretary of Economic Policy published monthly CPI figures (using the new methodology). The INDEC has not published complete CPI or WPI information for 2015.

On 8 January 2016, based on its determination that the INDEC had failed to produce reliable statistical information, particularly with respect to its CPI, GDP and foreign trade data, the current administration issued Decree No. 55/2016 declaring a state of administrative emergency for the national statistical system and the INDEC until 31 December 2016. Certain publications, such as the price index of the City of Buenos Aires published by the Directorate General of Statistics and Censuses of the Ministry of Finance of the City of Buenos Aires have shown an increase in the inflation index in the City of Buenos Aires. According to the City of Buenos Aires’ CPI, inflation was 26.6% in 2013, 38.0% in 2014, 26.9% in 2015 and 41.0% in 2016. According to the Province of San Luis’ CPI, inflation was 31.9% in 2013, 39.0% in 2014, 31.6% in 2015 and 31.4% in 2016. In June 2016, INDEC published the CPI for the first time since Decree No. 55/2016 declared a state of administrative emergency on the national statistical system. According to INDEC’s CPI, inflation was 16.9% for the period from May to December 2016. The INDEC reported an increase in the inflation rate of 1.3% for January 2017, 2.5% for February 2017, 2.4% for March 2017, 2.6% for April 2017, 1.3% for May 2017 and 1.2% for June 2017 using its new methodology for calculating the CPI.

On 11 July 2017, the INDEC started to publish a national CPI. The National CPI is based on a survey conducted by INDEC and several provincial statistical offices in 39 urban areas encompassing each of the Argentina’s provinces. The National CPI is prepared in accordance with current international standards and classifies individual consumption by purpose, disaggregating information based on 12 factors, instead of the nine (9) factors previously used in the preparation of the former INDEC CPI. The adoption of the National CPI brings Argentina’s statistical practice in line with the OECD guidelines as well as the methodology followed by the statistical divisions of several international organizations, including the United Nations, World Bank, International Monetary Fund, Economic Commission for Latin America and the Caribbean, and the Inter-American Development Bank. The inflation rate for July, August, September, October and November 2017 published by the INDEC using the National CPI methodology stood at 1.7%, 1.4%, 1.9%, 1.5% and 1.4%, respectively. For the period of January through November 2017, accumulated inflation using the National CPI stood at 21%.

During periods of high inflation, effective wages and salaries tend to fall and consumers adjust their consumption patterns to eliminate unnecessary expenses, possibly including cable television and broadband services. The increase in inflationary risk may erode macroeconomic growth and further limit the availability of financing, causing a negative impact on our operations. See “Risk Factors—Risks Related to Argentina—The current levels of inflation undermine Argentina’s ability to reach sustainable economic growth.” Inflation increases also have a negative impact on our cost of sales, selling expenses and administrative expenses, in particular our payroll and social security charges and programming costs. We cannot give any assurance that higher costs as a result of inflation will be offset in whole or in part with increases in our cable and broadband services fees.

Significant changes such as those observed in the past few years in the prices of relevant economic variables affecting the Cablevisión Business, such as salary and wages costs, interest rates and exchange rates affect our financial position, financial performance and cash flows and, therefore, the information provided in Cablevisión’s Financial Statements.

Effects of Fluctuations in Exchange Rates between the Argentine Peso and the U.S. Dollar

Although practically 100% of the Cablevisión Business financial obligations are denominated in U.S. Dollars as of 30 September 2017, we use financial instruments to hedge currency risk for only a limited portion of interest payments for our consolidated U.S. Dollar denominated debt. Any significant devaluation of the Peso, such as the devaluation in early 2014 and in December 2015, results in an increase in the cost of servicing the Cablevisión Business' debt, and, therefore, may have a material adverse effect on Cablevisión's results of operations. See "Risk Factors—Risk Related to Argentina—Fluctuations in the value of the Peso could adversely affect the Argentine economy and, in turn, adversely affect Cablevisión's results of operations."

Acquisition and Internal Growth

The Cablevisión Business operates primarily in Argentina. Except for the acquisitions of Multicanal and Teledigital in September 2006 and the acquisition of Nextel in January 2016, the Cablevisión Business has focused its strategy primarily on internal growth. In June 2016, Cablevisión and its subsidiary Nextel purchased Fibercomm S.A. and Gridley Investments S.A., companies which own the entirety of the capital stock of Trixco S.A., a title holder of radio-electric space in the 900 Mhz frequency range. In addition, Nextel purchased the entire capital stock of WX Telecommunications LLC and Greenmax Telecommunications LLC, companies that control Skyonline Argentina S.A., Netizen S.A., Infotel S.A. and Callbi S.A. which provide wireless telecommunication and radioelectric services in the 2.5 Ghz range. The total amount paid to the sellers in these transactions was US\$138.2 million.

The Cablevisión Business has focused on increasing its broadband internet penetration by providing and offering bandwidth connectivity to its existing cable television subscribers and to new customers. The Cablevisión Business has also grown its broadband subscriber base by emphasizing its bandwidth capabilities and expanding the products and services that it offers with a focus on launching products and services with faster speed options tailored to its customers' evolving needs. The diversification of its product mix to increase its broadband offerings, coupled with an increase in the portion of total revenues represented by broadband services have, in turn, resulted in an increased ARPU. Total ARPU (in Pesos) increased by 42% between 2013 and 2014, and by 40% between 2014 and 2015 primarily due to the increased penetration of broadband services, a 10% increase in the number of Cablevisión's broadband customers, and inflation, among other things. Total ARPU (in Pesos) increased by 35% between 2015 and 2016 primarily due to an increase in the penetration of broadband services, an 8% increase in Cablevisión's broadband customers, and due to the effect of inflation.

Total Active Customer Relationships and Churn

The number of the Cablevisión Business' customers is dependent upon the number of new customers it obtains for its services and the number of customers that terminate its services, or churn. The Cablevisión Business has consistently achieved customer growth across its operations. Cablevisión's total customer base grew 3% from approximately 3.76 million customers as of 31 December 2013, to approximately 3.92 million customers as of 30 September 2017.

Certain Recent Events Affecting Comparability of Cablevisión's Operating Results

Acquisition of Nextel

Although Cablevisión acquired control of Nextel on 27 January 2016, Cablevisión's financial and operating information reflects the consolidation of Nextel as from 1 January 2016 (Nextel's results from 1 January through 26 January 2016 were not considered material when compared with Cablevisión's results for the same period). Therefore, financial and operating information for the year ended 31 December 2016 may not be directly comparable with financial and operating information for prior periods. Between 30 September 2015 and 31 December 2015, Cablevisión accounted for Nextel under the equity method. Nextel 2016 revenues totalled Ps. 3.3 million, representing approximately 10.8% of our total revenues.

Cablevisión's Key Business Measures

Average Revenue per User

Cablevisión's results of operations are dependent on its customer base and the number of services that each customer uses. Total monthly ARPU of Cablevisión's active customer relationships was Ps. 300 in 2014, Ps. 420 in 2015, Ps. 566 in 2016, and Ps. 766 for the nine-month period ended 30 September 2017. The 35% increase in total ARPU in 2016 compared to 2015 was primarily due to the increased penetration of its broadband services, an 8% increase in the number of broadband customers and inflation, while the 40.0% increase in total ARPU during the nine-month period ended 30 September 2017, compared to the same period in 2016, was due to the increased penetration of broadband, faster speed options offered to Cablevisión's customers and inflation.

Churn Rate

Churn refers to the termination of a customer's account. The churn rate is determined by calculating the total number of disconnected customers over a given period as a percentage of the initial number of relevant customers for the same period.

Cablevisión's cable customer churn rate for the nine-month period ended 30 September 2017 was 14.7%, compared to 13.8%, 12.6% and 13.6% in 2016, 2015 and 2014 respectively.

Cablevisión's broadband customer churn rate for the nine-month period ended 30 September 2017 was 17.1%, compared to 16.2%, 15.6% and 16.3% in 2016, 2015 and 2014 respectively.

To reduce its churn rate, the Cablevisión Business pursues a vigorous customer service and retention policy. See "Business Description—Billing and Subscriber Management."

Cablevisión's Critical Accounting Policies

Cablevisión's Financial Statements include Cablevisión's consolidated financial position, results of operations and cash flows. Cablevisión's Financial Statements are prepared in conformity with IFRS. IFRS requires management to make estimates that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses. We evaluate our estimates, including those related to tangible and intangible assets, bad debts, inventories, provisions and income taxes, on an ongoing basis. We base our estimates on historical experience and on various other assumptions that management believes to be reasonable under the circumstances. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Cablevisión Business believes that the following accounting policies used in preparation of Cablevisión's Financial Statements prepared in accordance with IFRS are its critical accounting policies as they require management to make estimates that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses.

Fair value measurement of certain financial instruments

The fair value of a financial instrument is the amount for which it could be purchased or sold between knowledgeable willing parties, in an arm's length transaction.

If there is no quoted market price available for a financial instrument, we estimate its fair value on the basis of the price established in recent transactions involving the same or similar instruments, or, otherwise, on the basis of valuation techniques regularly used in financial markets. We use our judgment to select a variety of methods and make assumptions on the basis of market conditions at closing.

The methodology used for the measurement of the fair value of certain financial instruments is more fully described in Note 2.19 to Cablevisión's Financial Statements and Note 28 to the Interim Financial Statements.

Allowance for bad debts

The Cablevisión Business reviews its doubtful accounts on a monthly basis for estimated losses resulting from the inability of its subscribers to make the required payments. The subscriber base in cable television and Internet services is primarily residential in nature.

The Cablevisión Business invoices most of its subscribers in advance. A majority of Argentine cable television and broadband subscribers pay their invoices by automatic credit card or bank account debits. The Cablevisión Business seeks to enforce a strict disconnection policy, which provides for the disconnection of cable television services after a three-month period of non-payment and delivery of a notice of disconnection. With respect to broadband services, the Cablevisión Business disconnects its services after a two-month period of non-payment and delivery of a corresponding notice of disconnection.

In calculating the allowance for bad debts with respect to debt instruments that are not measured at fair value, the Cablevisión Business takes into account historic collectability records and other factors known at the time of the calculation. If the financial condition of the Cablevisión Business' subscribers were to deteriorate, actual write offs could exceed management's expectations.

The Cablevisión Business believe that the accounting estimate relating to doubtful accounts is a critical accounting estimate because changes in the level of doubtful debts may materially affect net income.

Provision for lawsuits and contingencies

The Cablevisión Business is involved in legal, fiscal and administrative disputes in the normal course of business. The outcome of these claims may have a material impact on the Cablevisión Business' balance sheet as well as on its net income. See "Legal Proceedings." The factors taken into account for the calculation of the provisions for lawsuits and contingencies are based on the present value of the estimated costs arising from the lawsuits brought against the Cablevisión Business. In estimating the Cablevisión Business' obligations, we take into consideration the opinion of our legal advisors. Due to the uncertain nature of these issues, these estimates change as additional information becomes available and could result in material changes to the financial statements in subsequent periods. As of 30 September 2017, the Cablevisión Business had provisions totalling Ps. 801.7 million for pending disputes.

Impairment losses of certain assets other than receivables (including property, plant and equipment and intangible assets except goodwill)

Certain assets, including property, plant and equipment and intangible assets are tested for impairment. We record impairment losses when we estimate that there is objective evidence thereof or when the cost of such losses will not be recovered through future cash flows. The evaluation of what constitutes impairment is a matter of significant judgment. Impairment of the value of non-financial assets is more fully described in Note 2.15 to the Cablevisión's Financial Statements.

Impairment of goodwill

We assess goodwill for impairment on an annual basis. In determining if there is impairment of goodwill, We calculate the value in use of the cash generating units to which it has been allocated. The calculation of the value in use requires us to determine the future cash flows that should arise from the cash generating units and an appropriate discount rate to calculate the present value. During the fiscal year ended 31 December 2016, Cablevisión recorded no impairment losses of goodwill.

Recognition and measurement of deferred tax items

We only recognise deferred tax assets for deductible temporary differences to the extent it is likely that each entity, on an individual basis, will have sufficient future taxable income against which to apply the deferred tax assets. Tax loss carry forwards from prior years are only recognised when it is likely that each entity will have sufficient future taxable income against which they can be used. Pursuant to regulations in effect, the use of the subsidiaries' tax credits is based on a projection analysis of future income. We examine the recoverable value of the deferred tax assets based on its business plans and

book valuation allowance, if applicable, so that the net position of the deferred tax asset will reflect probable recoverable value.

Determination of the useful lives of property, plant and equipment and intangible assets

Property, plant and equipment are recorded at cost less accumulated depreciation and any accumulated impairment loss. Depreciation of property, plant and equipment is recognised on a straight line basis over its estimated useful life. Intangible assets acquired separately are valued at cost net of all accumulated amortization and impairment losses. Amortization is calculated on a straight-line basis over the estimated useful life of the intangible assets. The estimated useful life, the residual value, the depreciation method for property, plant and equipment and the amortization method for intangible assets are reviewed at the end of each year, with the effect of any changes in estimates accounted for on a prospective basis. Land is not depreciated.

Changes in our current expectations and operating assumptions, including with respect to the regulatory framework, technology and competition, could impact on these judgments and require future adjustments to the carrying value of our recorded assets.

Cablevisión's Results of Operations

Nine-Month Period Ended 30 September 2017 Compared to Nine-Month Period Ended 30 September 2016

Revenues

The details of Cablevisión's revenues are as follows:

	For the nine-month period ended 30 September		% Change
	2017	2016	
	(in millions of Pesos)		
Subscription Revenue:			
Cable television services ⁽¹⁾	17,843	13,753	29.7%
IDEN telephony service	1,865	2,122	(12.1)%
Internet.....	9,175	5,350	71.5%
Cable subscription, Internet revenue and Telephony.....	28,883	21,225	36.1%
Non-Subscription Revenue:			
Advertising.....	87	80	8.6%
Others ⁽²⁾	808	933	(13.4)%
Total	29,778	22,237	33.9%

(1) Includes fees for basic cable service, premium and pay-per-view programming services, digital packages, DVR, HD packages, VOD and connection fees.

(2) Consists primarily of (i) revenues from services - public bidding process and (ii) sales of goods.

Cablevisión's revenues increased by 33.9%, from Ps. 22,237 million in the nine-month period ended 30 September 2016 to Ps. 29,778 million for the same period in 2017. This increase was principally attributable to a 6.9% increase in the number of broadband internet subscribers compared to the same period in 2016. The increase in total ARPU in the nine-month period ended 30 September 2017 was enhanced by the increased broadband penetration, faster speed options offered to Cablevisión's customers and inflation.

Cablevisión's cable subscription revenues increased by 29.7%, from Ps. 13,753 million in the nine-month period ended 30 September 2016 to Ps. 17,843 million for the same period in 2017. This increase was primarily attributable to an increase in the average invoice amount. Revenues derived from broadband fees totalled Ps. 9,175 million in the nine-month period ended 30 September 2017, compared to Ps. 5,350 million during the same period in 2016, mainly due to a 6.9% increase in broadband subscribers, an increase in subscription fees and, to a lesser extent, due to an increase in the percentage of our broadband customers that chose higher speed options. Cablevisión's IDEN

telephony service revenues decreased by 12.1%, mainly due to a 9.4% decrease in the number of post-paid subscribers. Cablevisión's advertising revenues increased by 8.6%, from Ps. 80 million in the nine-month period ended 30 September 2016 to Ps. 87 million during the same period in 2017.

During the nine-month period ended 30 September 2017, total ARPU increased to Ps. 766, representing a 40.0% increase in the nine-month period ended 30 September 2017 compared to the same period in 2016. This increase was primarily due to the introduction of new and higher speed broadband and cable products which resulted in increases in subscription fees, and the increased weight of broadband subscribers as a percentage of total subscribers.

Other income decreased by 13.4% from Ps. 933 million in the nine-month period ended 30 September 2016 to Ps. 808 million during the same period in 2017.

Cost of Sales, Selling Expenses and Administrative Expenses

During the nine-month period ended 30 September 2017 Cablevisión's cost of sales, selling expenses and administrative expenses consisted primarily of (i) payroll and social security charges and other personnel expenses, (ii) programming costs, (iii) public utilities and tax rates, (iv) maintenance of property, plant and equipment and network expenses and (v) depreciation of property, plant and equipment. To a large extent, increases in expenses reflect the persistent levels of inflation that continue to affect Argentina's economy.

Cablevisión's cost of sales increased by 34.0% to Ps. 13,578 million in the nine-month period ended 30 September 2017, from Ps. 10,130 million during the same period in 2016. This increase was primarily due to higher payroll and social security charges and other personnel expenses as a result of salary increases, and also due to higher programming costs as a result of an increase in Cablevisión's subscription fees and in Cablevisión's activity during the nine-month period ended 30 September 2017 compared to the same period in 2016.

Selling expenses increased by 44.7% to Ps. 4,430 million in the nine-month period ended 30 September 2017, from Ps. 3,062 million for the same period in 2016. This increase was primarily due to (i) an increase in salaries, (ii) higher costs of advertising campaigns and promotions, and (iii) the increase in public utilities and tax rates reflecting higher revenues.

Administrative expenses increased by 29.7% to Ps. 3,347 million in the nine-month period ended 30 September 2017, from Ps. 2,581 million for the same period in 2016. This was mainly due to higher payroll and social security charges and other personnel expenses and in fees for services, and also due to higher collection expenses and commissions due to a greater volume of banking transactions as a result of Cablevisión's higher revenue.

The details of Cablevisión's cost of sales, selling expenses and administrative expenses are as follows:

	For the nine-month period ended 30 September		% Variation
	2017	2016	
	(in millions of pesos)		
Payroll and social security charges and other personnel expenses.....	5,042	3,624	39.1%
Programming costs.....	3,874	2,873	34.8%
Public utilities and tax rates.....	2,181	1,600	36.3%
Maintenance of property, plant and equipment and network expenses	1,984	1,649	20.3%
Depreciation of property, plant and equipment ...	2,809	1,677	67.5%
Fees for services	1,314	991	32.6%
Advertising and promotion	677	398	70.1%
Collection expenses and commissions.....	785	623	26.0%
Data transfer costs.....	554	503	10.1%
Other ⁽¹⁾	1,882	1,452	29.6%
Sub-total.....	21,102	15,391	37.1%
Cost of selling goods ⁽²⁾	253	382	(33.8)%

	For the nine-month period ended 30 September		% Variation
	2017	2016	
	(in millions of pesos)		
Total	<u>21,355</u>	<u>15,773</u>	<u>35.4%</u>

- (1) Other includes: severance costs (compensations to the personnel), representation expenses, leases, fees to directors and syndics, office expenses, production of magazine, bad debts, obsolescence of material, lawsuits and contingencies, amortization of intangible assets, and miscellaneous.
- (2) The cost of selling goods includes: (i) inventories at the beginning of the period, (ii) incorporation of acquired company balances, (iii) net purchases of the period, (iv) application of allowance for impairment of inventories, and (v) inventories at the end of the period.

Expenses for payroll and social security charges and other personnel expenses increased by 39.1% to Ps. 5,042 million in the nine-month period ended 30 September 2017 from Ps. 3,624 million during the same period in 2016. This increase was principally attributable to salary increases.

Programming costs increased by 34.8% to Ps. 3,874 million in the nine-month period ended 30 September 2017, from Ps. 2,873 million during the same period in 2016. This increase in programming costs was primarily the result of the increase in Cablevisión's subscriber base and subscription fees in all its platforms. Programming costs represented 13.0% of cable television revenues in the nine-month period ended 30 September 2017 and 12.9% during the same period in 2016. Programming contracts are not affected by devaluation, are primarily Peso-denominated and are positively correlated to the growth of Cablevisión's subscriber base and the fees charged to Cablevisión's subscribers.

Public utilities and tax rates increased by 36.3% to Ps. 2,181 million in the nine-month period ended 30 September 2017, from Ps. 1,600 million during the same period in 2016. Public utilities are fixed monthly charges and the majority of the tax rates are levied based on revenues from services during the relevant period. This increase was mainly due to an increase in sales during the nine-month period ended 30 September 2017. Public utilities and tax rates represented 7.3% and 7.2% of Cablevisión's revenues during the nine-month period ended 30 September 2017 and 2016, respectively.

Maintenance of property, plant and equipment and network expenses increased by 20.3% to Ps. 1,984 million in the nine-month period ended 30 September 2017, from Ps. 1,649 million during the same period in 2016. This increase was mainly due to higher costs in Cablevisión's routine networks maintenance activity in 2017 as a result of higher cost for hired labour.

Property, plant and equipment depreciation increased by 67.5% to Ps. 2,809 million in the nine-month period ended 30 September 2017, from Ps. 1,677 million during the same period in 2016. This increase was primarily due to an increase in Cablevisión's investments in cable equipment and networks.

Fees paid for services received by Cablevisión from third parties, increased by 32.6% to Ps. 1,314 million in the nine-month period ended 30 September 2017, from Ps. 991 million during the same period in 2016. This increase was mainly due to higher fees paid to the providers of such services during the nine-month period ended 30 September 2017.

Advertising and promotion expenses increased by 70.1% to Ps. 677 million in the nine-month period ended 30 September 2017, from Ps. 398 million during the same period in 2016.

Collection expenses and commissions increased by 26.0% to Ps. 785 million in the nine-month period ended 30 September 2017, from Ps. 623 million during the same period in 2016. This increase was mainly due to an increase in revenues in the nine-month period ended 30 September 2017 compared to the same period for the previous year.

Data transfer costs increased by 10.1% to Ps. 554 million in the nine-month period ended 30 September 2017 from Ps. 503 million during the same period in 2016. This increase was mainly due to an increase in the contracted capacity, which was partially offset by the decrease in the contracted capacity of Nextel, and the depreciation of the Peso during this period.

Costs of selling goods decreased by 33.8% to Ps. 253 million in the nine-month period ended 30 September 2017, from Ps. 382 million during the same period in 2016, mainly due to a decrease in the sales of Nextel.

Financial Results

Cablevisión recorded net financial losses of Ps. 1,589 million in the nine-month period ended 30 September 2017, compared to net financial losses of Ps. 1,851 million during the same period in 2016. The decrease is attributable to the slower pace depreciation of the Peso (8.9% during the nine-month period ended 30 September 2017 compared to 17.4% during the nine-month period ended 30 September 2016).

Equity in Earnings (losses) From Associates

Equity in earnings from associates increased by 16.0% to Ps. 116 million in the nine-month period ended 30 September 2017, from Ps. 100 million during the same period in 2016.

Income Tax

Cablevisión recorded charges for income tax of Ps. 2,405 million in the nine-month period ended 30 September 2017, compared to charges of Ps. 1,581 million during the same period in 2016, as a result of higher profits during the nine-month period ended 30 September 2017. Cablevisión's effective tax rate in the nine-month period ended 30 September 2017 and 2016 was 35% and 33%, respectively.

Net Income for the Period

As a result of the factors described above, Cablevisión's net income for the nine-month period ended 30 September 2017 was Ps. 4,556 million, compared to a net income of Ps. 3,244 million during the same period in 2016, representing an increase of 40.4%.

Year Ended 31 December 2016 Compared to Year Ended 31 December 2015

Revenues

The details of Cablevisión's revenues are as follows:

	For the year ended 31 December		% Change
	2016	2015	
	(in millions of Pesos)		
Subscription Revenue:			
Cable television services ⁽¹⁾	18,750	14,430	29.9%
IDEN telephony service	2,804	N/A	N/A
Internet.....	7,697	4,818	59.8%
Cable subscription, Internet revenue and Telephony	29,252	19,248	52.0%
Non-Subscription Revenue:			
Advertising.....	112	119	(5.9)%
Others ⁽²⁾	1,207	758	59.2%
Total	30,571	20,125	51.9%

(1) Includes fees for basic cable service, premium and pay-per-view programming services, digital packages, DVR, HD packages, VOD and connection fees.

(2) Consists primarily of (i) revenues from services - public bidding process and (ii) sales of goods.

Cablevisión's revenues increased by 51.9%, from Ps. 20,125 million in 2015 to Ps. 30,571 million in 2016. This increase was principally attributable to (i) the acquisition of 100% of Nextel and (ii) a 7.8% increase in the number of broadband internet subscribers compared to 2015. The increase in total

ARPU in 2016 was due to the offer of new cable television and broadband products and services and due to an increase in subscription fees as a result of inflation.

Cablevisión's cable subscription revenues increased by 29.9%, from Ps. 14,430 million in 2015 to Ps. 18,750 million in 2016. This increase was primarily attributable to an increase in the average invoice amount. Revenues derived from broadband fees totalled Ps. 7,697 million in 2016, as compared to Ps. 4,818 million in 2015, mainly due to an 8% increase in broadband subscribers. Cablevisión's advertising revenues decreased by 5.9%, from Ps. 119 million in 2015 to Ps. 112 million in 2016.

In 2016, total ARPU stood at Ps. 566, representing a 35% increase in 2016 compared to 2015. This increase was primarily due to the introduction of new and higher speed broadband and cable products and services, as well as increases in subscription fees as a result of inflation.

Other income increased by 59.2% from Ps. 758 million in 2015 to Ps. 1,207 million in 2016, mainly due to the acquisition of Nextel.

Cost of Sales, Selling Expenses and Administrative Expenses

In 2016 Cablevisión's cost of sales, selling expenses and administrative expenses consisted primarily of (i) payroll and social security charges and other personnel expenses, (ii) programming costs, (iii) public utilities and tax rates, (iv) maintenance of property, plant and equipment and network expenses and (v) depreciation of property, plant and equipment. Cablevisión's cost of sales, selling expenses and administrative expenses increased by 54.4%, from Ps. 14,397 million in 2015 to Ps. 22,229 million in 2016. In 2016 and 2015, an estimated 7% of Cablevisión's total costs were denominated in U.S. Dollars.

Cablevisión's cost of sales increased by 53.5% to Ps. 14,190 million in 2016, from Ps. 9,244 million in 2015. This increase was primarily due to the consolidation of Nextel's costs for the year ended 31 December 2016, and higher payroll and social security charges and other personnel expenses as a result of salary increases, and also due to higher programming costs as a result of an increase in Cablevisión's customer base and in Cablevisión's activity in 2016.

Selling expenses increased by 74.2% to Ps. 4,398 million in 2016, from Ps. 2,525 million in 2015. This increase was primarily due to (i) the consolidation of Nextel costs for the year ended 31 December 2016, (ii) higher costs of advertising campaigns and promotions, (iii) the increase in public utilities and tax rates as a result of the higher revenues earned during 2016, and (iv) the increase in payroll, social security and other personnel expenses as a result of salary increases in 2016.

Administrative expenses increased by 38.5% to Ps. 3,641 million in 2016, from Ps. 2,628 million in 2015. This was mainly due to the consolidation of Nextel's costs and the increase in inflation which resulted in higher payroll and social security charges and other personnel expenses and in fees for services, and also due to higher collection expenses and commissions due to a greater volume of banking transactions as a result of Cablevisión's higher revenue and a larger number of transactions through automatic account debiting in 2016.

The details of Cablevisión's cost of sales, selling expenses and administrative expenses are as follows:

	For the year ended 31 December		% Variation
	2016	2015	
	(in millions of pesos)		
Payroll and social security charges and other personnel expenses.....	5,205	4,154	25.3%
Programming costs.....	3,932	2,889	36.1%
Public utilities and tax rates.....	2,199	1,327	65.7%
Maintenance of property, plant and equipment and network expenses.....	2,259	1,008	124.2%
Depreciation of property, plant and equipment ...	2,519	1,532	64.5%
Fees for services	1,378	838	64.3%
Advertising and promotion	621	434	43.1%

	For the year ended 31 December		% Variation
	2016	2015	
	(in millions of pesos)		
Collection expenses and commissions.....	861	553	55.6%
Data transfer costs.....	698	283	146.8%
Other ⁽¹⁾	2,109	1,294	63.0%
Sub-total	21,782	14,311	52.2%
Cost of selling goods ⁽²⁾	446	86	422.0%
Total	22,229	14,397	54.4%

(1) Other includes: severance costs (compensations to the personnel), representation expenses, leases, fees to directors and syndics, office expenses, production of magazine, bad debts, obsolescence of material, lawsuits and contingencies, amortization of intangible assets, and miscellaneous.

(2) The cost of selling goods includes: (i) inventories at the beginning of the year, (ii) incorporation of acquired company balances, (iii) net purchases of the year, (iv) application of allowance for impairment of inventories, and (v) inventories at the end of the year.

Expenses for payroll and social security charges and other personnel expenses increased by 25.3% to Ps. 5,205 million in 2016, from Ps. 4,154 million in 2015 (such expenses represented 23.4% and 28.9% of cost of sales, selling expenses and administrative expenses for 2016 and 2015, respectively). This increase was principally attributable to the acquisition of Nextel, the effect of salary increases and, to a lesser extent, a 3% increase in Cablevisión's payroll in 2016.

Programming costs increased by 36.1% to Ps. 3,932 million in 2016, from Ps. 2,889 million in 2015. This increase in programming costs was primarily the result of the (i) adjustments in tariff values provided for the programming contracts, (ii) increase in Cablevisión's subscriber base in all its platforms, and (iii) incorporation of new content into the programming grid. Programming costs represented 21.0% of cable television revenues in 2016 and 20.0% in 2015. Programming contracts are not affected by devaluation, are primarily Peso-denominated and are positively related to the growth of Cablevisión's subscriber base and the fees charged to Cablevisión's subscribers.

Maintenance of property, plant and equipment and network expenses increased by 124.2% to Ps. 2,259 million in 2016, from Ps. 1,008 million in 2015. This increase was mainly due to the acquisition of Nextel and higher costs in Cablevisión's routine networks maintenance activity in 2016 as a result of higher cost for hired labour.

Public utilities and tax rates increased by 65.7% to Ps. 2,199 million in 2016, from Ps. 1,327 million in 2015. Public utilities are fixed monthly charges and the majority of the tax rates are levied based on revenues from services during the relevant period. This increase was mainly due to the (i) acquisition of Nextel, and (ii) the increase in sales during the year ended 31 December 2016. Public utilities and tax rates represented 7.2% and 6.6% of Cablevisión's revenues in 2016 and 2015, respectively.

Property, plant and equipment depreciation increased by 64.5% to Ps. 2,519 million in 2016, from Ps. 1,532 million in 2015. This increase was primarily due to (i) the acquisition of Nextel, and (ii) an increase in Cablevisión's investments in cable equipment and networks in 2016.

Fees paid for services received by us from third parties, increased by 64.3% to Ps. 1,378 million in 2016, from Ps. 838 million in 2015. This increase was mainly due to higher fees paid to the providers of such services in 2016 (reflecting the impact of inflation).

Advertising and promotion expenses increased by 43.1% to Ps. 621 million in 2016, from Ps. 434 million in 2015.

Collection expenses and commissions increased by 55.6% to Ps. 861 million in 2016, from Ps. 553 million in 2015. This increase was mainly due to an increase in revenues in 2016 compared to the previous year.

Data transfer costs increased by 146.8% to Ps. 698 million in 2016 from Ps. 283 million in 2015. This increase was mainly due to (i) the acquisition of Nextel (Ps. 202 million), (ii) an increase in the contracted capacity, and (iii) the effect of the Argentine Peso devaluation with respect to the U.S. Dollar.

Costs of goods sold increased by 422% to Ps. 446 million in 2016, from Ps. 86 million in 2015, mainly due to the consolidation of Nextel as of the year ended 31 December 2016 (Ps. 262 million).

Financial Results

Cablevisión had net financial costs of Ps. 2,374 million in 2016, compared to net financial costs of Ps. 2,813 million in 2015. This 15.6% decrease was mainly due to lower charges for income from operations with securities and bonds that recorded a gain of Ps. 7 million in 2016 compared to a loss of Ps. 868 million in 2015, net of an increase in taxes and miscellaneous expenses from Ps. 226 million in 2015 to Ps. 430 million in 2016, and an increase in interest on financial loans as a result of the increase in bank and financial indebtedness.

Equity in Earnings (losses) From Associates

Equity in earnings from associates decreased by 74% to Ps. 131 million in 2016, from Ps. 505 million in 2015. This increase was mainly due to the fact that the 2015 figures included the equity in earnings (losses) of Nextel, while in 2016 these figures were consolidated.

Income Tax

Cablevisión recorded charges for income tax of Ps. 2,095 million in 2016, compared to charges of Ps. 909 million in 2015, as a result of higher profits during 2016. Cablevisión's effective tax rate in 2016 and 2015 was 34% and 27%, respectively.

Net Income for the Year

As a result of the factors described above, Cablevisión's net income in 2016 was Ps. 4,107 million, compared to a net income of Ps. 2,513 million in 2015, representing an increase of 63.4%.

Years Ended 31 December 2015 Compared to Year Ended 31 December 2014

Revenues

The details of Cablevisión's revenues are as follows:

	For the year ended 31 December		% Change
	2015	2014	
	(in millions of Pesos)		
Subscription Revenue:			
Cable television services ⁽¹⁾	14,430	10,777	33.9%
Internet.....	4,818	2,756	74.9%
Cable subscription and Internet revenue	19,248	13,532	42.2%
Non-Subscription Revenue:			
Advertising	119	87	36.3%
Others ⁽²⁾	758	607	25.0%
Total	20,125	14,226	41.5%

(1) Includes fees for basic cable service, premium and pay-per-view programming services, digital packages, DVR, HD packages, VOD and connection fees.

(2) Consists primarily of (i) revenues from services - public bidding process and (ii) sales of goods.

Cablevisión's revenues increased by 41.5%, from Ps. 14,226 million in 2014 to Ps. 20,125 million in 2015. This increase was principally attributable to an 8% increase in the number of subscribers (of which 75% were broadband subscribers and 25% were cable subscribers). The increase in total ARPU in 2015 was due to the introduction of new broadband and cable products and services, as well as increases in subscription fees as a result of inflation.

Cablevisión's cable subscription revenues increased by 33.9%, from Ps. 10,777 million in 2014 to Ps. 14,430 million in 2015. This increase was primary attributable to: (i) a 32.3% increase in the average invoice amount and (ii) a 1.2% increase in subscribers. Revenues derived from broadband fees Ps. 4,818 million in 2015, as compared to Ps. 2,756 million in 2014, mainly due to an 11% increase in broadband subscribers as a result of the higher speed of broadband services offered to customers. Cablevisión's advertising revenues increased by 36.3%, from Ps. 87 million in 2014 to Ps. 119 million in 2015.

In 2015, total ARPU was Ps. 420, representing a 40% increase compared to 2014. This increase was primarily due to the introduction of new broadband and cable products and services, as well as increases in subscription fees as a result of inflation.

Cost of Sales, Selling Expenses and Administrative Expenses

In 2015, Cablevisión's cost of sales, selling expenses and administrative expenses consisted primarily of (i) payroll and social security charges and other personnel expenses, (ii) programming costs, (iii) public utilities and tax rates, (iv) maintenance of property, plant and equipment and network expenses and (v) depreciation of property, plant and equipment. Cablevisión's costs of sales, selling expenses and administrative expenses increased in the aggregate by 33.8%, from Ps. 10,764 million in 2014 to Ps. 14,397 million in 2015. In 2015 and 2014, an estimated 7% of Cablevisión's total costs were denominated in U.S. Dollars.

Cablevisión's cost of sales increased by 27.8% to Ps. 9,244 million in 2015, from Ps. 7,233 million in 2014.

Selling expenses increased by 40.0% to Ps. 2,525 million in 2015, from Ps. 1,803 million in 2014.

Administrative expenses increased by 52.1% to Ps. 2,628 million in 2015, from Ps. 1,728 million in 2014.

The details of Cablevisión's cost of sales, selling expenses and administrative expenses are as follows:

	For the year ended 31 December		% Change
	2015	2014	
	(in millions of Pesos)		
Payroll and social security charges and other personnel expenses	4,154	3,080	34.8%
Programming costs.....	2,889	2,181	32.5%
Public utilities and tax rates	1,327	893	48.7%
Maintenance of property, plant and equipment and network expenses.....	1,008	782	28.9%
Depreciation of property, plant and equipment	1,532	1,197	27.9%
Fees for services	838	643	30.5%
Advertising and promotion	434	324	34.0%
Collection expenses and commissions.....	553	383	44.3%
Data transfer costs	283	301	-6.0%
Other ⁽¹⁾	1,294	897	44.3%
Sub-total	14,311	10,680	34.0%
Cost of goods sold ⁽²⁾	86	84	2.3%
Total	14,397	10,764	33.8%

(1) Includes severance costs, leases, fees to directors and syndics, office expenses, production of magazine, bad debts, obsolescence of material, miscellaneous, representation expenses, lawsuits and contingencies and amortization of intangible assets.

(2) Cost of goods sold includes (i) inventories at the beginning of the year, (ii) incorporation of acquired companies balances (iii) inventories at the end of the period and (iv) net purchases of the period.

Expenses for payroll and social security charges and other personnel expenses increased by 34.8% to Ps. 4,154 million in 2015, from Ps. 3,080 million in 2014 (such expenses represented 28.9% and 28.6% of cost of sales, selling expenses and administrative expenses for 2015 and 2014, respectively). This

increase was principally attributable to the effect of salary increases and, to a lesser extent, an increase in our payroll.

Programming costs increased by 32.5% to Ps. 2,889 million in 2015, from Ps. 2,181 million in 2014. This increase in programming costs was primarily the result of increased monthly fees payable pursuant to the terms of certain programming agreements as a result of an increase in Cablevisión's subscriber base, an increase in the fees charged to Cablevisión's customers and, to a lesser extent, an increase in the volume of premium packages (including pay-per-view) purchased from Cablevisión's suppliers. Programming costs represented 20.0% of cable revenues in 2015 and 20.2% in 2014. Programming contracts are not affected by devaluation, are primarily Peso-denominated and are positively related to the growth of Cablevisión's subscriber base and the fees charged to Cablevisión's subscribers.

Maintenance of property, plant and equipment and network expenses increased by 28.9% to Ps. 1,008 million in 2015, from Ps. 782 million in 2014. This increase was mainly due to increased costs in Cablevisión's routine networks maintenance activity in 2015.

Public utilities and tax rates increased by 48.7% to Ps. 1,327 million in 2015, from Ps. 893 million in 2014. Public utilities are fixed monthly charges and the majority of the tax rates are levied based on revenues from services during the relevant period. This increase was mainly due to an increase in revenues in 2015 and an increase in applicable provincial and municipal taxes. Public utilities and tax rates represented 6.6% and 6.3% of Cablevisión's revenues in 2015 and 2014, respectively.

Property, plant and equipment depreciation increased by 27.9% to Ps. 1,532 million in 2015, from Ps. 1,197 million in 2014. This increase was primarily due to an increase in Cablevisión's investments in cable equipment and networks in 2015.

Fees paid for services received by Cablevisión from third parties, increased by 30.5% to Ps. 838 million in 2015, from Ps. 643 million in 2014. This increase was mainly due to higher fees paid to the providers of such services as a result of the impact of increased inflation.

Advertising and promotion expenses increased by 34.0% to Ps. 434 million in 2015, from Ps. 324 million in 2014.

Collection expenses and commissions increased by 44.3% to Ps. 553 million in 2015, from Ps. 383 million in 2014. This increase was mainly due to an increase in the volume of banking transactions as a result of Cablevisión's higher revenues and the higher number of clients that used automatic debt payment for our services in 2015.

These increases in cost of sales, selling expenses and administrative expenses were also partially offset by a 6.0% decrease in data transfer costs to Ps. 283 million in 2015, from Ps. 301 million in 2014. This decrease was mainly due to an increased capacity of data transfer and the renegotiation of new framework agreements which resulted in reduced costs per unit of data transfer in 2015.

Costs of goods sold increased by 2.3% to Ps. 86 million in 2015, from Ps. 84 million in 2014.

Financial Results

Cablevisión had net financial costs of Ps. 2,813 million in 2015, compared to net financial costs of Ps. 1,607 million in 2014. This 75% increase was mainly due to higher charges for currency exchange differences, which increased from a loss of Ps. 1,107 million in 2014 to a loss of Ps. 2,139 million in 2015, as a result of the impact of an approximately 52% devaluation of the Peso against the U.S. Dollar in 2015, which increased Cablevisión's U.S. Dollar-denominated indebtedness. This increase in net financial expenses was also due, to a lesser extent, to a change in the applicable exchange rate, while

Cablevisión's financial debt increased by 5.7%, in dollar terms, calculated at an exchange rate of Ps.13.04 and Ps. 8.55, for 31 December 2015 and 2014, respectively.

Equity in Earnings From Associates

Equity in earnings from associates increased by 774.3% to Ps. 505 million in 2015, from Ps. 58 million in 2014. This increase was mainly due to a Ps. 317 million gain associated with the acquisition of Nextel and to our 49% share, or Ps. 85 million, of Nextel's net income for the fourth quarter of 2015.

Income Tax

We recorded charges for income tax of Ps. 909 million in 2015, compared to charges of Ps. 597 million in 2014, as a result of an increase in profits during 2015. Cablevisión's effective tax rate in 2015 and 2014 was 27% and 31%, respectively.

Net Income for the Year

As a result of the factors described above, Cablevisión's net income in 2015 was Ps. 2,513 million, compared to a net income of Ps. 1,325 million in 2014, representing an increase of 89.7%.

Cablevisión's Liquidity and Capital Resources

Overview

The Cablevisión Business operates in a capital-intensive industry, which requires significant investments. In the past, our growth strategy involved the acquisition of other cable television companies. Currently, our growth strategy principally involves the active improvement and expansion of existing and acquired networks and equipment. We have historically relied on four main sources of funds:

- equity contributions from our shareholders;
- borrowings under bank facilities or debt security issuances;
- cash flows from our operations; and
- financing by the sellers of cable systems we acquire.

The following table sets forth Cablevisión's cash position as of 30 September 2017 and as of 30 September 2016.

	As of 30 September 2017	As of 30 September 2016
	(in millions of Pesos)	
Cash and banks.....	1,755	1,537
Investments:		
Fixed-term deposit.....	22	40
Mutual funds ⁽¹⁾	705	1,198
Other placements.....	-	-
Cash and cash equivalents ⁽²⁾	2,482	2,775
Other current investments ⁽¹⁾	43	267
Total cash, cash equivalents and other current investments.....	2,525	3,042
Cash and banks in local currency.....	643	432
Cash and banks in foreign currency.....	1,112	1,105
Total cash and banks in local and foreign currency....	1,755	1,537

(1) The portion of the mutual funds not considered as cash equivalents as of 30 September 2017 and 2016, amounted to Ps. 43 million and Ps. 267 million, respectively.

(2) Cash and Banks and investments with a maturity not exceeding three months.

Sources and Uses of Funds

The following table sets forth Cablevisión's cash flows for the periods indicated.

	Year ended 31 December			Nine-month period ended 30 September,	
	2016	2015	2014	2017	2016
	(in millions of Pesos)				
Net cash provided by operating activities	10,348	6,510	4,628	9,674	6,949
Net cash used in investment activities.....	(11,420)	(5,589)	(3,038)	(7,648)	(8,225)
Net cash (used)/generated in financing activities.....	(1,074)	(566)	(1,328)	(2,192)	(669)
Net decrease/increase in cash.....	(2,145)	355	262	(166)	(1,945)
Cash at the beginning of the year ⁽¹⁾	2,177	1,333	1,013	2,629	2,177
Effect of exchange rate changes on cash and cash equivalents	545	489	58	19	490
Cash and cash equivalents incorporated by acquisition of companies	2,053	-	-	-	2,053
Cash at the end of the period/year ⁽¹⁾	2,629	2,177	1,333	2,482	2,775

(1) Includes cash and banks and investments with original maturities not exceeding three months.

Net cash provided by Cablevisión's operating activities

For the nine-month period ended 30 September 2017, net cash provided by our operating activities was Ps. 9,674 million, compared to Ps. 6,949 million during the same period in 2016. This increase of 39.3% was primarily due to an increase in revenues and EBITDA margin.

During the years ended 31 December 2016, 2015 and 2014, net cash provided by Cablevisión's operating activities was Ps. 10,348 million, Ps. 6,510 million and Ps. 4,628 million, respectively. These increases were primarily due to increases in revenues during the relevant periods.

We believe working capital is sufficient to meet the Cablevisión Business' present requirements.

Net cash used in investment activities

Net cash used in investment activities for the nine-month period ended 30 September 2017, decreased by 7.0% from Ps. 8,225 million to Ps. 7,648 million compared to the same period of 2016, primarily due to the fact that during the nine-month period ended 30 September 2016 Cablevisión acquired spectrum for an aggregate price of Ps. 2,036 million.

Net cash used in investment activities grew by 104.3% from Ps. 5,589 million in 2015 to Ps. 11,420 million in 2016, primarily due to an increase in capital expenditures and investment in companies holding radio electric spectrum in the 900Mhz and 2.5 Ghz frequency range.

During the year ended 31 December 2015, Cablevisión used Ps. 1,649 million for the acquisition of companies. This included Ps. 799 million to acquire the 49% interest in Nextel on 11 September 2015 and an additional Ps. 850 million to acquire an option to purchase the remaining 51% interest.

During 2016, 2015 and 2014 Cablevisión used Ps. 8,173 million, Ps. 4,173 million and Ps. 2,371 million, respectively for the acquisition of property, plant and equipment. During 2016, Cablevisión continued to focus on expanding and upgrading its data network to accommodate increased bandwidth consumption, increasing its two-way coverage and converting its network to 1Ghz, in addition to

investing in equipment installations in the homes of new customers, acquiring new software and expanding its fleet of maintenance vehicles.

Net cash used in financing activities

Net cash used in financing activities amounted to Ps. 2,192 million for the nine-month period ended 30 September 2017, and consisted primarily of the payment of dividends and the cancellation of outstanding loans. For the nine-month period ended 30 September 2017 Cablevisión received advances from various financial lenders totalling Ps. 719 million in connection with import financing activities.

Net cash used in financing activities amounted to Ps. 1,074 million for the year ended 31 December 2016, primarily due to the Ps. 6,488 million principal prepayment of Series I-V Notes, the amortization of 10-year step-up Notes, the prepayment of a syndicated loan, the amortization of vendors' financing, interest payments for Ps. 962 million, and other expenses in connection with financial borrowings, which were partially funded with the net proceeds of a new issuance of negotiable obligations for an aggregate amount of Ps. 7,857 million of negotiable obligations, the 5-year Series A Notes (as defined below).

Net cash used in financing activities amounted to Ps. 566 million for the year ended 31 December 2015, primarily due to the Ps. 858 million principal repayment of Series I-IV Notes the prepayment of a syndicated loan, amortization of vendors' financing, interest payments of Ps. 587 million, and other expenses in connection with financial borrowings, which were partially offset by proceeds of new debt in an aggregate amount of Ps. 1,271 million, mainly in connection with the Series V Notes and the Syndicated Loan (each as defined below).

Net cash used in financing activities amounted to Ps. 1,328 million for the year ended 31 December 2014, principally due to the Ps. 1,135 million principal repayment of Series I-IV Notes and Standard-ITAU series notes, interest payments of Ps. 446 million and other expenses in connection with financial borrowings, which were partially offset by the proceeds of new debt in an aggregate amount of Ps. 657 million, mainly from a syndicated loan and vendor financing.

Net Capital Expenditures in Property, Plant and Equipment

The following table sets forth Cablevisión's net capital expenditures in property, plant and equipment (net of proceeds from sales) for the periods indicated.

	Year ended 31 December			Nine-month period ended 30 September	
	2016	2015	2014	2017	2016
	(in millions of Pesos)				
Net Capital Expenditures ⁽¹⁾	8,713	4,173	2,371	7,985	6,000

(1) Net of decrease of property, plant and equipment.

Beginning in 2015, Cablevisión increased significantly the amount of its net capital expenditures in order to improve the quality and increase the coverage of its cable and data transmission networks. This requires investments in new infrastructure, and modernising and upgrading Cablevisión's networks and IT backbones.

Net capital expenditures in property, plant and equipment in 2016 resulted in improvements in the quality of Cablevisión's networks and increased capacity and coverage, which attracted additional customers. In 2016, Cablevisión invested Ps. 8,713 million in net capital expenditures in property, plant and equipment, which represented an amount approximately equal to 28% of Cablevisión's total revenues, a 109% increase compared to 2015. Net capital expenditures in property, plant and equipment during the nine-month period ended 30 September 2017 totalled Ps. 7,985 million compared to Ps. 6,000 million for the same period in 2016.

Indebtedness

As of 30 September 2017, we had total consolidated indebtedness of Ps. 23,335 million (US\$ 1,348 million).

As of 30 September 2017, our consolidated bank and financial indebtedness consisted of:

- US\$750 million outstanding under a secured loan agreement (the “Call Option Financing”) with Citibank, Goldman Sachs, ICBC Bank, Dubai (DIFC) Branch, and Itaú Unibanco, Nassau Branch, which we primarily used to finance certain advance payments under the Call Option (the “Loan”), accruing interest at an average rate of LIBOR plus 4.0% per annum and matures in March 2019. Our payment obligations under the Loan are secured by a pledge over 30,213 shares of Cablevisión.

Our Call Option Financing includes several restrictive covenants, including the following:

- limitations on our ability, and the ability of our subsidiary VLG, to incur new indebtedness or issue guarantees, subject to certain exceptions with respect to the Company;
- limitations on our ability, and the ability of our subsidiary VLG, to incur new liens, subject to certain exceptions;
- limitations on our ability to make restricted payments, including the payment of dividends on our capital stock;
- limitations on our ability to create, or agree to the creation of, certain restrictions on our subsidiaries’ ability to make payments of dividends on their capital stock held by us;
- limitations on our ability to make investments in other entities, including our existing subsidiaries, subject to certain exceptions;
- limitations on our ability and the ability of our subsidiaries to consolidate or merge with other entities;
- limitations on the ability to sell or dispose of assets, including on our and our subsidiary VLG’s ability to sell or pledge capital stock of Cablevisión, in each case subject to certain conditions;
- limitations on our ability to enter into sale and lease-back transactions;
- limitations on our ability to enter into transactions with shareholders and affiliates other than on an arm’s length basis, subject to certain exceptions;
- limitations on our ability to agree to material amendments or waivers to our organizational documents or to agree to certain amendments or waivers of other agreements related to the financing, including the Call Option and the shareholders’ agreements for each of Cablevision and Telecom; and
- certain financial covenants, including a maximum leverage ratio with respect to Cablevisión and its subsidiaries and a maximum consolidated leverage ratio for us and our subsidiaries, a minimum dividend payout ratio with respect to Cablevisión’s 2018 fiscal year, and a minimum collateralization ratio with respect to the collateral underlying the financing.

Under the Call Option Financing we are required to maintain a minimum collateralization ratio of 2.25:1.00.

As of 30 September 2017, Cablevisión had total indebtedness, excluding accrued interest and fair value, of Ps. 10,303 million (US\$ 595.2 million), of which Ps. 2 million relates to Cablevisión’s subsidiaries. Cablevisión’s indebtedness accounts for 44% of the Company’s total indebtedness. The following table sets forth the maturity composition of Cablevisión’s short- and long-term debt as of 30 September 2017:

Payments Due by 30 September of Each Year

	(in millions of dollars)				
	Total	2017	2018	2019	2020 and beyond
Short-term	51.7	13.3	38.4	-	-
Banks	2.8		2.8	-	-
Vendor Financing	48.9	13.3	35.6	-	-
Long-term	543.5	-	8.8	23.7	511.0
Banks	7.7	-	-	3.4	4.3
Vendor Financing	35.8	-	8.8	20.3	6.7
6.500% Series A.....	500.0	-	-	-	500.0
Total debt	595.2	13.3	47.2	23.7	511.0

100% of Cablevisión's financial obligations are denominated in U.S. Dollars and all accrue interest at a fixed rate. As of 30 September 2017, Cablevisión's consolidated bank and financial indebtedness consisted of:

- US\$500 million in 6.500% series A debt securities, due 2021. The Series A Notes accrue interest at a 6.500% fixed rate per annum, payable semi-annually on 15 June and 15 December of each year, beginning on 15 June 2016;
- US\$84.8 million resulting from loans from suppliers for the financing of capital expenditures, accruing interest at an average rate of 6.60% per annum, payable in 36 months, with an average life of two years;
- US\$5.1 million under a loan agreement with ICBC Bank to finance capital expenditures, accruing interest at an average rate of 6.0% per annum, maturing in January 2021, and
- US\$5.3 million under a loan agreement with Banco Itaú to finance capital expenditures, accruing interest at an average rate of 5.0% per annum, maturing in February 2020.

The Cablevisión Business is subject to a number of restrictive covenants, including the following:

- limitations on our ability to incur new indebtedness above certain approved ratios;
- limitations on liens; and
- limitations on our ability to consolidate, merge with other entities;

TEO is currently in compliance with all of its financial debt covenants.

Derivatives and Hedging

The Cablevisión Business is exposed to the following financial risks:

- i. Capital risk;
- ii. Foreign exchange risk;
- iii. Interest rate risk;
- iv. Valuation risk;
- v. Credit risk; and
- vi. Liquidity risk.

All of Cablevisión's financial obligations are denominated in U.S. Dollars as of 30 September 2017, while the majority of Cablevisión's revenues are payable in Pesos. The Cablevisión Business is exposed to fluctuations in the exchange rate and, thus, it uses financial instruments, such as forward foreign exchange purchases, to hedge currency risk for a portion of the interest payments due on its consolidated U.S. Dollar-denominated debt. These types of contracts are limited in volume and tenor in Argentina and generally contemplate short periods not exceeding one (1) year, therefore the Cablevisión Business only hedged a portion of its existing consolidated debt denominated in U.S. Dollars.

For further discussion of the Cablevisión Business' financial risks and the relevant sensitivity analysis disclosure, see Note 36 to Cablevisión's Financial Statements.

Cablevisión's Off-balance Sheet Arrangements

As of 30 September 2017, we had no off-balance sheet arrangements.

II. Telecom

Overview

As used below, the terms "Telecom" and "Telecom Group," refer to Telecom Argentina S.A. and its consolidated subsidiaries as of 31 December 2016. Unless otherwise stated, references to the financial results of "Telecom" are to the consolidated financial results of Telecom Argentina S.A. and its consolidated subsidiaries. The Telecom Business is engaged in the provision of fixed and mobile telecommunications services.

The term "Telecom Argentina" refers to Telecom Argentina S.A. excluding its subsidiaries, as of 31 December 2016, Telecom Personal S.A. ("Telecom Personal" or "Personal"), Núcleo S.A. ("Núcleo"), Personal Envíos S.A. ("Envíos"), Telecom Argentina USA Inc. ("Telecom Argentina USA") and Micro Sistemas S.A. ("Micro Sistemas").

Telecom's Critical Accounting Policies

Telecom's Consolidated Financial Statements, prepared in accordance with IFRS, are dependent upon and sensitive to accounting methods, assumptions and estimates that we use as a basis for their preparation. We have identified critical accounting estimates and related assumptions and uncertainties inherent in our accounting policies, which it believe are essential to an understanding of the underlying financial reporting risks. Additionally we have identified the effect that these accounting estimates, assumptions and uncertainties have on Telecom's Consolidated Financial Statements.

Use of estimates

IFRS involves the use of assumptions and estimates that may significantly affect the reported amounts of assets, liabilities and results of operations and any accompanying financial information.

We consider financial projections in the preparation of the financial statements as further described below. These financial projections anticipate scenarios deemed both likely and conservative based upon macroeconomic, financial and industry-specific assumptions. However, actual results may differ significantly from such estimates.

Variations in the assumptions regarding exchange rates, rates of inflation, level of economic activity and consumption, creditworthiness of the Telecom Business' current and potential customers, aggressiveness of the Telecom Business' current or potential competitors and technological, legal or regulatory changes could also result in significant differences from financial projections used for valuation and disclosure of items under IFRS.

The most important accounting estimates, those which require a high degree of subjective assumptions and judgments, are the following:

Revenue recognition

Revenues are recognised to the extent that it is probable that economic benefits will flow to us and their amount can be measured reliably. Revenues are stated net of estimated discounts and returns.

Revenues from upfront connection fees for fixed, data and Internet services that are non-separable from the service are accounted for as a single transaction and deferred over the term of the contract or, in the case of indefinite period contracts, over the average period of the customer relationship (approximately eight years for the fixed telephony customers). Therefore, these revenues are influenced by the estimated expected duration of customer relationships for indefinite period contracts.

Revenues are also subject to estimations of the traffic measures. Unbilled revenues from the billing cycle dating to the end of each month are calculated based on the traffic and are accrued at the end of the month. In addition, revenues from unexpired prepaid recharges made by customers are recognised on the basis of the services used, at the contract price per service.

Changes in these estimations, if any, may require adjustments to recorded revenues.

PP&E and intangible assets

Useful lives and residual value

We record PP&E and intangible assets at acquisition or construction cost. PP&E and intangible assets, except for indefinite useful life intangibles, are depreciated or amortised on a straight-line basis over their estimated useful lives. The determination of the depreciable amount of the assets and their useful lives involves significant judgment. We periodically review, at least at each financial year-end, the estimated useful lives of PP&E and amortizable intangible assets.

Recoverability assessment of PP&E and intangible assets with finite useful life

At a minimum at every annual closing date, we assess whether events or changes in circumstances indicate that PP&E and amortizable intangible assets may be impaired.

Under IFRS, the carrying value of a long-lived asset is considered impaired when the recoverable amount of such asset is lower than its carrying value. In such event, a loss would be recognised based on the amount by which the carrying value exceeds the recoverable amount of the long-lived asset. The recoverable amount is the higher of the fair value (less costs to sell) and its value in use (present value of the future cash flows expected to be derived from the asset, group of assets or cash generating unit). Once an impairment loss is identified and recognised, future reversal of impairment loss is permitted only if the indicators of the impairment no longer exist or have decreased.

The identification of impairment indicators and the estimate of the value in use for assets (or groups of assets or cash generating units) require Management to make significant judgments concerning the validation of impairment indicators, expected cash flows and applicable discount rates. Estimated cash flows are based on significant assumptions by Management about the key factors that could affect future business performance such as the future market share, competition level, capital expenditures, salary increases, foreign exchange rates evolution, capital structure, capital cost, etc.

For the years presented, we estimated that there are no indicators of impairment of assets that are subject to amortization, except for the net impairment loss of certain assets amounting to P\$383 million, P\$230 million and P\$25 million in 2016, 2015 and 2014, respectively. See Note 3.k) to Telecom's Consolidated Financial Statements under Annex C.

However, changes in the Telecom Business' current expectations and operating assumptions, including changes in its business strategy, technology, competition, changes in market conditions or regulations, could significantly impact these judgments and could require future adjustments to the carrying amount of recorded assets.

Intangible assets with indefinite useful life—PCS licence

It was determined that Personal's PCS licence met the definition of an indefinite-lived intangible asset for the years presented. Therefore, Personal does not amortise the cost of this licence. However, Personal tests it annually for impairment. An impairment loss is recognised when the carrying amount exceeds the recoverable amount. The recoverability assessment of an indefinite-lived intangible asset such as the PCS licence requires us to make assumptions about the future cash flows expected to be derived from such asset.

Such estimated cash flows are based on significant assumptions by us about the key factors that could affect future business performance such as the future market share, competition level, capital expenditures, salary increases, foreign exchange rates evolution, capital structure, discount rate, etc.

Personal's net cash flows projection is denominated in Argentine pesos, its functional currency. However, due to the fact that there is no prevailing long-term discount rate in pesos available in the market, Personal: (a) has converted such peso-denominated cash flows into U.S. dollars using future estimated exchange rates applicable to each period; and (b) has discounted these U.S. dollar-denominated cash flows at an annual U.S. dollar rate of approximately 11% in order to obtain the recoverable value of intangible assets with indefinite useful life.

Through this evaluation, it was determined that the carrying amount of the PCS licence did not exceed the recoverable amount of the asset. As a result, no impairment has been recognised.

Judgments regarding future cash flows may change due to future market conditions, competition, business strategy, the evolution of technology, changes in regulations and other factors. These changes, if any, may require material adjustments to the carrying amount of the PCS licence.

Income Taxes and Recoverability assessment of deferred income tax assets and other tax receivables

We are required to estimate our income taxes (current and deferred) in each of the companies of our group according to a reasonable interpretation of the tax law in effect in each jurisdiction where the companies operate. This process may involve complex estimates to determine taxable income and deductible and taxable temporary differences between the carrying amounts and the taxable amounts. In particular, deferred tax assets are recognised for all deductible temporary differences to the extent that future taxable income will be available against which they can be utilised. The measurement of the recoverability of deferred tax assets requires estimating future taxable income based on our projections and takes into account conservative tax planning.

The recoverability assessment of the income tax receivable related to Telecom Argentina's actions for recourse filed during 2015 and 2016 regarding the amounts determined in excess due to lack of application of the income tax inflation adjustment, is based on the existing legal jurisprudence on this matter and the estimated future behaviour of the National Tax Authority and of the National court in their review of the actions filed by us (see Note 14 to Telecom's Consolidated Financial Statements under Annex C).

If actual results differ from these estimates due to changes in tax authority's interpretations and the new fiscal jurisprudence, or those estimates are adjusted in future periods, our financial position, results of operation and cash flows may be materially affected.

The measurement of current and deferred tax liabilities and assets is based on provisions of the enacted tax law as of the end of the reporting period and the effects of future changes in tax laws or rates are not anticipated.

Receivables and payables valued at amortised cost

Receivables and payables valued at amortised cost are initially recorded at their fair value, which is generally determined by using a discounted cash flow valuation method. The fair value under this method is estimated as the present value of all future cash flows discounted using an estimated discount rate, especially for long-term receivables and payables. The estimated discount rate used to determine the discounted cash flow of long-term receivables and payables was an annual rate in pesos of

approximately 34% for 2015. The estimated discount rate used to determine the discounted cash flow of long-term receivables in U.S. dollars was an annual rate of 13% for years 2016 and 2015. The discount rate in Guaraníes for loans was 9.42% in 2016 and 2015, and for accounts receivable was 9.8% in 2016 and 2015. The difference between the initial fair value and the nominal amount of receivables and payables is recognised as finance income or expense using the effective interest method over the relevant period.

Changes in these estimated discount rates could materially affect our financial position, cash flows and results of operations.

Provisions

We are subject to proceedings, lawsuits and other claims related to labour, civil, tax, regulatory, commercial and other matters. In order to determine the proper level of provisions relating to these contingencies, we assess the likelihood of any adverse judgments or outcomes related to these matters as well as the range of probable losses that may result from the potential outcomes. We consult with internal and external legal counsel on these matters. A determination of the amount of provisions required, if any, is made after careful analysis of each individual issue. Our determination of the required provisions may change in the future due to new developments in each matter, changes in jurisprudential precedents and tribunal decisions or changes in our method of resolving such matters, such as changes in settlement strategy, and, therefore, these changes may materially affect our financial position, cash flows and results of operations.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make the required payments. We base our estimates on the aging of our accounts receivable balances, the requests by customers to unsubscribe, our historical write-offs, public sector and corporate customer creditworthiness and changes in our customer payment terms. If the financial condition of our customers were to deteriorate, the actual write-offs could be higher than expected.

Years ended 31 December 2016, 2015 and 2014

For purposes of these sections, the fiscal years ended 31 December 2016, 2015 and 2014 are referred to as “2016,” “2015” and “2014,” respectively.

Telecom’s results of operations are determined in accordance with IFRS. The Telecom Business provides customers with a broad range of telecommunication services. To fulfil its purpose, the Telecom Business conducts different activities that are distributed among the companies in its group. Each company represents an operating segment. These operating segments have been aggregated into the following segments according to the nature of the products and services provided and economic characteristics:

Segment	Company of the Telecom Group/Operating Segment
Fixed Services	Telecom Argentina Telecom Argentina USA Micro Sistemas (i)
Personal Mobile Services	Personal
Núcleo Mobile Services	Núcleo Envíos

(i) Dormant entity during the years ended 31 December 2016, 2015 and 2014.

The main products and services in each segment for the years presented are:

- Fixed Services: local area, national long-distance and international communications, supplementary services (including call waiting, itemised invoicing, voicemail, etc.), interconnection with other operators, data transmission (including private networks, point-to-point traffic, radio and TV signal transportation), Internet services, IT solution Outsourcing and sales of equipment.

- Personal Mobile Services and Núcleo Mobile Services: service offerings include voice communications, high-speed mobile Internet content and applications download, MMS, SMS, among others; and sale of mobile communication devices (handsets, modems mifi and wingles). The services are supported in the different technologies of the mobile network (2G/3G/4G).

The following table shows a breakdown of Telecom's revenues by business segment for the years ended 31 December 2016, 2015 and 2014:

Segment	2016		2015		2014	
	Revenues (1) (P\$ million)	% of Consolidate d Revenues	Revenues (1) (P\$ million)	% of Consolidate d Revenues	Revenues (1) (P\$ million)	% of Consolidate d Revenues
Fixed Services	15,014	28.2	10,736	26.5	8,559	25.7
Personal Mobile Services	35,584	66.8	28,054	69.3	23,204	69.6
Núcleo Mobile Services	2,642	5.0	1,706	4.2	1,578	4.7
TOTAL	53,240	100.0	40,496	100.0	33,341	100.0

(1) Includes service revenues and equipment sales and the effect of elimination of intersegment transactions.

Factors Affecting Results of Operations

Impact of Political and Economic Environment in Argentina

Levels of economic activity affect customers' consumption of the Telecom Business' services, the demand for new mobile and fixed lines and Broadband accesses as well as the levels of uncollectible accounts and disconnections. Demand for our services and the amount of revenues we collect are also affected by inflation, the evolution of consumption in the economy, exchange rate variations and the rate of unemployment, among other factors.

Price of services

The LAD (as amended by Decree No. 267/15), under Title VI - Article 48, established that licencees of ICT services may set their prices which shall be fair and reasonable, to offset the costs of exploitation and to tend to the efficient supply and reasonable margin of operation. However, the Regulatory Authority is entitled to observe the prices set by us if it understands that they do not comply with the provisions of Article 48 of the LAD. If prices are observed as imposing restrictions on our prices, our operating margins may be negatively affected. Before the LAD came into force, the service prices that Telecom Argentina charged in its fixed telephony service (including both monthly charges and measured service charges), installation charges, public telephone charges and charges for Internet dial-up traffic were subject to regulation.

The impact of the service price adjustments on Telecom's results of operations has been particularly relevant in recent years as a result of inflationary pressures on its costs structure.

Competition

The Argentine telecommunications market has become increasingly competitive. Competition is mainly focused on Internet and mobile services. Recently, through ENACOM Resolution No. 1,299/17, Nextel was authorised to provide SCMA resulting in the entrance of a new competitor for these services. To remain competitive, we must devote significant resources to capital expenditures, and trade expenses (including selling commissions).

Technology Developments and Capital Expenditures

Improvements in technology influence our customers' demand for services and equipment. For example, demand for fixed-line telecommunications services has been affected by continued significant growth in mobile business. Growth in the fixed-services business at present is being driven by the expansion of Broadband for individuals and corporations. The increase in Broadband adoption has also

proven to be a critical factor in facilitating the offering of Value Added Services to customers and the bundling of services.

In the fixed-services business, we must invest in fixed-line network and information technology. Specifically, in Internet services, we must constantly upgrade our Access technology and software, embrace emerging transmission technologies and improve the responsiveness, functionality, coverage and features of its services.

In the mobile business, to provide its subscribers with new and better services, Personal has to enhance its mobile networks extending 3G and 4G technology and bandwidth for mobile data transmission. Moreover, taking into account the frequencies acquired, Personal must develop a LTE infrastructure expeditiously, according to regulatory requirements and the mobile market development.

In addition, as new technologies develop, equipment may need to be replaced or upgraded, and network facilities (in particular, mobile and Internet network facilities) may need to be rebuilt in whole or in part, at substantial cost, to remain competitive. These enhancements and the implementation of new technologies will continue requiring increased capital expenditures.

Devaluation of the peso

The peso has been subject to significant devaluations in the past and may be subject to fluctuation in the future. In recent years, there was a significant devaluation which amounted to approximately 21.9% in 2016, 52.5% in 2015 and 31.1% in 2014. The majority of our revenues are received in pesos whereas a portion of the costs regarding materials and supplies related to the construction and maintenance of our networks and services are incurred in foreign currencies. Also, the high level of competition limited our ability to transfer to our customers the fluctuations in the exchange rates between the peso and the U.S. dollar and other currencies. In addition, any devaluation of the peso against foreign currencies may increase operating costs and capital expenditures, which will adversely affect results of operations, considering the net effect on revenues and costs.

Increase in inflation

In the past, Argentina has experienced periods of high inflation. In recent years, inflation levels have been increasing and have remained relatively high. The economic recovery, a higher increase in public spending or a fast devaluation of the Argentine peso could lead to higher inflation. Any increase in inflation levels not accompanied by an increase in the rates we charge our customers could adversely affect results of operations in nominal and real terms.

Telecom's Consolidated Financial Statements have been prepared on a historical basis in accordance with IFRS. However, due to the high level of inflation prevailing in Argentina in the last few years, Telecom's management analysed the conditions established by IAS 29 paragraph 3 to consider an economy as hyperinflationary. It should be mentioned that if the conditions established by IAS 29 to consider an economy as a hyperinflationary are met, the restatement of financial statements must be made retroactively from the date of the revaluation used as deemed cost (in the case of Telecom companies located in Argentina, since February 2003) or from the acquisition date for assets acquired after that date.

Based on the analysis made as of 31 December 2016, Telecom's management considers that the quantitative condition provided in section e) of IAS 29 has been met, while the qualitative conditions of the Argentine economy are mixed (some suggest the existence of a high inflation environment while others have not substantially changed from previous years, when it was concluded that its financial statements should not be restated). Under these circumstances, and in order to be objective, Telecom's management gave prominence to the conclusions reached by some international auditing firms that were available to Telecom's management, which considered that as of 31 December 2016 there was insufficient evidence to consider the Argentina's economy as "hyperinflationary" under IAS 29. Similar conclusions were reached under US GAAP by the International Practices Task Force (the "IPTF"), according to its memorandum issued on 17 November 2016. See Note 1.e) to Telecom's Consolidated Financial Statements under Annex C.

Although we believe that in 2017 inflation rates will be significantly reduced, IAS 29 and the IPTF recommended that Argentine issuers continue monitoring whether the Argentine economy qualifies as highly inflationary. Therefore, given the retroactive nature of the potential financial information restatement that should be applied in the event that Argentine economy be qualified as highly inflationary, under “—Additional relevant information on the possible application of IAS 29 in the Telecom Group as of 31 December 2016, 2015 and 2014” Telecom provides an aggregate estimation of IAS 29 application for the amounts reported in accordance with IFRS as of 31 December 2016, 2015 and 2014.

Tax pressures and litigation

Local municipalities in the regions where we operate have introduced regulations and proposed various taxes and fees for the installation of infrastructure, equipment and expansion of fixed-line and mobile networks. Local and federal tax authorities have brought an increasing number of claims against us. We disagree with these proceedings and are contesting them. Also, jurisprudential changes in labour and pension matters have generated higher claims from employees and former employees and also increased claims from employees of a contractor or subcontractor alleging joint liability. We cannot provide assurance that the laws and regulations currently governing the economy or the telecommunications industry will not change, that the claims will be resolved in our favour, or that any changes to the existing laws and regulations will not adversely affect our business, financial condition, results of operations and cash flows as well.

Telecom’s Results of Operations

Nine-Month Period Ended 30 September 2017 (“9M17”) Compared to Nine-Month Period Ended 30 September 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).

			Variation	
	9M17	9M16	\$	%
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:				
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 fuelled by the outbound mobile services provided by Personal and Voice and Internet fixed services.

Services	9M17	9M16	\$	%
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
Equipment				
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

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 30 September 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 (Datacentre, 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), fuelled 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 30 September 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).

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—totalled \$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 labour 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		
			\$	%	Fixed Serv.	Personal M. Serv.	Núcleo 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 capitalised 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 capitalised 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)
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 unionised employees and also to non-unionised 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 licences 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 recognised 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 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 capitalised 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 us during 2017, especially media advertising.

Cost of VAS

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 reorganisation realised by Personal in 2016.

Provisions

Provisions amounted to \$357, +\$251 vs. 9M16, mainly due to higher labour 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 recognised 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 fuelled 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).

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 fuelled 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 30 September 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 30 September 2016 (amounting to \$7,157). This variation was mainly due to an increase in the generation of cash from our operating activities. As of 30 September 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)

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.

For a breakdown of Telecom's financial information by segment for the nine-month periods ended 30 September 2017 and 2016 please refer to Telecom's Unaudited Condensed Consolidated Financial Statements as of 30 September 2017 under Annex C.

Year Ended 31 December 2016 Compared to Year Ended 31 December 2015

	Years Ended 31 December,		Total Change		Change by segment ⁽¹⁾		
	2016	2015			Fixed Services	Persona I Mobile Services	Núcleo Mobile Services
	(P\$ million)	(P\$ million)	%	(P\$ million)	(P\$ million)	(P\$ million)	
Revenues	53,240	40,496	31	12,744	4,278	7,530	936
Other Income	83	44	89	39	27	11	1
Operating expenses (without depreciation and amortization) .	(38,899)	(29,674)	31	(9,225)	(3,637)	(4,933)	(655)
Operating income before depreciation and amortization ⁽²⁾	14,424	10,866	33	3,558	668	2,608	282
Depreciation and amortization ..	(6,198)	(4,438)	40	(1,760)	(371)	(1,094)	(295)
Impairment of PP&E	(383)	(199)	92	(184)	92	(275)	(1)
Operating income	7,843	6,229	26	1,614	389	1,239	(14)
Financial results, net.....	(2,244)	(1,102)	104	(1,142)	35	(1,213)	36
Income tax expense	(1,594)	(1,692)	(6)	98	96	16	(14)
Net income	4,005	3,435	17	570	520	42	8
Net income attributable to:							
Telecom Argentina (Controlling Company)	3,975	3,403	17	572			
Noncontrolling interest	30	32	(6)	(2)			

(1) Includes the effect of eliminations of Intersegment transactions.

(2) Although it is not specifically defined, this is a permitted measure under IFRS. See "Operating and Financial Review and Prospects—Management Overview" in Telecom's 2016 Annual Report included under Annex C to this Prospectus for a discussion of the use of this measure.

Revenues

	Years Ended 31 December,		Total Change		Change by segment ⁽¹⁾		
	2016	2015			Fixed Services	Personal Mobile Services	Núcleo Mobile Services
	(P\$ million)	(P\$ million)	%	(P\$ million)	(P\$ million)	(P\$ million)	
Voice.....	17,566	13,854	27	3,712	1,671	1,733	308
Data.....	9,984	9,249	8	735	1,139	(520)	116
Internet.....	17,804	11,377	56	6,427	1,438	4,578	411
Service Revenues.....	45,354	34,480	32	10,874	4,248	5,791	835
Equipment ⁽²⁾	7,886	6,016	31	1,870	30	1,739	101
Revenues.....	53,240	40,496	31	12,744	4,278	7,530	936

(1) Net of the Intersegment revenues effect.

(2) This item is composed of voice, data and Internet equipment in each year.

During 2016, total consolidated revenues increased by 31% to P\$53,240 million from P\$40,496 million in 2015, mainly driven by the mobile services provided by Personal and Telecom's Broadband and data transmission businesses.

Consolidated revenues for 2016 and 2015 are comprised as follows:

Voice

Revenues from voice services increased 27% to P\$17,566 million in 2016 from P\$13,854 million in 2015. Revenues from voice services represented 33% of Telecom's total consolidated revenues for 2016 compared to 34% of total consolidated revenues for 2015.

Fixed services

Revenues from voice services represented 40% of Telecom's total Fixed Services segment revenues attributable to third parties for each of 2016 and 2015.

Voice services mainly include revenues from monthly charges, charges for supplementary services, measured service (national and international calls) and public telephone service. Charges for supplementary services include call waiting, call forwarding, three-way calling, caller ID, direct inwards dialing, toll-free service and voicemail, among others. Measured service charges are based on the number and duration of calls. Measured service revenues depend on the number of lines in service, the volume of usage, the number of new lines installed and applicable rates. They also include interconnection services (which primarily include Access, termination and long-distance transport of calls), international long-distance service (which reflect payments made under bilateral agreements between Telecom Argentina and foreign telecommunications carriers covering inbound international long-distance calls) and revenues related to billing and collection services charged to other operators.

Revenues from voice-retail increased 41% to P\$4,654 million.

Monthly charges and supplementary services increased by P\$1,074 million or 76% to P\$2,480 million in 2016 from P\$1,406 million in 2015. Such growth was mainly due to an increase of residential monthly basic charges prices since May 2016 and an increase in the prices of supplementary services.

Measured service charges increased 15% to P\$2,073 million in 2016 from P\$1,800 million in 2015. The increase was mainly due to the increase in plans prices (both in local and national long-distance).

Voice-wholesale revenues (including fixed and mobile interconnection revenues and lease of circuits, together with the revenues generated by the subsidiary Telecom Argentina USA amounting to P\$265 million) amounted to P\$1,356 million in 2016 (31% higher than in 2015). Interconnection services reached P\$845 million in 2016, an increase of P\$156 million, or 23% as compared to 2015. Other wholesale revenues reached P\$511 million in 2016, an increase of P\$165 million, or 48%, as compared to 2015. The increase was mainly due to higher prices related to cell sites rentals and lease of circuits due to the variation of the P\$/US\$ exchange rate.

Personal Mobile services

Revenues from voice services represented 30% of Telecom's total Personal Mobile Services segment revenues attributable to third parties for 2016 compared to 32% for 2015.

Voice services mainly include revenues from monthly charges, airtime usage charges and roaming charges to our customers for their use of our and other carriers' networks, CPP, TLRD and roaming charges to other mobile service providers whose customers use our network.

Voice-retail revenues reached P\$8,503 million in 2016 (an increase of 22% as compared to 2015). The increase was mainly due to the increase in monthly charges prices for the post-paid and "Abono Fijo" subscribers and prepaid services, net of the variation of the subscriber's base (evidencing an increase of 1.2% and 0.7% of post-paid, "Abono Fijo" subscriber's base, respectively and a decrease of 1.4% of prepaid of subscriber's base as compared to 2015).

Voice-wholesale revenues to third parties reached P\$2,078 million in 2016 (an increase of 10% as compared to 2015). The increase was mainly due to an increase in interconnection prices, partially offset by a decrease in interconnection traffic (mainly TLRD and CPP).

In *Núcleo Mobile Services segment*, voice revenues increased by 46% to P\$975 million in 2016 compared to P\$667 million in 2015, mainly due to the devaluation of the P\$ as compared to the Guaraní.

Data and Internet

Revenues from data and Internet services increased 35% to P\$27,788 million in 2016 from P\$20,626 million in 2015. Revenues from data and Internet represented 52% of Telecom's total consolidated revenues in 2016 compared to 51% of total consolidated revenues in 2015.

In the Mobile Services segments, data and Internet services mainly include SMS, contents via SMS and Internet. Revenues from data and Internet in the Personal Mobile segment increased 30% to P\$17,468 million in 2016 from P\$13,410 million in 2015.

As a consequence of the increase in VAS consumption (Internet and data), the ARPU increased to P\$112.3 per month in 2016 (as compared to P\$91.5 per month in 2015) in the Personal Mobile Segment.

Data

Revenues from data services in the Fixed segment increased 64% to P\$2,919 million in 2016 from P\$1,780 million in 2015. These revenues were generated by focusing on Telecom Argentina's position as an integrated ICT provider (Datacentre and 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 P\$/US\$ exchange rate and the increase in the number of customers of *Innovation* services (which generated an increase of P\$812 million as compared to 2015).

Mobile data revenues reached P\$7,065 million in 2016 (a decrease of 5% as compared to 2015). The decrease was due to lower revenues from the principal item of VAS revenues, SMS consumption in Personal Mobile Services Segment, which decreased by 27% from 2015 to 2016. Notwithstanding, this effect was partially offset by a constant increase of the SMS with content sales (where its inter-annual variation amounted to an increase of P\$438 million or 14%).

Internet

Internet revenues in the Fixed segment increased by 32% to P\$5,994 million in 2016 from P\$4,556 million in 2015. The increase was mainly due to an increase in average prices resulting in an improvement in the ARPU, which amounted to P\$270.9 per month in 2016 as compared to P\$207.4 per month in 2015, which was partially offset by a decrease in Broadband service access lines (a decrease of 4% of access lines as compared to 2015). As of 31 December 2016 the number of Internet accesses reached approximately 1.7 million (of which 1,298,000 correspond to an increase of access over 3Mb as compared to 1,010,000 in 2015) equivalent to 44% of fixed lines in service of Telecom Argentina (as

compared to 45% in 2015), compared to approximately 1.8 million as of 31 December 2015, as a consequence of a decrease of prepaid customers with no consumption.

Mobile Internet revenues in the Personal Mobile segment increased 73% to P\$10,832 million in 2016 from P\$6,254 million in 2015. This increase is mainly explained by the increase in browsing services consumption of Personal's subscribers, which was mainly fuelled by the increase in the offer of services, plans and packs (including VAS) launched by Personal. This growth was fuelled by new subscribers, the migration of existing ones to higher-value plans and the increase in subscribers that acquired 3G and 4G handsets, which facilitate Internet browsing.

Equipment

Revenues from equipment increased by 31% to P\$7,886 million in 2016 from P\$6,016 million in 2015. The Personal Mobile Services segment showed an increase of P\$1,739 million as compared to 2015 due to an increase in handset's average sale price (an increase of 34% as compared to 2015), which was partially offset by a decrease in handset units sold (a decrease of 4% as compared to 2015), resulting in a higher operating margin. Núcleo Mobile Services segment reached an increase of P\$101 million (an increase of 64% as compared to 2015) due to an increase in handset's average sale prices including the effect of the devaluation of P\$ against Guaraníes (an increase of 78% as compared to 2015), partially offset by a decrease in handset units sold (a decrease of 8% as compared to 2015).

Other Income

Other income mainly includes penalties and indemnities collected from suppliers, as a result of delays in deliveries of goods or matters related to the quality of the services provided and gains on disposal of PP&E since 2016. During 2016, other income increased by 89% to P\$83 million from P\$44 million in 2015, mainly due to an increase in penalties and indemnities collected from suppliers.

Operating expenses (without depreciation and amortization)

Total operating expenses (without depreciation and amortization and impairment of PP&E) increased by P\$9,225 million totalling P\$38,899 million in 2016, representing a 31% increase as compared to 2015.

	Years Ended 31 December,		Total Change	Change by segment ⁽¹⁾			
	2016	2015		Fixed Services	Persona I Mobile Services	Núcleo Mobile Services	
	(P\$ million)	(P\$ million)					
Employee benefit expenses and severance payments.....	9,800	7,253	35	2,547	1,952	525	70
Interconnection costs and other telecommunications charges.....	2,553	2,170	18	383	235	110	38
Fees for services, maintenance, materials and supplies.....	5,006	3,919	28	1,087	532	478	77
Taxes and fees with the Regulatory Authority.....	5,125	3,943	30	1,182	300	854	28
Commissions.....	3,849	3,193	21	656	59	501	96
Cost of equipment and handsets.....	6,188	4,595	35	1,593	54	1,421	118
Advertising.....	874	814	7	60	18	16	26
Cost of VAS.....	1,499	1,256	19	243	15	193	35
Provisions.....	187	113	65	74	61	13	-
Bad debt expense.....	1,228	564	118	664	73	489	102
Other operating expense.....	2,590	1,854	40	736	338	333	65
Total operating expenses (without depreciation and amortization)	38,899	29,674	31	9,225	3,637	4,933	655

(1) Net of the Intersegment transactions effect.

Employee benefit expenses and severance payments

During 2016, employee benefit expenses and severance payments were P\$9,800 million, representing a 35% increase from 2015. This was primarily due to salary increases that Telecom implemented across all segments with several trade unions with respect to the unionised employees and also to non-unionised employees, together with related social security charges.

With a total headcount of 15,970 at the end of 2016 (a decrease of 2% as compared to 2015), lines in service per employee reached 360 in the Fixed Services segment (a decrease of 3% as compared to 2015), 4,187 customers by employee in the Personal mobile services segment (an increase of 5% as compared to 2015) and 6,317 customers by employee in the Núcleo mobile services segment (an increase of 1.5% as compared to 2015).

Interconnection costs and other telecommunications charges

Interconnection costs and other telecommunication charges (including charges for TLRD, Roaming, cost of international outbound calls and lease of circuits) amounted to P\$2,553 million in 2016 as compared to P\$2,170 million in 2015. The increase was mainly due to an increase in international outbound calls and Roaming traffic, and higher TLRD costs.

Fees for services, maintenance, materials and supplies

Expenses related to fees for services, maintenance, materials and supplies increased by 28% to P\$5,006 million in 2016 from P\$3,919 million in 2015. Maintenance, material and supplies costs increased 48% as compared to 2015 (including obsolescence of inventories) and fees for services increased 11% as compared to 2015. 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 P\$/US\$ exchange rate, an increase in corrective and preventive technical assistance cost of radio bases, higher system licences 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 recognised by suppliers in all segments.

Taxes and fees with the Regulatory Authority

Taxes and fees with the Regulatory Authority (including turnover tax, tax on deposits and withdrawals from bank accounts, municipal and other taxes) increased by 30% to P\$5,125 million in 2016 from P\$3,943 million in 2015, mainly influenced by the increase in revenues of fixed and mobile services in Argentina and higher taxes on deposits and withdrawals from bank accounts related to higher collections and payments to suppliers.

Commissions

Commissions (including agent, distribution of prepaid cards and other commissions) increased by 21% to P\$3,849 million in 2016 from P\$3,193 million in 2015. The increase was mainly due to the increase in agents' commissions (associated with higher revenues) as a result of higher customer's acquisition and retention costs recognised and an increase in outsourced sales commissions and collection commissions.

Commissions are net of agents' commissions capitalised as Subscriber acquisition cost ("SAC"), which totalled P\$1,403 million in 2016 (an increase of P\$231 million or 20% as compared to 2015), and it's directly related to the gross increase of new customers in the "Abono Fijo" subscribers' base, mainly in the Personal Mobile Services segment, and the increase in the commissions prices.

Cost of equipment and handsets

During 2016, the cost of equipment and handsets increased to P\$6,188 million from P\$4,595 million in 2015, mainly due to an increase in the average unit cost of sales (an increase of 39% as compared to

2015) which was partially offset by a decrease in the units of handsets sold (a decrease of 4% as compared to 2015) in the Personal Mobile Services segment.

Cost of equipment and handsets are net of handset costs capitalised as SAC, which amounts to P\$130 million in 2016, P\$37 million, or 40% higher than in 2015.

Advertising

Costs related to advertising increased by P\$60 million, or 7%, to P\$874 million in 2016, mainly due to an increase in media campaigns of Personal related to the launch of 4G services throughout the country.

Cost of VAS

Cost of VAS amounted to P\$1,499 million in 2016 (an increase of P\$243 million as compared to 2015), mainly due to the increase of VAS sales in the Personal Mobile Services segment (mainly the Contents via SMS service) as a consequence of several campaigns launched by Personal.

Provisions

During 2016, Telecom recorded P\$187 million in provisions compared to P\$113 million recorded in 2015, representing a 65% increase. The increase was mainly due to higher labour and regulatory claims, which were partially offset by lower civil and commercial claims. See Note 17 to Telecom's Consolidated Financial Statements under Annex C for more information.

Bad debt expenses

In 2016, bad debt expense amounted to P\$1,228 million, an increase of 118% as compared to 2015, representing 2.3% and 1.4% of consolidated revenues in each of 2016 and 2015. The major increase is observed in the Personal Mobile Services segment as a consequence of higher aging of the accounts receivables and higher incidence of handset sales directly financed by Personal and Núcleo to its post-paid and "Abono Fijo" subscribers.

Other Operating Expenses

Other operating expenses, which include transportation costs, energy and rentals, among others, increased by 40% to P\$2,590 million in 2016 from P\$1,854 million in 2015, primarily as a result of higher prices on related services, especially in transportation, freight and travel expenses (an increase of P\$193 million or 25% as compared to 2015), among others, in the operations in Argentina; the increase of rent prices (an increase of P\$225 million or 42% as compared to 2015), as a result of new agreements and the renegotiation of some existing agreements and an increase in the energy cost (an increase of P\$181 million or 53% as compared to 2015), mainly due to an increase in prices.

Operating income before depreciation and amortization

Telecom's consolidated operating income before depreciation and amortization was P\$14,424 million in 2016, (representing an increase of P\$3,558 million or 33% from P\$10,866 million in 2015). It represented 27% of total consolidated revenues, in each 2016 and 2015. This growth was mainly fuelled by the Fixed Services segment (an increase of P\$760 million or 30% as compared to 2015) and Personal Mobile Services segment (an increase of P\$2,529 million or 32% as compared to 2015).

Depreciation and Amortization

Depreciation of PP&E and amortization of intangible assets increased by P\$1,760 million, or 40% as compared to 2015, to P\$6,198 million during 2016. The increase was mainly due to the increase in PP&E depreciation of P\$1,312 million, the increase in the amortization of SAC and Service connection costs of P\$429 million, and the increase in the amortization of other intangible assets of P\$19 million.

Impairment of PP&E

In 2016, impairment loss of PP&E amounted to P\$383 million, which was mainly related to the Mobile swap of Vendors in AMBA, and the simultaneous modernization of 2G/3G technology.

In 2015, the impairment is mainly related to projects of Telecom Argentina of P\$116 million (P\$107 million related to AFA Plus Project) and Telecom Personal of P\$114 million (Telecom Personal has assessed the recoverability of a group of former work in progress, recording an impairment of P\$44 million equivalent to its book value and an impairment of P\$49 million related to the total amount of works related to the discontinuation of the Orga Gold IT project and recorded an impairment of P\$21 million related to the Mobile swap of Vendors in AMBA, and the simultaneous modernization of 2G/3G technology).

Operating income

During 2016, consolidated operating income was P\$7,843 million, representing an increase of P\$1,614 million or 26% from 2015. Operating income represented 15% of consolidated revenues in each of 2016 and 2015.

	Years Ended 31 December,		% of Change
	2016	2015	2016-2015
	(P\$ million / %)		Increase/(Decrease)
Operating income before depreciation and amortization ⁽¹⁾	14,424	10,866	33
<i>As % of revenues</i>	27	27	
Depreciation and amortization	(6,198)	(4,438)	40
<i>As % of revenues</i>	(12)	(11)	
Impairment of PP&E	(383)	(199)	92
Operating income	7,843	6,229	26
<i>As % of revenues</i>	15	15	

(1) Although it is not specifically defined, this is a permitted measure under IFRS. See "Operating and Financial Review and Prospects—Management Overview" in Telecom's 2016 Annual Report included under Annex C to this Prospectus for a discussion of the use of this measure.

Financial results, net

During 2016, Telecom recorded a net financial loss of P\$2,244 million compared to a net financial loss of P\$1,102 million in 2015. The variation is mainly due to higher interest on loans as a result of higher indebtedness of Telecom of P\$1,047 million, lower interest on time deposits and other investments at a total cost of P\$272 million, higher interest on provisions at a total cost of P\$70 million, which were partially offset by lower foreign currency exchange losses net of NDF agreement of P\$85 million and higher interest on receivables of P\$190 million.

Income tax expense

Income tax expense amounted to P\$1,594 million and P\$1,692 million in 2016 and 2015, respectively.

Telecom's income tax charge includes three effects: (i) the current tax payable for the year pursuant to tax legislation applicable to each company in the Telecom Group; (ii) the effect of applying the deferred tax method on temporary differences arising out of the asset and liability valuation according to tax versus financial accounting criteria; and (iii) tax receivable from the action for recourse filed by Telecom Argentina claiming income tax determined in excess.

- (i) Regarding current tax expenses, Telecom Argentina, Telecom Argentina USA, Personal and Núcleo generated tax profit in fiscal year 2016, resulting in an income tax payable of P\$2,091 million versus P\$1,721 million in 2015. Fixed Segment income tax expense in 2016 amounted to P\$476 million as compared to P\$278 million in 2015; Personal's income tax expense, in 2016, amounted to P\$1,586 million compared to P\$1,410 million in 2015;

and Núcleo's income tax expense, in 2016, amounted to P\$29 million compared to P\$33 million in 2015.

- (ii) Regarding the deferred tax, in 2016 and 2015, the Fixed Segment recorded a deferred tax gain of P\$49 million and P\$25 million, respectively; Personal recorded a deferred tax gain of P\$80 million and a deferred tax loss of P\$112 million (mainly due to an increase in the allowance for doubtful accounts) in 2016 and 2015, respectively; and Núcleo generated a P\$18 million gain in 2015.
- (iii) Telecom Argentina filed actions for recourse with the AFIP in 2015 and 2016 to claim the full tax determined in excess. The income tax determined in excess qualifies as a tax credit in compliance with IAS 12 and Telecom recorded a gain of P\$368 million and P\$98 million in 2016 and 2015, respectively. For the determination of the tax credit valuation, Telecom has estimated the amount of the tax paid determined in excess for fiscal years 2009-2016 weighting the probability of certain variables according to the jurisprudential precedents known until such date. The Management will assess Tax Authority's resolutions related to actions for recourse filed and the evolution of jurisprudence in order to annually measure the tax credit recorded. See Note 14 to Telecom's Consolidated Financial Statements under Annex C.

Net Income

For 2016, Telecom recorded net income of P\$4,005 million (8% of total consolidated revenues), of which P\$3,975 million is attributable to Telecom Argentina. The Fixed Services segment accounted for a gain of P\$1,163 million, the Personal Mobile Services segment accounted for a gain of P\$2,750 million and the Núcleo Mobile Services segment accounted for a gain of P\$92 million, representing 7%, 8% and 3% of the total segment revenues, respectively, including intercompany transactions.

For 2015, Telecom recorded net income of P\$3,435 million (8% of total consolidated revenues), of which P\$3,403 million is attributable to Telecom Argentina. The Fixed Services segment accounted for a gain of P\$564 million, the Personal Mobile Services segment accounted for a gain of P\$2,774 million and the Núcleo Mobile Services segment accounted for a gain of P\$97 million, representing 4%, 10% and 6% of the total segment revenues, respectively, including intercompany transactions.

Year Ended 31 December 2015 Compared to Year Ended 31 December 2014

	Years Ended 31 December,		Change by segment ⁽¹⁾				
	2015 (P\$ million)	2014 (P\$ million)	Total Change		Fixed Service s (P\$ million)	Persona l Mobile Service s (P\$ million)	Núcleo Mobile Service s (P\$ million)
			%				
Revenues.....	40,496	33,341	21	7,155	2,177	4,850	128
Other Income	44	47	(6)	(3)	13	(16)	-
Operating expenses (without depreciation and amortization)	(29,674)	(24,686)	20	(4,988)	(1,814)	(3,031)	(143)
Operating income before depreciation and amortization⁽²⁾	10,866	8,702	25	2,164	376	1,803	(15)
Depreciation and amortization	(4,438)	(3,243)	37	(1,195)	(296)	(870)	(29)
Gain on disposal of PP&E and impairment of PP&E...	(199)	(16)	n/a	(183)	(100)	(84)	1
Operating income	6,229	5,443	14	786	(20)	849	(43)
Financial results, net.....	(1,102)	253	n/a	(1,355)	(471)	(841)	(43)
Income tax expense.....	(1,692)	(1,967)	(14)	275	248	20	7
Net income.....	3,435	3,729	(8)	(294)	(243)	28	(79)
Net income attributable to:							
Telecom Argentina (Controlling Company).....	3,403	3,673	(7)	(270)			

	Years Ended 31 December,			Change by segment ⁽¹⁾		
	2015	2014	Total Change	Fixed Services	Personal Mobile Services	Núcleo Mobile Services
Noncontrolling interest	32	56	(43) (24)			

(1) Includes the effect of eliminations of Intersegment transactions.

(2) Although it is not specifically defined, this is a permitted measure under IFRS. See “Operating and Financial Review and Prospects—Management Overview” in Telecom’s 2016 Annual Report included under Annex C to this Prospectus for a discussion of the use of this measure.

Revenues

	Years Ended 31 December,			Change by segment ⁽¹⁾		
	2015	2014	Total Change	Fixed Services	Personal Mobile Services	Núcleo Mobile Services
	(P\$ million)		%	(P\$ million)		
Voice.....	13,854	11,766	18 2,088	557	1,565	(34)
Data	9,249	9,467	(2) (218)	310	(510)	(18)
Internet.....	11,377	7,045	61 4,332	1,302	2,919	111
Service Revenues	34,480	28,278	22 6,202	2,169	3,974	59
Equipment ⁽²⁾	6,016	5,063	19 953	8	876	69
Revenues	40,496	33,341	21 7,155	2,177	4,850	128

(1) Net of the Intersegment revenues effect.

(2) This item is composed of voice, data and Internet equipment in each year.

During 2015, total consolidated revenues increased by 21% to P\$40,496 million from P\$33,341 million in 2014, mainly driven by Telecom’s mobile, Broadband and data transmission businesses.

Consolidated revenues for 2015 and 2014 are comprised as follows:

Voice

Revenues from voice services increased 18% to P\$13,854 million in 2015 from P\$11,766 million in 2014. Revenues from voice services represented 34% of Telecom’s total consolidated revenues for 2015 compared to 35% of total consolidated revenues for 2014.

Fixed services

Revenues from voice services represented 40% of Telecom’s total Fixed Services segment revenues attributable to third parties for 2015 compared to 44% for 2014.

Voice services mainly include revenues from monthly basic charges, charges for supplementary services, measured service (national and international calls) and public telephone service. Charges for supplementary services include call waiting, call forwarding, three-way calling, caller ID, direct inwards dialing, toll-free service and voicemail, among others. Measured service charges are based on the number and duration of calls. Measured service revenues depend on the number of lines in service, the volume of usage, the number of new lines installed and applicable rates. They also include interconnection services (which primarily include Access, termination and long-distance transport of calls), international long-distance service (which reflect payments made under bilateral agreements between Telecom Argentina and foreign telecommunications carriers covering inbound international long-distance calls) and revenues related to billing and collection services charged to other operators.

Revenues from voice-retail increased 16% to P\$3,304 million and were affected by the freezing of regulated rates in early 2002. Revenues from regulated rate services represented 26% of Telecom's total segment revenues in 2015 compared with 28% in 2014.

Monthly basic charges and supplementary services increased by P\$203 million or 17% to P\$1,406 million in 2015 from P\$1,203 million in 2014. Such growth was mainly due to an increase of their prices (mainly due to an increase in monthly basic prices in the Business Segment of approximately 55% and an average increase of 14% in supplementary services prices).

Measured service charges increased 17% to P\$1,800 million in 2015 from P\$1,541 million in 2014. The increase was mainly due to the increase in plans prices (both in local and national long-distance), while customers remain stable.

Voice-wholesale revenues (including fixed and mobile interconnection revenues, together with the revenues generated by the subsidiary Telecom Argentina USA amounting to P\$151 million) amounted to P\$1,035 million in 2015 (an increase of 11% as compared to 2014). Interconnection services reached P\$689 million in 2015, an increase of P\$68 million or 11% as compared to 2014. Other wholesale revenues reached P\$346 million in 2015, an increase of P\$38 million or 12% compared to 2014. The increase was mainly due to higher prices related to cell sites rentals due to the variation of the P\$/US\$ exchange rate.

Personal Mobile services

Revenues from voice services represented 32% of Telecom's total Personal Mobile Services segment revenues attributable to third parties for 2015 compared to 31% for 2014.

Voice services mainly include revenues from monthly basic charges, airtime usage charges and roaming charges to our customers for their use of our and other carriers' networks, CPP, TLRD and roaming charges to other mobile service providers whose customers use our network.

Voice-retail revenues reached P\$6,964 million in 2015 (an increase of 31% as compared to 2014). The increase was mainly due to the increase in monthly charges prices in the post-paid and "Abono Fijo" subscribers (an increase of 30% as compared to 2014) and prepaid services (an increase of 22% as compared to 2014), and because of the positive variation of the subscribers base in "Abono Fijo" (an increase of 5.6% as compared to 2014).

Voice-wholesale revenues to third parties reached P\$1,884 million in 2015 (a decrease of 4% as compared to 2014). The decrease was mainly due to the decrease in interconnection traffic (TLRD and CPP).

In *Núcleo Mobile Services segment*, voice revenues decreased 5% to P\$667 million in 2015 compared to P\$701 million in 2014.

Data and Internet

Revenues from data and Internet services increased 25% to P\$20,626 million in 2015 from P\$16,512 million in 2014. Revenues from data and Internet represented 51% of Telecom's total consolidated revenues for 2015 compared to 50% of total consolidated revenues for 2014.

In the Mobile Services segments, data and Internet services mainly include SMS, contents via SMS, MMS, Browsing and Internet. Revenues from data and Internet in the Personal Mobile segment increased 22% to P\$13,410 million in 2015 from P\$11,001 million in 2014.

As a consequence of the increase in VAS consumption (Internet and data), the ARPU increased to P\$91.5 per month in 2015 (as compared to P\$74.2 per month in 2014) in the Personal Mobile Segment.

Data

Revenues from data services in the Fixed segment increased 21% to P\$1,780 million in 2015 from P\$1,470 million in 2014. These revenues were generated focusing on Telecom's position as an integrated ICT provider (Datacentre, 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 P\$/US\$ exchange rate (mainly due to an increase in prices of the product Integra by 16% as compared to 2014 and in prices of VPN-IP services by 34% as compared to 2014) and to the increase in the number of customers of *Innovation* services (mainly due to an increase in the number of customers of Integra of 8% as compared to 2014 and in the number of customers of VPN-IP services of 0.2% as compared to 2014).

Mobile data revenues reached P\$7,469 million (a decrease of 7% as compared to 2014). The decrease was due to lower revenues from the principal item of VAS revenues, SMS consumption in Personal Mobile Services Segment, which decreased 15%. 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 (where its inter-annual variation amounted to an increase of P\$192 million or 7%).

Internet

Internet revenues in the Fixed segment increased 40% to P\$4,556 million in 2015 from P\$3,254 million in 2014. The increase was mainly due to the substantial expansion of the Broadband service (an increase of 2% of access lines as compared to 2014), and an increase in average prices resulting in an improvement in the ARPU amounted to P\$207 per month in 2015 as compared to P\$153 per month in 2014. As of 31 December 2015 the number of Internet accesses reached approximately 1.8 million equivalent to 45% of fixed lines in service of Telecom Argentina (as compared to 43% in 2014), compared to approximately 1.8 million as of 31 December 2014.

Mobile Internet revenues in the Personal Mobile segment increased 88% to P\$6,254 million in 2015 from P\$3,335 million in 2014. This increase is mainly explained by the increase in browsing services consumption of Personal's subscribers, which was mainly fuelled by the increase in the offer of services, plans and Packs (including VAS) launched by Personal. This growth was fuelled by new subscribers, the migration of existing ones to higher-value plans and the increase in subscribers that acquired 3G and 4G handsets, which facilitate Internet browsing.

Equipment

Revenues from equipment increased by 19% to P\$6,016 million in 2015 from P\$5,063 million in 2014. Personal Mobile Services segment shows an increase of P\$876 million as compared to 2014 due to an increase in handset's average sale price (an increase of 56% as compared to 2014), partially offset by a decrease in handset units sold (a decrease of 23% as compared to 2014), resulting in a higher operating margin. Núcleo Mobile Services segment reached an increase of P\$69 million in 2015 (an increase of 77% as compared to 2014) due to higher sales of handset units and an increase in handset's average sale prices.

Other Income

Other income mainly includes penalties and indemnities collected from suppliers, as a result of delays in deliveries of goods or matters related to the quality of the services provided. During 2015, other income decreased 6% to P\$44 million from P\$47 million in 2014.

Operating expenses (without depreciation and amortization)

Total operating expenses (without depreciation and amortization and gain on disposal and impairment of PP&E) increased by P\$4,988 million totalling P\$29,674 million in 2015, representing a 20% increase as compared to 2014.

	Years Ended 31		Change by segment ⁽¹⁾				
	December,		Total Change		Fixed Service s	Persona I Mobile Services	Núcleo Mobile Service s
	2015	2014					
	(P\$ million)		%		(P\$ million)		
Employee benefit expenses and severance payments.....	7,253	5,591	30	1,662	1,247	404	11
Interconnection costs and other telecommunications charges.....	2,170	2,074	5	96	41	89	(34)
Fees for services, maintenance, materials and supplies	3,919	3,333	18	586	352	219	15
Taxes and fees with the Regulatory Authority.....	3,943	3,297	20	646	95	544	7
Commissions.....	3,193	2,494	28	699	58	598	43
Cost of equipment and handsets.....	4,595	4,143	11	452	10	369	73
Advertising	814	792	3	22	(43)	65	-
Cost of VAS.....	1,256	936	34	320	22	280	18
Provisions	113	84	35	29	(98)	127	-
Bad-debt expense	564	424	33	140	(10)	147	3
Other operating expense	1,854	1,518	22	336	140	189	7
Total operating expenses (without depreciation and amortisation)	29,674	24,686	20	4,988	1,814	3,031	143

(1) Net of the Intersegment transactions effect.

Employee benefit expenses and severance payments

During 2015, employee benefit expenses and severance payments were P\$7,253 million, representing a 30% increase from 2014. This was primarily due to salary increases that Telecom implemented across all segments with several trade unions with respect to the unionised employees and also to non-unionised employees, together with related social security charges.

With a total headcount of 16,224 at the end of 2015 (a decrease of 1% as compared to 2014), lines in service per employee reached 371 in the Fixed Services segment (slightly higher than 2014), 4,005 customers per employee in the Personal mobile services segment (an increase of 1% as compared to 2014) and 6,225 customers per employee in the Núcleo mobile services segment (an increase of 1% as compared to 2014).

Interconnection costs and other telecommunications 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 P\$2,170 million in 2015 compared with P\$2,074 million in 2014. The increase was mainly due to higher TLRD costs (an increase of 23% in traffic minutes and an increase of 15% in prices as compared to 2014).

Fees for services, maintenance, materials and supplies

Expenses related to fees for services, maintenance, materials and supplies increased 18% to P\$3,919 million in 2015 from P\$3,333 million in 2014. Maintenance, material and supplies costs increased 11% as compared to 2014 (including obsolescence of inventories) and fees for services increased 24% as compared to 2014. The increase was mainly due to higher maintenance costs of network, systems and buildings mainly due to higher costs recognised to suppliers and, as a result of the variation in the P\$/US\$ exchange rate. Also there was an increase in services, principally Call Center services, because of more calls attended (an increase of P\$156 million as compared to 2014).

Taxes and fees with the Regulatory Authority

Taxes and fees with the Regulatory Authority (including turnover tax, tax on deposits and withdrawals from bank accounts, municipal and other taxes) increased 20% to P\$3,943 million in 2015 from P\$3,297 million in 2014, mainly influenced by the increase in revenues of fixed and mobile services and by the increase of equipment revenues in Argentina.

Commissions

Commissions (including agent, distribution of prepaid cards and other commissions) increased 28%, to P\$3,193 million in 2015 from P\$2,494 million in 2014. The increase was mainly due to the increase in agents' commissions (associated with higher revenues) as a result of higher customer acquisition and retention costs recognised to them and to an increase of outsourced sales commissions and collection commissions, especially in relation to equipment revenues and prepaid cards recharge.

Commissions are net of agents' commissions capitalised as SAC, which totalled P\$1,172 million in 2015 (an increase of P\$259 million or 28% as compared to 2014), and it's directly related to the increase in the "Abono Fijo" subscribers' base mainly in the Personal Mobile Services segment and the increase in the commissions prices.

Cost of equipment and handsets

During 2015, the cost of equipment and handsets increased to P\$4,595 million from P\$4,143 million in 2014, mainly due to an increase in the average unit cost of sales (an increase of 40% as compared to 2014) partially offset by a decrease in the units of handsets sold (a decrease of 23% as compared to 2014).

Cost of equipment and handsets are net of handset costs capitalised as SAC, which amounts to P\$93 million in 2015, P\$10 million or 10% lower than 2014, because of the reduction in subsidies in the Personal Mobile Services segment.

Advertising

Costs related to advertising increased by P\$22 million, or 3%, to P\$814 million in 2015, mainly due to higher commercial campaigns of Personal related to the launch of the 4G services throughout the country as compared to 2014, especially those related to the new slogan "*Hagamos que todo suceda*" ("*Let's make it all happen*").

Cost of VAS

Cost of VAS amounted to P\$1,256 million in 2015 (an increase of P\$320 million as compared to 2014), mainly due to the increase of VAS sales in the Personal Mobile Services segment (mainly the Contents via SMS service) as a consequence of several campaigns launched by Personal

Provisions

During 2015, Telecom recorded P\$113 million in provisions compared to P\$84 million recorded in 2014, representing a 35% increase. The increase was mainly due to higher civil and commercial claims (an increase of P\$27 million as compared to 2014). See Note 17 to Telecom's Consolidated Financial Statements under Annex C for more information.

Bad debt expenses

In 2015, bad debt expense amounted to P\$564 million, an increase of 33% as compared to 2014, representing 1.4% and 1.3% of consolidated revenues in 2015 and 2014, respectively. The major increase is observed in the Personal Mobile Services segment as a consequence of higher aging of the accounts receivables and higher incidence of handset sales directly financed by Personal to its post-paid and "Abono Fijo" subscribers.

Other Operating Expenses

Other operating expenses, which include transportation costs, energy and rentals, among others, increased 22% to P\$1,854 million in 2015 from P\$1,518 million in 2014 primarily as a result of higher

prices on related services, especially in transportation, freight and travel expenses, net of SAC (an increase of P\$183 million or 37% as compared to 2014); and the increase of rent prices (an increase of P\$138 million or 34% as compared to 2014), as a result of new agreements and the renegotiation of some of the existing ones.

Operating income before depreciation and amortization

Telecom's consolidated operating income before depreciation and amortization was P\$10,866 million in 2015, (representing an increase of P\$2,164 million or 25% from P\$8,702 million in 2014). It represented 27% and 26% of total consolidated revenues in 2015 and 2014, respectively. This growth was mainly fuelled by the Fixed Services segment (an increase of P\$418 million or 20% as compared to 2014) and Personal Mobile Services segment (an increase of P\$1,756 million or 29% as compared to 2014).

Depreciation and Amortization

Depreciation of PP&E and amortization of intangible assets increased by P\$1,195 million, or 37% as compared to 2014, to P\$4,438 million during 2015. The increase was mainly due to the increase in PP&E depreciation of P\$657 million and the increase in the amortization of other intangible assets of P\$304 million (mainly due to 3G/4G licences, which started their amortization in December 2014 and June 2015), and the increase in the amortization of SAC and Service connection costs of P\$234 million.

Gain on disposal of PP&E and impairment of PP&E

Gain on disposal of PP&E amounted to P\$31 million in 2015 and the impairment loss of PP&E amounted to P\$230 million related to projects of Telecom Argentina of P\$116 million (P\$107 million related to AFA Plus Project), and Telecom Personal of P\$114 million (Telecom Personal has assessed the recoverability of a group of former work in progress, recording an impairment of P\$44 million equivalent to its book value and an impairment of P\$49 million related to the total amount of works related to the discontinuation of the Orga Gold IT project and recorded an impairment of P\$21 million related to the mobile swap of Vendors in AMBA, and the simultaneous modernization of 2G/3G technology).

Gain on disposal of PP&E amounted to P\$9 million in 2014 and the impairment loss of PP&E amounted to P\$25 million (an impairment loss of PP&E for a total amount of P\$61 million relating to certain work in progress recorded in PP&E, and a partial reversal amounting to P\$36 million of the impairment loss recorded in 2013 relating to certain projects entered into by Telecom Argentina and the private sector).

Operating income

During 2015, consolidated operating income was P\$6,229 million, representing an increase of P\$786 million or 14% from 2014. Operating income represented 15% of consolidated revenues in 2015 versus 16% in 2014.

	Years Ended 31 December,		% of Change
	2015	2014	2015-2014
	(P\$ million / %)		Increase/(Decrease)
Operating income before depreciation and amortization ⁽¹⁾	10,866	8,702	25
<i>As % of revenues</i>	<i>27</i>	<i>26</i>	
Depreciation and amortization	(4,438)	(3,243)	37
<i>As % of revenues</i>	<i>(11)</i>	<i>(10)</i>	
Gain on disposal of PP&E and impairment of PP&E.....	(199)	(16)	n/a
Operating income	6,229	5,443	14
<i>As % of revenues</i>	<i>15</i>	<i>16</i>	

(1) Although it is not specifically defined, this is a permitted measure under IFRS. See "Operating and Financial Review and Prospects—Management Overview" in Telecom's 2016 Annual Report included under Annex C to this Prospectus for a discussion of the use of this measure.

Financial results, net

During 2015, Telecom recorded a net financial loss of P\$1,102 million compared to a net financial gain of P\$253 million in 2014. This net loss is related to the net financial position, which turned into a net financial debt in 2015 as a consequence of Group's higher investments. The variation is mainly due to higher foreign currency exchange losses net of NDF agreement of P\$865 million mainly due to the devaluation of local currency in December 2015 and higher interest on loans of P\$536 million, partially offset by higher interest on time deposits and other investments of P\$53 million.

Income tax expense

Income tax expense amounted to P\$1,692 million, and P\$1,967 million in 2015 and 2014, respectively.

Telecom's income tax charge includes four effects: (i) the current tax payable for the year pursuant to tax legislation applicable to each company in the Telecom Group; (ii) the effect of applying the deferred tax method on temporary differences arising out of the asset and liability valuation according to tax versus financial accounting criteria; (iii) the analysis of recoverability of deferred tax assets; and (iv) the action for recourse filed by Telecom Argentina claiming income tax determined in excess with respect to fiscal year 2009.

- (i) Regarding current tax expenses, Telecom Argentina, Telecom Argentina USA, Personal and Núcleo generated tax profit in fiscal year 2015, resulting in an income tax payable of P\$1,721 million versus P\$1,749 million in 2014. Fixed Segment income tax expense in 2015 amounted to P\$278 million as compared to P\$422 million in 2014; Personal's tax expense, in 2015, amounted to P\$1,410 million compared to P\$1,302 million in 2014; and Núcleo's tax expense, in 2015, amounted to P\$33 million compared to P\$25 million in 2014.
- (ii) Regarding the deferred tax, in 2015 and 2014, the Fixed Segment recorded a deferred tax benefit of P\$25 million and P\$19 million, respectively; Personal recorded a deferred tax expense of P\$112 million and P\$267 million (mainly due to an increase in deferred tax liabilities of Fixed Assets and the deduction of deferred tax assets related to investments in bonds) in 2015 and 2014, respectively; and Núcleo generated a P\$18 million and P\$3 million gain in 2015 and 2014, totalling P\$69 million and P\$245 million expense of deferred tax in 2015 and 2014, respectively.
- (iii) Regarding the analysis of recoverability of deferred tax assets, Personal recorded a recovery of the valuation allowance for deferred tax assets of P\$27 million in 2014, while no charges were recorded for Telecom Argentina, Telecom Argentina USA and Núcleo in such year.
- (iv) In December 2015, Telecom Argentina filed an action for recourse to claim P\$98 million of income tax determined in excess in 2009, recording a non-current tax receivable. See Note 14 to Telecom's Consolidated Financial Statements under Annex C.

Net Income

For 2015, Telecom recorded net income of P\$3,435 million (8% of total consolidated revenues), of which P\$3,403 million is attributable to Telecom Argentina. The Fixed Services segment accounted for a gain of P\$564 million, the Personal Mobile Services segment accounted for a gain of P\$2,774 million and the Núcleo Mobile Services segment accounted for a gain of P\$97 million, representing 4%, 10% and 6% of the total segment revenues, respectively including intercompany transactions.

For 2014, Telecom recorded net income of P\$3,729 million (11% of total consolidated revenues), of which P\$3,673 million is attributable to Telecom Argentina. The Fixed Services segment accounted for a gain of P\$742 million, the Personal Mobile Services segment accounted for a gain of P\$2,816 million and the Núcleo Mobile Services segment accounted for a gain of P\$171 million, representing 7%, 12% and 11% of the total segment revenues, respectively including intercompany transactions.

Liquidity and Capital Resources

Sources and Uses of Funds

The following table sets forth Telecom's cash position as of 30 September 2017 compared to 30 September 2016.

	Nine-month periods ended 30 September,	
	2017	2016
	(in millions of Pesos)	
Cash flows from operating activities		
Net income for the period	5,695	2,495
Adjustments to reconcile net income to net cash flows provided by operating activities		
Bad debt expenses	920	844
Allowance for obsolescence of inventories, materials and other deducted from assets.....	78	54
Depreciation of PP&E	3,702	3,087
Amortization of intangible assets	1,431	1,398
Consumption of materials.....	631	346
Disposal and impairment of PP&E.....	76	200
Net book value of disposal of PP&E	32	11
Provisions	357	106
Other financial losses.....	804	1,155
Income tax expense	3,047	1,346
Income tax paid.....	(1,840)	(1,280)
Net increase in assets.....	(1,975)	(2,724)
Net increase (decrease) in liabilities	2,610	(679)
Total cash flows provided by operating activities.....	15,568	6,359
Cash flows from investing activities		
PP&E acquisitions.....	(7,825)	(6,808)
Intangible assets acquisitions	(723)	(1,317)
Increase of equity interest in Personal	(4)	-
Proceeds on the sale of PP&E	23	13
Cash flows related to the acquisition of Tuves Paraguay	2	-
Investments not considered as cash and cash equivalents	(3,271)	1,139
Total cash flows used in investing activities.....	(11,798)	(6,973)
Cash flows from financing activities		
Proceeds from financial debt.....	2,262	4,478
Payment of financial debt.....	(3,019)	(1,231)
Payment of interest and related costs.....	(753)	(1,189)
Payment of cash dividends and related tax withholdings.....	(18)	(2,000)
Total cash flows (used in)/provided by financing activities.....	(1,528)	58
Net Foreign Exchange Differences On Cash And Cash Equivalents..	10	55
Increase In Cash And Cash Equivalents.....	2,252	(501)
Cash And Cash Equivalents At The Beginning Of The Year.....	3,945	870
Cash And Cash Equivalents At The End Of The Period.....	6,197	369

See Note 3 to Telecom's Unaudited Condensed Consolidated Financial Statements as of 30 September 2017 under Annex C.

The table below summarises, for the years ended 31 December 2016, 2015 and 2014, Telecom's consolidated cash flows:

	Years ended 31 December,		
	2016	2015	2014
	(in millions of Pesos)		
Cash flows provided by operating activities.....	11,365	6,812	5,721
Cash flows used in investing activities	(11,340)	(9,651)	(9,426)
Cash flows provided by (used in) financing activities.....	2,828	2,950	(1,340)
Net foreign exchange differences on cash and cash equivalents.....	222	75	505
Increase/(Decrease) in cash and cash equivalents.....	3,075	186	(4,540)
Cash and cash equivalents at the beginning of the year.....	870	684	5,224
Cash and cash equivalents at the end of the year	3,945	870	684

As of 31 December 2016, 2015 and 2014, Telecom had P\$3,945 million, P\$870 million and P\$684 million in cash and cash equivalents, respectively.

Cash flows from operating activities: The breakdown of the net cash flow provided by operating activities is as follows:

	Years ended 31 December,		
	2016	2015	2014
	(in millions of Pesos)		
Collections			
Collections from customers	55,928	41,930	34,396
Interests from customers.....	366	182	160
Interests from investments	59	190	400
Mobile operators collections	885	843	330
Subtotal	57,238	43,145	35,286
Payments			
For the acquisition of goods and services and other	(17,120)	(12,784)	(7,821)
For the acquisition of inventories	(5,383)	(6,343)	(4,167)
Salaries and social security payables and severance payments.....	(9,113)	(6,885)	(5,146)
CPP payments.....	(393)	(413)	(475)
Income taxes (includes tax returns and payments in advance)	(1,700)	(1,631)	(2,277)
Other taxes and taxes and fees with the Regulatory Authority.....	(10,731)	(7,775)	(8,902)
Foreign currency exchange differences related to the payments to suppliers	(1,433)	(502)	(777)
of which: Inventory suppliers	(295)	(182)	(343)
PP&E suppliers.....	(1,467)	(188)	(311)
Other suppliers.....	(144)	(31)	(154)
NDF	473	(101)	31
Subtotal	(45,873)	(36,333)	(29,565)
Net cash flow provided by operating activities.....	11,365	6,812	5,721

Cash flows used in investing activities were P\$11,340 million, P\$9,651 million and P\$9,426 million in 2016, 2015 and 2014, respectively, and includes the payment for the acquisition of 4G licences of P\$2,256 million and P\$3,091 million in 2015 and 2014, respectively. The increase of P\$1,689 million in 2016 was mainly due to an increase in PP&E capital expenditures (mainly due to the modernization of the Mobile technology).

Cash flows provided by financing activities were P\$2,828 million and P\$2,950 million in 2016 and 2015, respectively while cash flows used in financing activities were P\$1,340 million in 2014. The decrease in 2016 was mainly due to higher payments of loans and dividends, partially offset by higher proceeds of financial debts. The positive cash flows from financing activities in 2015 as compared to 2014 were mainly due to the increases in proceeds of financial debt to acquire, among others, 4G licences by P\$2,256 million.

Debt Obligations and Debt Service Requirements

The tables below set forth Telecom's financial debt as of 30 September 2017 and 31 December 2016.

	30 September, 2017	31 December, 2016
Financial debt (current)		
Bank overdrafts – principal (Personal).....	49	1,666
Bank overdrafts – principal (Telecom Argentina)	561	41
Bank loans – principal (Núcleo).....	107	219
Bank loans – others – principal (Personal)	-	620
Notes – principal (Personal)	718	566
NDF.....	26	2
Accrued interests (Personal)	1,352	145
Accrued interests (Telecom Argentina).....	2	-
Accrued interests (Núcleo).....	1	7
	2,816	3,266
Financial debt (non-current)		
Notes – principal (Personal)	741	2,084
Bank loans – IFC loan – principal (Personal).....	7,963	6,234
Bank loans – principal (Núcleo).....	258	328
NDF.....	33	-
	8,995	8,646

Liquidity

Telecom's working capital breakdown and its main variations are disclosed below:

	2016	2015	Variation
		(P\$ million)	
Trade receivables	7,577	5,663	1,914
Other receivables.....	1,011	1,336	(325)
Inventories.....	1,278	2,193	(915)
Current liabilities (not considering financial debt).....	(13,245)	(13,463)	218
Operative working capital – negative	(3,379)	(4,271)	892
<i>As % of Revenues</i>	<i>(6.4)%</i>	<i>(10.5)%</i>	
Cash and cash equivalents	3,945	870	3,075
Investments	1,751	1,430	321
Current financial debt.....	(3,266)	(3,451)	185
Net Current financial asset / (debt)	2,430	(1,151)	3,581
Negative working capital (current assets – current liabilities)	(949)	(5,422)	4,473
Liquidity rate	0.94	0.68	0.26

Telecom has a typical working capital structure corresponding to a company with intensive capital that obtains spontaneous financing from its suppliers (especially PP&E) for longer terms than those provided to its customers. According to this, the negative working capital amounted to P\$949 million as of 31 December 2016 (decreasing P\$4,473 million as compared to 31 December 2015), improving its level in relation to revenues (6.4% of consolidated revenues as of 31 December 2016 as compared to 10.5% of consolidated revenues as of 31 December 2015).

Capital Expenditures

In the Personal Mobile Services segment, the capital expenditures in 2016 were mainly oriented towards the deployment of the 4G technology and the extension of the coverage and capacity of our network in numerous cities across Argentina. The objectives were reached mainly through new sites, together with replacement plans and the upgrade of the current network. At the same time, new investments were made in connection with the swap of the Core Platform.

In the Fixed Services segment, specifically in the access area, the investment in deployment of new technologies continued to provide higher bandwidth to customers, mainly over Gigabit-capable Passive Optical Network (GPON) technology whose deployment has begun in 2016 and continued with the deployment of FTTC.

Following the strategy of previous years, in the transportation area, investments were made in the deployment of interurban trunk optical fibre, the increase in the capacity and security of the WDM (Dense Wavelength Division Multiplexing) Centurión network, the increase in the capacity of the Backbone IP and the addition of new POPs of content.

Also, investments continued in the installation of equipment for the Metro Ethernet network and the evolution of the capacity and capillarity of regional transportation, especially on the Packet Transport Network.

In both business segments, major investments were made on IT projects such as the implementation of a new rating system by the end of 2016. In addition, Telecom started to contract the suppliers for the new systems of customer relationship management, order manager, billing and collection.

Contractual Obligations

Telecom's consolidated contractual obligations and purchase commitments as of 31 December 2016 were as follows:

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
	(in millions of Pesos)				
Debt obligations ⁽¹⁾	3,869	4,907	3,560	1,652	13,988
Finance Lease Obligations	49	12	-	-	61
Operating lease obligations	636	849	320	74	1,879
Purchase obligations ⁽²⁾	5,637	270	118	41	6,066
Other long-term liabilities ⁽³⁾	171	150	66	137	524
Total	10,362	6,188	4,064	1,904	22,518

(1) Includes P\$2,076 million of future interest.

(2) Other than operating lease obligations. It includes PP&E purchase obligations, inventories purchase obligations, and other services purchase obligations, among others.

(3) Includes voluntary retirement programme, pension benefits and other long-term payables.

Off-Balance Sheet Arrangements

As of 30 September 2017, Telecom has no off-balance sheet arrangements.

MANAGEMENT

Board of Directors and Senior Management

Our board of directors (the “Board of Directors” or the “Board”) is composed of ten regular members, six of whom are elected by the holders of the issued and outstanding shares of Class A Capital Stock, two of whom are elected by holders of Class B Capital Stock, and two of whom are elected by holders of Class C Capital Stock. Pursuant to the Argentine Corporations Law the absolute majority of the Board must be composed of residents of Argentina.

Ten members of our Board were appointed on 28 September 2016 at the extraordinary shareholders’ meeting of Grupo Clarín that approved the *Escisión*. As the date of this Prospectus, due to the resignation of Pablo C. Casey, Marcelo A. Trivarelli and Hernán P. Verdaguer as directors, three alternate directors positions remain vacant. Each of our directors holds office for a term of one (1) year, and may be re-elected without limitation. In the first meeting of the Board of Directors, the directors appointed a chairman and a vice-chairman (who replaces the chairman in the event of absence or unavailability). The chairman or, in the event of absence or unavailability of the chairman, the vice-chairman, is our legal representative.

Our directors and alternate directors are set forth below:

Name	Title	Date of Appointment to the Board	Elected by Holders of	Business Address
Alejandro A. Urricelqui.....	Chairman	28 September 2016	Class A	Tacuarc 1842 (1139), 4 th floor, Buenos Aires, Argentina
Damián F. Cassino.....	Vice-Chairman	10 November 2017	Class A	Florida 954 (1005), Buenos Aires, Argentina
Sebastián Bardengo.....	Director	28 September 2016	Class A	Tacuarc 1842 (1139), 4 th floor, Buenos Aires, Argentina
Ignacio José María Sáenz Valiente	Director	10 November 2017	Class A	Florida 954 (1005), Buenos Aires, Argentina
Francisco I. Acevedo.....	Director	28 September 2016	Class A	Tacuarc 1842 (1139), 4 th floor, Buenos Aires, Argentina
Nicolás S. Novoa.....	Director	10 November 2017	Class A	Florida 954 (1005), Buenos Aires, Argentina
Alan Whamond ⁽¹⁾	Director	28 September 2016	Class B	Piedras 1743 (1140), Buenos Aires, Argentina
Nelson Damián Pozzoli ⁽¹⁾	Director	28 September 2016	Class B	Paroissien 1930 (1429), Buenos Aires, Argentina
Gonzalo Blaquier ⁽¹⁾	Director	28 September 2016	Class C	Av. Gral. Ortiz de Ocampo 3138 (1425), Buenos Aires, Argentina
Sebastián Salaber ⁽¹⁾	Director	28 September 2016	Class C	Av. Corrientes 415 (1043), Buenos Aires, Argentina

Claudia I. Ostergaard ⁽²⁾	Alternate Director	28 September 2016	Class A	Florida 954 (1005) Buenos Aires, Argentina.
María de los Milagros Paez	Alternate Director	28 September 2016	Class A	Florida 954 (1005), Buenos Aires, Argentina
María Lucila Romero	Alternate Director	28 September 2016	Class A	Florida 954 (1005), Buenos Aires, Argentina
Alejandro Río ⁽¹⁾	Alternate Director	28 September 2016	Class B	Av. Coronel Díaz 2333 6D (1425), Buenos Aires, Argentina
Patricio Gómez Sabaini ⁽¹⁾	Alternate Director	28 September 2016	Class B	Av. Coronel Díaz 2857 (1425), Buenos Aires, Argentina
Francisco Saravia ⁽¹⁾	Alternate Director	28 September 2016	Class C	Av. Leandro N. Alem 651, 9 th Floor (1001), Buenos Aires, Argentina
Gervasio Colombres ⁽¹⁾	Alternate Director	28 September 2016	Class C	Av. Leandro N. Alem 651, 9 th Floor (1001), Buenos Aires, Argentina

(1) Independent director, in accordance with the provisions of Section 4, Chapter I, Title XII “Transparencia en el Ámbito de la Oferta Pública” and Section 11, Chapter III, Title II “Órganos de Administración y Fiscalización, Auditoría Externa” of the CNV rules.

(2) As the date of this Prospectus, due to the resignation of Pablo C. Casey, Marcelo A. Trivarelli and Hernán P. Verdaguer as directors, three alternate directors positions remain vacant.

In accordance with our bylaws, the shareholders elect each director for a term of one (1) year. The above listed members of the Board were elected for an initial term expiring on 31 December 2017 and will hold office until the next ordinary shareholders’ meeting. The shareholders also elect, for one-year terms, alternate directors who replace principal directors during absences.

There are no family relationships between the abovementioned current members of our Board of Directors.

Biographical Information

Alejandro Alberto Urricelqui (D.N.I. No. 13,481,883, C.U.I.T. No. 20-13481883-3, domiciled at Tacuarí 1842 (1139), 4th floor, Buenos Aires, Argentina, born: 16 October 1959). Mr. Urricelqui is a Certified Public Accountant (University of Buenos Aires) and earned a Master’s degree in Finance. He is President of the board of TEO since January 2018 and, before the Merger, he was President of the board of Cablevisión S.A. During 2017, he actively participated in the merger process of Cablevisión S.A. and Telecom Argentina S.A. In addition, in 2006 he also participated in the merger process of Cablevisión S.A. and Multicanal S.A. Mr. Urricelqui joined Grupo Clarín in 1990, as Chief Financial Officer he participated in Grupo Clarín’s media and telecommunications business expansion and integration and its initial public offering, which took place in 2007.

Damián F. Cassino (D.N.I. 20,309,966, C.U.I.T. No. 20-20309966-6, domiciled at Florida 954, Zip Code (1005), City of Buenos Aires, born: 16 January 1969) is a lawyer and partner at the Argentine law firm Saénz Valiente & Asociados. He received a law degree from the University of Buenos Aires and has 24 years of professional experience. Mr. Cassino specialises in complex litigation and antitrust law. He currently serves as a member of the board of directors of various companies, including GC Dominio S.A. and TEO.

Ignacio José María Sáenz Valiente (D.N.I. 25,096,181, C.U.I.T. No. 20-25096181-3, domiciled at Florida 954, Zip Code (1005), City of Buenos Aires, born: 21 December 1975) is a lawyer and partner at the Argentine law firm Saénz Valiente & Asociados. He received a law degree from the Pontifical Catholic University of Argentina and has 16 years of professional experience. Mr. Sáenz Valiente specialises in corporate law, particularly local and international acquisitions and wealth management. He currently serves as a member of the board of directors of various companies, including GC Dominio S.A., Grupo Benicio S.A., Geisha Bienes Raíces S.A., Purity Polo S.A., Grupo A1 SRL, Green Armor S.A., ENVO Biogas Tonder As/p, Envo Biogas AAbenraa As/p and TEO.

Sebastián Bardengo (D.N.I. 18,091,211, C.U.I.T. No. 20-18091211-9, domiciled at Tacuarí 1842, CP 1139, 4th floor, Buenos Aires, Argentina, born: 15 May 1966). Mr. Bardengo is a member of the board of directors of Cablevision Holding S.A. and TEO as well as member of the Executive Committee of TEO. Mr. Bardengo graduated from the University of Buenos Aires with a degree in Business Administration and subsequently obtained a degree in Administration and Management from Harvard University. From 2008 to 2017, he has served as the Managing Director of Business Development at Grupo Clarín and as a member of the board of directors of Grupo Clarín and several of its subsidiaries. Previously, he worked for more than 20 years in investment banking and private equity, including the following positions: (i) Principal at Bank Boston Capital, a venture capital and private equity fund with investments in Argentina, Uruguay and Chile; (b) Executive Director at Bozano Simonsen Argentina Branch, a leading Brazilian investment banking firm; (c) Founding Partner at Buenos Aires Advisors, a financial advisory and M&A firm based in Buenos Aires. In addition, Mr. Bardengo was appointed as financial expert in international arbitration courts such as ICSID and UNCITRAL (United Nations Commission on International Trade Law).

Francisco Iván Acevedo (D.N.I. 18,337,959, C.U.I.T. No. 20-18337959-4, domiciled at Tacuarí 1842 (1139), 4th floor, Argentina, born: 29 October 1966) joined the board of directors of Cablevisión in September 2006. Mr. Acevedo joined Grupo Clarín in 2000 and is currently Grupo Clarín's Director of Corporate Control. He graduated from the University of Buenos Aires with a degree in public accounting and subsequently earned a Master's degree in Business Management from the IAE Business School at Austral University. Mr. Acevedo worked for eight years before joining Grupo Clarín at Grupo Bunge (in Argentina and abroad) and before that for five years at Pistrelli, Díaz y Asociados, an affiliate of Arthur Andersen.

Alan Whamond (D.N.I. 14,189,208, C.U.I.T. No. 20-14189208-9, domiciled at Piedras 1743, Zip Code (1140), City of Buenos Aires, born: 13 May 1961). Mr. Whamond is an industrial engineer who graduated from the Buenos Aires Institute of Technology (ITBA). Mr. Whamond subsequently completed a Senior Management Programme (PAD) at the IAE Business School at Austral University, he received a Master of Business Administration (MBA) from Stanford University's Graduate School of Business, and he also studied economics and international business at Sophia University in Tokyo, Japan. He has held management positions in investment banking, private equity and business development organizations in the agricultural and real estate sectors for more than 30 years, including serving as Director and Co-Head of the Buenos Aires office of Credit Suisse with responsibility over Argentina, Chile, Uruguay and Paraguay, as Partner and Managing Director of Pampa Capital Partners, as CEO of El Desafío Mountain Resort, and as Director of RE de El Tejar. Mr. Whamond, provides a strategic, financial, and mergers and acquisitions advisory services to several organizations and is a real estate development entrepreneur.

Nelson Damián Pozzoli, (D.N.I. 17,801,904, C.U.I.T. No. 20-17801904-0, domiciled at Paroissien 1930, Zip Code (1429), City of Buenos Aires, born: 6 May 1966). Mr. Pozzoli is a Certified Public Accountant graduated from Pontifical Catholic University of Argentina. He has been a director of Banco Macro since 26 April 2016. He was director of Citibank Argentina (1989-1992), Head of Capital Markets (1992-1994) and Corporate Banking Manager (1996-1997) of ABN AMRO Bank Argentina, respectively. He has also been Head of Equity (LATAM origination) of ABN AMRO Netherlands (1994-1995), Manager of Corporate Banking of ABN AMRO Bank USA (1995-1996), director of Banco Liniers Sudamericano (1997-1998), and Manager of the Investment Banking Division at Bankers Trust (1997-1999). He worked at Chase Manhattan Bank and First National Bank of Chicago between 1998 and 1999 and has been General Manager of Deutsche Bank Argentina (1999-2003). In 2003 he co-founded Inverlat S.A. where he is a shareholder and director of Havanna S.A, New Arrecife S.A., ICSA S.A. and Gastronomic Developments S.A.

Gonzalo Blaquier (D.N.I. 25,983,023, C.U.I.T. No. 20-25983023-1, domiciled at Avenida Gral. Ortiz de Ocampo 3138, Zip Code 1425, City of Buenos Aires, born: 27 April 1977): Mr. Blaquier graduated from the University of San Andrés with a degree in Business Administration and subsequently received a Master of Business Administration (MBA) from Stanford University. He received his professional training at the Techint Group where he developed energy projects in South America, and later worked as a consultant at McKinsey & Company where he specialised in the financial, automotive and telecommunications industries in Argentina, Brazil and Chile. Since 2011 he has focused on the development of various financial, agricultural, and gastronomic projects in Chile and Argentina.

Sebastián Salaber (D.N.I. 18,401,409, C.U.I.T. No. 20-18401409-3, domiciled at Av. Corrientes 415, Zip Code 1043, City of Buenos Aires, born: 24 December 1966), has been a member of Grupo Clarín's board since 2014. Mr. Salaber graduated from the Pontifical Catholic University of Argentina with a degree in economics. He subsequently earned a Master's degree in Business Administration from the IAE Business School at Austral University. Since 2005, he has managed various personal endeavours while providing financial and economic advice. He previously worked for more than 15 years in the international financial market for Bank Boston assuming, among others, the following responsibilities: a) Miami: Executive Vice President with maximum commercial responsibility for the International Private Banking business for Latin America; b) Paris: Commercial Director for Latin American relations; c) Boston: Chief Credit Officer for the Latin American portfolio; d) Buenos Aires: Commercial Manager of the multinational sector.

Nicolás S. Novoa (D.N.I. 23,967,892, C.U.I.T. No. 20-23967892-1, domiciled at Florida 954, Zip Code (1005), City of Buenos Aires, born: 28 May 1974) is a lawyer and partner at the Argentine law firm Saénz Valiente & Asociados. He received a law degree from the University of El Salvador in 1998. Mr. Novoa is a member of the governing board of the Argentine Association of Television Service Providers (ATA) and a member of the copyright work group of the International Association of Broadcasting (IAB). He is a delegate of the IAB before the Standing Committee on Copyright (SCCR) at the World Intellectual Property Organization (2006-2016) and a Visiting Professor in the Master's programme in Intellectual Property at the Latin American Social Sciences Institute (FLACSO). Mr. Novoa currently serves as an alternate member of the board of directors of GC Dominio S.A.

Claudia I. Ostergaard (D.N.I. 24,037,048, C.U.I.T. No. 23-24037048-4, domiciled at Florida 954, Zip Code (1005), City of Buenos Aires, born: 29 May 1974) is a lawyer and partner at the Argentine law firm Saénz Valiente & Asociados. She received a law degree from the University of El Salvador and has 16 years of professional experience. Ms. Ostergaard specialises in civil, commercial and administrative law, particularly damage liability in litigation cases. She has served as a member of the board of directors of various companies.

María de los Milagros Paez (D.N.I. 22,584,838, C.U.I.T. No. 27-22584838-1, domiciled at Florida 954, Zip Code (1005), City of Buenos Aires, born: 24 June 1972) is a lawyer and partner at the Argentine law firm Saénz Valiente & Asociados. She received a law degree from the National University of the Litoral and has 22 years of professional experience. Ms. Páez specialises in broadcast and telecommunication law. She has been a consultant for Grupo Clarín S.A. and its subsidiaries since 1996.

María Lucila Romero (D.N.I. 18,415,360, C.U.I.T. No. 27-18415360-8, domiciled at Florida 954, Zip Code (1005), City of Buenos Aires, born: 12 August 1967) is a lawyer and partner at the Argentine law firm Saénz Valiente & Asociados. She received a law degree from the Pontifical Catholic University of Argentina and has 23 years of professional experience. Ms. Romero specialises in corporate law, particularly mergers & acquisitions. She has served as a member of the board of directors for various companies. Ms. Romero currently serves as alternate director of GC Dominio S.A and as alternate director of TEO.

Alejandro Río (D.N.I. 23,522,990, C.U.I.T. No. 20-23522990-1, domiciled at Av. Coronel Díaz 2333 6D, Zip Code (1425), City of Buenos Aires, born: 26 April 1974), has been a partner in the investment fund of the private equity firm Sophia Capital since 2016. Mr. Río is an Industrial Engineer graduated from the University of Buenos Aires and obtained a Master's in Business Administration from Columbia University in 2004. Prior to being elected to the board, he worked for more than ten years at Goldman Sachs, both in the New York and Buenos Aires offices, in the Latin American investment banking area, participating in numerous in Argentina, Chile, Colombia and Peru, including issuances of debt and

equity in the international capital markets, as well as cross-border mergers and acquisitions. Since 2012, Mr. Río has been the legal representative of Goldman Sachs in Argentina. Between 2004 and 2006, Mr. Río worked in the Latin American investment banking area at UBS AG, based in New York. Prior to obtaining his MBA, he held various positions in the Internet, energy and telecommunications industries in Argentina.

Patricio Gómez Sabaini (D.N.I. 16.941.675, C.U.I.T. No. 20-16941675-4, domiciled at Av. Coronel Diaz 2857, Zip Code (1425), City of Buenos Aires, born: 25 March 1964), has a Master in Business Administration from George Washington University and a Bachelors in Business Administration from George Mason University. He is a director and Partner of Sur Capital Partners (“SCP”), a private equity fund in South America, and he also serves as a board member of several companies in SCP’s portfolio. He is also a member of the board of directors of Enersis Americas, an electric power company with operations in Argentina, Brazil, Peru and Colombia, which is listed on the Santiago de Chile Stock Exchange and the NYSE. Mr. Sabaini is also a member of the board of directors of Nortel, a holding company that owns Telecom Argentina. Both Nortel and Telecom are listed on the NYSE and the Buenos Aires Stock Exchange. Before organising SCP, Mr. Sabaini served as Managing Director at GE Capital private equity group in Latin America, leading a team of professionals in Argentina, Brazil, Chile and Mexico. He was responsible for a portfolio of private equity investments in various industries, including the telecommunications industry. Mr. Sabaini was a member of GE Equity’s Investment Committee, participating in the decision-making process for all of GE Equity’s investments around the globe. Prior to joining GE, Mr. Sabaini was in charge of Banco Santander Rio’s M&A Department in Argentina. Previously, he also worked at Bunge & Born.

Francisco Saravia (D.N.I. 26,473,672, C.U.I.T. No. 20-26473672-3, domiciled at Av. Leandro N. Alem 651, 9th floor, Zip Code (1001), City of Buenos Aires, born: 21 March 1978), has been an alternate member of Grupo Clarín’s board of directors since 2014. Mr. Saravia is a lawyer graduated from the University of Buenos Aires. He subsequently obtained his Master of Laws degree (LL.M) from Columbia University. Since 2007 he has been a partner at the law firm of Oría, Colombres and Saravia Abogados. Mr. Saravia specialises in corporate law and mergers and acquisitions. He has served on the board of various companies, including Engineering, Simulation and Scientific Software Argentina SA and Argentine Trademark and Entrepreneurship Company.

Gervasio Colombres (D.N.I. 21,832,630, C.U.I.T. No. 20-21832630-8, domiciled at Av. Leandro N. Alem 651, 9th floor, Zip Code (1001), City of Buenos Aires, born: 10 June 1970), joined Grupo Clarín’s board of directors in December 2015 and has been an alternate member since April 2016. Mr. Colombres is a lawyer graduated from the University of Buenos Aires with 20 years of professional experience. He received his LL.M degree in 1998 from Columbia University. From 1999 to 2001 he worked at the New York office of Linklaters law firm. He was a partner at the law firm of Hope, Duggan & Silva Abogados. Since 2008 he has been a partner at the law firm of Oría, Colombres and Saravia Abogados. He specialises in corporate law, business law, and mergers and acquisitions. He has served on the board of various companies.

Directors’ Shareholdings

The table below lists our directors and executive officers, individually and as a group, who beneficially own equity securities of Cablevisión Holding or any of its subsidiaries as of 31 December 2017.

Security Class	Name of Director/Executive Officer	Amount and Nature of Beneficial Ownership	Percent of Class
Class B Shares	Alejandro Alberto Urricelqui	121,399 Class B Shares	Less than 1.0%
Class B Shares	Sebastián Bardengo	9,014 Class B Shares	Less than 1.0%
Class B Shares	Alan Whamond	1,959 Class B Shares	Less than 1.0%

Cablevisión Holding's directors and executive officers, in the aggregate, beneficially own less than 1.0% of the Class B Shares as of 31 December 2017.

Supervisory Committee

We have a statutory supervisory committee (*Comisión Fiscalizadora*), which is composed of three members, *síndicos* or syndics, and three alternate syndics appointed annually by the shareholders. The members of our supervisory committee were appointed on 28 September 2016 at the extraordinary shareholders' meeting of Grupo Clarín that approved the *Escisión*.

Pursuant to the Argentine Corporations Law, only lawyers and accountants admitted to practice in Argentina and domiciled in Argentina or civil partnerships composed of such persons may serve as syndics in an Argentine *sociedad anónima*, or corporation.

The primary responsibilities of the supervisory committee are to monitor management's compliance with the Argentine Corporations Law, the bylaws, its regulations, if any, and the shareholders' resolutions, and to perform other functions, including, but not limited to: (i) attending shareholders' and Board of Directors' meetings, (ii) convening extraordinary shareholders' meetings when deemed necessary and ordinary and special shareholders' meetings when not called by the Board of Directors, (iii) monitoring the company's corporate records and other documents, and (iv) investigating written complaints of shareholders. In performing these functions, the supervisory committee does not control our operations or assess the merits of decisions adopted by the Board of Directors.

Our syndics and alternate syndics are set forth below.

<u>Name⁽¹⁾</u>	<u>Title</u>	<u>Date of Appointment</u>	<u>Elected by Holders of</u>
Carlos Alberto Pedro Di Candia	Member	28 September 2016	Class A and B
Pablo San Martín	Member	28 September 2016	Class C
Hugo Ernesto López	Alternate member	28 September 2016	Class A
Miguel Ángel Massei	Alternate member	28 September 2016	Class A and B
Rubén Suárez	Alternate member	28 September 2016	Class C

(1) As of the date of this Prospectus, due to the resignation of Raúl Antonio Moran as member of the supervisory committee, one alternate member position remains vacant.

Biographical Information

Carlos A. P. Di Candia (D.N.I. 7,787,685, C.U.I.T. No. 20-07787685-6, domiciled at Alberti 1954, Zip Code (1247), City of Buenos Aires, Born: 13 November 1947), has been a syndic at Cablevisión since 2012. Mr. Di Candia is an independent accountant. He is also a syndic at Grupo Clarín since 1999, at AGEA since 1987, at AGR since 1987, at Artear since 1989. Mr. Di Candia received his accounting degree from the Universidad Nacional de La Plata, Province of Buenos Aires.

Pablo San Martín, (D.N.I. 16,525,232, C.U.I.T. No. 20-16525232-3, domiciled at Bernardo de Irigoyen 972, Zip Code (1074), City of Buenos Aires, Born 1 May 1963), is a Certified Public Accountant (University of Buenos Aires). He is President of SMS Latin America and Managing Partner of the auditing and consulting firm SMS - San Martín, Suárez and Associates. He is a member of the Audit Committee of the IFAC (International Federation of Accountants) Transnational Audit Committee, and he is a full member to the IFAC Forum of Firms. He is an external auditor and formed part of Pistrelli Díaz and Associates (Arthur Andersen & CO). He is the external auditor of various companies and the syndic of Grupo Clarín, Exponenciar S.A. (alternate), La Voz del Interior SA, Impropost S.A., Moodys Latin América Calificadora de Riesgo S.A., and Microglobal Argentina S.A., NSS S.A. He is on the board of SMS S.A., SMS Sistemas S.R.L., SMS – San Martín, Suárez and Associates, Portal

Entrepreneur S.A., and SMSLA Latinoamérica S.A. (Uruguay). He is on the Executive Committee of the Argentine-Danish Chamber of Industry and Commerce, the Argentine-British Chamber of Commerce, the Argentine Entrepreneurs Civil Association, the Open The Door Civil Association Foundation, the Argentine-Chinese Chamber of Commerce, Industry and Production, the Southeast Asian Chamber of Commerce and the Argentine Forum of Firms of Auditors Civil Association. He teaches the PIADeF (International Audit and Fraud Detection Programme) at SMS Latin America. He is a visiting professor and speaker in numerous academic areas relating to his specialty. He taught as the chair of Accounting and Management of the University of Buenos Aires and of Intermediate Accounting at the University of Salvador. He is the author of various articles on auditing, accounting and taxes published in the national media and magazines.

Hugo Ernesto López (D.N.I. 12,667,028, C.U.I.T. No. 20-12667028-2, domiciled at Juan Bautista Alberdi 2842 6th floor, apartment A, Zip Code (C1406GSR), City of Buenos Aires, Born: 17 September 1956), has been a syndic at Cablevisión since 2013. Mr. López is an Independent Accountant. He is also a syndic at AGEA, Artear, Radio Mitre, and Nextel. Mr. López received his accounting degree from the Universidad de Belgrano, City of Buenos Aires.

Miguel Angel Mazzei. (D.N.I. 4,439,426, C.U.I.T. No. 23-04389426-5, domiciled at Bernardo de Irigoyen 330, Zip Code 1072, City of Buenos Aires, Born: 2 March 1948) has been an alternate syndic at Cablevisión since 2012. Mr. Mazzei graduated as Certified Public Accountant (University of Buenos Aires). Mr. Mazzei is a partner of Bertora y Asociados. He is also a syndic at Telmex, Arrendadora de Servicios de Telec. S.A., Metrored Holdings SRL, Ertach S.A., Páginas Telmex S.A., and Village Cinema.

Rubén Suárez, (D.N.I. 14,495,098, C.U.I.T. No. 20-14495098-5, domiciled at Bernardo de Irigoyen 972, Zip Code 1074, City of Buenos Aires, Born 14 January 1961) is a Certified Public Accountant (University of Buenos Aires). He is a member of the auditing and consulting firm SMS – San Martín Suarez and Associates. He served as auditor at Pistrelli Diaz and Associates (Arthur Andersen & Co) and is the external auditor for various companies, and syndic for Grupo Clarín S.A., Frasle Argentina S.A., Moody's Latin America Risk Rating Agent S.A., Enaex Argentina S.A., Microglobal Argentina S.A. and NSS S.A. He is on the board of SMS S.A., SMS Systems SRL, SMS – San Martín, Suarez and Associates and SMSLA Latinoamérica S.A. (Uruguay). He taught Accounting and Management at the University of Buenos Aires and Accounting II at the Universidad del Salvador.

As of the date of this Prospectus, there are no service contracts between us and our directors or members of our supervisory committee. There are no contracts between us and our directors, members of our supervisory committee or executive officers in violation of Section 271 of the Argentine Corporations Law. As of the date of this Prospectus, we do not have a formalised compensation committee.

Audit Committee

Pursuant to the Argentine Capital Markets Law and its implementing regulations we are required to have an audit committee, which consists of three members of our board of directors with experience in business, finance or accounting matters.

The majority of the current and alternate members of the audit committee must meet the independence requirements set forth under the regulations of the CNV. The audit committee must also have as many alternate members as it has full members in order to fill in possible vacancies. Members of the audit committee shall serve for a term of one (1) fiscal year. Our bylaws provide that our audit committee must meet at least once every three months or at the request of any member. A quorum for a decision by the audit committee requires the presence of a majority of its members and matters are decided by the vote of a majority of those present at the meeting. In the event of an evenly divided vote of directors, the Chairman or the Vice Chairman (in the event he replaces the Chairman) casts the tie-breaking vote. Decisions of the audit committee are recorded in a special corporate book and signed by all members of the committee who were present at the meeting.

Among its duties, the audit committee must:

- advise on the Board of Directors' proposal for the designation of external independent accountants and to ensure their independence;
- oversee our internal control mechanisms and administrative and accounting procedures and assess the reliability of all financial and other relevant information filed with the CNV and other entities to which we report;
- oversee our information policies concerning risk management;
- provide the market with complete information on transactions in which there may be a conflict of interest with members of our various corporate bodies or controlling shareholders;
- advise on the reasonableness of fees or stock option plans for our directors and managers proposed by the Board of Directors;
- advise on our fulfilment of legal requirements and the reasonableness of the terms of the issuance of shares or other instruments that are convertible into shares in cases of capital increase in which pre-emptive rights are excluded or limited;
- verify the fulfilment of any applicable rules of conduct; and
- issue grounded opinions on related-party transactions under certain circumstances and file such opinions with regulatory agencies as required by the CNV in the case of possible conflicts of interest.

Additionally, the audit committee must prepare an annual working plan and present it to the Board of Directors and the supervisory committee. Members of the Board, members of the supervisory committee and external independent accountants must attend the meetings of the audit committee if the audit committee so requests it, and must grant the audit committee full cooperation and information. The audit committee is entitled to hire experts and counsel to assist it in its tasks and has full access to all of our information and documentation.

On 24 May 2017, our Board of Directors designated Mr. Sebastian Bardengo, Mr. Alan Whamond and Mr. Nelson Damián Pozzoli as members of the audit committee, and Mr. Alejandro Río, Mr. Patricio Gómez Sabaini and Mr. Marcelo Alejandro Trivarelli, as alternate members, effective as of CNV's approval of the Company's admittance to the Argentine public offering regime.

Compensation of Directors

We have not paid any compensation to the members of our Board and senior management since the decision to establish Cablevisión Holding was adopted on 28 September 2016. In 2016, the total remuneration paid to the members of the board of directors and supervisory committee of our subsidiary Cablevisión was Ps. 9.8 million and Ps. 1.0 million, respectively. The total remuneration paid to Cablevisión's senior managers during the same period was Ps. 75.0 million.

The aggregate compensation paid by Telecom to members of its board of directors and supervisory committee, acting since 29 April 2016, and its senior managers was approximately P\$152.1 million for the year ended 31 December 2016. As of 31 December 2016, the accrued compensation to members of the board of directors and supervisory committee in connection with their duties performed since 29 April 2016 was approximately P\$41.0 million and P\$9.1 million, respectively. Compensation for Telecom's senior managers amounted to approximately P\$198.0 million for the year ended 31 December 2016 (including fixed and variable compensation, retention plan benefits and, in some cases, severance payments and non-compete agreements), of which approximately P\$132.0 million was paid as of 31 December 2016.

As of the date of this Prospectus, we do not have a formalised compensation committee.

As of the date of this Prospectus, we have not made provisions to provide pension, retirement or similar benefits for our directors and senior management.

Board of Directors and Senior Management Practices

Management of our business is vested in our Board of Directors. Our bylaws provide that the Board of Directors shall have full power to manage and dispose of our property, including such powers as provided under Section 375 of the Argentine Civil and Commercial Code and Section 9 of Decree No. 5,965/63. The Board of Directors may, in our name and stead, perform any acts that are in furtherance of our corporate purpose, including banking transactions. The compensation of the directors is set at shareholders' meetings. Under Argentine corporate law, the maximum remuneration that members of our Board of Directors can collect from us, including wages and other remuneration, cannot exceed 25% of corporate earnings. This percentage is limited to 5% of corporate earnings if no dividend is distributed. This limitation is increased in proportion to any dividends paid. When one or more directors perform special functions or technical administrative functions and the small amount or nonexistence of earnings makes it necessary to exceed the percentage established, the corporation cannot pay such sums without express approval at the shareholders meeting.

Pursuant to Section 274 of the Argentine Corporations Law, directors have the obligation to perform their duties with the loyalty and diligence of a prudent business person. Directors are jointly and severally liable to us, our shareholders and third parties for the improper performance of their duties, for violating the law, our bylaws or regulations, if any, and for any damage caused by fraud, abuse of authority or gross negligence. Under Argentine law, specific duties may be assigned to a director by our bylaws or by a resolution of a shareholders' meeting or meeting of the Board. In such cases, a director's liability will be determined based on the performance of such duties, provided that certain requirements are met. Under Argentine law, directors are prohibited from engaging in activities that are against the interest of the company on whose board they serve. Certain transactions between directors and us are subject to ratification procedures established by Argentine law. These procedures do not apply in connection with transactions between affiliates of directors and us or between shareholders and us. A director must inform the Board of Directors of any conflicting interest that he or she may have in a proposed transaction and must abstain from voting on such transaction.

In general, a director will not be liable if, notwithstanding his or her presence at the meeting at which a resolution was adopted or his or her knowledge of such resolution, a written record exists of his or her objection to such resolution and the objection is reported to the statutory audit committee before any complaint against the director is brought to the Board, the statutory audit committee, a shareholders' meeting, the competent governmental agency or the courts. Except in the event of our mandatory liquidation or bankruptcy, shareholder approval of a director's performance terminates any liability of a director *vis-à-vis* us, provided that shareholders representing at least 5% of our capital stock do not object and provided further that such liability does not result from a violation of law or our bylaws.

We may initiate causes of action against directors upon a majority vote of our shareholders. If a cause of action has not been initiated within three months of a shareholders' resolution approving its initiation, any shareholder may start the action on behalf of and on our account. A cause of action against the directors may also be initiated by shareholders who object to the approval of the performance of such directors if such shareholders represent, individually or in the aggregate, at least 5% of our capital stock.

Senior Management

All managerial functions of Cablevisión Holding will be performed by Cablevisión Holding's Chairman of the Board who, under Argentine law, is also Cablevisión Holding's president.

Litigation Statement about the Company's Directors and Officers

At the date of this Prospectus, for at least the previous five years, none of the Company's Directors or executive officers:

- has had any convictions in relation to fraudulent offences;
- has held an executive function in the form of a senior executive officer or a member of the administrative, management or supervisory bodies, of any company at the time of or preceding any bankruptcy, receivership or liquidation; or

- has been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

Employees and Labour Relations

Cablevisión Holding S.A.

CVH currently has a total of six employees, including Sebastian Bardengo who performs management duties.

The Cablevisión Business

The following table sets forth the number of part-time and full-time employees as of the periods indicated:

	As of 31 December		
	2014	2015	2016
Type of Employment			
Part-time.....	316	312	304
Full-time	9,781	9,888	11,141
Total	10,097	10,200	11,445

The following table sets forth a breakdown of Cablevisión's employees by main category of activity as of the periods indicated.

	As of 31 December		
	2014	2015	2016
Employees by Activity			
Operational.....	66%	66%	65%
Centralised services	14%	14%	15%
Commercial	10%	10%	10%
Administrative.....	10%	10%	11%

As of 30 September 2017, approximately 70.8% of Cablevisión's employees were unionised. We believe that our relationship with these unions remains stable as of the date of this Prospectus, however, any tensions with the unions in the future may result in strikes or litigation.

	As of 31 December			As of 30
	2014	2015	2016	September
Unionised	77.3%	75.9%	71.8%	70.8%
Non-Unionised.....	22.7%	24.2%	28.2%	29.2%

The Telecom Business

The table below shows Telecom's number of employees as of 31 December 2016, 2015 and 2014 by segment:

	As of 31 December		
	2016	2015	2014
Fixed Services.....	10,901	10,903	11,056
Personal Mobile Services	4,661	4,908	4,958
Núcleo Mobile Services (1)	408	413	402
Total	15,970	16,224	16,416

(1) Includes Envíos employees.

For further information on Telecom's employees and labour relations, please refer to Telecom's Annual Report 2016 under Annex C.

Board of Directors and Senior Management of TEO

The Board of Directors of TEO consists of 11 members. Each of the Fintech Parties, the Company and the Voting Trust have agreed to vote their TEO Shares in favour of the election of directors designated by the Fintech Parties and us, a majority of which have been designated by us.

CVH appointed the Chief Executive Officer and other key employees of TEO, whilst the Fintech Parties were entitled to designate TEO's Chief Financial Officer and the Internal Auditor.

An executive committee of TEO has been established consisting of five (5) board members, of which three (3) were designated by us and two (2) were designated by the Fintech Parties, in each case subject to the Party maintaining certain ownership thresholds of TEO Shares. In addition, CVH appointed two (2) members of TEO's statutory audit committee and three (3) members of TEO's statutory supervisory committee (*comisión fiscalizadora*). The Fintech Parties designated one (1) member of the statutory audit committee and two (2) members of the statutory supervisory committee.

In accordance with the Preliminary Merger Agreement that was entered into by Telecom Argentina S.A. and Cablevisión S.A., the following members were appointed to the board of directors of TEO on 31 January 2018:

Name	Title	Date of Appointment to the Board	Elected by	Business Address
Alejandro A. Urricelqui.....	Chairman	31 January 2018	Class D Shares	Alicia Moreau de Justo 50, 13 th floor, Buenos Aires, Argentina
Mariano Marcelo Ibáñez	Vice-Chairman	31 January 2018	Class A Shares	Alicia Moreau de Justo 50, 13 th floor, Buenos Aires, Argentina
Sebastián Bardengo.....	Director	31 January 2018	Class D Shares	Tacuarí 1842 (1139), 4 th floor, Buenos Aires, Argentina
Ignacio José María Sáenz Valiente	Director	31 January 2018	Class D Shares	Florida 954 (1005), Buenos Aires, Argentina
Damián Fabio Cassino	Director	31 January 2018	Class D Shares	Florida 954 (1005), Buenos Aires, Argentina
Carlos Alejandro Harrison.....	Director	31 January 2018	Class D Shares	Gral. Pacheco 1645 (1618), Province of Buenos Aires, Argentina

Martin Héctor D'Ambrosio.....	Director	31 January 2018	Class D Shares	Godoy Cruz 2973, 5 Floor, Buenos Aires, Argentina,
Germán Horacio Vidal	Director	31 January 2018	Class A Shares	Alicia Moreau de Justo 50, 13 th floor, Buenos Aires, Argentina
Luca Luciani.....	Director	31 January 2018	Class A Shares	Bouchard 680 (1106), Buenos Aires, Argentina
Baruki Luis Alberto González...	Director	31 January 2018	Class A Shares	Bouchard 680 (1106), Buenos Aires, Argentina
Alejo Maxit	Director	31 January 2018	ANSES	Córdoba 720, 5 th Floor (1054), Buenos Aires, Argentina
María Lucila Romero	Alternate Director	31 January 2018	Class D Shares	Florida 954 (1005), Buenos Aires, Argentina
Sebastián Ricardo Frabosqui Diaz.....	Alternate Director	31 January 2018	Class D Shares	Florida 954 (1005), Buenos Aires, Argentina
Claudia Irene Ostergaard	Alternate Director	31 January 2018	Class D Shares	Av. Corrientes 531, 9 th Floor (1043), Buenos Aires, Argentina
Nicolás Sergio Novoa	Alternate Director	31 January 2018	Class D Shares	Florida 954 (1005), Buenos Aires, Argentina
José Carlos Cura	Alternate Director	31 January 2018	Class D Shares	Alicia Moreau de Justo 50 (1107), Buenos Aires, Argentina
Miguel Angel Graña	Alternate Director	31 January 2018	Class D Shares	General Paunero 1852, Martinez (1640), Province of Buenos Aires, Argentina
Facundo Martín Goslino	Alternate Director	31 January 2018	Class A Shares	Bouchard 680 (1106), Buenos Aires, Argentina
Lucrecia María Delfina Moreira Savino	Alternate Director	31 January 2018	Class A Shares	Bouchard 680 (1106), Buenos Aires, Argentina
Saturnino Jorge Funes	Alternate Director	31 January 2018	Class A Shares	Bouchard 680 (1106), Buenos Aires, Argentina
Carolina Susana Curzi.....	Alternate Director	31 January 2018	Class A Shares	Bouchard 680 (1106), Buenos Aires, Argentina
Santiago Luis Ibarábal Murphy	Alternate Director	31 January 2018	ANSES	Paseo Colón 239, 9 th floor, Buenos Aires Argentina

On 14 September 2017 and 15 November 2017 Gabriel Pablo Blasi and Carlos Alberto Moltini, respectively, were each designated Chief Financial Officer and Chief Executive Officer of TEO.

For more information regarding the corporate governance of TEO, see “General Information—Material Contracts—TEO Shareholders’ Agreement.”

Biographical Information

Alejandro Alberto Urricelqui (D.N.I. No. 13,481,883, C.U.I.T. No. 20-13481883-3, domiciled at Alicia Moreau de Justo 50, 13th floor, Buenos Aires, Argentina, born: 16 October 1959). Mr. Urricelqui is a Certified Public Accountant (University of Buenos Aires) and earned a Master’s degree in Finance. He has been President of the board of TEO since January 2018 and, before the Merger, he was President of the board of Cablevisión S.A until it merged into Telecom Argentina S.A. During 2017, he actively participated in the merger process of Cablevisión S.A. and Telecom Argentina S.A. In addition, in 2006 he also participated in the merger process of Cablevisión S.A. and Multicanal S.A. Mr. Urricelqui joined Grupo Clarín in 1990, as Chief Financial Officer he participated in Grupo Clarín’s media and telecommunications business expansion and integration and its initial public offering, which took place in 2007.

Mariano Marcelo Ibáñez (D.N.I. No. 12,427,865, C.U.I.T. No. 20-12427865-2, domiciled at Alicia Moreau de Justo 50, 13th floor, Buenos Aires, Argentina, born: 25 August 1959). Mariano is a lawyer with a degree from the University of Buenos Aires, UBA. He was Chairman of Telecom Argentina, before the Merger. Previously, he served also as Director of Cablecom and as President and CEO of Cablevisión S.A.. He was Director of Multimedios América (Cablevisión, Radio América, Radio del Plata, El Cronista and América TV).

Sebastián Bardengo (D.N.I. 18,091,211, C.U.I.T. No. 20-18091211-9, domiciled at Tacuarí 1842, CP 1139, 4th floor, Buenos Aires, Argentina, born: 15 May 1966). Mr. Bardengo is a member of the board of directors of Cablevision Holding S.A. and TEO as well as a member of the Executive Committee of TEO. Mr. Bardengo graduated from the University of Buenos Aires with a degree in Business Administration and subsequently obtained a degree in Administration and Management from Harvard University. From 2008 to 2017, he has served as the Managing Director of Business Development at Grupo Clarín and as a member of the board of directors of Grupo Clarín and several of its subsidiaries. Previously, he worked for more than 20 years in investment banking and private equity, including the following positions: (i) Principal at Bank Boston Capital, a venture capital and private equity fund with investments in Argentina, Uruguay and Chile; (b) Executive Director at Bozano Simonsen Argentina Branch, a leading Brazilian investment banking firm; (c) Founding Partner at Buenos Aires Advisors, a financial advisory and M&A firm based in Buenos Aires. In addition, Mr. Bardengo was appointed as financial expert in international arbitration courts such as ICSID and UNCITRAL (United Nations Commission on International Trade Law).

Damián F. Cassino (D.N.I. 20,309,966, C.U.I.T. No. 20-20309966-6, domiciled at Florida 954, Zip Code (1005), City of Buenos Aires, born: 16 January 1969). Damián is a lawyer and partner at the Argentine law firm Saézn Valiente & Asociados. He received a law degree from the University of Buenos Aires and has 24 years of professional experience. Mr. Cassino specialises in complex litigation and antitrust law. He currently serves as a member of the board of directors of various companies, including GC Dominio S.A. and vice-chairman of Cablevisión Holding S.A.

Ignacio José María Sáenz Valiente (D.N.I. 25,096,181, C.U.I.T. No. 20-25096181-3, domiciled at Florida 954, Zip Code (1005), City of Buenos Aires, born: 21 December 1975). Ignacio is a lawyer and partner at the Argentine law firm Saézn Valiente & Asociados. He received a law degree from the Pontifical Catholic University of Argentina and has 16 years of professional experience. Mr. Sáenz Valiente specialises in corporate law, particularly local and international acquisitions and wealth management. He currently serves as a member of the board of directors of various companies, including GC Dominio S.A., Grupo Benicio S.A., Geisha Bienes Raíces S.A., Purity Polo S.A., Grupo A1 SRL, Green Armor S.A., ENVO Biogas Tonder As/p, Envo Biogas AAbenraa As/p and Cablevisión Holding S.A.

Carlos Alejandro Harrison (D.N.I. 16,379,645, C.U.I.T. No. 20-16379645-8, domiciled at Alicia Moreau de Justo 50, 13th floor, Buenos Aires Argentina, born: 19 January 1963). Mr. Harrison holds a degree

in Business Administration from the University of Buenos Aires and completed postgraduate studies at IAE Business School. Previously he was President of Producciones YAQ S.A. and President of Business Development for AMC Networks International. Before that, he was the CEO of Chello Latin America and Pramer SCA (both Liberty Global plc controlled companies). Mr. Harrison also worked for Grupo Clarín S.A. as a business development manager and was the COO of International Operations at Multicanal S.A.

Martin D'Ambrosio (D.N.I. 23,324,803, C.U.I.T. No. 20-23,324,803-8, domiciled at Alicia Moreau de Justo 50, 13th floor, Buenos Aires, Argentina, born: 9 March 1974). Mr. D'Ambrosio is a lawyer with a degree from the University of Buenos Aires. He is currently the President of BA Property Managers Inc., a managing partner at GS1 S.R.L. and a legal adviser of BA Property Managers S.R.L. He is also a lawyer at his own law firm. Previously, he worked with Dellepiane & Asociados, also as a lawyer, and for many years he was in charge of the legal area of US Equities Realty.

Germán Horacio Vidal (D.N.I. 16,823,497, C.U.I.T. No. 20-16823497-0, domiciled at Alicia Moreau de Justo 50, 13th floor, Buenos Aires, Argentina, born: 27 December 1963). Germán is an industrial engineer graduated from the Catholic University of Argentina. He was CEO of Telecom Argentina from May 2016 to November 2017, he was appointed by the Board of Directors of Telecom Argentina on 29 April 2016. Mr. Vidal has 18 years of experience in the technology and telecommunications sector. Between 1987 and 1997, he worked in different management positions at IBM in Argentina and Europe. From 1997 to 2004, he worked at MetroRED, a company of Fidelity, where he was Marketing and Sales Director and CEO of the Argentine branch, and Vice Chairman and CEO of the operations in Argentina, Brazil, and Mexico. In 2003, he participated on the CTI board of directors. He was also Director of Marketing, Products, Customer Care and Data Center in Telmex Argentina. Since 2005 until his appointment at Telecom Argentina, he worked at Korn Ferry consultants as a Senior Client Partner, General Director and Chairman.

Luca Luciani (Passport Number AA1069597, domiciled at Bouchard 680 (1106), Buenos Aires, Argentina, according to Argentine Corporation Law, born: 2 November 1967). Luca holds a degree in Economics and Trade from the University LUISS, in Rome. He worked at Procter & Gamble, in Italy, from 1990 to 1994, in the area of financial analysis and strategic planning, until he was retained as consultant by Bain, Cuneo and Associates, in 1994, rendering services for clients such as ENEL, Olivetti and Telecom Italia (Business Division). In 1998, he joined ENEL as Group Controller until 1999. From 1999 to 2008, he worked at Telecom Italia in several positions: from 1999 to 2002 he was the Group Controller, in 2002 and 2003 he was the Chief Financial Officer of TIM (Telecom Italia Mobile Company, listed in the Italian and U.S. markets), from 2004 to 2006 he was Vice President of the Group, responsible for Marketing and Sales of Tim Mobile Business. In 2006, he became Group Vice President, responsible for Marketing, Sales and Customer Operations of Telecom Italia for both Fixed and Mobile Businesses. In 2007 he became the General Manager of the TIM. From 2009 to 2012 he worked as CEO in TIM Brazil, #2 player with a market cap of USD 8 billion at that time. He was also a board member to several multinational groups in the Telecommunications & Media industry, for example Stream, Telespazio, Telecom Argentina and Entel Chile. Luca is currently the Managing Director of Value Partners Management Consulting, an Italian multinational consultancy firm operating through eight offices worldwide.

Baruki Luis Alberto González (D.N.I. 18,302,998, C.U.I.T. No. 20-18302998-4, domiciled at Bouchard 680, Zip Code (1106), City of Buenos Aires, Buenos Aires, Argentina, born: 29 July 1967). Baruki González is a lawyer with a degree from the University of Buenos Aires. Mr. González joined the Board of Directors of Nortel, Telecom Argentina and Personal in April 2016. Mr. González is a founding member of the Argentine law firm Errecondo, González & Funes. Between 1995 and 1996, he worked as an international associate at the United States law firm White & Case LLP.

Alejo Maxit (D.N.I. 24,209,638, C.U.I.T. No. 20-24209638-0, domiciled at Córdoba 720, 5th Floor (1054), Buenos Aires, Argentina, born: 4 November 1974). Mr. Maxit was a board member of Telecom Argentina S.A. since April 2017 designated by the ANSES. He works as Secretary General at ANSES. Mr. Maxit graduated from the University Technology Institute of Buenos Aires (ITBA) as Industrial Engineer and earned a Master's Degree in Corporate Finance from the CEMA University.

María Lucila Romero (D.N.I. 18,415,360, C.U.I.T. No. 27-18415360-8, domiciled at Florida 954, Zip Code (1005), City of Buenos Aires, born: 12 August 1967) is a lawyer and partner at the Argentine law firm Saénz Valiente & Asociados. She received a law degree from the Pontifical Catholic University of Argentina and has 23 years of professional experience. Ms. Romero specialises in corporate law, particularly mergers & acquisitions. She has served as a member of the board of directors for various companies. Ms. Romero currently serves as alternate director of GC Dominio S.A and as alternate director of TEO.

Sebastián Ricardo Frabosqui Díaz (D.N.I. 26.435.879, C.U.I.L. No. 20-26435879-6, domiciled at Florida 954, Zip Code (1005), City of Buenos Aires, born: 14 February 1978). Mr. Frabosqui obtained a law degree at Pontifical Catholic University of Argentina, a Master in Law and Economics at Torcuato Di Tella University and an LL.M. degree at Northwestern University. He is a partner at the Argentine law firm Saénz Valiente & Asociados, has 16 years of professional experience and specializes in mergers and acquisitions, corporate law, debt restructuring and capital markets. Between 2009 and 2010 he worked as foreign associate in Fox, Horan & Camerini (New York) and Arnold & Porter (Washington, DC).

Claudia I. Ostergaard (D.N.I. 24,037,048, C.U.I.T. No. 23-24037048-4, domiciled at Av. Corrientes 531, 9th Floor, Zip Code (1043), City of Buenos Aires, born: 29 May 1974). Claudia is a lawyer and partner at the Argentine law firm Saénz Valiente & Asociados. She received a law degree from the University of El Salvador and has 16 years of professional experience. Ms. Ostergaard specialises in civil, commercial and administrative law, particularly damage liability in litigation cases. She has served as a member of the board of directors of various companies.

Nicolás S. Novoa (D.N.I. 23,967,892, C.U.I.T. No. 20-23967892-1, domiciled at Florida 954, Zip Code (1005), City of Buenos Aires, born: 28 May 1974). He is a lawyer and partner at the Argentine law firm Saénz Valiente & Asociados. He received a law degree from the University of El Salvador in 1998. Mr. Novoa is a member of the governing board of the Argentine Association of Television Service Providers (ATA) and a member of the copyright work group of the International Association of Broadcasting (IAB). He is a delegate of the IAB before the Standing Committee on Copyright (SCCR) at the World Intellectual Property Organization (2006-2016) and a Visiting Professor in the Master's programme in Intellectual Property at the Latin American Social Sciences Institute (FLACSO). Mr. Novoa currently serves as an alternate member of the board of directors of GC Dominio S.A.

José Carlos Cura (D.N.I. 16.301.532, CUIT 20-16301532-4, domiciled at Alicia Moreau de Justo 50, 13th floor, Zip Code (1107), City of Buenos Aires, born: 25 September 1962). José also Works as an independent financial and real estate adviser. He started his carrier in the financial business at Lloyds Bank, where he worked for different departments, including the Treasury Department. Mr. Cura is an Economist graduated from the university of Buenos Aires and also holds a degree in Administration from the IAE Business School from the Universidad Austral.

Miguel Angel Graña (D.N.I. 13.417.718, CUIT 20-13417718-8, domiciled at General Paunero 1852, Martinez, Province of Buenos Aires, Zip Code (1640), born: 15 December 1957). Miguel was a director of Telecom Personal SA (absorbed by Telecom Argentina SA) from March 2016 to November 2017. He is president at Compañía de Inversiones y Mandatos S.A. and Managing Partner at Megraso SRL. Before he was Managing Director at J. P. Morgan in charge of M&A at the Buenos Aires office and President at the Nokia distributor in Argentina. Mr. Graña is a Certified Public Accountant graduated at the University of Buenos Aires with post-graduate studies at Harvard University.

Facundo Goslino (D.N.I. No. 24,424,282, C.U.I.T. No 20-24424282-1, domiciled at Bouchard 680, Zip Code (1106), City of Buenos Aires, born: 19 January 1975) has been a member of the Board of Directors at Cablevisión since 2015. Mr. Goslino is a partner of the law firm Errecondo, González & Funes. He is currently also a member of the Board of Directors at Central Dique S.A., Las Pasturas de las Lomitas S.A., an alternate member of the Board of Directors at EDELAP S.A., Primera Red Interactiva de Medios Argentinos (PRIMA) S.A. and Fintelco S.A.; syndic of Caterpillar Financial Services S.A., and an alternate syndic of Partners I S.A., El Madrigal S.A., GF Agro S.A., AGF Retail S.A. and Salta Inversiones Eléctricas S.A. (SIESA). Mr. Goslino received his law degree from the Catholic University of Argentina.

Lucrecia María Delfina Moreira Savino (D.N.I. No. 23.504.466, C.U.I.T. No 27-223504466-3, domiciled at Bouchard 680, Zip Code (1106), City of Buenos Aires, born: 2 March 1974). Ms. Moreira Savino has been an alternate member of the Board of Directors at Cablevisión since 2017. Ms. Moreira Savino is an associate of the law firm Errecondo, González & Funes. She is currently also an alternate member of the Board of Directors at TEO; alternative syndic of Caterpillar Financial Services S.A., PPG Industries Argentina SRL, Desarrolladora Energética S.A., Empresa Distribuidora La Plata S.A., AESEBA S.A.U., AES Pampa S.A.U. and Moneda Sociedad Gerente de Fondos Comunes de Inversión S.A.. Ms. Moreira Savino received her law degree from the Catholic University of Argentina.

Saturnino Jorge Funes (D.N.I. 20,410,152, C.U.I.T. No. 20-20410152-4, domiciled at Bouchard 680, Zip Code (1106), City of Buenos Aires, Buenos Aires, Argentina, born: 6 August 1968). Saturnino is a lawyer with a degree from the Universidad del Salvador and a Master's degree in business law from the Universidad Austral, with honors. He is a founding partner of the law firm "Errecondo, González & Funes — Abogados." He worked at Shearman & Sterling LLP between 2000 and 2001 as an international associate. He is professor of corporate law at the Universidad del Salvador Law School in Buenos Aires, and a professor at the Masters in Finance and Masters in Law and Economics, both at the Universidad Torcuato Di Tella in Buenos Aires. He is a member of the Public Bar Association of the City of Buenos Aires (Colegio Público de Abogados de la Capital Federal) and of the Buenos Aires City Bar (Colegio de Abogados de la Ciudad de Buenos Aires).

Carolina Susana Curzi (DNI N° 25,230,914, C.U.I.T. 23-25230914-4, domiciled at Bouchard 680, Zip Code (1106), City of Buenos Aires, born: 14 March 1976), has been a director at Cablevisión since 2016. Mrs. Curzi is a partner of the law firm Errecondo, González & Funes. She is currently also a director at Central Dique S.A., an alternate director at Camuzzi Gas Inversora S.A., Camuzzi Gas del Sur S.A., Camuzzi Gas Pampeana S.A., PEM S.A., Sodigas Sur S.A., Sodigas Pampeana S.A., Las Pasturas de las Lomitas S.A., Empresa Distribuidora La Plata S.A. (EDELAP), a syndic at Fintelco S.A. and an alternate syndic at GSF S.A., GF Agro S.A., El Madrigal S.A., Infraestructura Energética del Plata S.A., Buenos Aires Energy Company S.A., Empresa Distribuidora de Electricidad de Salta S.A. (EDESA), Caterpillar Financial Services Argentina S.A., AGF Retail I S.A. y Aurum Valores Agente de Liquidación y Compensación y Agente de Negociación – Propio. Mrs. Curzi received her law degree from the University of Buenos Aires.

Santiago Ibarzábal Murphy (D.N.I. 25,495,437, C.U.I.T. No. 20-25495437-4, domiciled at Paseo Colón 239, 9th floor, Buenos Aires Argentina, born: 24 August 1976). Santiago was appointed by the ANSES in April 2017 as an alternate director of Telecom Argentina S.A. He has worked for Nestlé, Johnson & Johnson, Inditex and the city of Buenos Aires' Housing Institute. He currently fulfils the role of Deputy Executive Director of benefits at ANSES. Santiago studied an undergraduate degree in Business Administration at the Catholic University of Argentina. Santiago also received an MBA from the IESE Business School, which belongs to the University of Navarra.

Executive Committee

The TEO executive committee consist of the following board members:

<u>Name</u>	<u>Title</u>	<u>Date of Appointment to the Board</u>	<u>Elected by</u>	<u>Business Address</u>
Alejandro A. Urricelqui.....	Chairman	31 January 2018	CVH	Tacuarí 1842 (1139), 4 th floor, Buenos Aires, Argentina
Sebastián Bardengo.....	Director	31 January 2018	CVH	Tacuarí 1842 (1139), 4 th floor, Buenos Aires, Argentina
Damián Fabio Cassino	Director	31 January 2018	CVH	Florida 954 (1005), Buenos Aires, Argentina

Mariano Marcelo Ibáñez	Vice-Chairman	31 January 2018	Fintech Parties	Alicia Moreau de Justo 50, 13 th floor, Buenos Aires, Argentina
Germán Horacio Vidal	Director	31 January 2018	Fintech Parties	Alicia Moreau de Justo 50, 13 th floor, Buenos Aires, Argentina

Audit Committee

Pursuant to the Argentine Capital Markets Law and its implementing regulations TEO is required to have an audit committee, which consists of three members of its board of directors with experience in business, finance or accounting matters.

The majority of the current and alternate members of the audit committee must meet the independence requirements set forth under the regulations of the CNV.

Among its duties, the audit committee must:

- advise on the Board of Directors' proposal for the designation of external independent accountants and to ensure their independence;
- oversee TEO's internal control mechanisms and administrative and accounting procedures and assess the reliability of all financial and other relevant information filed with the CNV and other entities to which TEO must report;
- oversee TEO's information policies concerning risk management;
- provide the market with complete information on transactions in which there may be a conflict of interest with members of TEO's various corporate bodies or controlling shareholders;
- advise on the reasonableness of fees or stock option plans for TEO's directors and managers proposed by the Board of Directors;
- advise on TEO's fulfilment of legal requirements and the reasonableness of the terms of the issuance of shares or other instruments that are convertible into shares in cases of capital increase in which pre-emptive rights are excluded or limited;
- verify the fulfilment of any applicable rules of conduct; and
- issue grounded opinions on related-party transactions under certain circumstances and file such opinions with regulatory agencies as required by the CNV in the case of possible conflicts of interest.

Additionally, the audit committee must prepare an annual working plan and present it to the Board of Directors and the supervisory committee. Members of the Board, members of the supervisory committee and external independent accountants must attend the meetings of the audit committee if the audit committee so requests it, and must grant the audit committee full cooperation and information. The audit committee is entitled to hire experts and counsel to assist it in its tasks and has full access to all of TEO's information and documentation.

In accordance with the Preliminary Merger Agreement, CVH appointed Carlos Alejandro Harrison and Martín Hector D'Ambrosio as members of TEO's audit committee on 31 January 2018. On the same date, Germán Horacio Vidal was appointed as a member of TEO's audit committee by the Fintech Parties.

RELATED PARTY TRANSACTIONS AND OTHER TRANSACTIONS

The Cablevisión Business' Related Party Transactions

The compensation paid to the Board of Directors and Senior Management of Cablevisión for fiscal years ended 31 December 2016 and 2015 was of Ps. 75 million and Ps. 183 million respectively.

The fees paid to the Board of Directors for the year ended 31 December 2016 amounted to approximately Ps. 9.8 million, out of which as of year-end, Ps. 9 million had already been paid, and were put to the consideration of the shareholders at a shareholders' meeting.

Also, the fees paid to the Board of Directors for the year ended 31 December 2015 amounted to approximately Ps. 137.3 million, which at the end of the year were paid in full, and were approved at a shareholders' meeting.

Below are the outstanding balances between Cablevisión and related parties at 31 December 2016, 31 December 2015 and 31 December 2014:

	As of 31 December		
	2016	2015	2014
	(in millions of Pesos)		
Non-Current and Current Assets			
Other receivables.....	-	176,541	494,458
Associates.....	19,696,266	18,742,145	16,667,866
Other related parties.....	92,639	88,048	81,390
Trade receivables.....			
Controlling companies.....	-	6,121	3,379
Associates.....	131,273	-	-
Other related parties.....	49,942,817	50,991,996	53,299,106
Investments.....			
Controlling company.....	365,498,268	-	-
Other related parties.....	314,438,866	697,057,242	585,321,308
Non-Current and Current liabilities			
Bank and financial debt			
Associates.....	(8,588,329)	(22,708,887)	(16,701,268)
Accounts payable and others.....			
Controlling companies.....	(6,343,679)	(31)	(31)
Associates.....	(3,326,521)	(6,235,107)	(3,291,874)
Other related parties.....	(194,065,557)	(123,721,989)	(87,203,804)

The following table shows the transactions between Cablevisión and related parties at 31 December 2016, 31 December 2015 and 31 December 2014:

Cablevisión	Concept	As of 31 December		
		2016	2015	2016
		(in millions of Pesos)		
Direct and indirect shareholders of the control group	Sales of services.....	1,301,941	754,876	651,211
	Technical assistance services	(74,400,000)	(77,120,000)	(40,800,000)
	Other placements.....	357,535,000	-	-
	Interest on other placements	2,327,817	-	-
	Loans received.....	-	(117,882,661)	-
	Interest on debt.....	-	(1,980,648)	-
	Associates	Sales of services.....	7,219,633	8,892,123
	Other sales.....	27,907,252	16,032,875	8,164,395

	Loans received	(9,900,000)	(18,943,376)	(16,203,809)
	Interest on debt	(2,055,184)	(2,242,601)	(1,355,276)
	Other purchases.....	(6,809,554)	(10,396,346)	(3,176,375)
	Other receivables	18,121,157	44,103,387	44,327,039
Other related parties	Sales of advertising	1,534,785	766,187	170,600
	Other sales	33,216,760	39,626,653	27,389,252
	Interest on other placements	51,058,069	50,043,739	47,043,600
			(522,887,428)	(389,197,708)
	Programming costs	(753,486,333)))
	Publishing and distribution of magazines.....	(220,921,593)	(155,086,739)	(133,072,712)
	Consultancy services.....	(122,447,747)	(98,488,484)	(69,537,038)
	Purchase of advertising	(69,038,428)	(51,852,883)	(39,229,387)
	Other purchases.....	(23,552,770)	(10,113,045)	(5,732,141)

During year ended 31 December 2016, there were no transactions with related parties outside the ordinary course of business, or significant changes in balances, except for those detailed in Note 23 of Cablevisión's Financial Statements.

Agreements with shareholders

Technical Assistance Agreement

On 28 June 2008, Cablevisión and Grupo Clarín executed a supplementary agreement to the technical assistance agreement, effective as of 26 September 2006, whereby Cablevisión amended the volume of the services rendered by Grupo Clarín and, thus, the mechanism used to determine Grupo Clarín's annual fee. Cablevisión paid fees of Ps. 77.1 million and Ps. 74.4 million to Grupo Clarín in 2015 and 2016, respectively. On 6 January 2017 the above-described agreement was further amended in order to reflect Grupo Clarín's new agreed upon annual fee of Ps. 91.2 million for 2017. For the avoidance of doubt, Grupo Clarín has not transferred this supplementary agreement to us.

Other Transactions

We and our subsidiaries have engaged, and in the future may engage, in transactions with our shareholders, shareholders of our subsidiaries and companies affiliated with our shareholders, or with shareholders of our subsidiaries, including transactions related to the *Escisión* and in the ordinary course of business. In addition, we require that transactions with our shareholders, shareholders of our subsidiaries, and companies affiliated with our shareholders, or with shareholders of our subsidiaries, be approved by our Board of Directors and, in certain cases, after an independent fairness opinion or the favourable vote of a majority of "disinterested" directors in accordance with CNV regulations.

As of 31 December 2016, Cablevisión maintained investments with Grupo Clarín for an aggregate amount of US\$23.0 million (as amended on 15 May 2017, the "GCSA Loan") and Televisión Dirigida, one of Cablevisión's subsidiaries, maintained investments with GCSA Equity, one of our subsidiaries, for an aggregate amount of US\$ 20.0 million (the "TD Loan"), and with companies related to Fintech for an aggregate amount of US\$ 28.8 million. The GCSA Loan was allocated by Grupo Clarín to Cablevisión Holding prior to the Effective Date. These investments totalled US\$ 71.8 million as of 31 December 2016, mature in June 2021, and accrue interest at a fixed interest rate of 6.500% per annum.

In addition, GCSA Equity and Grupo Clarín Services LLC, a subsidiary of Grupo Clarín, entered into a loan under which GCSA Equity owed approximately US\$ 2.2 million as of 31 December 2016 (the "GCSA Equity Loan"). The loan matures on 29 December 2017.

The GCSA Loan, the TD Loan, and the GCSA Equity Loan were cancelled on 2 October 2017 and the TD Loan and the GCSA Equity Loan were both cancelled on 29 September 2017.

We (including our subsidiaries) have and expect to continue to have a wide range of contractual relationships with Grupo Clarín and its subsidiaries following the *Escisión*. These include agreements arising out of the *Escisión* and other on-going commercial relationships.

Licensing and Programming Agreements with Affiliates

Cablevisión and some of its subsidiaries entered into certain licensing agreements with TRISA, an entity in which Grupo Clarín holds a 50% stake, for the distribution of “TyC Sports” (a sports programming channel). Although the framework programming agreement with TRISA expired, the parties are negotiating a renewal and, pending completion of that negotiation, have continued to render services in reliance on the existing terms. In addition, we also purchase broadcast television programming from ARTEAR, a subsidiary of Grupo Clarín.

Implementation of the Escisión

We and Grupo Clarín executed a deed of transfer to give effect to the allocation of operations, risks and benefits between Grupo Clarín and us as a result of the *Escisión*. At the holding company level, we will incur limited additional expenses to rent office space and for such administrative matters as the legal, accounting and finance functions, including paying fees to Grupo Clarín for certain administrative and operational services during an initial period.

The Telecom Business’ Related Party Transactions

Telecom’s policy has been to make transactions with related parties on arm’s-length basis. In addition, Section 72 of Law No. 26,831 provides that before a publicly-listed company may enter into an act or contract involving a “relevant amount” with a related party or parties, the publicly-listed company must obtain approval from its board of directors and obtain a valuation report from its audit committee or two independent valuation firms that demonstrates that the terms of the transaction are consistent with those that could be obtained at an arm’s-length basis. If the audit committee or two independent valuation firms do not find that the terms of the contract are consistent with those that could be obtained on an arm’s-length basis, approval must be obtained from the shareholders. “Relevant amount” means an amount which exceeds 1% of the issuers’ equity as contained in the latest approved financial statements.

Transactions with related parties of Sofora (including Telecom Italia (indirect controlling company up to 8 March 2016), Fintech (indirect controlling company as from 8 March), W de Argentina Inversiones and/or their respective affiliates) and other related parties resulted in expenses, finance costs or purchases of approximately P\$304 million for the year ended 31 December 2016. Of that amount, P\$90 million were incurred with Telecom Italia and its affiliates for telecommunications services received by Telecom, including international outbound calls and others, fees for services, roaming and purchases of equipment and materials (that amount is related to the transactions made with the Telecom Italia Group performed until 8 March 2016, date when the Telecom Italia Group ceased to be a related party of the Telecom Group); P\$209 million were incurred with W de Argentina Inversiones for insurance, advertising, labour costs and finance costs; and P\$5 million were incurred with other parties.

Transactions with related parties of Sofora, including Telecom Italia (indirect controlling company up to 8 March 2016), Fintech (indirect controlling company as from 8 March 2016), and other related parties resulted in income for services rendered by Telecom of approximately P\$123 million for the year ended 31 December 2016, corresponding to telecommunication services rendered to Telecom Italia and its affiliates of approximately P\$111 million, services rendered to W de Argentina Inversiones of approximately P\$7 million and services rendered to other related parties of approximately P\$5 million.

In addition, P\$1 million of other income (rental services) rendered to Nortel is recorded for the year ended 31 December 2016.

Transactions with related parties of Fintech for the year ended 31 December 2016 resulted in income for telecommunication services rendered by Telecom of approximately P\$41 million and expenses for telecommunications services received of approximately P\$90 million.

As of 31 December 2016, no loans were outstanding to the executive officers of Telecom Argentina.

MAJOR SHAREHOLDERS

Our capital is of Ps.180,642,580, which has been fully subscribed and paid in. As of the date of this Prospectus, our capital stock is represented by 47,753,621 Class A registered non-endorsable shares of common stock with nominal value of Ps. 1 each and entitled to 5 votes each, 121,106,082 Class B book-entry shares with nominal value of Ps. 1 each and entitled to 1 vote each, and 11,782,877 Class C registered non-endorsable shares of common stock with nominal value of Ps. 1 each and entitled to 1 vote each. The shares have been created under the laws of Argentina. Our 121,106,082 Class B Shares include 1,578 Class B Shares of Treasury Stock.

The table below identifies beneficial owners of 4.9% or more of any class of our shares, based on shares outstanding as of 30 November 2017. Except as described below, we are not aware of any holder of more than five percent of any class of our shares. Holders of five percent or more of any class of our shares have the same voting rights with respect to their shares as do holders of less than five percent of the same class.

Security Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Class A Shares	GC Dominio S.A. ⁽¹⁾ Piedras 1743, City of Buenos Aires, C1140ABK, Argentina	47,753,621 Class A Shares granting five votes per share (238,768,105 votes). GC Dominio S.A. is an Argentine corporation, which shares are owned by: (i) ELHN - Grupo Clarín New York Trust ⁽²⁾ (35.555%); (ii) HHM - Grupo Clarín New York Trust ⁽³⁾ (35.355%); (iii) LRP - Grupo Clarín New York Trust ⁽⁴⁾ (14.555%); and (iv) Mr. José Antonio Aranda (14.555%).	100%
Class B Shares	ELHN - Grupo Clarín New York Trust ⁽²⁾ 825 Third Avenue, 12 th floor, New York, NY 10022	48,008,436 Class B Shares.	39.6%
Class B Shares	HHM - Grupo Clarín New York Trust ⁽³⁾ 825 Third Avenue, 12 th floor, New York, NY 10022	21,056,531 Class B Shares.	17.4%
Class B Shares	LRP - Grupo Clarín New York Trust ⁽⁴⁾ 825 Third Avenue, 12 th floor, New York, NY 10022	5,926,059 Class B Shares.	4.9%
Class B Shares	Mr. José Antonio Aranda. Piedras 1743, City of Buenos Aires, C1140ABK, Argentina	Mr. Aranda is the owner of 5,307,789 Class B Shares. Aranlú S.A., which is directly and indirectly controlled by Mr. Aranda, owns 839,222 Class B Shares. Luarán S.A., which is directly and indirectly controlled by Mr. Aranda, owns 271,157 Class B Shares.	5.2%

Class C Shares	Blue Media Investment Inc. ("Blue Media") RG Hodge Plaza, 2 nd floor Road Town, Tortola PO Box 915 British Virgin Islands	11,782,877 Class C Shares. Blue Media is the beneficial owner of GS Unidos LLC, which owns 11,782,877 Class C Shares. Blue Media is controlled by The 1999 Ernestina Laura Herrera de Noble New York Trust ⁽⁵⁾ , The HHM Media New York Trust ⁽⁶⁾ , The LRP New York Trust ⁽⁷⁾ and Mr. José Antonio Aranda.	100%
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- (1) Pursuant to the bylaws of GC Dominio, except in the case of certain transfers, transfers of shares in GC Dominio are subject to a right of first refusal in favour of all non-selling shareholders (ratable to their ownership interest in GC Dominio). Furthermore, any non-selling shareholder is entitled to require that the selling shareholder exchange all or part of the shares in GC Dominio it proposes to sell for a number of Class B Shares and GCSA Class B Shares proportional to the ownership of GC Dominio in each of these entities. Finally, GC Dominio retains a residual right of first refusal with respect to any shares proposed to be sold by any of its shareholders that have not been acquired or exchanged by its non-selling shareholders. The shares in GC Dominio owned by ELHN – Grupo Clarín New York Trust, HHM – Grupo Clarín New York Trust and LRP – Grupo Clarín New York Trust are subject to usufructs in favour of Mrs. Ernestina Laura Herrera de Noble and certain of her family members and affiliates, Mr. Héctor Horacio Magnetto and certain of his family members, and Mr. Lucio Rafael Pagliaro and certain of his family members, respectively. Except with respect to matters contemplated in Sections 197 and 244 of the Argentine Corporations Law and amendments to the maximum and minimum number of directors of the board, decisions are adopted by the simple majority of the shares of GC Dominio present or represented at a shareholders meeting.
- (2) ELHN – Grupo Clarín New York Trust is an irrevocable trust established under the law of the State of New York, which has no expiration date. The settlor of the trust is Mrs. Ernestina Laura Herrera de Noble. The ultimate beneficiaries of the trust are Mrs. Marcela Noble Herrera and Mr. Felipe Noble Herrera. The trust has seven trustees, who are Messrs. Héctor Horacio Magnetto, José Antonio Aranda, Lucio Rafael Pagliaro, José María Sáenz Valiente, Pablo César Casey, Ignacio José María Sáenz Valiente and Ezequiel Amaranto Camerini. Except for certain decisions that cannot be adopted without the consent of certain of the trustees (including, on certain matters, the voting of the shares of GC Dominio and Cablevisión Holding owned by the trust), decisions are adopted by the vote of the majority of the trustees. All shares in GC Dominio and Cablevisión Holding currently owned by the trust are currently subject to an usufruct in favour of certain of Mrs. Ernestina Laura Herrera de Noble's family members and affiliates.
- (3) HHM – Grupo Clarín New York Trust is an irrevocable trust established under the law of the State of New York, which has no expiration date. The settlor of the trust is Mr. Héctor Horacio Magnetto. The ultimate beneficiaries of the trust are Mrs. Marcia Ludmila Magnetto and Mr. Horacio Ezequiel Magnetto. The trust has six trustees, who are Messrs. Héctor Horacio Magnetto, José Antonio Aranda, Lucio Rafael Pagliaro, Pablo Cesar Casey, José María Sáenz Valiente and Ezequiel Amaranto Camerini. Except for certain decisions that cannot be adopted without the consent of certain of the trustees (including, on certain matters, the voting of the shares of GC Dominio and Cablevisión Holding owned by the trust), decisions are adopted by the vote of the majority of the trustees. All shares in GC Dominio and Cablevisión Holding currently owned by the trust are subject to an usufruct in favour of Mr. Héctor Horacio Magnetto and certain of his family members.
- (4) LRP – Grupo Clarín New York Trust is an irrevocable trust established under the law of the State of New York, which has no expiration date. The settlor of the trust is Mr. Lucio Rafael Pagliaro. The beneficiaries of the trust are Mr. Lucio Andrés Pagliaro, Mr. Francisco Pagliaro and Mrs. María Florencia Pagliaro. The trust has six trustees, who are Messrs. José María Sáenz Valiente, Ignacio José María Sáenz Valiente, Lucio Andrés Pagliaro, Francisco Pagliaro, María Florencia Pagliaro and Ezequiel Amaranto Camerini. Except for certain decisions that cannot be adopted without the consent of certain of the trustees (including, on certain matters, the voting of the shares of GC Dominio and Cablevisión Holding owned by the trust), decisions are adopted by the vote of the majority of the trustees. All shares in GC Dominio and Cablevisión Holding currently owned by the trust are currently subject to an usufruct in favour of Mr. Lucio Rafael Pagliaro and certain of his family members.
- (5) The 1999 Ernestina Laura Herrera de Noble New York Trust is an irrevocable trust established under the law of the State of New York, which has no expiration date. The settlor of the trust is Mrs. Ernestina Laura Herrera de Noble. The ultimate beneficiaries of the trust are Mrs. Marcela Noble Herrera and Mr. Felipe Noble Herrera. The trust has six trustees, who are Messrs. Héctor Horacio Magnetto, José Antonio Aranda, José María Sáenz Valiente, Pablo César Casey, Ignacio José María Sáenz Valiente and Ezequiel Amaranto Camerini. Except for certain decisions that cannot be adopted without the consent of certain of the trustees, decisions are adopted by the vote of the majority of the trustees.
- (6) The HHM Media New York Trust is an irrevocable trust established under the law of the State of New York, which has no expiration date. The settlor of the trust is Mr. Héctor Horacio Magnetto. The ultimate beneficiaries of the trust are Mrs. Marcia Ludmila Magnetto and Mr. Horacio Ezequiel Magnetto. The trust

has six trustees, who are Messrs. Héctor Horacio Magnetto, José Antonio Aranda, Pablo Cesar Casey, José María Sáenz Valiente, Ignacio José María Sáenz Valiente and Ezequiel Amaranto Camerini. Except for certain decisions that cannot be adopted without the consent of certain of the trustees, decisions are adopted by the vote of the majority of the trustees.

- (7) The LRP New York Trust is an irrevocable trust established under the law of the State of New York, which has no expiration date. The settlor of the trust is Mr. Lucio Rafael Pagliaro. The beneficiaries of the trust are Messrs. Lucio Andrés Pagliaro, Francisco Pagliaro and María Florencia Pagliaro. The trust has six trustees, who are Messrs. José María Sáenz Valiente, Ignacio José María Sáenz Valiente, Lucio Andrés Pagliaro, Francisco Pagliaro, María Florencia Pagliaro and Ezequiel Amaranto Camerini. Except for certain decisions that cannot be adopted without the consent of certain of the trustees, decisions are adopted by the vote of the majority of the trustees.

Additional Information

On 5 October 2017, GS Unidos requested on behalf of Blue Media that we convert 4,028,215 Class C Shares into 4,028,215 Class B Shares and subsequently deposited such Class B Shares with the Depositary in order to create 4,028,215 global depositary shares (which are temporarily subject to certain restrictions on transfer). As instructed by GS Unidos, the Depositary transferred (x) 1,891,315 global depositary shares to BAC and (y) 2,136,900 global depositary shares to RBF. Blue Media also owns directly 312,119 Class B Shares, representing 3.6% of the total amount of shares of such class and 2.4% of Cablevisión Holding's total capital stock.

Red Media Investment Ltd. ("Red Media") owns directly 3,434,156 Class B Shares, representing 2.9% of the total amount of shares of such class and 1.9% of Cablevisión Holding's total capital stock. Red Media is a company directly or indirectly controlled by The 1999 Ernestina Laura Herrera de Noble New York Trust, The HHM Media New York Trust, The LRP New York Trust and Mr. José Antonio Aranda. The 1999 Ernestina Laura Herrera de Noble New York Trust is an irrevocable trust established under the law of the State of New York, which has no expiration date. The settlor of the trust is Mrs. Ernestina Laura Herrera de Noble. The ultimate beneficiaries of the trust are Mrs. Marcela Noble Herrera and Mr. Felipe Noble Herrera. The trust has six trustees, who are Messrs. Héctor Horacio Magnetto, José Antonio Aranda, José María Sáenz Valiente, Pablo César Casey, Ignacio José María Sáenz Valiente and Ezequiel Amaranto Camerini. Except for certain decisions that cannot be adopted without the consent of certain of the trustees, decisions are adopted by the vote of the majority of the trustees. The HHM Media New York Trust is an irrevocable trust established under the law of the State of New York, which has no expiration date. The settlor of the trust is Mr. Héctor Horacio Magnetto. The ultimate beneficiaries of the trust are Mrs. Marcia Ludmila Magnetto and Mr. Horacio Ezequiel Magnetto. The trust has six trustees, who are Messrs. Héctor Horacio Magnetto, José Antonio Aranda, Pablo Cesar Casey, José María Sáenz Valiente, Ignacio José María Sáenz Valiente and Ezequiel Amaranto Camerini. Except for certain decisions that cannot be adopted without the consent of certain of the trustees, decisions are adopted by the vote of the majority of the trustees. The LRP New York Trust is an irrevocable trust established under the law of the State of New York, which has no expiration date. The settlor of the trust is Mr. Lucio Rafael Pagliaro. The beneficiaries of the trust are Messrs. Lucio Andrés Pagliaro, Francisco Pagliaro and María Florencia Pagliaro. The trust has six trustees, who are Messrs. José María Sáenz Valiente, Ignacio José María Sáenz Valiente, Lucio Andrés Pagliaro, Francisco Pagliaro, María Florencia Pagliaro and Ezequiel Amaranto Camerini. Except for certain decisions that cannot be adopted without the consent of certain of the trustees, decisions are adopted by the vote of the majority of the trustees.

In addition, (i) the estate of Mrs. Ernestina Laura Herrera de Noble owns directly 178,847 Class B Shares, representing 0.2% of the total amount of shares of such class, (ii) Mr. Héctor Horacio Magnetto owns directly 43,995 Class B Shares, representing 0.04% of the total amount of shares of such class, and (iii) Brookstone Investments Ltd., which is directly or indirectly controlled by The LRP New York Trust, owns directly 288,481 Class B Shares, representing 0.2% of the total amount of shares of such class.

Shareholders Agreement

ELHN - Clarín New York Trust, HHM - Clarín New York Trust, LRP - Clarín New York Trust, José Antonio Aranda, Araníu S.A., Luarán S.A., Red Media Investment Ltd., Héctor Horacio Magnetto, Brookstone Investments Ltd., GC Dominio, Blue Media and GS Unidos, LLC are party to the Shareholders Agreement that provides holders of Class C Shares the right to elect two members of the

board of directors of Cablevisión Holding (and their alternate members) for so long as the Class C Shares represent at least 5% or more of Cablevisión Holding's total capital and one (1) member of the board of directors of Cablevisión Holding (and one (1) alternate member) for so long as the Class C Shares represent less than 5% but at least 2% of Cablevisión Holding's total capital.

According to the Shareholders Agreement, the following matters must be submitted to the consideration of the board of directors and shall not be carried out unless adopted by the board of directors, without prejudice to the subsequent submission to the shareholders meeting, if applicable:

- any sale or transfer of assets of the Company, except in the ordinary course of business, in excess of certain thresholds;
- any proposal to increase capital and/or to issue equity instruments of the Company; and
- any proposal relating to the distribution of dividends.

In addition, the Shareholders Agreement provides for certain transfer restrictions, including the following restrictions on transfer of Class C Shares, tag-along rights and drag-along rights:

- holders of Class C Shares may not transfer their Class C Shares unless to a transferee approved by the Controlling Shareholder;
- certain parties to the Shareholders Agreement are entitled to request the inclusion of their common shares in the Company in a proposed sale or transfer of common shares (or global depositary shares representing such common stock) in the Company by certain holders of Class A Shares and Class C Shares; and
- holders of Class A Shares that are parties to the Shareholders Agreement are entitled to certain drag along rights in respect of shares held by other parties to the Shareholders Agreement.

Generally, certain of the transfer restrictions described above do not apply to transfers of shares made pursuant to any underwritten offer in Argentina, Brazil, the United States, the United Kingdom or one or more member states of the European Union, a bona fide sale pursuant to Rule 144A under the Securities Act, an underwritten offering pursuant to Rule 144A under the Securities Act, or a sale of common shares (other than in a block trade) over a stock exchange.

LEGAL PROCEEDINGS

In the ordinary course of business, we and our subsidiaries are involved in a number of legal, fiscal and administrative proceedings. We evaluate the merit of each claim and assess the likely outcome. The factors taken into account for the calculation of the provisions for lawsuits and contingencies are based on the present value of the estimated costs arising from the lawsuits brought against us. In estimating our obligations, we take into consideration the opinion of our legal advisors. Due to the uncertain nature of these issues, these estimates change as additional information becomes available and could result in material changes to the financial statements in subsequent periods. As of 31 December 2015, and 31 December 2016, the total amount of loss contingencies related to legal procedures recorded in accordance with IFRS for Cablevisión was Ps. 271.4 million and Ps. 726.8 million, respectively. As of 30 September 2017 the total amount of loss contingencies related to legal procedures recorded in accordance with IFRS for Cablevisión was Ps. 801.7 million. For more information see Note 29 to Cablevisión's Audited Financial Statements and Note 21 to Cablevisión's Interim Financial Statements.

We have become aware of a legal action (the details of which we have not yet been notified of as of the date of this Prospectus) brought against the former subsidiary Multicanal by an entity representing consumers and alleged financial victims (and by six other individuals), claiming damages suffered by noteholders – individuals who are not professional investors or consumers – derived from Multicanal's *Acuerdo Preventivo Extrajudicial* or Out-of-court Reorganisation Proceeding. The plaintiff states that Multicanal's *Acuerdo Preventivo Extrajudicial* does not have *res judicata* effects. Since we have not been served notice of the claim, we cannot evaluate the merits or likely consequences and outcome of such proceeding.

Cablevisión was served notice of Resolution No. 16,819, dated May 23, 2012, Resolution No. 16,765 dated 16 March 2012 and Resolution No. 17,769 dated 13 August 2015, whereby the CNV ordered the initiation of summary proceedings against Cablevisión and its directors, members of the Supervisory Committee and the head of Market Relations for an alleged failure to comply with the duty to inform. The CNV claims that Cablevisión failed to comply with its duty to inform because the investor community was deprived of its right to become fully aware of the grounds of (i) a decision rendered by the Federal Court of Mendoza and the scope of the powers granted by that court to the co-administrator appointed in re "Supercanal S.A. c/ Cablevisión S.A. s/amparo," (ii) a decision rendered by the Supreme Court of Argentina in re "Recurso de Hecho deducido por el Estado Nacional Ministerio de Economía y Producción en la causa Multicanal S.A. y otro c/ CONADECO Dto. 527-05" and others, and (iii) allegedly failed to disclose a series of issues relating to the information required by the CNV regarding the Extraordinary Meeting of Class 1 and 2 noteholders held on 23 April 2010. As of the date of this Prospectus, this legal matter is still pending resolution from the CNV.

We believe that there are strong arguments in our favour. However, we cannot assure you that the outcome of these claims will be favourable.

On 30 May 2013, Cablevisión was served notice of a claim in re "Televisora Privada del Oeste S.A. c/ Grupo Clarín S.A. y Otros s/ Ordinario" File No. 26,474/2011, which is pending before the Federal Commercial Court No. 16 of First Instance, Clerk's Office No. 32. The claim seeks damages resulting from certain decisions made with respect to Televisora Privada del Oeste S.A. As it arises from the claim, Grupo Clarín and Cablevisión, among others, would also be defendants. As of the date of this Prospectus, the judge has not ordered discovery procedures.

As a result of a suspicious transaction report issued by the AFIP relating to transactions carried out between Cablevisión, as the controlling company, and certain of its subsidiaries, the UIF pressed criminal charges against Cablevisión and its officers in charge during the relevant fiscal year, for alleged money laundering in connection with intercompany movements between Cablevisión and certain of its subsidiaries during the 2008 fiscal period. The claim is now pending before Federal Court No. 9.

During the month of March 2014, the intervening prosecutor, Dr. Miguel Angel Osorio, broadened the request for evidence.

We consider that there are strong arguments in our favour, and have gathered evidence that supports the lack of involvement of anyone in any such unlawful manoeuvres. However, we cannot assure you that the outcome of this claim will be favourable.

Antitrust Legal Proceedings

Proceedings relating to anticompetitive behaviour

We and our subsidiaries are a party to several proceedings under the framework of the Antitrust Law, facing charges of restrictive behaviour, including the territorial division of markets, price discrimination, abuse of a dominant position, refusal to deal and predatory pricing. Cablevisión is also party to a proceeding filed by the Cámara de Cableoperadores Independientes (Chamber of Independent Cable Operators), objecting to the transactions effected on 26 September 2006.

Proceedings under the Argentine Antitrust Law pending against Cablevisión include the following:

- Proceedings relating to allegedly concerted subscriber allocation between Cablevisión and Multicanal in the cities of Santa Fe and Paraná when they were unrelated companies.
- Claim filed by different entities alleging pricing discrimination practices.
- Claims filed by different competitors relating to predatory pricing.

The investigations carried out by the CNDC and SCI may lead to the imposition of more fines pursuant to Law No. 25,156, which would be appealable. Any fines would be calculated based on the magnitude of: (i) the loss incurred by the persons affected by the allegedly prohibited activity; (ii) the benefit obtained by all the persons involved in the prohibited activity and (iii) the value of the assets involved owned by the persons indicated in item (ii) above at the time the alleged violation was committed. To date, there no standard criteria for these guidelines.

While we believe that Cablevisión's conduct has always been within the bounds of the Argentina antitrust law and regulations, and that its positions in each of these proceedings are reasonably grounded, we can give no assurance that any of these cases will be resolved in our favour.

Proceedings related to monthly subscription prices

SCI passed Resolution No. 50 which approved certain rules for the sale of pay television service. These rules provide that cable television operators must apply a formula to estimate their monthly subscription prices. The price calculated with this formula was to be reported to the Office of Dirección de Lealtad Comercial (Office of Business Loyalty) between 8 March and 22 March 2010. Cable television operators must adjust this amount semi-annually and inform the Office of Business Loyalty of the results of such adjustment.

The actual impact of the application of this formula remains uncertain, due to the vagueness of the parameters provided by Resolution No. 50 to reach the required monthly subscription prices. We believe that Resolution No. 50 is arbitrary, thus we have therefore filed related administrative claims and brought legal actions requesting the suspension of Resolution No. 50 and its nullification.

We cannot assure you that the aforementioned proceedings will be decided in our favour. If the constitutionality of Resolution No. 50 is upheld, we may be forced to modify the fee charged to our cable television customers, which could have a material adverse effect on our business. Notwithstanding the foregoing, as of the date of this Prospectus, in accordance with the decision rendered on 1 August 2011 in re, "LA CAPITAL CABLE S.A. c/ Ministerio de Economía Secretaría de Comercio Interior de la Nación," the Federal Court of Appeals of the City of Mar del Plata has ordered SCI to suspend the application of Resolution No. 50 with respect to all cable television licencees represented by the Argentine Cable Television Association ("ATVC" using its Spanish acronym). This decision is in full effect and may not be disregarded by the SCI.

On 1 June 2010, the SCI imposed a Ps. 5 million fine on Cablevisión alleging that it had failed to comply with the information regime set forth by Resolution No. 50. The fine was appealed and reduced to Ps. 300,000. Nevertheless, we have also appealed this fine.

On 10 March 2011 SCI Resolution No. 36/11 ("Resolution 36") was published in the Official Gazette. This resolution falls within the framework of Resolution No. 50. Resolution 36 established parameters to be observed while providing services to Cablevisión's customers from January 2011 through April

2011. These parameters were as follows: (i) the monthly basic subscription price should be of Ps. 109 for that period; (ii) the price of other services rendered by Cablevisión should remain unchanged as of the date of publication of the resolution; and (iii) the promotional benefits, existing rebates and/or discounts already granted as of that date should be maintained. The resolution also provided that we must reimburse users for any amount collected above the price set for that period.

We believe that Resolution 36 is illegal and arbitrary, since it is grounded on Resolution No. 50. Since the application of Resolution No. 50 has been suspended, the application of Resolution No. 36 has been suspended as well.

The SCI issued a series of resolutions through which it extended the effectiveness of Resolution No. 36 and adjusted the cable television subscription price to Ps. 152. We believe, however, that as SCI has been ordered to suspend the application of Resolution No. 50 with respect to all cable television licencees (among them, Cablevisión and its subsidiaries) represented by ATVC, we will continue to be protected by such preliminary injunction, and therefore, our ordinary course of business will not be affected.

Tax Proceedings

On 1 October 2015, the Second Chamber of the Court of Appeals on Federal Administrative matters rendered a decision in re “AEDBA and other v. National Government - Decree No. 746/03 - AFIP on Incidental Procedure” in favour of ATVC. Pursuant to this decision, the plaintiffs and the companies represented by such plaintiffs are entitled to have a differential VAT regime applicable to the sector which they operate. On 3 December 2015, the Supreme Court of Argentina dismissed the appeal filed by the executive branch. Therefore, the decision rendered by the Court of Appeals is final.

As a result of this decision, as from September 2015, Cablevisión and its subsidiaries started to calculate employer’s contributions as tax credit on VAT. Cablevisión calculated approximately Ps. 741.3 million as of 31 December 2016.

Telecom’s Legal Proceedings

Telecom and its subsidiaries are party to several civil, tax, commercial, labour and regulatory proceedings and claims that have arisen in the ordinary course of business. In order to determine the proper level of provisions, Telecom’s management, based on the opinion of its internal and external legal counsel, assesses the likelihood of any adverse judgments or outcomes related to these matters as well as the range of probable losses that may result from the potential outcomes. A determination of the amount of provisions required, if any, is determined after an analysis of each individual case.

The determination of the required provisions may change in the future due to new developments or unknown facts at the time of the evaluation of the claims or changes as a matter of law or legal interpretation. Consequently, as of 30 September 2017, the Telecom Group has recorded provisions in an aggregate amount of Ps. 2,053 million (Ps. 56 million for regulatory contingencies deducted from assets and Ps. 1,997 million included under provisions) to cover potential losses under these claims and certain amounts deposited in Telecom’s bank accounts have been restricted as to their use due to some judicial proceedings. As of 30 September 2017, these restricted funds totalled Ps. 89 million (included under “Other receivables” line item in the consolidated statement of financial position of the Telecom Interim Financial Statements included in this Prospectus under Annex C).

1. Probable Contingent Liabilities

Below is a summary of the most significant claims and legal actions for which provisions have been established:

Profit sharing bonds

Various legal actions were brought, mainly by former employees of Telecom against the Argentine government and Telecom, requesting that Decree No. 395/92 – which expressly exempted Telefónica and Telecom from issuing the profit sharing bonds provided in Law No. 23,696 be struck down as unconstitutional. The plaintiffs request compensation for damages suffered due to the fact that the bonds have not been issued.

In August 2008, the Supreme Court of Argentina held that Decree No. 395/92 was unconstitutional in a similar case against Telefónica and ordered that the proceedings be remanded back to the court of origin in order for such court to decide (x) whether the licensee or the Argentine Government should be liable and (y) the parameters that should be taken into account in order to quantify the indemnification (such as the percentage of profit sharing, statute of limitations criteria, and distribution method between the programme beneficiaries, among others). It should be noted that there is no uniformity decision in relation to each of these concepts.

Since the Supreme Court of Argentina judgment on this matter, the divisions of the Courts of Appeal have held that Decree No. 395/92 was unconstitutional. As a result, there is an increased probability that Telecom might have to face certain contingencies, notwithstanding Telecom's right to seek reimbursement from the Argentine government.

In addition, in December 2013, the Supreme Court of Argentina, in the case *"Domínguez c/ Telefónica Onde Argentina S.A."*, overturned a lower court ruling that barred a claim on the grounds that the claim exceeded the applicable statute of limitations since ten years had passed since the issuance of Decree No. 395/92. In its holding, the Supreme Court of Argentina ordered the Civil and Commercial Proceedings Court to hear the case again and to consider the statute of limitations arguments raised by the appellants which, in the opinion of the Supreme Court of Argentina, had not been considered before. Since then, two chambers of the Civil and Commercial Federal Proceedings Court have issued opinions interpreting the Supreme Court's ruling, acknowledging that the statute of limitations must be applied periodically, as of the time of each balance sheet, but limited to five years. On the other hand, another chamber ruled in a split decision that the statute of limitations must not be applied periodically, but instead when it exceeded ten years after the issuance of Decree No. 395/92.

On 27 February 2014, the Civil and Commercial Appeals Court issued a plenary decision in the case *"Perota, César c/ Estado Nacional"* (a case that originated as a result of a complaint filed against Telefónica de Argentina S.A), and held *"that the amount of profit sharing bonds corresponding to former employees of Telefónica de Argentina S.A. should be calculated based on the taxable income of Telefónica de Argentina S.A. on which the income tax liability is to be assessed"* and that *"it is necessary to clarify that "taxable income" (pretax income) means the amount of income subject to the income tax that the company must pay, which generally means gross income, including all revenue obtained during the fiscal year (including contingent or extraordinary revenue)."*

On 9 June 2015, in the case *"Ramollino Silvana c/Telecom Argentina S.A."*, the Supreme Court of Argentina, ruled that the profit sharing bonds do not correspond to employees who joined Telecom Argentina after 8 November 1990 and who were not members of the "shared ownership program" (*"Programa de Propiedad Participada"*).

Collective Action

On 3 June 2013, Telecom was summoned with a claim filed by four unions claiming the issuance of a profit sharing bond for future periods and for the periods for which the statute of limitations has not expired. The plaintiffs claimed that Decree 395/92 should be held unconstitutional and, although they did not specify the amount of their claim, they included a proposed criteria that should be applied for calculating the percentage of participation in Telecom's profits.

On June 2013, Telecom filed its answer to the claim raising the defences of (i) lack of jurisdiction by the labour courts, (ii) res judicata, (iii) lis pendens and (iv) statute of limitations. With respect to the third party citation requested by Telecom, the court requested a hearing with the parties before ruling with respect to this point. On 30 October 2013, the court rejected the lack of jurisdiction defence raised by Telecom and Telecom appealed this ruling.

On 12 December 2013 the hearing took place in which the court (i) differed its decision with regard to the statute of limitations defence raised by Telecom until the final ruling, and (ii) ordered the plaintiffs to prove that they have the authority to bring the case on behalf of the employees of Telecom included in the claim, a decision which was appealed by the plaintiffs.

As of 30 September 2017, the appeal regarding the lack of jurisdiction defence is still pending and the case has been suspended until the plaintiffs submit the documentation requested by the court regarding

its authority to bring a claim on behalf of Telecom's employees. Telecom, based on the advice of its legal counsel, believes that it has strong arguments against this claim, including the defence raised based on the expiration of the statute of limitations and lack of standing for bringing a collective action.

Wage differences by food vouchers and non-remunerative sums

Telecom is subject to various lawsuits initiated by certain of its employees and former employees who claim wage differences caused by the impact of "non-remunerative sums" (amounts not subject to social security contributions) and "food vouchers" used while liquidating certain items such as overtime, productivity, vacation, supplementary annual salary and other benefits provided under the collective bargaining agreement.

In this regard, the Supreme Court of Argentina has held that "food vouchers" are remunerative and are part of the employees' compensations, thus declaring Sect. 103 bis, inc. C of the "Employment Contract Act," which considered them "social benefits" unconstitutional.

Due to this decision, as advised by its legal counsel, as of 30 September 2017 Telecom's management has recorded a provision estimating these contingencies.

Sales representative claims

Former sales representatives of Telecom Personal have brought legal actions alleging improper termination of their contracts and claiming their right to compensation due to commission differences, the value of their customers' portfolio and lost profit, among other matters. Telecom believes, based on the advice of its legal counsel, that (i) certain items claimed by the plaintiffs are not based on strong legal arguments and (ii) other items, even if sustained by the court, will proceed for amounts significantly lower than those claimed by the plaintiffs. As of the date of this Prospectus, some of these actions are already in the discovery phase and with expert opinions in progress.

Based on the advice of its legal counsel, Telecom Personal's management has estimated provisions sufficient to cover the risks associated with these claims. It is considered that such provisions would not have a negative impact on Telecom's results and financial position.

Regulator's Sanctions Activities

Telecom is subject to various sanction procedures, in most cases promoted by the regulatory authority, for delays in the reparation and installation of service to fix-line customers. Although generally these sanctions are considered on an individual basis and do not have a material effect on Telecom's equity, there is a significant disproportion between the amounts of the sanctions imposed by the regulatory authority and the revenue that the affected customer has generated for Telecom.

Since 2013, the Comisión Nacional de Comunicaciones ("CNC"), which has been replaced by ENACOM, significantly increased the amount of charges and sanctions, as well as the individual amount of these sanctions. For example, in several cases the sanctions imposed since 2013 had twice the economic value of those imposed to Telecom prior to 2013 for similar alleged infringements.

In determining the provisions for regulatory charges and sanctions, Telecom's management, advised by its legal counsel, considers (i) the likelihood of such sanctions being imposed, (ii) the amount of the sanction at stake based on historical information and judicial precedents, and (iii) the various possible scenarios of statutes of limitations for charges and sanctions received, how many of the sanctions imposed have been executed and the outcome of the legal actions undertaken by Telecom to demonstrate that the sanctions imposed since 2013 by the regulatory authority are disproportionate.

As of 30 September 2017, Telecom has recorded provisions that it deems sufficient to cover the imposition of the above mentioned sanctions and charges. Additionally, based on Telecom's estimates, these sanctions and charges should not be sustained for individual amounts higher than 200 thousand UT units (approximately Ps. 9,380) for each alleged violation against its clients.

As of 31 December 2016, Telecom's management estimates that if its defence arguments do not prevail, the contingency of the regulatory charges and sanctions might increase by Ps. 154 million.

2. Possible Contingencies

In addition to the possible contingencies related to regulatory matters described in Note 2 (i) of Telecom's Audited Financial Statements, below we provide a summary of the most significant claims and legal actions for which no provisions have been established. We note that the final outcome of these lawsuits is uncertain.

"Consumidores Financieros Asociación Civil para su Defensa"

In November 2011, Telecom Personal was summoned for a lawsuit filed by an entity called "Consumidores Financieros Asociación Civil para su Defensa," who claimed that Telecom Personal made allegedly abusive charges to its customers by implementing per-minute billing and setting an expiration date for prepaid telecommunication cards.

The plaintiff claimed that Telecom Personal should: (i) cease the aforementioned practices and bill its customers only for the exact time of telecommunication services used; (ii) reimburse the amounts collected in excess due to the use of its past practices during the 10 years preceding the date of the lawsuit; (iii) credit its customers for unused minutes on expired prepaid cards during the ten years preceding the date of the lawsuit; (iv) apply an interest rate equal to the lending rate charged by the Banco Nación; and (v) pay punitive damages as set forth in article 52 bis of Law No. 24,240.

Telecom Personal filed its response in a timely manner and requested the dismissal of the claim as, among other arguments, the applicable regulatory framework explicitly contemplated Telecom Personal's practices.

The plaintiffs have not specified in their claim the amount of the damages sought. Although Telecom Personal believes it has strong defensive arguments based on which the plaintiffs should not prevail, due to the lack of precedents or jurisprudence on the matter, Telecom Personal's management (advised by its legal counsel) has determined that the claim should be categorized as "possible" until a judgment is rendered.

As of 30 September 2017, the procedure is in the discovery stage. Moreover, the court ordered that this claim should be combined with two other similar claims against Telefónica and AMX Argentina.

Lawsuit against Personal on changes in services prices

In June 2012 the consumer trade union "Proconsumer" filed a lawsuit against Telecom Personal claiming that the company did not provide the clients with sufficient information regarding the new prices applied during the period from May 2008 to May 2011. The plaintiff requests that Telecom Personal should reimburse its customers.

Telecom Personal's management considers that it had adequately informed its clients with respect to the new prices and the changes in the terms and conditions under which these services would be provided.

On 26 June 2013, the judge upheld the jurisdictional plea filed by Telecom Personal and ordered that the case should be sent to the Administrative and Contentious court, which later decided that the Commercial Courts had jurisdiction over the case. As of 30 September 2017, the lawsuit is still in the preliminary phase.

Telecom Personal's management considers it has strong arguments for the court to hold against the plaintiffs. Even if the court holds against Telecom Personal, it is not expected that it will have a significant impact on Telecom's results and financial position.

Proceedings related to value added services - Mobile contents

On 1 October 2015, Telecom Personal was summoned with a claim filed by consumer trade union called "*Cruzada Cívica para la defensa de los consumidores y usuarios de servicios públicos*" seeking damages for an unspecified amount. The plaintiff invokes the collective representation of an undetermined number of customers of Telecom Personal and requests the imposition of punitive damages to Telecom Personal.

This claim is substantially similar to other claims filed by consumer associations (such as, for example, Proconsumer) where the plaintiffs invoke the collective representation of Telecom Personal's customers. Telecom Personal has filed its answers to these claims which, as of the date of this Prospectus, still remain in preliminary stages.

Telecom believes that, as advised by its legal counsel, it has strong legal arguments against these claims. Notwithstanding the foregoing, due to the lack of precedents on the matter, the final outcome of these claims is uncertain.

Claims of some Personal Content Providers

In the context of the general reorganization of its content business started by Telecom Personal in 2016, and considering the expiration of certain of its agreements with content providers, Telecom Personal notified certain of these providers that their agreements would not be renewed.

As a result of these communications, four (4) of these former providers of Telecom personal successfully sought injunctions against Telecom Personal in order to avoid the decision to terminate these agreements. In light of these decisions, Telecom Personal refrained from disconnecting or interrupting the contractual relationship on the scheduled dates. Telecom Personal appealed these injunctions.

However, on 7 February 2017, the ENACOM issued a resolution stating that Telecom Personal should refrain from disrupting the services of the providers grouped under the "*Cámara Argentina de Valor de Mercado Móvil*" or "CAVAM" or affecting the terms and conditions applicable to these entities.

On 24 February 2017, ENACOM notified Telecom Personal of Resolution 2017-1122-APN-ENACOM # MCO ("Resolution 1122"), stating that mobile operators, such as Telecom Personal, may receive, in every respect, a percentage that should not exceed 40% of the services invoiced on behalf and on the order of providers of audiotext and mass calling VAS.

In addition, Resolution 1122 sets forth a 30-day period to file the interconnection agreements or the amendments to the existing contracts with the providers in order to ensure that the adjustments to the existing contract with the members of the CAVAM have been made.

In order to avoid the impact that Resolution 1122 could have on it, Telecom Personal pursued all necessary actions and used all administrative and legal resources in order to obtain the revocation/modification and/or annulment of the Resolution 1122, as it alters an existing contractual agreement among private parties.

On 22 March 2017, Telecom Personal filed an administrative appeal against Resolution No. 1122 before the former Ministry of Communications (currently the Ministry of Modernization, Innovation and Technology) and in order to protect its rights.

On 29 September 2017, the ENACOM notified Telecom Personal of Resolution No. 2408/17, pursuant to which it rejected the reconsideration recourses filed by Movistar and Claro against Resolution No. 1122, and the suspension of the effects of said resolution, requested by Telecom Personal, Movistar and Claro.

The recourse filed by Telecom Personal against Resolution No. 1122 before the former Ministry of Communications, remains pending.

Telecom Personal has renewed its commercial agreements with the majority of its contents suppliers, which are still in force, including one content provider who had obtained one of the injunctions against Telecom Personal and withdrew the legal actions against it.

“Asociación por la Defensa de Usuarios y Consumidores c/Telecom Personal S.A.”

In 2008 the “Asociación por la Defensa de Usuarios y Consumidores” filed a collective action against Telecom Personal, seeking damages for an unspecified amount on behalf of an undetermined number of customers of Telecom Personal. The plaintiff claims that Telecom Personal billed its clients for calls that went to voicemail.

During the third quarter of 2015 Personal learned of an adverse court ruling in a similar trial, promoted by the plaintiff against another mobile operator.

Telecom Personal’s believes that, as advised by legal counsel, it has strong defensive arguments, but in light of the new jurisprudential precedent, the outcome of this claim cannot be predicted.

Interest rate applicable to the matters under Labor Courts of the City of Buenos Aires

On 21 May 2014, the National Labor Court of Appeals held, in a split decision, that the interest rate applicable to matters under its jurisdiction in the City of Buenos Aires shall be the nominal annual rate for personal loans with free use of funds of the Argentine National Bank for a 49 to 60 month term (as of 31 December 2015, the mentioned rate was 3% per month). The Court also held that in cases where a decision is still pending, this new rate shall be applied since the date on which each amount is due.

This disposition represents an increase in the interest rate applied to these cases since 2002 (which as of 31 December 2015 was 2.055% per month), which the company has reflected in its assessment of the provisions for pending labor claims. Labor courts have applied the new rate criterion retroactively as from the date that each amount is considered due. Although Telecom appealed these decisions, the National Labor Court of Appeals validated the criterion mentioned in recent cases and the Supreme Court has also dismissed extraordinary appeals filed on this matter. For this reason, during the fiscal year 2017, Telecom increased its provisions with respect to this matter which it considers sufficient to cover the impacts that these rulings could have.

3. Contingency Asset

“AFA Plus Project” Claim

On 20 July 2012, Telecom entered into an agreement with the Argentine Football Association (“AFA”), for the provision of services to a system called “Argentine Football System Administration” (“AFA Plus Project”) related to the secure access to first division football stadiums whereby Telecom should provide the infrastructure and systems to enable the AFA to manage the aforementioned project. The recovery of investments and expenses incurred by Telecom and its profit margin would come from charging AFA with a referring price of 20% of the popular ticket price per each football fan that attends the stadiums during the term of the agreement. Thus the recoverability of Telecom’s assets related to the Project depended on AFA implementing the “AFA Plus Project.”

Since 2012, as required by its contractual obligations, Telecom made investments and incurred expenses which, as of 31 December 2016, amounted to Ps. 182 million, of which Ps.143 were included as property, plant and equipment, for the provision and installation of equipment and the execution of civil works for improving the football stadiums, registration centers equipment, inventories and material storage, and incurred other expenses directly associated with AFA Plus Project.

For several specific reasons of the AFA Plus Project, the football environment and the country context, the AFA Plus system was not implemented by AFA, and Telecom has not been able to collect the price agreed under the agreement. Thus, Telecom has received no compensation from AFA for the services provided and work performed.

In September 2014, AFA notified Telecom of its decision to terminate the agreement and modify the AFA Plus Project, but that it will assume costs incurred by Telecom, which led to negotiations among the parties.

In February 2015, AFA made a proposal to Telecom through advertising exchange exclusively related to the AFA Plus Project (or any project that might replace the AFA Plus Project in the future), for an amount of US\$ 12.5 million. The proposal contemplated that if the advertising compensation was not operable within the year, AFA would have to pay Telecom the agreed amount nonetheless. Telecom rejected this proposal.

In October 2015, Telecom requested AFA to pay the amount due which amounted to Ps. 179.2 million plus interest, but AFA rejected this claim.

In January 2016 both parties resumed conciliatory negotiations, while Telecom reserved its right to exercise legal claims on the amounts due.

As of 30 September 2017, Telecom initiated a new compulsory pre-judicial mediation procedure.

Telecom is considering exercising its rights to amounts owed to it by the AFA as its legal advisors believe that Telecom has solid arguments to file a claim.

DIVIDENDS

Cablevisión Holding does not have, and has no current plan to establish, a formal dividend policy governing the amount and payment of dividends or other distributions. According to the bylaws and the Argentine Corporations Law, Cablevisión Holding may make one or more declarations of dividends with respect to any single fiscal year, including advance dividend payments under Article 224 second paragraph of the Argentine Corporations Law, out of Cablevisión Holding's distributable net income (*utilidades realizadas y líquidas*) as reflected in Cablevisión Holding's consolidated balance sheet prepared in accordance with IFRS and CNV regulations as of the last day of such fiscal year, or in consolidated special or interim balance sheets in the case of advanced or provisional dividends, provided that any such dividends would be payable ratably to all holders of Cablevisión Holding's shares of common stock as of the relevant record date.

Cablevisión Holding conducts all of its operations through subsidiaries, and accordingly, Cablevisión Holding's main source of cash to pay dividends are the dividends received from its subsidiaries. As a holding company, Cablevisión Holding's ability to pay dividends and obtain financing depends on the results of operations and financial condition of its subsidiaries and could be restricted by legal, contractual or other limitations binding upon those subsidiaries. See "Risk Factors—Risks Related to Our Controlling Shareholder and Capital Structure—The failure or inability of our subsidiaries to pay dividends or other distributions may adversely affect us and our ability to pay dividends to holders of shares" and "Risk Factors—Risks Related to Argentina—Changes in the Argentine tax laws may adversely affect the tax treatment of our Class B Shares and/or the GDSs."

Under applicable CNV regulations, cash dividends must be paid to shareholders within 30 days of the shareholders' meeting approving such dividends. In the case of stock dividends, shares are required to be delivered within three months of our receipt of notice of the authorisation of the CNV for the public offering of the shares so issued. The statute of limitations to the right of any shareholder to receive dividends declared by the shareholders' meeting is two (2) years from the date in which they have been made available to the shareholder.

Holders of GDSs will be entitled to receive any dividends payable in respect of our underlying Class B Shares under the terms and conditions of the Deposit Agreement. See "Terms and Conditions of the Global Depositary Shares."

THE LISTING

Description of Securities

Our capital stock is comprised of Class A registered non-endorsable shares of common stock with nominal value of Ps. 1 each, Class B book-entry shares of common stock with nominal value of Ps. 1 each, and Class C registered non-endorsable shares of common stock with nominal value of Ps. 1 each.

As of 30 November 2017, our capital structure (after giving pro-forma effect to the *Escisión*) was as follows:

Class	As of 30 November 2017			Votes per share
	Number of Shares	Percentage of Capital	Percentage of Voting	
Class A.....	47,753,621	26.4%	64.2%	5
Class B ⁽¹⁾	121,106,082	67.0%	32.6%	1
Class C.....	11,782,877	6.5%	3.2%	1
Total	180,642,580	100%	100%	

(1) Our 121,106,082 Class B Shares include 1,578 Class B Shares of Treasury Stock.

See also “Description of Share Capital” and “Additional Information—Major Shareholders” for further information about our classes of shares of common stock.

JPMorgan Chase Bank N.A., as Depository, issued 121,106,082 GDSs.

MARKET INFORMATION

As of the date of this Prospectus, there is no trading market for Cablevisión Holding shares or GDSs and there can be no assurances as to the establishment or continuity of any such market. Our Class B Shares are listed in and, we expect that our GDSs will be listed, on the following markets:

Class B Shares.....	Bolsas y Mercados Argentinos S.A. / Buenos Aires Stock Exchange—Buenos Aires City
GDSs	London Stock Exchange—London

Listing on these markets requires approval from the relevant authorities, and as of the date of this Prospectus we have only received approval from the BYMA relating to the listing of our Class B Shares. We expect trading of our GDSs to begin during the last quarter of 2017, but there can be no assurance that there will be no delay in the commencement of trading.

Trading in the Argentine Securities Market

The securities market in Argentina is comprised of 14 markets. Securities listed on these markets include, among others, corporate equity and bonds and government securities.

BYMA and the MAE are the principal markets in Argentina and are two of the largest markets in Latin America in terms of market capitalization. The BYMA handles approximately 95% of all equity trading in Argentina.

Although companies may list all of their capital stock on the BYMA, in most cases the controlling shareholders retain the majority of a company's capital stock. This results in only a relatively small percentage of most companies' stock being available for active trading by the public on the BYMA.

In order to control price volatility, the BYMA operates a system pursuant to which the negotiation of a particular stock or debt security is suspended for a 15 minute period when the price of the security registers a variation on its price between 10% and 15% and between 15% and 20%. Any additional 5% variation on the price of the security after that results in additional 10 minute successive suspension periods. MAE operates a similar system that suspends the negotiation of securities of a particular issuer for 30 minutes when the price of the debt security registers a 10% price variation against the closing price on the previous day. If after the 30 minute suspension the price of the debt security increases or decreases an additional 15% against the closing price on the previous day, the trading of the debt security is suspended for the rest of the day. Trading on the issuer's debt securities is resumed on the following day.

In 2013, the shareholders of the Mercado de Valores S.A. ("Merval") and the Buenos Aires Stock Exchange entered into a framework agreement to create BYMA. for the purposes of operating a stock market in accordance with the requirements of the Argentine Capital Markets Law. The new entity will be formed by a spin-off of certain assets of the Merval relating to its stock market operations and the Buenos Aires Stock Exchange will make further capital contributions to such entity. In addition, request to the CNV has been made for authorisation of a public offering of the shares of such entity. The Merval and the Buenos Aires Stock Exchange also entered into memoranda of understanding with Mercado de Valores de Cordoba S.A. to integrate the stock market of Córdoba into a federal stock market managed by BYMA, and with several brokers of the city of Santa Fe, Province of Santa Fe, for them to act within such federal market.

CNV Resolution No. 17,501/2014 dated 11 September 2014 authorised the Buenos Aires Stock Exchange to act as a qualified entity for purposes of carrying out the activities referred to in paragraphs b), f) and g) of Article 32 of the Argentine Capital Markets Law on account of the delegation by the Merval pursuant to the "Agreement on Delegation of Functions" dated 26 February 2014 between the Buenos Aires Stock Exchange and Merval. As a result, the Buenos Aires Stock Exchange is authorised to suspend and cancel the listing or trading of securities in the form prescribed by the applicable regulations. In this context, on 8 January 2015, the Merval set the terms on which the delegation to the Buenos Aires Stock Exchange is to be implemented to ensure the continuity of securities trading.

Regulation of the Argentine Securities Market

The CNV is a governmental entity that oversees the regulation of the Argentine securities markets and is responsible for authorising public offerings of securities and supervising brokers, public companies, mutual funds and clearinghouses. Public offerings and the trading of futures and options are also under the jurisdiction of the CNV. Argentine insurance companies are regulated by a separate government agency, while financial institutions are regulated mainly by the Central Bank. The Argentine securities markets are governed generally by the Argentine Capital Markets Law as amended, which regulates securities exchanges, stockbrokers, market operations and public offerings of securities.

Most debt and equity securities traded on the exchanges and the over-the-counter market must, unless otherwise instructed by the shareholders, be deposited by shareholders with *Caja de Valores S.A.* ("Caja de Valores"), which is a corporation owned by the Buenos Aires Stock Exchange, the BYMA and certain provincial exchanges. Caja de Valores is the central securities depository of Argentina, which provides central depository facilities for securities, acts as a clearinghouse for securities trading and acts as a transfer and paying agent. Caja de Valores also handles settlement of securities transactions carried out by the Buenos Aires Stock Exchange and operates the computerised exchange information system.

Although in the first half of the 1990s changes to the legal framework were introduced permitting the issuance and trading of new financial products in the Argentine capital markets, including commercial paper, new types of corporate bonds and futures and options, there was a relatively low level of regulation of the market for Argentine securities and investors' activities in that market, and enforcement of existing regulatory provisions was extremely limited. However, with the enactment of the Argentine Capital Markets Law and its regulatory Decree No.1023, the CNV has been empowered to strengthen disclosure and regulatory standards for the Argentine securities market, which strengthening has been done through changes on the CNV Rules as implemented through Resolution 622/2013.

In order to offer securities to the public in Argentina, an issuer must meet certain requirements established by the CNV regarding assets, operating history, management and other matters, and only securities for which an application for a public offering has been approved by the CNV may be listed on the corresponding authorised market. This approval does not imply any kind of certification of assurance related to the merits of the quality of the securities or the solvency of the issuer. Issuers of listed securities are required to file unaudited quarterly financial statements and audited annual financial statements, as well as various other periodic reports, with the CNV and the corresponding authorised market.

CNV rules also provide that any individual or entity that, either directly or indirectly, purchases or sells securities, alters its direct or indirect participation in the share capital of a publicly traded company, converts debt-securities into stock or exercises purchase or sale options of any such securities must immediately report such purchase, sale, alteration, conversion or exercise to the CNV, provided the securities involved represent at least 5% of the voting rights of the publicly traded company. Any additional variation in such voting rights must be reported to the CNV.

Consequently, the purchase of securities (including the GDSs) that represent at least 5% of our voting rights and, after that, any subsequent purchase, sale, alteration, conversion or exercise of rights must be reported to the CNV, as set forth above.

DESCRIPTION OF SHARE CAPITAL

General

Our authorised capital is Ps. 180,642,580. Our shares were authorised pursuant to the Grupo Clarín's shareholders' meeting of 28 September 2016 approving the *Escisión*. See "Information Relating to the Split Up or *Escisión*."

As of the date of this Prospectus, our capital structure is as follows:

- 47,753,621 Class A registered non-endorsable shares of common stock with nominal value of Ps.1.00 each and entitled to five votes each;
- 121,106,082 Class B book-entry shares of common stock with nominal value of Ps.1.00 each and entitled to one (1) vote each; and
- 11,782,877 Class C registered non-endorsable shares of common stock with nominal value of Ps.1.00 each and entitled to one (1) vote each.

All of the outstanding shares were fully subscribed and paid in. Shares issued after the Company was admitted to public offering regime in Argentina may not carry more than one (1) vote per share unless otherwise permitted by law. Class A Shares and Class C Shares may be converted into Class B Shares at any time, at the holder's request, except that conversion by holders of Class A Shares is subject to certain conditions.

Memorandum and Articles of Association

This section is a summary of the material provisions of our bylaws. This description does not purport to be complete and is qualified by reference to our bylaws, which have been filed as an exhibit to this Prospectus. For a description of the provisions of our bylaws relating to our board of directors and its committees, see "Management."

Organization and Register

Cablevisión Holding S.A. is a *sociedad anónima* organised under the laws of Argentina. It was incorporated for a term of 99 years and its by-laws were registered with the IGJ on 27 April 2017 under No. 7925, Book 83, Volume "–" of corporations.

Corporate purpose

Our bylaws, article three, set forth that our corporate purpose is the rendering, under our own name or on behalf of third parties, or associated with third parties, of telecommunications and audiovisual communication services in any of its forms, and the making of investments and carrying out of financial operations of all kinds, except for those activities that can be performed only by authorised entities in accordance with Argentine Law No. 21,526 and its amendments, and any related activities thereto.

Common Stock

Our Class A Shares and Class C Shares are issued in certificated form and our Class B Shares are held in book-entry form. Holders of a majority of the common stock of each class entitled to vote in any election of directors may elect all of the directors standing for election by that class. Common stock holders are entitled to receive dividends declared by the shareholders or the Board of Directors, as the case may be, on a proportionate basis. All outstanding shares of our common stock are fully paid and each shareholder is registered in our stock registry books.

New Common or Preferred Shares

New common or preferred shares may only be issued with the prior approval in a general meeting of our shareholders. The approval, if granted, will lapse at the conclusion of the annual general meeting following the date on which the approval was granted. Shares issued after the Company has been

admitted to public offering may not carry more than one (1) vote per share unless otherwise permitted by law.

Shareholders

Only persons who are registered in our shareholder register book or on Caja de Valores (in the case of Class B Shares) are recognised as shareholders. We will not, except as required by law, recognise any equitable, contingent, future or partial interest in any common share or other rights for any common share other than the absolute right thereto of the registered holder of the common share or of the person whose name is entered in the shareholder registers for that common share.

Under CNV rules, the names of holders of more than 5% of the votes of the Company should be disclosed.

Shareholders' Liability

Shareholder liability for the Company's losses is limited to the value of the shareholder's shareholding in the company. However, under the Argentine Corporations Law, shareholders who have a conflict of interest with the company with respect to certain matters and who do not abstain from voting on such matters may be held liable for damages to the company, provided that their votes were necessary for the adoption of the relevant decision. In addition, shareholders who voted in favour of a resolution that is subsequently declared void by a court as contrary to the Argentine Corporations Law or the Company's bylaws (or regulations, if any) may be held jointly and severally liable for damages to the Company, other shareholders or third parties resulting from the resolution. See also "Risk factors—Risks Related to Our Controlling Shareholder and Capital Structure—Our shareholders may be subject to liability for certain votes of their securities."

Appraisal Rights

Whenever the Company's shareholders approve:

- a merger or spin-off in which the Company is not the surviving corporation, unless the acquiror's shares are authorised for public offering or listed on any stock exchange;
- a transformation of the Company's corporate legal status;
- a fundamental change in the Company's bylaws;
- a change in the Company's domicile outside Argentina;
- a voluntary termination of the public offering or listing authorisation;
- a decision in favour of the Company's continuation upon delisting or cancellation of the Company's public offering authorisation; or
- a total or partial recapitalization following a mandatory reduction of the Company's capital or liquidation.

Any shareholder that voted against such action or did not attend the relevant meeting may exercise appraisal rights, that is, the right to withdraw from the Company and have its shares cancelled in exchange for the book value of its shares, determined on the basis of our latest balance sheet prepared, or that should have been prepared, in accordance with Argentine laws and regulations, provided that such shareholder exercises its appraisal rights within the time frame set forth below.

Appraisal rights must be exercised within five days following the meeting at which the resolution was adopted in the event of a dissenting shareholder that voted against such resolution, or within 15 days following such meeting in the case of a dissenting shareholder that did not attend the meeting and who can prove that it was a shareholder at the date of the meeting. In the case of mergers or spin-offs involving an entity authorised to make public offering of its shares, appraisal rights may not be exercised if the shares to be received as a result of the transaction are listed on any stock exchange. Appraisal

rights are terminated if the resolution giving rise to such rights is overturned at another shareholders' meeting held within 60 days as from the meeting at which the resolution was adopted.

Payment of appraisal rights must be made within one (1) year of the date of the shareholders' meeting at which the resolution was adopted, except where the resolution that gave rise to such rights was to delist the capital stock of the company or to reject a public offering or listing proposal, in which case the payment period is reduced to 60 days from either (x) the date of the shareholders' meeting that such shareholder did not attend and at which the resolution was adopted to exercise such rights or (y) the date of publication of the notice informing the delisting or rejection of the public offering or listing of the capital stock.

Because of the absence of legal precedent directly on this point, there is doubt as to whether holders of GDSs will be able to exercise appraisal rights either directly or through the Depositary with respect to Class B Shares in the form of GDSs.

Transfer of Shares

There is no restriction on the transfer of our fully paid shares, except that pursuant to the Shareholders Agreement and the bylaws of the Company:

- Class C shares of common stock may not be transferred to parties that are not transferees approved by a majority of holders of Class A shares. If such Class C shares are transferred to parties other than approved transferees, they must be converted into Class B shares of common stock;
- certain parties to the Shareholders Agreement have the right to request the inclusion of their shares of common stock in the Company in a proposed sale or transfer of shares of common stock (or global depository shares representing such common stock) in the Company by certain holders of Class A and Class C shares of common stock that are party to the Shareholders Agreement; and
- holders of Class A shares of common stock that are party to the Shareholders Agreement are entitled to certain drag along rights in respect of shares held by certain other parties to the Shareholders Agreement that hold Class A Shares of common stock.

Certain of the transfer restrictions described above do not apply to transfers of shares made pursuant to any underwritten offer in Argentina, Brazil, the United States, United Kingdom or one or more member states of the European Union, a bona fide sale pursuant to Rule 144A under the Securities Act, an underwritten offering pursuant to Rule 144A under the Securities Act, or a sale of shares of common stock (other than in a block trade) over a stock exchange.

Meetings of Shareholders and Voting Rights

Notices of Meetings

Notices of shareholders' meetings are governed by the provisions of our bylaws, the Argentine Corporations Law and the Argentine Capital Markets Law. Notice of shareholders' meetings must be published for five days in the Official Gazette, in an Argentine newspaper of wide circulation and in the publications of Argentine exchanges or securities markets on which the shares are traded, at least 20 calendar days but not more than 45 calendar days prior to the date on which the meeting is to be held and must include information regarding the type of meeting to be held, the date, time and place of such meeting and the agenda. If a quorum is not available for such meeting, a notice for a second meeting, which must be held within 30 calendar days from the date on which the first meeting was called, must be published for three days, at least eight days before the date of the second meeting. The above-described notices of shareholders' meetings may be effected simultaneously, in the case of ordinary meetings, in order for the second meeting to be held on the same day as the first meeting except in certain circumstances.

The quorum for an ordinary shareholders' meeting is the majority of the share capital entitled to vote. The quorum for an extraordinary meeting is at least 60% of the share capital entitled to vote. Shareholders may attend in person or by proxy. Directors, syndics, members of the Supervisory

Committee, managers and employees of the Company may not hold proxies in representation of shareholders. If the quorum is not achieved, meetings may be reconvened with lower quorum requirements. Decisions at an ordinary or extraordinary shareholders' meeting require the affirmative vote of the absolute majority of the present votes. Class B Shares and Class C Shares are entitled to one (1) vote per share. Class A Shares are entitled to five votes per share. The Argentine Corporations Law requires that certain resolutions, such as early dissolution, major changes in corporate purpose or the transfer of a company's legal domicile abroad, be decided by the majority of all outstanding shares and without allowing multiple votes per share.

Our bylaws require that decisions with respect to any of the matters listed below be adopted by an extraordinary shareholders meeting with the attendance of holders of voting shares representing at least 50% of our capital (including on second call), for so long as the Class C Shares represent at least 5% or more of the Company's equity:

- subject to certain limitations, a merger, spin-off, reorganisation, voluntary dissolution and/or liquidation of the Company;
- subject to certain limitations, the issuance of equity instruments of the Company exceeding certain thresholds; and
- any amendment of the bylaws.

Decisions to be taken by individual classes of shares require the absolute majority of the present votes of the relevant class. In certain cases, if the relevant class may not make a decision due to lack of quorum, the decision may be taken by all present votes acting as a single class.

Registration Requirements of Foreign Companies Holding Class B Shares

Under the Argentine Corporations Law, foreign companies that own shares in an Argentine corporation must be registered with the IGJ in order to exercise certain shareholder rights, including voting rights. The registration requires the filing of corporate and accounting documents in order to demonstrate that the foreign shareholder's principal activity is performed outside Argentina. Therefore, it will have to prove that it is entitled to conduct business in its place of incorporation and meets certain foreign assets requirements. If you own Class B Shares directly (rather than in the form of GDSs) and you are a non-Argentine company and you fail to register with the IGJ, your ability to exercise your rights as a holder of our Class B Shares may be limited. The Depositary is not registered with the IGJ for purposes of the Deposit Agreement and does not perform voting activities directly.

Pre-emptive and Accrual Rights

Shareholders have the right to subscribe for a number of newly issued shares proportionate to their share ownership prior to a new issuance. If a shareholder does not exercise its pre-emptive rights, the other existing shareholders may subscribe for the newly issued shares that shareholder was entitled to subscribe. Pursuant to our bylaws, for as long as the Company is admitted to public offering, capital increases may only consist of issuances of Class B Shares unless Argentine law at the time of any such increase allows the issuance of all other existing classes of shares. If within a class of shares there are unsubscribed shares, upon termination of the term for exercising pre-emptive and accrual rights within the relevant class, all shareholders of other classes of shares are entitled to subscribe the unsubscribed shares in proportion to their ownership of total capital. Shares subscribed in this manner will be converted into Class B Shares. If the capital increase consists of the issuance of all classes of shares, each shareholder shall have the right to subscribe a number of newly issued shares proportionate to their share ownership of each given class prior to the new issuance. If the capital increase consists of the issuance of Class B Shares only, then each shareholder shall have the right to subscribe a number of Class B Shares proportionate to their ownership of total capital. Holders of Class C Shares that exercised their preferential rights (but not accretion rights) in a capital increase consisting of the issuance of Class B Shares only, shall be entitled to request that the Company convert any Class B Shares so subscribed into Class C Shares.

Mandatory Tender Offers

Mandatory Tender Offer Regime

As of the date of this Prospectus, we are subject to the mandatory tender offer rules set forth in the Argentine Capital Markets Law. The Argentine government has proposed certain amendments to capital market regulations that, if approved, would amend certain of the mandatory tender offer rules described below. The current rules provide that in certain circumstances a mandatory tender offer (“OPA”) with respect to some or all of our outstanding shares must be launched. The circumstances include situations in which anyone intends to purchase, either directly or indirectly, for cash, either individually or collectively, either in one act or in a series of successive acts during a period of 90 consecutive days, a number of voting shares, subscription rights or stock options, convertible negotiable securities or similar securities which together with that person’s existing holdings could, directly or indirectly, entitle such person to subscribe, purchase or convert voting shares, shares entitled to or that once exercised grant the right to a “significant share” in the voting capital stock of a publicly traded company.

In such circumstances, the OPA must be launched by the prospective purchaser within 10 days of having made the decision to participate in such purchase.

Such obligation is not applicable in cases where the acquisition would not trigger a change of control of the company. It also does not apply in cases where there is a change of control as a consequence of a corporate reorganisation or as a consequence of mere redistributions of shares among companies of the same group.

Concept of a “Significant Share”

The regulations establish a duty to effect an offer with respect to part or all of the outstanding shares of the company depending on the percentage of the voting capital stock to be acquired. The regulations provide for the following duties relating to the OPA:

- Whenever the goal is to acquire a holding equal to or greater than 15% of the voting capital stock or of the company votes, the offer must be made for a number of securities that would enable the purchaser to acquire at least 50% of the voting capital stock of the affected company.
- Whenever an entity already has a holding equal to or greater than 15% of the voting capital stock or the votes of the company, but less than 51 % of such rights, and the intention is to increase such shareholding in the affected company’s capital stock at least 6% during a 12-/month period, the offer shall be made on the number of securities representing at least 10% of the voting capital stock of the affected company.
- Whenever a holding equal to or greater than 51% of the voting capital stock or the votes of the company is sought, the offer shall be made for the number of securities that would enable the purchaser to obtain 100% of the voting capital stock of the affected company. The application of this stipulation shall have priority over the stipulations discussed in the preceding paragraphs.

Determination of the OPA Price in the Case of a Change in Control

The price shall be determined by the offeror with the following exceptions:

- If the purchaser has purchased other securities related to the offering within the 90 days prior to the announcement of the offer, the price cannot be lower than the highest price the purchaser paid in such transactions.
- If the purchaser has obtained firm sale commitments from the controlling shareholder or other shareholders entitled to take part in the public offering, the price cannot be lower than the price provided for in such commitments.

In order to determine the price, the purchaser shall also consider the following criteria, according to the CNV Rules: (i) book value of the shares; (ii) valuation of the target company according to discounted cash flows (DCF) or other applicable valuation criteria applicable to comparable business; and

(iii) average price of the shares for the last six months before the “offer.” Based on certain interpretations of the Argentine Capital Markets Law and the CNV Rules, there is no certainty as to whether the average price of the shares for the last six months before the “offer” should be considered as a minimum price. The price could be challenged by both the CNV and any offeree shareholder.

Penalties for Breach

Without prejudice to the penalties established by the CNV, the Argentine Capital Markets Law provides that purchases in violation of such regime will be declared irregular and ineffective for administrative purposes by the CNV and cause the auction of the shares acquired in violation of the applicable regulation, without prejudice to the penalties that may correspond.

Mandatory Tender Offer in the case of Acquisition of more than 50% of the Capital Stock or Votes of the Company.

Pursuant to our bylaws, insofar as the Company is not subject to a mandatory tender regime under applicable law, if a person (or a group of persons acting in concert) not owning shares of the Company that represent, in the aggregate, 50% or more of the Company’s total capital or total votes (the “Future Holder”) intends to acquire, in a transaction or a series of related transactions (including by way of merger or exchange) occurring within a period of 90 days, direct or indirect title to, or control of, shares of the Company or other securities convertible into shares of the Company that, when added to the securities held by the Future Holder prior to the acquisition, would result in such Future Holder to hold or control more than 50% of the capital stock or votes of the Company, then the Future Holder will be required to launch a mandatory tender offer for all outstanding shares of the Company and all other securities convertible into shares of the Company. This mandatory tender offer provision does not apply in the case of acquisitions by Héctor Horacio Magnetto, José Antonio Aranda, Lucio Rafael Pagliaro, certain authorised assignees of the foregoing and certain of their designated relatives, heirs and successors (collectively, the “Permitted Shareholders”), as well as corporations controlled by any of them or trusts established for the benefit of any of the Permitted Shareholders.

The Future Holder may set the price payable to accepting holders of shares or convertible securities in the mandatory tender offer, with the following limitations:

- if the Future Holder acquired any shares of the Company or securities convertible into shares of the Company within the 90 days immediately preceding the notice by the Future Holder launching the tender offer, the price per share or convertible security in the mandatory tender offer may not be lower than the highest price paid in such acquisitions, and
- if the Future Holder has obtained firm sale commitments or has made firm commitments for the direct or indirect purchase of shares or securities convertible into shares of the Company within the 90 days immediately preceding the notice by the Future Holder launching the tender offer, the price per share or convertible security in the mandatory tender offer may not be lower than the highest price agreed under such commitments.

Tender Offer Regime in the Case of a Voluntary Withdrawal from the Public Offering and Listing System in Argentina

The mandatory tender offer rules set forth in the Argentine Capital Markets Law and CNV regulations also provided that when a company whose shares are publicly offered and listed in Argentina agrees to withdraw voluntarily from the public offering and listing system in Argentina, it must follow the procedures provided for in the CNV’s regulations and it must likewise launch a OPA for its aggregate shares or subscription rights or securities convertible into shares or stock options under the terms provided for in such regulation. It is not necessary to extend the public offering to those shareholders that voted for the withdrawal at the shareholders’ meeting.

The acquisition of one’s own shares must be made with liquid and realised profits or with free reserves, whenever paid up in full, and for the amortization or disposition thereof, within the term set forth in Section 221 of the Argentine Corporations Law and the company must present the CNV with evidence that it has the necessary solvency to effect such purchase and that the payment for the shares will not affect its solvency.

According to Section 98 of the Argentine Capital Markets Law the price offered in the case of a voluntary withdrawal from the public offering and listing system in Argentina should be equitable and take into account the following relevant criteria:

- The equity value of the shares, taking into account a special financial statement for the withdrawal from the public offering system or listing;
- The value of the company, in accordance with discounted cash flow criteria and ratios applicable to comparable businesses or companies;
- The company's liquidation value;
- Average quotation prices on the stock exchange where the shares are listed during the six-month period immediately preceding the withdrawal application, regardless of the number of sessions necessary for such negotiation; and
- The consideration offered before, or the placement of the new shares, in the event that a public offering has been made with regard to the same shares or if new shares have been issued, if applicable, during the last year, to be counted as of the date of the agreement for the withdrawal application.

Under no circumstances can the price offered be lower than the price indicated in the fourth bullet above.

Mandatory or Voluntary Tender Offer in the Case of Near-Total Control

If a shareholder or group of shareholders holds, directly or indirectly, 95% or more of the outstanding capital stock of a publicly traded Argentine company, any minority shareholder may request that the controlling shareholder launch an OPA for all outstanding shares of such company. In addition, a person that holds, directly or indirectly, 95% or more of the outstanding capital stock of a publicly traded Argentine company may issue a unilateral declaration of its intention to purchase all outstanding shares of such company within six months following the date of acquisition of near-total control and withdraw the company from public offering and its shares from listing and trading. The price offered should be an equitable price, following the criteria set forth in the Argentine Capital Markets Law, but in no case may it be lower than the average trading price of such shares during the six-month period preceding the OPA application.

Shareholder Claims

Pursuant to article 46 of the Argentine Capital Markets Law, companies whose shares are listed on any authorised market (including the BYMA where CVH's shares are currently listed), are subject to the jurisdiction of the arbitration court of such authorised market for all matters concerning such companies' relationship with shareholders and investors, without prejudice to the right of shareholders and investors to submit their claims to the courts of the City of Buenos Aires.

Proposed Amendment to the Argentine Capital Markets Law and the Mandatory Tender Offer Rules

As of the date of this Prospectus, the Argentine Congress is discussing a bill in order to amend the Argentine Capital Markets Law (the "New Capital Markets Law"). Among other things, the New Capital Markets Law:

- States that when the CNV initiates an administrative proceeding, it must give the issuer under investigation the opportunity to be heard before declaring acts subject to its supervision null and void.
- Eliminates the power of the CNV to designate observers ("veedores") with veto powers with respect to actions of the issuer and to suspend an issuer's directors, if as a result of its investigations, minority shareholders' rights are at risk. Under the New Capital Markets Law, observers can only be designated by a federal commercial judge pursuant to the Argentine Corporations Law and at the request of the CNV.

- Eliminates the right of the CNV to request the intervention of security forces without a prior order from a competent court.
- If an issuer authorises a capital increase by subscription ("*aumento de capital por subscripcion*"), unless provided in the bylaws of such issuer, the shareholders will no longer be entitled to pre-emptive rights with respect to such capital increase.
- The New Capital Markets Law grants the CNV the power to issue regulations stating when an offer should be considered a private offer instead of a public offer. In doing so, the CNV will have to take into consideration, among other factors, the number and type of investors participating in the offer.
- Amends the existing regulatory framework applicable to mandatory tender offers ("OPA"): (i) eliminating the possibility of launching a conditional OPA and the power of the offeror to revoke the offer, (ii) amending the definition of "control" to mean the acquisition by an offeror, whether directly or indirectly, of 50% or more of the outstanding capital stock of an issuer or the acquisition by an offeror of less than 50% of the outstanding capital stock of an issuer when the offeror acts as the controlling shareholder of the issuer, and (iii) setting forth bright lines regarding how the price of the OPA should be calculated, which shall be the higher of (x) the highest price the offeror has paid for the shares of the issuer within the last twelve months prior to the commencement of the OPA and (y) the average price of the shares during the six (6) months prior to the announcement of the transaction.
- Increasing the maximum amount contemplated for fines from Ps. 100,000 to Ps. 100,000,000 and stating that fines imposed by the CNV must only be paid once there is a firm judicial or administrative decision conforming this sanction.
- Stating that the New Law will be subject to the jurisdiction of the federal commercial courts.

Corporate Governance

We comply with the Argentine Corporations Law and CNV rules, and with the Argentine Capital Markets Law and CNV corporate governance regulations.

Material contracts

On 30 June 2017, Cablevisión entered into a Preliminary Merger Agreement and on 31 October 2017 Cablevisión and Telecom entered into Final Merger Agreement. See "General Information—Material Contracts."

The Cablevisión Business is party to programming agreements that authorise the Cablevisión Business to provide certain programming services on specific terms. These are described in "Risk Factors—Risks Related to the Cablevisión Business and its Operations—The Cablevisión Business may not be able to renew programming contracts on favourable terms" and in "Business Description—Programming and Other Cable Television Services."

Our agreements with related parties are described in "Related party transactions and other Transactions."

EXCHANGE CONTROLS

Due to the deterioration of the Argentine economy and financial system in 2001, the inability of Argentina to service its public external debt and the decreased level of deposits in the financial system, the federal government issued Decree No. 1,570/2001 on 3 December 2001, which established certain monetary and currency exchange control measures, including restrictions on the free disposition of funds deposited in banks and restrictions on the transfer of funds abroad, subject to certain exceptions.

In addition to the above measures, on 8 February 2002, the Central Bank made certain transfers of funds abroad to service principal and/or interest payments on foreign indebtedness subject to prior authorisation of the Central Bank. Although some of the restrictions adopted by the Central Bank have been eliminated or reduced as of the date of this Prospectus, some of them remain in force.

Following the Presidential elections in Argentina in October and November of 2015, in December 2015, the Central Bank issued Communication “A” 5850, as amended, which eliminated a significant portion of the foreign exchange restrictions imposed in 2012. See “Risk Factors—Risks Related to Argentina—Exchange controls and restrictions on capital inflows and outflows imposed by the Central Bank may limit the availability of international credit and the liquidity of the market for securities of Argentine issuers.” Further restrictions were also lifted or relaxed pursuant to Communication “A” 6037.

The primary changes related to the foreign exchange market that have been implemented after the last presidential elections include, among others: (i) the elimination of the requirement to mandatorily transfer and settle the proceeds from new foreign financial indebtedness incurred by the financial sector, the non-financial private sector and local governments through the *Mercado Único y Libre de Cambios* (Foreign Exchange Market, or “MULC”) (ii) the elimination of the mandatory minimum period that proceeds of any new financial indebtedness and renewal of existing indebtedness incurred by Argentine residents, held by foreign creditors and transferred through the MULC must remain in Argentina, (iii) the ability to purchase foreign currency to acquire offshore assets without specific allocation or prior approval by Argentine residents that are individuals, legal entities from the private sector organised in Argentina and not authorised to deal in foreign exchange, certain trusts and other estates domiciled in Argentina, as well as Argentine local governments; (iv) the reduction from 30% to 0% of a mandatory, non-transferable and non-interest bearing deposit of the amount of certain transactions involving foreign currency inflows for a 365 calendar day period; (v) the elimination of the requirement of a minimum holding period (three business days) related to the purchase and sale of securities authorised to be listed or negotiated in different local and international stock exchange markets; and (vi) the replacement of the DJAI with a new import procedure that requires certain filings and import licenses for certain goods (including textiles, footwear, toys, domestic appliances and automobile parts), which, unlike the previous system, does not require discretionary federal government approval of payments through the MULC for the import of products.

Central Bank’s Communication “A” 6037 amended rules on the following topics: (i) MULC general rules, (ii) payment of Argentine imports of goods and other payments, (iii) services, income, current transfers and non-financial assets, (iv) financial indebtedness, (v) foreign offshore assets of Argentine residents, (vi) financial derivatives, and (vii) exchange transactions with non-residents. More information is publicly available on the website of the Central Bank at www.bcra.gov.ar.

TAXATION

Taxation in Argentina

The following is a summary of the principal Argentine tax consequences of the acquisition, ownership and disposition of the Class B Shares and GDSs, based upon laws, regulations and decrees relating to tax in effect at the date of this Prospectus. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming. Any such changes or interpretations could affect the tax consequences to holders of the Class B Shares or GDSs, possibly on a retroactive basis, and could alter or modify the statements and conclusions set forth herein. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of the Class B Shares or GDSs. Each prospective holder is urged to consult its own tax adviser as to the particular tax consequences to such holder of the acquisition, ownership and disposition of the Class B Shares or GDSs, including the applicability and effect of any other tax laws or tax treaties, of pending or proposed changes in applicable tax laws as of the date of this Prospectus, and of any actual changes in applicable tax laws after such date.

Dividends Tax

In view of the recent amendments introduced to the Income Tax Law by virtue of Law No. 27,430, as of fiscal years beginning on or after 1 January 2018, the taxation applicable to dividends distributed from Argentine companies would be as follows:

- Dividends originated from profits obtained before fiscal year 2018: are not subject to any income tax withholding except for the Equalization Tax (as defined below).
- Dividends originated from profits obtained during fiscal years 2018 and 2019: dividends on Argentine shares paid to Argentine individuals and/or non-residents (“Foreign Beneficiaries”) are subject to a 7% income tax withholding on the amount of such dividends (“Dividend Tax”).
- Dividends originated from profits obtained during fiscal year 2020 onward: the tax rate is raised to 13%.

For Argentine individuals not registered before the AFIP as payers of income tax and Foreign Beneficiaries, the Dividend Tax withholding will be considered as a unique and final payment. In addition, under Law No. 27,430, rules are created that regulate and limit the possibility to offset gains derived from the distribution of dividends with losses generated in other operations.

If dividends are distributed to Argentine Entities (as defined below), no Dividend Tax should apply.

With regards to income obtained during fiscal years beginning on or after 1 January 2018, the Equalization Tax is not applicable. With regards to income obtained in prior fiscal years, the Equalization Tax is applicable.

The equalization tax (the “Equalization Tax”) is applicable when the dividends distributed are higher than the “net accumulated taxable income” of the immediate previous fiscal period from when the distribution is made. In order to assess the “net accumulated taxable income” from the income calculated by the Income Tax Law, the income tax paid in the same fiscal period should be subtracted and the local dividends received in the previous fiscal period should be added to such income. The Equalization Tax will be imposed as a 35% withholding tax on the shareholder receiving the dividend. Dividend distributions made in property (other than cash) will be subject to the same tax rules as cash dividends. Stock dividends on fully paid shares (“*acciones liberadas*”) are not subject to Equalization Tax.

Holders are encouraged to consult a tax advisor as to the particular Argentine income tax consequences derived from profit distributions made on GDSs or Class B Shares.

Capital Gains Tax

Capital gains derived from the sale, exchange or other disposition of Class B Shares or GDSs will have a different depending on the holder thereof.

Argentine resident individuals

Beginning in 2018, income obtained by Argentine individuals from the sale of shares and other securities are exempt from capital gains tax in the following cases: (i) when the shares are placed through a public offering authorised by the CNV, (ii) when the shares were traded in stock markets authorised by the CNV, under segments that ensure priority of price-time and interference of offers, or (iii) when the sale, exchange or other disposition of shares is made through an initial public offering and/or exchange of shares authorised by the CNV.

It should be noted that for periods prior to 2018, it is currently under discussion if the exemption (introduced by Law 26,893 and its implementing Decree 2334/2013) applicable on the sale of shares and other securities, only included the sale of securities made through a stock exchange market duly authorised by the CNV, or if the implementing decree's added provisions were just by way of example.

Non-Argentine resident individuals and non-Argentine entities

Due to the recent amendments introduced to the Income Tax Law by Law No. 27,430, as from 2018, Foreign Beneficiaries and non-Argentine entities are also exempt from income tax on income derived from the sale of Argentine shares in the following cases: (i) when the shares are placed through a public offering authorised by the CNV, (ii) when the shares were traded in stock markets authorised by the CNV, under segments that ensure priority of price-time and interference of offers, or (iii) when the sale, exchange or other disposition of shares is made through an initial public offering and/or exchange of shares authorised by the CNV.

In addition, from 2018 onward, the income derived from the sale of GDSs will be treated as coming from an Argentine source. However, capital gains obtained by Foreign Beneficiaries from the sale, exchange or other disposition of GDSs are exempt from income tax.

The exemption on the sale of Argentine shares and/or GDSs would only apply to the extent that the Foreign Beneficiaries do not reside in, or the funds do not derive from, jurisdictions not considered as cooperative for purposes of fiscal transparency. In addition, according to the last amendment introduced by Law No. 27,430, no taxes would be claimed to the abovementioned Foreign Beneficiaries on past sales of Argentine shares or other securities traded in CNV's authorised markets (such as GDSs) as long as the cause of the non-payment was the absence of a method for collection.

In case the exemption is not applicable, the gain derived from the disposition of shares would be subject to Argentine income tax at a 15% rate on the net capital gain or at a 13.5% effective rate on the gross price. In such scenario, the income tax should be paid to the AFIP under the following procedures: (i) in case the securities were sold by a Foreign Beneficiary, but not through an Argentine stock exchange market and there is an Argentine buyer involved, the Argentine buyer should withhold the income tax; and (ii) when both the seller and the buyer are Foreign Beneficiaries and the sale is not performed through an Argentine stock exchange market, the person liable for the tax shall be the legal representative of the seller of the shares or securities being transferred.

Argentine Entities

Capital gains obtained by Argentine entities (in general, entities organised or incorporated under Argentine law, certain traders and intermediaries, local branches of non-Argentine entities, sole proprietorships and individuals carrying on certain commercial activities in Argentina) derived from the sale, exchange or other disposition of the Class B Shares or GDSs are subject to income tax at the rate of 35%. Losses arising from the sale of the Class B Shares or GDSs can be applied only to offset such capital gains arising from sales of shares or GDSs within five years of its origination.

Tax on Minimum Presumed Income

This tax applies to, among others, companies, firms and associations domiciled in Argentina, and is determined by applying the rate of 1% on total value of assets located both in the country and abroad. Shares and other equity participations in entities subject to tax on minimum presumed income are exempt from tax. In this case, given that the Company is subject to tax on minimum presumed income, stocks and shares in the capital of the Company are exempt.

This tax has been repealed, effective beginning on 1 January 2019.

Personal Assets Tax

Argentine entities, such as the Company, have to pay the personal assets tax corresponding to Argentine resident individuals, and to the foreign individuals and foreign entities for the holding of shares in the Company at 31 December of each year. The applicable tax rate is 0.25% and is levied on the equity value (*valor patrimonial proporcional*), or the book value, of the shares arising from the latest financial statements. Pursuant to the Personal Assets Tax Law, the Company is entitled to seek reimbursement of such paid tax from the shareholders, either through the withholding and/or foreclosing on the shares, or by withholding dividends.

Value Added Tax

The sale, exchange or other disposition of the Class B Shares or GDSs and the distribution of dividends are exempted from the value added tax.

Transfer Taxes

The sale, exchange or other disposition of the Class B Shares or GDSs is not subject to transfer taxes.

Stamp Taxes

Stamp taxes may apply in certain Argentine provinces in case transfer of the Class B Shares or GDSs is performed or executed in such jurisdictions by means of written agreements. Transfer of the Class B Shares or GDSs is exempted from stamp tax in the City of Buenos Aires.

Tax on Debits and Credits in Bank Accounts

There is a tax on debits and credits in Argentine bank accounts. This tax applies to certain debits and credits in Argentine bank accounts and to other transactions that, due to their special nature and characteristics, are similar or could be used in lieu of a bank account.

Therefore, any debit or credit in an Argentine bank account or any transaction deemed to be used in lieu of a bank account would be subject to the tax on debits and credits unless a particular exemption applies.

Other Taxes

There are no Argentine inheritance or succession taxes applicable to the ownership, transfer or disposition of the Class B Shares or GDSs, except for the "gratuitous transfer of assets" tax in the Province of Buenos Aires and the "inheritance and gratuitous transfer of assets" tax in the Province of Entre Rios.

Tax Treaties

In the event a treaty to avoid double taxation becomes applicable, the Argentine tax regime as applied may differ, either wholly or in part, with the above description. Additionally, in order to seek relief under such treaty, foreign tax residents would be required to present a domicile certificate issued by the relevant tax authority and validated with the corresponding Hague Convention apostille, among other requirements.

Incoming Funds Arising from Non-Cooperative Jurisdictions

Non-cooperative jurisdictions are those countries or jurisdictions that do not have in force with the Argentine government an agreement for the exchange of information on tax matters or a treaty to avoid international double taxation with a broad clause for the exchange of information. Likewise, those countries that, having an agreement of this type in force, do not effectively comply with the exchange of information will be considered non-cooperative. The aforementioned treaties and agreements must comply with international standards of transparency and exchange of information on fiscal matters to which the Argentine Republic has committed itself. The executive power will list the non-cooperative jurisdictions based on the criteria above.

According to the legal presumption under Section 18.1 of Law No. 11,683, as amended, incoming funds from non-cooperative jurisdictions will be deemed as unjustified net worth increases for the Argentine party, no matter the nature of the operation involved. Unjustified net worth increases are subject to the following taxes:

- income tax at a 35% rate would be assessed on 110% of the amount of funds transferred.
- VAT at a 21% rate would be assessed on 110% of the amount of funds transferred.

Although the concept of “incoming funds” is not clear, it should be construed as any transfer of funds:

- i. from an account in a non-cooperative jurisdiction or from a bank account opened outside of a non-cooperative jurisdiction but owned by an entity located in a non-cooperative jurisdiction; or
- ii. to a bank account located in Argentina or to a bank account opened outside of Argentina but owned by an Argentine Individual.

The Argentine individual may rebut such legal presumption by duly evidencing before the AFIP that the funds arise from activities effectively performed by the Argentine individual or by a third party in such jurisdiction, or that such funds have been previously declared.

With respect to the application of the abovementioned legal presumption on incoming funds from jurisdictions considered as no or low taxation regimes (defined under section 15.2 of the Income Tax Law), further clarifications are expected to be issued by the recent amendment’s implementing decree.

Certain United States Federal Income Tax Considerations

U.S. Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax consequences to a U.S. Holder (as defined below) of acquiring, owning and disposing of our shares (including, for purposes of this discussion our GDSs). This summary is based on the Internal Revenue Code of 1986, as amended (the “Code”), applicable United States Treasury Regulations, judicial authority, administrative rulings effective as of the date hereof, all as currently in effect. These laws and authorities are subject to change, possibly on a retroactive basis. The discussion below does not address any state, local or foreign or estate and gift tax consequences of acquiring, owning or disposing of our shares or GDSs. Each U.S. Holder should consult its own tax advisor concerning the tax consequences of the owning our shares, including consequences arising under foreign, state, and local laws to such U.S. Holder.

This discussion does not purport to be a complete analysis of all of the potential tax effects of owning our shares. This discussion is directed only to U.S. Holders that hold our shares, as capital assets and that have the U.S. dollar as their functional currency, and does not address the tax treatment of U.S. Holders that are subject to special tax rules, such as banks, regulated investment companies, real estate investment trusts, pass-through entities (including partnerships and arrangements classified as partnerships for U.S. federal income tax purposes and partners therein), tax-exempt entities, dealers in securities or currencies, traders in securities electing to mark to market, financial institutions, insurance companies, holders of 10% or more of our shares, persons holding our shares as a position in a “straddle” or conversion transaction, or as part of a “synthetic security” or other integrated financial transaction, certain U.S. expatriates and taxpayers using a taxable year other than the calendar year.

The discussion does not address the applicability and effect of the alternative minimum tax or the Medicare tax on net investment income to a U.S. Holder.

For the purpose of this summary, a “U.S. Holder” means a person that is a beneficial owner of our shares, and who is a citizen or resident of the United States, a U.S. domestic corporation, or otherwise subject to U.S. federal income tax on a net income basis with respect to income from the our shares.

In general, this discussion assumes that a U.S. Holder of our GDSs, will be treated as the owner of the shares represented by those GDSs for U.S. federal income tax purposes.

Ownership of Our Shares

Distributions. In general, and subject to the application of the PFIC (as defined below) rules discussed below, the gross amount of cash distributions that a U.S. Holder receives with respect to the our shares (prior to deduction of Argentine taxes) generally will be subject to U.S. federal income taxation as foreign-source dividend income; provided that the cash dividend does not exceed our current and accumulated earnings and profits as determined for U.S. federal income tax purposes. Because we do not intend to maintain calculations of our earnings and profits in accordance with U.S. federal income tax principles, U.S. Holders should expect that distributions by us will be treated as dividends. The dividends will not be eligible for the dividends received deduction allowed to certain U.S. corporate shareholders in respect of dividends paid by a domestic corporation, nor will the dividends be eligible for the special reduced tax rate applicable to qualified dividends for individuals.

Dividends paid in Argentine pesos will be included in a U.S. Holder’s income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date of receipt of the dividend by the U.S. Holder or, in the case of shares held in GDS form, by the Depositary, regardless of whether the payment is in fact converted into U.S. dollars. If such a dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder generally should not be required to recognise foreign currency gain or loss in respect of the dividend income. If such dividend is not converted from Argentine Pesos into U.S. dollars on the date of receipt, the U.S. Holder generally will have a basis in those Argentine Pesos equal to their U.S. dollar value on that date. A U.S. Holder also generally will be required to recognise foreign currency gain or loss realised on a subsequent conversion or other disposition of the Argentine Pesos, which will be treated as U.S.-source ordinary income or loss.

Sale, Exchange or Disposition. Subject to the application of the PFIC rules discussed below, upon a sale or other taxable disposition of our shares, a U.S. Holder will recognise gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the U.S. dollar value of the amount realised and the U.S. Holder’s tax basis, determined in U.S. dollars, in the shares. Generally, the gain or loss a U.S. Holder realises on the sale or other disposition of Cablevisión Holding shares will be treated as U.S.-source capital gain or loss, and will be long-term capital gain or loss if the shares were held for more than one (1) year. A U.S. Holder’s ability to offset capital losses against ordinary income is limited. The deductibility of capital losses is subject to limitations.

Foreign Tax Credit Considerations. U.S. Holders should consult their own tax advisors to determine whether they are subject to any special rules that limit the ability to make effective use of foreign tax credits. If no such rules apply, a U.S. Holder may claim a credit against its U.S. federal income tax liability for Argentine income taxes withheld from distributions on the shares (or upon disposition of such shares), so long as the U.S. Holder has owned the shares (and has not entered into specified kinds of hedging transactions) for at least a 16-day period that includes the ex-dividend date. Instead of claiming a credit, a U.S. Holder may elect to deduct such Argentine taxes in computing taxable income, subject to generally applicable limitations under U.S. tax law. The calculation of foreign tax credits and, in the case of a U.S. holder that elects to deduct foreign taxes, the availability of deductions, involve the application of complex rules that depend on a U.S. holder’s particular circumstances. U.S. Holders should consult their own tax advisors regarding the creditability or deductibility of such taxes.

PFIC Rules. Special U.S. tax rules apply to us if we are classified as a passive foreign investment company (“PFIC”). In general, a non-U.S. company will be classified as a PFIC in a particular taxable year if either 75 percent or more of its gross income for the taxable year is passive income, or the average percentage of the value of its assets that produce or are held for the production of passive income is at least 50 percent. The determination of whether we are a PFIC depends on the classification

of our income and assets (including goodwill) and our cash position. Because the determination of whether we are a PFIC is made annually on the basis of our assets and income for each quarter of our taxable year, it is not certain whether we will be a PFIC for our current taxable year or for any taxable year in the foreseeable future. Although no assurance can be given, we do not expect to be classified as a PFIC for our current taxable year or for any taxable year in the foreseeable future. If we were to become a PFIC, a U.S. Holder generally would be subject to a special tax and an interest charge with respect to any gain from the sale or exchange of, and certain “excess distributions” with respect to, our shares.

U.S. Information Reporting and Backup Withholding Rules

The distributions on, and proceeds from the sale or other disposition of, our shares paid to a U.S. Holder, may be subject to the information reporting requirements of the Code and may be subject to backup withholding unless the U.S. Holder establishes that it is a corporation or other exempt holder, or provides an accurate taxpayer identification number on a properly completed Internal Revenue Service (“IRS”) Form W-9 and certifies that no loss of exemption from backup withholding has occurred. The amount of any backup withholding from a payment to a holder will be allowed as a credit against the U.S. Holder’s U.S. federal income tax liability and may entitle such holder to a refund, provided that certain required information is timely furnished to the IRS.

Reportable Transactions

A United States taxpayer that participates in a “reportable transaction” will be required to disclose its participation to the IRS. Under the relevant rules, if a U.S. Holder receives distributions or proceeds from a sale of the our shares denominated in a foreign currency, and the U.S. Holder disposes of such foreign currency at a loss, the U.S. Holder may be required to treat such foreign currency exchange loss as a reportable transaction if this loss exceeds the relevant threshold in the regulations, and to disclose its investment by filing Form 8886 with the IRS. A penalty is generally imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Prospective U.S. Holders are urged to consult their tax advisors regarding the potential application of these rules.

U.K. Tax Considerations

The comments below are of a general nature and are based on current U.K. law and published HM Revenue & Customs (“HMRC”) practice (which may not be binding on HMRC) as of the date of this Prospectus, as well as the provisions of the 1996 double taxation convention between the United Kingdom and Argentina (the “United Kingdom/Argentina double tax treaty”), each of which is subject to change, possibly with retrospective effect.

The summary only covers the principal U.K. tax consequences for the ultimate beneficial owners of Class B Shares or GDSs and any dividends paid in respect of them (in circumstances where the dividends paid are regarded for U.K. tax purposes as that person’s own income, and not the income of some other person). In addition, the summary applies only to persons who are resident (and, in the case of individuals, domiciled) in the United Kingdom for tax purposes and who are not resident for tax purposes in any other jurisdiction and do not have a permanent establishment or fixed base in any other jurisdiction with which the holding of GDSs is connected. Persons (a) who are not resident (or, if resident, are not domiciled) in the United Kingdom for tax purposes, including those individuals and companies who trade in the United Kingdom through a branch, agency or permanent establishment in the United Kingdom to which the Securities are attributable, or (b) who are resident or otherwise subject to tax in a jurisdiction outside the United Kingdom, are recommended to seek the advice of professional advisors in relation to their taxation obligations.

The summary: (a) only addresses the principal U.K. tax consequences for holders who hold the Class B Shares or GDSs as capital assets and does not address the tax consequences which may be relevant to certain other categories of holders, for example, brokers, dealers, traders in shares or securities and other persons who hold the GDSs other than as an investment; (b) does not address the tax consequences for holders that are banks, financial institutions, insurance companies, collective investment schemes or tax-exempt organisations; (c) assumes that the holder does not control or hold (and is not deemed to control or hold), either alone or together with one or more associated or connected

persons, directly or indirectly, an interest of 10% or more of the share capital or voting power, rights to profit or capital of the Company, and is not otherwise connected with the Company; (d) assumes that the holder is, for U.K. tax purposes, absolutely beneficially entitled to the underlying Class B Shares and to the dividends on those Class B Shares; (e) assumes that the holder has not (and is not deemed to have) acquired the Class B Shares or GDSs by virtue of an office or employment; and (f) assumes that dividends paid by the Company will be treated as income distributions for U.K. tax purposes.

The following is intended only as a general guide and is not intended to be, nor should it be considered to be, legal or tax advice to any particular holder. It does not address all of the tax considerations that may be relevant to specific investors in light of their particular circumstances or to investors subject to special treatment under U.K. tax law. Potential investors should satisfy themselves as to the overall tax consequences, including, specifically, the consequences under U.K. tax law, HMRC practice and the United Kingdom/Argentina double tax treaty, of the acquisition, ownership and disposal of Class B Shares or GDSs in their own particular circumstances, by consulting their own tax advisers.

Taxation of Dividends

Income Tax

Individual holders will, in general, be subject to U.K. income tax on the gross amount of any dividends paid on their Class B Shares or GDSs before the deduction of any Argentine withholding taxes, subject to an annual tax-free allowance and the availability of any credit for Argentine tax withheld (each as referred to below).

Individual holders who are liable to U.K. income tax will generally be entitled to a tax-free annual allowance in respect of dividends received. The amount of the annual allowance is currently £5,000, but will be reduced to £2,000 from 6 April 2018. Any dividend income received by such holders in excess of this tax-free allowance will be taxed at rates of 7.5% (the dividend ordinary rate), 32.5% (the dividend upper rate), and 38.1% (the dividend additional rate), for basic rate, higher rate, and additional rate taxpayers respectively. Dividend income that is within the allowance will count towards an individual's basic or higher rate limits. Dividend income will be treated as the top slice of an individual holder's income.

Corporation Tax

For holders that are companies, dividend payments should generally be eligible for an exemption from U.K. corporation tax. If the conditions for the exemption are not satisfied, or the relevant corporate holder elects for an otherwise exempt dividend to be taxable, U.K. corporation tax will be chargeable on the gross amount of any dividends received from the Company (before deduction of any Argentine withholding tax), subject to any applicable credit for Argentine tax deducted at source (as described below).

Credit for Argentine Tax

Individual holders will in principle be entitled to a tax credit against U.K. income tax payable in respect of dividends paid on the Class B Shares or GDSs for Argentine tax withheld from such dividends, up to the maximum rate of Argentine withholding tax permitted under the United Kingdom/Argentina double tax treaty, subject to the U.K. rules generally governing the availability of U.K. tax credits for non-U.K. withholding taxes. The maximum rate of withholding tax applicable to holders that are eligible for the benefits of the United Kingdom/Argentina double tax treaty is 15% of the gross amount of the dividend.

Depending on the fiscal year during which the relevant profits were obtained, and the rate at which an individual holder is liable for U.K. income tax on the dividend, the credit for Argentine tax deducted at source may equal or exceed such individual's U.K. income tax liability in respect of the dividend, in which case such individual will have no further U.K. income tax to pay. However, if there is any excess of such Argentine withholding tax over the U.K. tax payable, it is generally not refundable. In other cases, U.K. income tax will be chargeable on the gross dividend with credit for Argentine tax deducted at source as described above.

Where a dividend is treated as exempt from U.K. corporation tax, a holder that is a company will not be entitled to claim relief by way of credit in the United Kingdom in respect of any Argentine withholding tax.

Withholding Tax

The Company is not required to make any deduction from payments of dividends on the Class B Shares or GDSs for or on account of U.K. tax.

Taxation of Capital Gains

The disposal or deemed disposal of Class B Shares or GDSs may give rise to a chargeable gain or an allowable loss for the purposes of U.K. taxation of capital gains (where the holder is an individual) and U.K. corporation tax on chargeable gains (where the holder is within the charge to U.K. corporation tax), depending on their circumstances and subject to any available exemption or relief.

In addition, individual holders who dispose of their Class B Shares or GDSs while they are temporarily not resident in the United Kingdom may be treated as disposing of them in the tax year in which they again become resident in the United Kingdom. Any gains or losses in respect of currency fluctuations over the period of holding the Class B Shares or GDSs would also be brought into account on the disposal.

For individual holders, factors that will determine the extent to which such gain will be subject to U.K. capital gains tax include: (i) the extent to which they realise any other capital gains in that year, (ii) the extent to which they have incurred capital losses in that or any earlier year, and (iii) the level of the annual allowance of tax-free gains in the tax year in which the disposal takes place (the "Annual Exemption"). The Annual Exemption for the 2017/18 tax year is £11,300. If, after all allowable deductions, an individual holder's taxable income for the year exceeds the basic rate income tax limit, taxable chargeable gains will be taxed at 20%. In other cases, taxable chargeable gains may be taxed at 10% or 20% or at a combination of both rates.

Credit against U.K. tax may be given for Argentine tax imposed on the disposal of shares, subject to the U.K. rules generally governing the availability of U.K. tax credits for non U.K. taxes.

Stamp Duty and Stamp Duty Reserve Tax

No U.K. stamp duty or stamp duty reserve tax will be payable on the issue of the GDSs and their delivery into DTC, Euroclear and Clearstream (as applicable).

No U.K. stamp duty or stamp duty reserve tax will be payable in respect of any dealings in the GDSs once they are issued into DTC, Euroclear and Clearstream (as applicable) where such dealings are effected in electronic book entry form in accordance with the procedures of DTC, Euroclear and Clearstream (as applicable).

No U.K. stamp duty reserve tax will be payable in respect of any agreement to transfer the Class B Shares provided that the Class B Shares are not registered in a register kept in the United Kingdom. No U.K. stamp duty will be payable in connection with a transfer of Class B Shares where the instrument of transfer is not executed in the United Kingdom and does not relate to any property situated, or to any matter or thing done or to be done, in the United Kingdom.

Inheritance Tax

U.K. inheritance tax may be chargeable on the death of, or in certain circumstances on a gift by the owner of, Class B Shares or GDSs, where the owner is an individual who is domiciled or is deemed to be domiciled in the United Kingdom. If the GDSs or the Class B Shares are considered to be a U.K. situs asset for inheritance tax purposes, regardless of the owner's domicile, the asset may be subject to U.K. inheritance tax upon the death of the owner or in certain circumstances on the gift by the owner of the GDSs or Class B Shares. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rates apply to gifts where the donor reserves or retains some benefit.

Provision of Information

Information relating to securities may be required to be provided to HMRC in certain circumstances. This may include (but is not limited to) details of the beneficial owners of the GDSs or the Class B Shares (or the persons for whom the GDSs or the Class B Shares are held), details of the persons to whom payments derived from the GDSs or the Class B Shares are or may be paid and information and documents in connection with transactions relating to the GDSs or the Class B Shares. Information may be required to be provided by, amongst others, the holders of the GDSs, the Depositary, the Custodian, persons by (or via) whom payments derived from the GDSs or the Class B Shares are made or who receive (or would be entitled to receive) such payments, persons who effect or are a party to transactions relating to the GDSs or the Class B Shares on behalf of others and certain registrars or administrators. In certain circumstances, the information obtained by HMRC may be exchanged with tax authorities in other countries. However, in accordance with guidance published by HMRC applicable for the 2017/2018 tax year, dividend payments in respect of the GDSs or the Class B Shares should not be treated as falling within the scope of the requirement. There is no guarantee that this guidance will not be withdrawn in future.

Statement by Experts

The Financial Statements included in this Prospectus have been so included in reliance on the report of Price Waterhouse & Co. S.R.L. (a member firm of the PricewaterhouseCoopers network), independent accountants, given on the authority of such firm as expert in accounting and auditing.

Documents on Display

Any description in this Prospectus of any of our documents filed as an exhibit hereto is not complete and is qualified in its entirety by the text of the full document.

So long as the GDSs are admitted to listing on the Official List and the rules of the Financial Conduct Authority shall so require, copies of the following documents (together with English translations, where applicable) may be inspected during normal business hours at the registered office of the Company:

- the Bylaws of the Company;
- Annual Financial Statements;
- Interim Financial Statements;
- this Prospectus; and
- the Deposit Agreement.

Quantitative and Qualitative Disclosures About Market Risk

Derivatives and Hedging

We are exposed through our operations to the following financial risks:

- (i) Capital risk;
- (ii) Foreign exchange risk;
- (iii) Interest rate risk;
- (iv) Valuation risk;
- (v) Credit risk; and
- (vi) Liquidity risk.

Practically 100% of our financial obligations are denominated in U.S. Dollars as of 30 September 2017 while the majority of our revenues are payable in Pesos. As a result, we are exposed to fluctuations in

the exchange rate and, thus, we use financial instruments, such as forward foreign exchange purchases, to hedge our currency risk for a portion of the interest payments due on our consolidated U.S. Dollar-denominated debt. These types of contracts are limited in volume and tenor in Argentina and generally contemplate short periods not exceeding one (1) year, therefore we have only hedged a portion of our existing consolidated debt denominated in U.S. Dollars.

For further discussion of our financial risks and the relevant sensitivity analysis disclosure, see Note 35 to Cablevisión's Interim Financial Statements.

TERMS AND CONDITIONS OF THE GLOBAL DEPOSITARY SHARES

JPMorgan Chase Bank, N.A., has agreed to act as the Depositary for the GDSs. The Depositary's primary address for depositary related matters is located at Four New York Plaza, New York, New York, 10004 United States of America. GDSs are evidenced by "Global Depositary Receipts" or "GDRs." GDSs represent ownership interests in securities, cash or other property on deposit with the Depositary.

The Depositary has appointed Banco Santander Río S.A. to act as the Custodian for the safekeeping of the securities, cash or other property on deposit.

The Company has appointed the Depositary pursuant to a Deposit Agreement for the GDSs. Copies of the Deposit Agreement are available for inspection by any holder of the GDSs at the principal offices of the Depositary during business hours. This is a summary description of the material terms of the GDSs and of each holder's material rights as an owner of the GDSs. Prospective investors should note that this summary is provided for informational purposes only, is not exhaustive, and is qualified in its entirety by reference to the terms of the Deposit Agreement, which determine rights and obligations of holders and beneficial owners of the GDSs.

All of the GDSs were issued to existing holders of global depositary shares representing shares of Grupo Clarín. Once Grupo Clarín obtained the necessary regulatory authorisations, Grupo Clarín reduced its equity, affecting all shareholders of Grupo Clarín in each class of shares, and Cablevisión Holding issued in exchange a set of new shares of the same classes as those issued by Grupo Clarín according to the Split Ratio. The Split Ratio provides that each Grupo Clarín shareholder:

- (i) retained 37.15% in shares of Grupo Clarín (post-*Escisión*), and
- (ii) received 62.85% in shares of Cablevisión Holding.

As a result of the above description of the capital stock of Cablevisión Holding, we issued, in each case based on the Split Ratio established above, in favour of the holders of GCSA Class B Shares, 117,077,867 Class B book-entry shares with nominal value of Ps. 1 each and entitled to 1 vote per share of Cablevisión Holding. Each GDS is denominated in U.S. dollars. Each GDS represents one (1) Class B Share of the Company on deposit with the Custodian. Each GDS will also represent the right to receive cash or any other property received by the Depositary or the Custodian on behalf of the owner of the GDSs but which has not been distributed to the owners of GDSs due to legal restrictions or practical considerations.

Each owner of a GDS is a party to the Deposit Agreement and is therefore bound by terms of that Deposit Agreement and by the terms of the GDRs that represents the relevant GDS. The Deposit Agreement and the GDRs specify the rights and obligations of the Company, the owner of the GDS represented by the GDRs, the Custodian and the Depositary. Each registered holder of GDSs and each person holding an interest in the GDRs appoints the Depositary to act as its attorney-in-fact, with full power to delegate, to act on its behalf and to take any and all actions contemplated in the Deposit Agreement and the applicable GDRs, to adopt any and all procedures necessary to comply with applicable laws and to take such action as the Depositary in its sole discretion may deem necessary or appropriate to carry out the purposes of the Deposit Agreement and the applicable GDRs.

Initially, GDSs will all be issued into DTC. Holders of GDSs may instruct their bank, broker or other nominee within DTC to deliver their GDSs onto the books of the Depositary in order to become a registered holder of such GDSs.

No temporary master GDSs or other temporary documents of title have been or will be issued in connection with the admission of the Class B Shares to the Official List and trading on the London Stock Exchange.

The Depositary

The Depositary is a wholly owned bank subsidiary of JPMorgan Chase & Co, a Delaware corporation. The Depositary is a commercial bank offering a wide range of banking services to its customers both domestically and internationally. It is chartered, and its business is subject to examination and

regulation, by the Office of the Comptroller of the Currency, a bureau of the United States Department of the Treasury. It is a member of the Federal Reserve System and its deposits are insured by the Federal Deposit Insurance Corporation (the "FDIC").

Rights of Holders of GDRs

Relationship of Holders of GDRs with the Depositary: All holders are parties to the Deposit Agreement under which their GDRs are issued and as such are bound by, and can directly enforce their rights thereunder in accordance with, the terms and conditions of the Deposit Agreement. The Deposit Agreement and the GDRs are governed by New York law. The Depositary and the Company are also parties to the Deposit Agreement. Holders have contractual rights in relation to the Class B Shares deposited with and held by the Custodian for the account and to the order of the Depositary pursuant to the terms of the Deposit Agreement and to any and all other shares, cash, securities or property held by the Custodian (or the Depositary) in respect of or in lieu of such deposited Class B Shares from time to time ("Deposited Securities").

Voting: With respect to voting of shares and other Deposited Securities, the Deposit Agreement provides that, as soon as practicable after receipt from the Company of notice of any meeting at which holders of shares are entitled to vote or of solicitation of consents or proxies from holders of Class B Shares or other Deposited Securities, the Depositary shall fix a record date in respect of such meeting or solicitation of consent or proxy. The Depositary shall, if requested by the Company in writing in a timely manner, distribute to holders a notice stating (a) such information as is contained in such notice and any solicitation materials (or a summary thereof), (b) that each holder on the record date set by the Depositary therefor will, subject to any applicable provisions of law, rule or regulation and the Company's constituent documents, be entitled to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the Deposited Securities represented by the GDSs evidenced by such holder's GDRs and (c) the manner in which such instructions may be given or deemed given, including instructions to give a discretionary proxy to a person designated by the Company. Upon actual receipt of instructions of a record date holder of GDRs in the manner and on or before the time established by the Depositary for such purpose, and provided that the Company has given advanced notice to the Depositary of such meeting or solicitation of consents in accordance with the Deposit Agreement, the Depositary shall endeavour insofar as practicable and permitted under the provisions of or governing Deposited Securities to vote or cause to be voted such Deposited Securities in accordance with such instructions. The Depositary will not itself exercise any voting discretion in respect of any Deposited Securities. To the extent such voting instructions are not so received by the Depositary from any holder, such holder shall be deemed, and, pursuant to the Deposit Agreement the Depositary is instructed to deem such holder, to have instructed the Depositary to give a discretionary proxy to a person designated by the Company to vote the Deposited Securities represented by the GDSs evidenced by such holder's GDR as to which such instructions are so given, provided that no such instruction shall be deemed given and no discretionary proxy shall be given with respect to any matter as to which the Company informs the Depositary (and the Company agrees to provide the Depositary with such information promptly in writing, when and if applicable) that (i) the Company does not wish such proxy to be given, (ii) substantial opposition exists with respect to any agenda item for which the proxy would be given or (iii) the agenda item in question, if approved, would materially or adversely affect the rights of holders of Shares.

Delivery of GDRs: Under the Deposit Agreement, Deposited Securities can only be delivered out of the GDR programmes to, or to the order of, a holder of related GDRs upon the receipt and cancellation of such holder's GDRs.

Rights of the Company

The Company has broad rights to remove the Depositary under the terms of the Deposit Agreement, but no specific rights under the Deposit Agreement which are triggered in the event of the insolvency of the Depositary.

Insolvency of the Depositary

Applicable insolvency law: If the Depositary becomes insolvent, the insolvency proceedings will be governed by US law applicable to the insolvency of banks.

Effect of applicable insolvency law: The Deposit Agreement states that any Deposited Securities, whether in the form of cash or non-cash, held by the Depositary are held by the Depositary for the benefit of the holders. Under current US law, it is expected that, in the event of the insolvency of the Depositary, any Deposited Securities, whether or not in the form of cash, held on behalf of Holders by the Depositary under the Deposit Agreement would not constitute assets of the Depositary. Holders should therefore have ownership rights relating to such Deposited Securities and should be able to request the Depositary's receiver or conservator to deliver such Deposited Securities that would be unavailable to general creditors of the Depositary or the FDIC.

Default of the Depositary

If the Depositary fails to pay cash or deliver non-cash assets to holders under circumstances where such payment and/or delivery is required by the Deposit Agreement or otherwise engages in conduct for which it would be liable under the terms of the Deposit Agreement, the Depositary will be in breach of its contractual obligations under the Deposit Agreement. In such case, the Company and holders may have a claim under New York law against the Depositary for the Depositary's breach of its contractual obligations under the Deposit Agreement, subject to the terms and limitations contained in the Deposit Agreement.

The Custodian

The Custodian and the Depositary are parties to a custody agreement, which is governed by New York law.

Relationship of Holders of GDRs with the Custodian: The holders do not have any contractual relationship with, or rights enforceable against, the Custodian. The Custodian will hold the shares and any other securities comprising the Deposited Securities from time to time, each of which will be registered in the Company's share register in the name of the Depositary, the Custodian or a nominee of any of them, as the case may be.

Default of the Custodian

Failure to deliver Deposited Securities in the form of cash or non-cash assets: If the Custodian fails to deliver Deposited Securities, whether in the form of cash or non-cash assets, held for the account and to the order of the Depositary as required by the Depositary or otherwise defaults under the terms of the custody agreement, the Custodian will be in breach of its obligations to the Depositary. In such case the Depositary will have a claim under New York law against the Custodian for the Custodian's breach of its obligations under the custody agreement. The Depositary can also remove the Custodian and appoint a substitute or additional custodians and may exercise such rights if it deems necessary.

The Depositary's obligations: The Depositary has no obligation to pursue a claim for breach of obligations against the Custodian on behalf of holders. The Depositary shall not be responsible for, and shall incur no liability in connection with or arising from, any act or omission to act on the part of the Custodian except to the extent the Custodian has (i) committed fraud or wilful misconduct in the provision of custodial services to the Depositary or (ii) failed to use reasonable care, or acted in bad faith, in the provision of custodial services to the Depositary as determined in accordance with the standards prevailing in the jurisdiction in which the Custodian is located.

Applicable law: The custody agreement is governed by the laws of the State of New York.

Insolvency of the Custodian

Applicable law: If the Custodian becomes insolvent, the insolvency proceedings will be governed by applicable Argentine law.

Effect of applicable insolvency law: The Deposit Agreement states that any Deposited Securities, whether in the form of cash or non-cash assets, held by the Custodian are held for the account and to the order of the Depository for the benefit of the holders. Under current Argentine law, it is expected that, in the event of the insolvency of the Custodian, any Deposited Securities, whether or not in the form of cash, held by the Custodian for the account and to the order of the Depository for the benefit of the holders, will not constitute assets of the Depository. Pursuant to article 138 of Law No. 24,522 (as amended from time to time, the "Argentine Bankruptcy Law"), holders would have ownership rights relating to such Deposited Shares and other assets and be able to request the restitution of such Deposited Shares and other assets, subject to the completion of the requirements set forth under article 188 of the Argentine Bankruptcy Law.

The Depository's obligations: The Depository has no obligation to pursue a claim in the Custodian's insolvency on behalf of the Holders. The Depository has no responsibility for, and will incur no liability in connection with or arising from, the insolvency of any custodian that is not a branch or affiliate of JPMorgan Chase Bank N.A. In the event of the insolvency of the Custodian that is not an affiliate of the Depository, the Holders have no direct recourse to the Custodian under the Deposit Agreement, though the Depository can remove the Custodian and appoint a substitute or additional custodians and may exercise such rights if it deems necessary.

PERSONS HOLDING BENEFICIAL TITLE TO GDRs OR INTERESTS THEREIN ARE REMINDED THAT THE ABOVE DOES NOT CONSTITUTE LEGAL ADVICE AND IN THE EVENT OF ANY DOUBT REGARDING THE EFFECT OF THE DEFAULT OR INSOLVENCY OF THE DEPOSITARY OR THE CUSTODIAN, SUCH PERSONS SHOULD CONSULT THEIR OWN ADVISORS IN MAKING A DETERMINATION.

Settlement and Safekeeping

The Depository has made arrangements with DTC to act as securities depository for the GDSs. Ownership of the GDRs will be recorded on the Direct Registration System of DTC. Transfers of GDSs will be permitted within DTC in accordance with the usual rules and operating procedures of the relevant system. Transfers of ownership interests in GDSs will be accomplished by entries made on the books of DTC and of participants in DTC acting in each case on behalf of GDS owners.

If at any time DTC ceases to make its respective book-entry settlement systems available for the GDSs, the Company and the Depository will attempt to make other arrangements for book-entry settlement. If alternative book-entry settlement arrangements cannot be made, the Depository will make GDSs available in book-entry form and statements will be issued to the registered owners thereof evidencing the ownership of such GDSs.

Transfer Restrictions

There are no restrictions on the transfer of the GDSs under the Securities Act. The transfer of the GDSs are subject to certain selling and transfer restrictions in certain other jurisdictions. See "Transfer Restrictions."

General Restrictions

Restrictions on Transfer

Persons seeking to transfer GDSs will be required to meet certain requirements under the Deposit Agreement, including, if required by the Depository, the Company and/or the Custodian, compliance with such regulations as the Depository may establish consistent with the Deposit Agreement or as the Depository reasonably believes are required in order to enable compliance with applicable laws, rules and regulations, including, without limitation, those of the Central Bank, BCBA and the CNV.

The registration of any transfer of GDSs in particular instances may be refused, or the registration of transfers generally may be suspended, during any period when the transfer books of the Depositary, the Company, the GDR Register or the Argentine Share Registrar are closed or if any such action is deemed advisable by the Depositary.

The Depositary may close the transfer books with respect to the GDRs, at any time or from time to time, when deemed expedient by it.

Restrictions on Deposit of Class B Shares under the Deposit Agreement

Class B Shares may not be accepted for deposit whenever it is notified in writing by the Company that such deposit would result in any violation of applicable laws, including ownership restrictions under Argentine laws, or where the Depositary deems it expedient to restrict such deposit.

Persons seeking to deposit Class B Shares under the Deposit Agreement will be required to meet certain requirements set forth therein, including, if such person is an affiliate (within the meaning of the Securities Act) of the Company, that the GDSs issued in respect of such shares will not be, on the sale thereof, "restricted securities" (within the meaning of the Securities Act).

Restrictions upon the Withdrawal of Class B Shares

The withdrawal of Class B Shares may be restricted where the Depositary deems it expedient to restrict such withdrawal or where such withdrawal would not be permitted by applicable law.

Dividends and Distributions

Generally, each registered holder of GDSs has the right to receive distributions made by the Company on the underlying Class B Shares deposited with the Custodian. Receipt of these distributions may be limited, however, by practical considerations and legal limitations. Registered holders of GDSs will receive such distributions under the terms of the Deposit Agreement in proportion to the number of GDSs held as at a specified GDS record date, which the Depositary will use reasonable efforts to establish as close as practicable to the record date set by the Company for the Class B Shares underlying the GDSs.

Distributions of Cash

Whenever the Company makes a cash distribution in respect of Class B Shares on deposit with the Custodian, the Depositary will distribute any U.S. dollars available to the Depositary, subject to appropriate adjustments for taxes withheld and such distribution being impermissible or impracticable with respect to certain registered holders of GDSs. In addition, the Depositary may convert foreign currency received from the Company to U.S. dollars and transfer foreign currency or U.S. dollars to the United States, in each case as the Depositary may determine provided that such conversion or transfer is made on a reasonable basis.

The amounts distributed to holders of GDSs will be net of the fees, charges, expenses, taxes and governmental charges payable by holders under the terms of the Deposit Agreement. The Depositary may make adjustments to a distribution if any of the Class B Shares is not entitled, by reason of its date of issuance or otherwise, to receive the full amount thereof.

Distributions of Class B Shares

Whenever there is a dividend or free distribution of Class B Shares in respect of the Class B Shares on deposit with the Custodian, the Company will deposit the applicable number of Class B Shares with the Custodian. Upon receipt of confirmation of such deposit from the Custodian, the Depositary will distribute to holders additional GDSs representing the Class B Shares deposited. Only whole GDSs will be issued. Shares that would result in fractional GDSs will be sold and the proceeds of such sale will be distributed as in the case of a cash distribution.

The distribution of new GDSs upon a distribution of Class B Shares will be made net of the fees, charges, expenses, taxes and governmental charges payable by registered holders of GDSs under the

terms of the Deposit Agreement. In order to pay such taxes or governmental charges, the Depositary may sell all or a portion of the additional Class B Shares so distributed.

No such distribution of new GDSs or payments in connection therewith will be made in violation of applicable laws (including the U.S. securities laws and Argentine foreign exchange regulations) or if it is not operationally practicable.

Distributions of Rights

In the case of a distribution of rights to purchase additional Class B Shares, if the Company assists the Depositary in determining whether it is lawful to distribute the rights to registered holders of GDSs, the Depositary will establish procedures to distribute rights to purchase additional GDSs to registered holders of GDSs and to enable registered holders of GDSs to exercise such rights. In the event that the Company does not provide such information and sales of such rights are practicable, the Depositary will distribute any proceeds from such sales as in the case of a cash distribution. Each registered holder of GDSs will be responsible for the related fees, charges, expenses and taxes and other governmental charges to subscribe for the Class B Shares upon the exercise of the rights. The Depositary is not obligated to establish procedures to facilitate the distribution and exercise by registered holders of GDSs of rights to purchase additional Class B Shares other than in the form of GDSs.

There can be no assurance that registered holders of GDSs in general or any registered holder of GDSs in particular will be given the opportunity to exercise rights on the same terms and conditions as the holders of Class B Shares or to exercise such rights at all. See “Risk Factors—Risks Related to Our Controlling Shareholder and Capital Structure—Your voting rights with respect to the GDSs are limited by the terms of the Deposit Agreement.”

Elective Distributions

Subject to applicable laws, whenever the Company intends to distribute a dividend payable at the election of shareholders either in cash or in additional Class B Shares, it will assist the Depositary in determining whether such distribution is lawful and reasonably practicable.

The Depositary may make the election available to registered holders of GDSs only if the Company has timely requested that the elective distribution be made available to holders, it is reasonably practicable and the Company has provided all of the documentation contemplated in the Deposit Agreement (such as opinions of counsel as to compliance with applicable law). In such case, the Depositary will establish a record date and procedures to enable each registered holder of GDSs to elect to receive either cash or additional Class B Shares in the form of GDSs, in each case as described in the Deposit Agreement.

If the election is not made available to the registered holders of GDSs, registered holders of GDSs will, to the extent permitted by law, receive either cash or GDSs, depending on whether a shareholder in Argentina would receive cash or shares on failing to make an election. The Depositary is not obliged to make available to registered holders of GDSs a method to receive the elective dividend in the form of shares rather than in the form of GDSs.

There can be no assurance that registered holders of GDSs or owners of beneficial interests in GDSs generally, or any registered holder of GDSs in particular, will be given the opportunity to receive elective distributions on the same terms and conditions as the holders of the Class B Shares.

Other Distributions

Subject to applicable laws, whenever the Company distributes property other than cash, additional Class B Shares or rights to purchase additional Class B Shares the Depositary will distribute the property to the registered holders of GDSs in a manner it reasonably deems equitable and practicable.

The distribution will be made net of fees, charges, expenses, taxes and governmental charges payable by registered holders of GDSs under the terms of the Deposit Agreement. In order to pay such taxes and governmental charges, if permitted by applicable law the Depositary may sell all or a portion of the property received.

Any U.S. Dollars will be distributed by checks drawn on a bank in the United States for whole dollars and cents. Fractional cents will be withheld without liability and dealt with by the Depositary in accordance with its then current practices.

To the extent that the Depositary determines that any of the methods set forth in the Deposit Agreement are not practicable with respect to any specific registered holder of GDSs, the Depositary may choose any practical method of distribution for such specific registered holder of GDSs, including the distribution of foreign currency, securities or property, or it may retain such items, without paying interest on or investing them, on behalf of the GDR holder as Class B Shares. To the extent the Depositary holds such foreign currency, any and all costs and expenses related to, or arising from, the holding of such foreign currency shall be paid from such foreign currency, thereby reducing the amount so held hereunder.

The Depositary is not responsible if it decides that it is not lawful or reasonably practicable to make a distribution available to any GDR holders.

There can be no assurances that the Depositary will be able to convert any currency at a specified exchange rate or sell any property, rights, shares or other securities at a specified price, nor that any of such transactions can be completed within a specified time period.

Redemption

Whenever the Company decides to redeem any of the securities on deposit with the Custodian, the Company will notify the Depositary. If the Depositary has received notice from the Company and received from the Company all of the documentation (such as opinions of counsel) contemplated in the Deposit Agreement, the Depositary will mail notice of the redemption to the registered holders of GDSs.

The Depositary will convert the redemption funds received into U.S. dollars in accordance with the terms of the Deposit Agreement and will establish procedures to enable registered holders of GDSs to receive the net proceeds from the redemption upon surrender of the GDSs to the Depositary. The registered holders of GDSs will have to pay the fees and charges of, and the expenses incurred by, the Depositary, and any taxes upon the redemption of the GDSs. If less than all GDSs are being redeemed, the GDSs to be redeemed will be selected by lot or on a pro rata basis, as the Depositary may determine.

Changes Affecting Class B Shares

The Class B Shares held on deposit for the GDSs are subject to change from time to time. For example, there may be a change in nominal or par value, a split up, cancellation, consolidation or reclassification of such Class B Shares or a recapitalisation, reorganisation, merger, consolidation or sale of assets affecting the Company.

If any such change were to occur, any securities which shall be received by the Depositary or the Custodian in exchange for, or in conversion, replacement or otherwise in respect of, such Class B Shares shall, to the extent permitted by law, be treated as new securities under the Deposit Agreement, and the GDRs shall, subject to the terms of the Deposit Agreement and applicable law, evidence the GDSs representing the right to receive such replacement securities. The Depositary in such circumstances may, after consultation with the Company, execute and deliver additional GDSs or make appropriate adjustments in its records, or call for the exchange of existing GDSs for new GDSs. If the Depositary may not lawfully distribute such securities to registered holders of GDSs, the Depositary may with the Company's approval sell such securities and distribute the net proceeds to registered holders of GDSs as in the case of a cash distribution, and shall do so upon the Company's request and if the Company provides the Depositary at the Company's own expense a satisfactory opinion of counsel that such action is not in violation of applicable laws or regulations. GDS owners will have to pay the fees and charges of, and the expenses incurred by, the Depositary, and any taxes and other governmental charges upon the sale of such securities.

The Depositary shall not be responsible for any good faith failure to determine that it is lawful or practicable to make such securities available to registered holders of GDSs in general or to any registered holder of GDSs in particular.

Issuance of GDSs upon Deposit of Class B Shares

Subject to the limitations set forth in the Deposit Agreement and the GDSs, the Depositary may create GDSs on a registered holder of GDSs's behalf if the registered holder of GDSs or its broker deposits the Class B Shares with the Custodian. The Depositary will deliver these GDSs to the person indicated by the registered holder of GDSs only after any applicable issuance fees, any charges and any taxes payable for the transfer of the Class B Shares to the Custodian have been paid by the registered holder of GDSs and the applicable deposit certification is provided. Each registered holder of GDSs's ability to deposit Class B Shares and receive GDSs may be limited by U.S. and Argentine legal considerations applicable at the time of deposit.

The issuance of GDSs may be delayed until the Depositary or the Custodian receives confirmation that all required approvals have been given and that the Class B Shares have been duly transferred to the Custodian. The Depositary will only issue GDSs in whole numbers.

When Class B Shares are deposited to receive GDSs, the prospective registered holder of GDSs will be required to represent and warrant, among other things, that:

- the shares are not "restricted securities" as such term is defined in Rule 144 under the Securities Act of 1933 unless at the time of deposit the requirements of paragraphs (c), (e), (f) and (h) of Rule 144 shall not apply and such shares may be freely transferred and may otherwise be offered and sold freely in the United States; and
- if it is an affiliate (within the meaning of the Securities Act) of the Company, the GDSs issued in respect of such shares will not be, upon the sale thereof, "restricted securities" as such term is defined in Rule 144 under the Securities Act.

Withdrawal of Class B Shares Upon Cancellation of GDSs

Subject always to the withdrawal of deposited property being permitted under applicable laws and the terms of the Deposit Agreement, a registered holder of GDSs will be entitled to present its GDSs to the Depositary for cancellation and then receive the corresponding number of underlying Class B Shares at the Custodian's offices. The ability to withdraw the Class B Shares may be limited by U.S. and Argentine law considerations applicable at the time of withdrawal.

In order to withdraw the Class B Shares represented by the GDSs, each registered holder of GDSs will be required to pay to the Depositary the fees for cancellation of the GDSs and any changes and taxes payable upon the transfer of the Class B Shares being withdrawn and will be required to provide to the Depositary the applicable withdrawal certification. Each registered holder of GDSs assumes the risk for delivery of all funds and securities upon withdrawal. Once cancelled, the GDSs will not have any rights under the Deposit Agreement.

Each registered holder of GDSs must, upon the request of the Depositary, provide proof of identity and genuineness of any signature and such other documents as the Depositary may deem appropriate before it will cancel the GDSs. The withdrawal of the Class B Shares represented by the GDSs may be delayed until the Depositary receives satisfactory evidence of compliance with all applicable laws and regulations. The Depositary shall be entitled at all times to sell any fractional GDSs presented for cancellation and remit the proceeds of such sale to the registered holders of GDSs net of fees, expenses, charges and taxes.

Proofs, Certificates and Other Information; Obligations of Owners

Each registered holder of GDSs may be required (i) to provide to the Depositary, the Company or the Custodian proof of citizenship or residence, taxpayer status, payment of all applicable taxes or other governmental charges, exchange control approvals, legal or beneficial ownership of GDSs, compliance with all applicable laws and the terms of the Deposit Agreement, and (ii) to comply with such procedures or regulations that the Depositary may establish consistent with the Deposit Agreement or as the Depositary reasonably believes are required in order to enable compliance with applicable laws, rules and regulations. The Depositary may withhold the execution or delivery or registration of transfer or cancellation of any GDS, or the distribution or sale of any dividend or distribution of rights, until such

proof or other information is filed or such other documentation or information is provided, in each case, to the Depositary's and the Company's reasonable satisfaction.

Voting Rights

As soon as practicable after receipt from the Company of notice of any meeting at which the holders of GDSs are entitled to vote, or solicitation of consents or proxies from holders of Class B Shares, the Depositary will distribute, if such distribution is timely requested by the Company and lawful, to each registered holder of GDSs any notice of such shareholders' meetings or solicitation of consents or proxies from holders of Class B Shares received from the Company, if any, together with information explaining how to instruct the Depositary to exercise the voting rights of the Class B Shares represented by the GDSs. The Company has agreed in the Deposit Agreement to provide such notice not fewer than 30 days prior to the meeting date.

Each registered holder of GDSs generally has the right under the Deposit Agreement to instruct the Depositary to exercise the voting rights for the Class B Shares represented by its GDSs.

If the Depositary receives voting instructions in a timely manner from a registered holder of GDSs in the manner specified by the Depositary, it will endeavour—insofar as practicable and permitted under applicable law, the provisions of the Deposit Agreement, the Bylaws and terms of the Class B Shares—to vote or cause to be voted the Class B Shares represented by the GDS in accordance with such voting instructions.

The Depositary will not, exercise any discretion as to voting. If the Depositary does not secure timely instructions or receives timely voting instructions from a registered holder of GDSs that fail to specify the manner in which the Depositary is to vote the registered holders of GDSs's underlying Class B Shares, the Depositary will (except as otherwise set forth in the Deposit Agreement) consider the holder of the GDS to have authorised the Depositary to give a discretionary proxy to a person designated by the Company. The Depositary will give a discretionary proxy with respect to those Class B Shares in those circumstances to the person designated by the Company to vote on all matters to be voted on.

Notwithstanding anything contained herein or in the Deposit Agreement or any GDR, the Depositary may, to the extent not prohibited by law, rule, regulation or the Company's constituent documents, or by the requirements of the stock exchange on which the GDSs are listed, in lieu of distribution of the materials provided to the Depositary in connection with any meeting of, or solicitation of consents or proxies from, holders of Class B Shares, distribute to the registered holders of GDSs a notice that provides holders with, or otherwise publicises to registered holders of GDSs, instructions on how to retrieve such materials or receive such materials upon request

The ability of the Depositary to carry out voting instructions may be limited by practical, legal and regulatory limitations and the terms of the securities on deposit. Registered holders of GDSs cannot be assured that they will receive voting materials in time to enable them to return voting instructions to the Depositary in a timely manner.

Fees and Charges

The Depositary shall be entitled to charge the following fees to GDS owners and persons depositing Class B Shares or surrendering GDSs for cancellation:

- for the issue of GDSs (other than upon the issue of GDSs pursuant to the initial issuance) or the cancellation of GDSs upon the withdrawal of Class B Shares: up to US\$0.05 per GDS issued or cancelled;
- for the issue of GDSs pursuant to a change for any reason in the number of Class B Shares in the form of GDSs, regardless of whether or not there has been a deposit of Class B Shares to the Custodian or the Depositary for such issuance: a fee of up to US\$0.05 per GDS;
- for the operation and maintenance costs associated with the administration of the GDSs: an annual fee of US\$0.04 per GDS (such fee to be assessed against holders of record as at the date or dates set by the Depositary and collected at the sole discretion of the Depositary by

billing such holders for such fee or by deducting such fee from one or more cash dividends or other cash distributions);

- for receiving and paying any cash dividend or other cash distribution on or in respect of the Class B Shares: a fee of up to US\$0.02 per GDS for each such dividend or distribution;
- in respect of any issue of rights or distribution of Class B Shares (whether or not evidenced by GDSs) or other securities or other property (other than cash) upon exercise of any rights, any free distribution, stock dividend or other distribution (except where converted to cash): up to US\$0.05 per GDS for each such issue of rights, dividend or distribution; and
- an amount for the reimbursement of such fees, charges and expenses as are incurred by the Depository and/or any of its agents in connection with the servicing of the Class B Shares, compliance with applicable law, and otherwise as set forth in the Deposit Agreement, to be assessed against holders of record as at the date or dates set by the Depository and collected at the sole discretion of the Depository by billing such holders for such fee or by deducting such fee from one or more cash dividends or other cash distributions.

Each such person will also be responsible for paying the following charges incurred by the Depository and/or the Custodian:

- taxes, including applicable interest and penalties, and governmental charges;
- fees for the transfer and registration of Class B Shares charged by the Share Registrar (as defined below) (*i.e.*, upon deposit and withdrawal of Class B Shares);
- fees and expenses incurred for converting foreign currency into U.S. dollars and compliance with exchange control regulations;
- expenses for fax, SWIFT, cable and electronic transmissions and for delivery of securities; and
- fees and expenses incurred in connection with the delivery or servicing of Class B Shares on deposit.

The Company has agreed to pay certain other charges and expenses of the Depository. The fees and charges that a registered holder of GDSs may be required to pay may vary over time and may be changed by the Company and by the Depository. Each registered holder of GDSs will receive prior notice of such changes.

Amendments and Termination

The Company may agree with the Depository to modify the Deposit Agreement at any time without the consent of the registered holders of GDSs. The Company undertakes to give the registered holders of GDSs 30 days' prior notice of any modifications that would impose or increase fees or charges (other than charges in connection with stock transfer or other taxes or other governmental charges, transfer or registration fees, SWIFT, cable telex, facsimile or electronic transmission costs, delivery expenses and other such expenses) or otherwise prejudice any of their substantial existing rights under the Deposit Agreement. Further, the Deposit Agreement cannot be amended to prevent the registered holders of GDSs from withdrawing the Class B Shares represented by the GDSs, except in order to comply with mandatory provisions of applicable law. Notwithstanding the foregoing, the Company and the Depository may at any time amend or supplement the Deposit Agreement or the GDRs in order to comply with mandatory provisions of applicable laws, rules or regulations, and such amendments or supplements may become effective before notice thereof is given to registered holders of GDSs or within any other period required to comply with such laws, rules or regulations.

Each registered holder of GDSs will be bound by the modifications to the Deposit Agreement if it continues to hold its GDSs after the modifications to the applicable Deposit Agreement become effective.

The Company has the right to direct the Depository to terminate the Deposit Agreement. Similarly, the Depository may in certain circumstances on its own initiative terminate the Deposit Agreement. In

addition, the Depositary may resign, with such resignation to take effect upon the earlier of 60 days' notice or the acceptance of appointment by a successor Depositary, or the Company may remove the Depositary, with such removal to take effect upon the later of 60 days' notice or the acceptance of appointment by a successor Depositary, and if in either such case no successor Depositary shall have accepted appointment by the Company, then the Depositary may terminate the Deposit Agreement. In either case, the Depositary must give notice to the holders of the GDSs at least 45 days before termination.

Upon termination, the following will occur under the Deposit Agreement:

- the Company will have no further obligations to a registered holder of GDSs under the Deposit Agreement.
- for a period of six months after termination, each registered holder of GDSs will be able to request the cancellation of its GDSs and the withdrawal of the underlying Class B Shares and the delivery of all other property held by the Depositary in respect of those Class B Shares on the same terms as prior to the termination including the payment of any applicable taxes or governmental charges. During such six-month period the Depositary will continue to collect all distributions received on the Class B Shares on deposit, such as dividends, but will not distribute any such property to a registered holder of GDSs until it requests the cancellation of its GDSs.
- after the expiration of such six-month period, the Depositary shall sell the Class B Shares held on deposit. The Depositary will hold the net proceeds from such sale and any other funds then held for the registered holders of GDSs in a segregated, non-interest bearing account, without liability for interest. At that point, the Depositary will have no further obligations to a registered holder of GDSs other than to account for the funds then held for the holders of GDSs still outstanding, net of fees, expenses, taxes and governmental charges payable by holders under the terms of the Deposit Agreement.

Books of Depositary

The Depositary or its agent will keep, at a designated transfer office, (a) a register (the "GDR Register") for the registration, registration of transfer, combination and split up of GDSs, which at all reasonable times will be open for inspection by holders of GDSs and the Company for the purpose of communicating with such holders in the interest of the business of the Company or a matter related to the Deposit Agreement and (b) facilities for the delivery and receipt of GDSs.

The transfer office as of the date hereof shall be at the Depositary's primary address for depositary-related matters is located at Four New York Plaza, New York, New York, 10004 United States of America.

Transmission of Notices to Shareholders

The Deposit Agreement, the provisions of or governing the Class B Shares and any written communications from the Company, which are both received by the Depositary or its nominee as a holder of Class B Shares and made generally available to the holders of Class B Shares, are available for inspection by Holders at the offices of the Depositary and the Custodian and at the designated transfer office. The Depositary will distribute copies of such communications (or English translations or summaries thereof) to registered holders of GDSs when furnished by the Company. The Company will promptly transmit to the Depositary those communications that applicable law requires the Company to make generally available to holders of the Class B Shares.

Limitations on Obligations and Liabilities

The Deposit Agreement limits the Company's and the Depositary's obligations to the registered holders of GDSs. In particular:

- The Company and the Depositary are obligated only to take the actions specifically stated in the Deposit Agreement and the GDSs without negligence or wilful misconduct.

- Neither the Company nor the Depositary, nor any of their respective agents, shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Class B Shares, the GDSs or the GDRs, which, in the case of the Company and its agents, in the Company's opinion may involve the Company in expense or liability, unless an indemnity satisfactory to the Company against all expense (including fees and disbursements of counsel) and liability be furnished as often as may be required.
- The Depositary and its agents disclaim any liability to any Holder or beneficial holder for any failure to carry out any voting instructions to vote any Class B Shares, for any manner in which a vote is cast or for the effect of any vote.
- The Depositary disclaims any liability for any failure to determine the lawfulness or practicality of any action, for the content of any document or information forwarded to the registered holders of GDSs on the Company's behalf or for any inaccuracy of any translation of such document or information, for any investment risks associated with acquiring an interest in the Class B Shares, for the validity or worth of the Class B Shares, for any tax consequences that result from the ownership or disposition of GDSs or interests in the GDRs, for the creditworthiness of any third party, for allowing any rights to lapse under the terms of the Deposit Agreement or for the failure or timeliness of any of the Company's notices.
- The Depositary and the Custodian disclaim any liability with respect to Argentina's system of share registration and custody, including any liability in respect of the unavailability of the Class B Shares or other Class B Shares, or any distribution in respect thereof.
- The Depositary disclaims any liability for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the Depositary or in connection with any matter arising wholly after the removal or resignation of the Depositary.
- The Company, the Depositary, and the Company's or the Depositary's affiliates and the respective officers, directors, employees, agents and advisers of any of the foregoing disclaim any liability if the Company or the Depositary if any provision of any law or regulation, any provision of its Bylaws, any provision of or governing any securities on deposit or any act of God or war or other circumstances beyond its control, including, without limitation, nationalisation, expropriation, currency restrictions, work stoppage, strikes, civil unrest, acts of terrorism, revolutions, rebellions, explosions and computer failure, shall prevent or delay, or shall cause any of them to be subject to any civil or criminal penalty in connection with, any act which the Deposit Agreement or the GDRs provide shall be done or performed by it or them.
- The Company, the Depositary, and their respective agents disclaim any liability by reason of any exercise of, or failure to exercise, any discretion provided for in the Deposit Agreement or in the GDRs.
- The Company, the Depositary and their respective agents further disclaim any liability for any action or inaction in reliance on the advice or information received from legal counsel, accountants, any person presenting Class B Shares for deposit, any registered holder of GDSs or beneficial owners or any other person believed by either of the foregoing to be competent to give such advice or information.
- The Company, the Depositary and their respective agents also disclaim liability for the inability by a registered holder of GDSs or any beneficial owner to benefit from any distribution, offering, right or other benefit which is made available to holders of Class B Shares but is not, under the terms of the Deposit Agreement, made available to holders of GDSs.
- The Company, the Depositary and its agents may rely and shall be protected in acting upon any written notice, request or other document believed to be genuine and to have been signed or presented by the proper parties.
- The Company, the Depositary and their respective agents also disclaim any liability for indirect, special, consequential or punitive damages.

Indemnification

The Depositary has agreed to indemnify the Company against any direct loss, liability or expense, including the reasonable fees and expense of counsel, to the extent such loss, liability or expense is due to the negligence or wilful misconduct of the Depositary.

The Company has agreed to indemnify the Depositary, its directors, officers, employees, agents and affiliates and the Custodian and its agents against any loss, liability or expense, including the reasonable fees and expenses of counsel, that may arise out of acts performed or omitted in connection with the provisions of the Deposit Agreement and the GDRs, in any such case by the Depositary, its directors, officers, employees, agents and affiliates or the Custodian or its agent, except to the extent such loss, liability, or expense arises directly out of the negligence or wilful misconduct of any of them while acting in such capacity under the Deposit Agreement, or by the Company or any of its directors, officers, employees, agents or affiliates. The foregoing shall include any liability or expense that may arise out of any offering document in respect of the GDSs, except to the extent of the information contained in the section "Information Relating to the Depositary" and sections "—The Depositary," "—Right of Holders of GDRs," "Right of the Company," "Insolvency of the Depositary," "Default of the Custodian" and "Insolvency of the Custodian" of "Terms and Conditions of the Global Depositary Shares" in this Prospectus.

Pre-Release Transactions

Under the Deposit Agreement, the Depositary may issue GDSs before receiving a deposit of Class B Shares or release Class B Shares before receiving GDSs for cancellation. These transactions are commonly referred to as "pre-release transactions." The Deposit Agreement limits the aggregate size of pre-release transactions (which normally will not exceed 30% of all GDSs outstanding at any given time (excluding pre-released GDSs), unless the Depositary elects to change or disregard such limit from time to time as it deems reasonably appropriate) and imposes a certain conditions on such transactions, including conditions concerning the need to receive collateral and the type of collateral required. The Depositary may retain the compensation received from the pre-release transactions.

Taxes

The holders of the GDRs or an interest therein shall be responsible for the payment of any tax or other governmental charges (including any penalties and/or interest) that may become payable by or on behalf of the Custodian or the Depositary with respect to the GDSs or the Class B Shares, and the Company shall have no liability to holders therefor. By holding or having held a GDR or an interest therein, such holder agrees to indemnify, defend and save harmless each of the Depositary, the Company and their respective agents in respect of such payments. The Depositary may also deduct from any distribution or may sell any and all Class B Shares on deposit (after attempting by reasonable means to notify the holder thereof prior to such sale), to pay the taxes and governmental charges payable by such holder. The holder will remain liable for any deficiency. The Depositary may refuse to issue GDSs, to deliver, transfer, split or combine GDSs or to release securities on deposit, until all taxes and charges are paid by the registered holder of GDSs.

The Company, the Depositary and the Custodian will withhold or deduct from any distribution to the holders of the GDRs or interests therein the amounts required to be withheld.

The Company, the Depositary and/or their respective agents may, but are not obligated to, take reasonable administrative actions to obtain tax refunds and reduced tax withholding for any distributions on a registered holder of GDSs's behalf. However, each registered holder of GDSs may be required to provide to the Depositary and to the Custodian proof of taxpayer status and residence and such other information as the Depositary and the Custodian may require to fulfil legal obligations. Each registered holder of GDSs and beneficial owner is required to indemnify the Company, the Depositary and the Custodian and any of their respective agents, directors, officers, employees and affiliates against, and to hold each of them harmless from, any claims by any governmental authority with respect to taxes, additions to tax, penalties or interest arising out of any refund of taxes, reduced rate of withholding at source or other tax benefit obtained for such holder and beneficial owner.

The Depositary is under no obligation to provide the registered holders of GDSs with any information about the Company's tax status. Neither the Depositary nor the Custodian shall incur any liability for any tax consequences that may be incurred by the registered holders of GDSs on account of their ownership of the GDSs, including, without limitation, by virtue of the Company's tax status.

Disclosure of Interests

By purchasing GDSs, each registered holder of GDSs agrees to comply with requests from the Company or the Depositary pursuant to Argentine law, the rules and requirements of any stock exchange on which the Class B Shares are, or may be, registered, traded or listed, or the Bylaws, which are made to provide information, among other things, as to the capacity in which a holder holds or owns a beneficial interest in the GDSs and the Class B Shares, as the case may be, and regarding the identity of any other person interested in such GDSs, the nature of such interest and various related matters, whether or not a particular person or entity is a holder or owner of a beneficial interest in the GDSs at the time of such request. The Company reserves the right to instruct registered holders of GDSs to deliver their GDSs for cancellation and withdrawal of the Deposited Securities so as to permit the Company to deal directly with such holder as a holder of Class B shares, and each registered holder of GDSs agrees to comply with such instructions.

Foreign Currency Conversion

The Depositary will, or will cause the Custodian to, arrange for the conversion into U.S. dollars of all foreign currency received if such conversion is practicable in the reasonable judgment of the Depositary, and it will distribute the U.S. dollars in accordance with the terms of the Deposit Agreement. Each registered holder of GDSs will have to pay fees and expenses incurred in converting foreign currency, such as fees and expenses incurred in complying with currency exchange controls and other governmental requirements.

Governing Laws and Jurisdiction

Although New York law has been chosen to govern the construction and interpretation of the Deposit Agreement and the GDSs, the rights of holders of the Class B Shares and the Company's obligations and duties in respect of such registered holder of GDSs shall be governed by the laws of Argentina, or the laws of such other jurisdiction as may govern the Class B Shares.

Under the terms of the Deposit Agreement, registered holders of GDSs agree that any dispute, controversy or cause of action against or involving the Company and/or the Depositary arising out of or based upon the Deposit Agreement, the GDSs or any transaction contemplated therein or thereby, may only be instituted in any state or federal court in the Borough of Manhattan, New York, New York.

EACH PARTY TO THE DEPOSIT AGREEMENT, INCLUDING HOLDERS AND BENEFICIAL OWNERS OF GDSs, IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING AGAINST THE DEPOSITARY AND/OR THE COMPANY DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THE CLASS SHARES, THE GDSs OR THE GDRS, THE DEPOSIT AGREEMENT, OR ANY TRANSACTION CONTEMPLATED THEREIN, OR THE BREACH THEREOF (WHETHER BASED ON CONTRACT, TORT, COMMON LAW OR ANY OTHER THEORY).

Argentine Share Register

The Caja de Valores S.A. (the "Share Registrar") serves as the registrar of the Class B Shares in Argentina.

The Company has agreed in the Deposit Agreement to:

- take any and all actions reasonably necessary to assure the accuracy and completeness of all of the information contained in the register maintained by the Share Registrar in respect of the Class B Shares;
- provide, or use commercially reasonable efforts to cause the Share Registrar to provide, unrestricted access by the Depositary and the Custodian to the register during ordinary

business hours in Argentina, in such manner and upon such terms and conditions as the Depositary may, in its sole discretion, deem appropriate, to permit the verification of the registration of the Class B Shares in the form of the GDSs in the name of the Depositary or the Custodian or their respective nominees;

- use reasonable commercially efforts to cause the Share Registrar to promptly notify the Depositary of (i) any material and uncured breaches by the Share Registrar of the terms of the Deposit Agreement relating to it, and (ii) any time the Share Registrar will no longer be able materially to comply with, or has engaged in conduct that indicates it will not materially comply with, the provisions of the Deposit Agreement and the GDRs;
- use reasonable commercially efforts to cause the Share Registrar to promptly (and, in any event, within 72 hours, of the receipt by the Custodian of such documentation as may be required by applicable law and regulation and the reasonable and customary internal regulations of the Share Registrar) re-register the ownership of Class B Shares being deposited into or withdrawn from the GDS facilities under the Deposit Agreement; and
- use reasonable commercially efforts to cause the Share Registrar to promptly notify the Depositary of (i) any alleged unlawful removal of shareholders from the shareholders' register, or any alleged unlawful alteration of shareholder records, (ii) any alleged unlawful refusal to register the Class B Shares in the name of a particular purchaser, and (iii) any time the Share Registrar holds the Class B Shares for its own account.

In the Deposit Agreement, the Company has agreed to assume liability for the unavailability of the Class B Shares on deposit under the terms of, or the failure of the Depositary to make any distributions with respect thereto contemplated by, the Deposit Agreement as a result of any one or more of the following: (i) the negligence or wilful misconduct of the Company, its agents, including the Share Registrar, or their respective directors, employees, agents or affiliates, (ii) any provision of the Company's present or future Bylaws, or other documents relating to the Class B Shares, and (iii) any provisions of any securities the Company issues or distributes and any related distribution or offering.

TRANSFER RESTRICTIONS

Distribution Restrictions

No action has been taken or will be taken in any jurisdiction by the Company that would permit a public offering of the Shares, GDSs or GDRs (other than in Argentina), or registration, qualification, possession or distribution of this prospectus or any amendment or supplement thereto or any other offering or publicity material relating to the Shares, GDSs or GDRs, in any country or jurisdiction where action for that purpose is required.

United States

The GDSs have not been, nor will they be, registered under the Securities Act. The Class B Shares have not been, and will not be, registered under the Securities Act or any state securities laws and may not be offered or sold in the United States absent registration or an exemption from registration under the Securities Act. The Company will be relying on an exemption provided by Rule 12g3-2(b) under the Exchange Act and therefore will not be required to register the GDSs with the SEC.

Argentina

The Argentine prospectus, which has been filed with the CNV, is in a format different from that of this Prospectus, consistent with CNV regulations, but contains substantially the same information as this Prospectus, other than certain IFRS information, information relating to the GDSs, U.S. and U.K. taxation matters, information required under the FSMA and information relating to events subsequent to 31 August 2017, the date on which the listing of the Class B Shares was approved.

General

No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Shares, GDSs or GDRs (other than in Argentina), or the possession or distribution of this Prospectus or any other material relating to the Shares, GDSs or GDRs, where action for such purpose is required. Accordingly, the Shares, GDSs or GDRs, may not be offered or sold, directly or indirectly, nor may this Prospectus or any other offering material or advertisement in connection with such Securities be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulation of any such country or jurisdiction. No dealer, salesperson or other person has been authorised to give any information or to make any representation not contained in this Prospectus, and, if given or made, such information or representation must not be relied upon as having been authorised by the Company. This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Shares, GDSs or GDRs. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the Company's affairs since the date hereof or that the information contained in this Prospectus is correct as of a date after its date.

SETTLEMENT AND TRANSFER

Clearing and Settlement of GDSs

Custodial and depository links have been established between Euroclear, Clearstream and DTC to facilitate the initial issue of the GDSs and cross-market transfers of the GDSs associated with secondary market trading.

The Clearing Systems

Euroclear and Clearstream

Euroclear and Clearstream each hold securities for participating organisations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream participants are financial institutions throughout the world, including securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Indirect access to Euroclear or Clearstream is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Distributions of dividends and other payments with respect to book-entry interests in the GDSs held through Euroclear or Clearstream will be credited, to the extent received by the Depository, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system's rules and procedures.

DTC

DTC is a limited-purpose trust company organised under the laws of the State of New York, a "banking organisation" within the meaning of the New York Banking Law, a member of the United States Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities for DTC participants and facilitates the clearance and settlement of securities transactions between DTC participants through electronic computerised book-entry changes in DTC participants' accounts. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organisations. Indirect access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly.

Holders of book-entry interests in the GDSs holding through DTC will receive, to the extent received by the Depository, all distributions of dividends or other payments with respect to book-entry interests in the GDSs from the Depository through DTC and DTC participants. Distributions in the United States will be subject to relevant U.S. tax laws and regulations. See "Taxation—Certain United States Federal Income Tax Considerations—U. S. Federal Income Tax Considerations."

As DTC can act on behalf of DTC direct participants only, who in turn act on behalf of DTC indirect participants, the ability of beneficial owners who are indirect participants to pledge book-entry interests in the GDSs to persons or entities that do not participate in DTC, or otherwise take actions with respect to book-entry interests in the GDSs, may be limited.

Registration and Form

Book-entry interests in the GDSs held through DTC will be represented by the GDRs recorded on the Direct Registration System in the name of the nominee for DTC. Beneficial ownership in the GDSs will be held through financial institutions as direct and indirect participants in DTC, including Euroclear and Clearstream.

DTC and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the GDSs, including Euroclear and Clearstream, will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interests in the GDSs. The Depository will be responsible for maintaining a record of the aggregate holdings of GDSs registered in the name of the nominee for DTC. The Depository will be responsible for ensuring that payments received by it from the Company for holders holding through DTC are paid by it to DTC.

The Company will not impose any fees in respect of the GDSs; however, holders of book-entry interests in the GDSs may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear, Clearstream or DTC and certain fees and expenses payable to the Depository in accordance with the terms of the Deposit Agreement.

Global Clearance and Settlement Procedures

Initial Settlement

The GDSs will be in global form evidenced by the GDRs recorded on the Direct Registration System. Acquirers or holders who elected to hold book-entry interests in the GDSs through Euroclear and Clearstream accounts followed the settlement procedures applicable to depositary receipts. DTC participants acting on behalf of holders electing to hold book-entry interests in the GDSs through DTC followed the delivery practices applicable to depositary receipts.

Secondary Market Trading

For a description of transfer restrictions relating to the Securities, see "Transfer Restrictions."

Trading between Euroclear and Clearstream Participants

Secondary market sales of book-entry interests in the GDSs held through Euroclear or Clearstream to holders of book-entry interests in the GDSs through Euroclear or Clearstream will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream and will be settled using the normal procedures applicable to depositary receipts.

Trading between DTC Participants

Secondary market sales of book-entry interests in the GDSs held through DTC will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to depositary receipts, if payment is effected in U.S. dollars, or free of payment, if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading between DTC Seller and Euroclear/Clearstream Holder

When book-entry interests in the GDSs are to be transferred from the account of a DTC participant to the account of a Euroclear or Clearstream participant, the DTC participant must send to DTC a delivery free of payment instruction at least two business days prior to the settlement date. DTC will in turn transmit such instruction to Euroclear or Clearstream, as the case may be, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream participant. On the settlement date, DTC will debit the account of its DTC participant and will instruct the Depository to instruct Euroclear or Clearstream, as the case may be, to credit the relevant account of the Euroclear or Clearstream participant, as the case may be. In addition, on the settlement date, DTC will instruct the Depository to (i) decrease the amount of book-entry interests in the GDSs registered in the name of a nominee for DTC and represented by the GDRs and (ii) increase the amount of book-entry interests in the GDSs registered in the name of the common nominee for Euroclear and Clearstream and represented by the GDRs.

Trading between Clearstream/Euroclear Seller and DTC Holder

When book-entry interests in the GDSs are to be transferred from the account of a Euroclear or Clearstream participant to the account of a DTC participant, the Euroclear or Clearstream participant must send to Euroclear or Clearstream a delivery free of payment instruction at least two business days

prior to the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream participant, as the case may be. On the settlement date, Euroclear or Clearstream, as the case may be, will debit the account of its participant and will instruct the Depository to instruct DTC to credit the relevant account of Euroclear or Clearstream, as the case may be, and will deliver such book-entry interests in the GDSs free of payment to the relevant account of the DTC participant.

General

Although the foregoing sets out the procedures of Euroclear, Clearstream and DTC in order to facilitate the transfers of interests in the GDSs among participants of Euroclear, Clearstream and DTC, none of Euroclear, Clearstream or DTC are under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Company, the Depository, the Custodian or their respective agents will have any responsibility for the performance by Euroclear, Clearstream or DTC or their respective participants of their respective obligations under the rules and procedures governing their operations.

INFORMATION RELATING TO THE DEPOSITARY

JPMorgan Chase Bank, N.A. is a wholly-owned bank subsidiary of JPMorgan Chase & Co. (“JPMorgan Chase”), a Delaware corporation which is a leading global financial services firm and one of the largest banking institutions in the United States of America, with operations worldwide. JPMorgan Chase Bank, N.A. is a commercial bank offering a wide range of banking services to its customers both domestically and internationally. It is chartered, and its business is subject to examination and regulation, by the Office of the Comptroller of the Currency, a bureau of the United States Department of the Treasury. It is a member of the Federal Reserve System and its deposits are insured by the Federal Deposit Insurance Corporation. Effective 1 July 2004, Bank One Corporation merged with and into JPMorgan Chase, the surviving corporation in the merger, pursuant to the Agreement and Plan of Merger dated as of 14 January 2004. Prior to 13 November 2004, JPMorgan Chase Bank, N.A. was in the legal form of a banking corporation organised under the laws of the State of New York and was named JPMorgan Chase Bank. On that date, it became a national banking association and its name was changed to JPMorgan Chase Bank, National Association (the “Conversion”). Immediately after the Conversion, Bank One, N.A. (Chicago) and Bank One, N.A. (Columbus) merged into JPMorgan Chase Bank, N.A.

GENERAL INFORMATION

Corporate Information

Cablevisión Holding was incorporated on 28 September 2016, for a term of 99 years and its by-laws were registered with the IGJ on 27 April 2017 under No.7925, Book 83, Volume “—” of corporations. The Company’s duration is 99 years. The principal legislation under which the Company operates is the legislation of Argentina, and the regulations and orders made thereunder. The registered address and the principal place of business of the Company is at Tacuarí 1842 (1139), 4th floor Buenos Aires, Argentina (Tel. No.: (5411) 4309-3417).

We are a holding company and our principal asset is our ownership of and right to vote 50% plus 2 shares of the common stock of TEO, which represents approximately 99% of our business. We began our operations on 1 May 2017 and the accounting and tax effects of the Split Up became effective as of such date.

Independent Accountants

The Telecom Audited Financial Statements, the Cablevisión Audited Financial Statements and CVH’s Audited Interim Financial Statements included in this Prospectus, have been audited by Price Waterhouse & Co. S.R.L. Buenos Aires, Argentina (a member firm of the PricewaterhouseCoopers network), independent accountants, domiciled at Bouchard 557, 7th floor, Ciudad de Buenos Aires, as stated in their report.

Price Waterhouse & Co. S.R.L. have issued and not withdrawn their consent to the inclusion in this Prospectus of their opinion dated 24 November 2017 on CVH’s Audited Interim Financial Statements in the form and context in which it is included, and Price Waterhouse & Co. S.R.L. have authorised the contents of their opinion. For the purposes of Prospectus Rule 5.5.3R(2)(f) Price Waterhouse & Co. S.R.L are responsible for the Independent auditor’s report dated 24 November 2017 and included under Annex A of this Prospectus. Price Waterhouse & Co. S.R.L declare that they have taken all reasonable care to ensure that the information contained in the Independent auditor’s report is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex X to the Prospectus Rules.

With respect to Cablevisión’s Interim Financial Statements and Telecom’s Interim Financial Statements included in this Prospectus, Price Waterhouse & Co. S.R.L. reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate reports dated 10 November 2017, appearing herein under Annexes B and C respectively, state that they did not audit and they do not express an opinion on that unaudited financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

Significant Subsidiaries

The following table sets forth certain information with respect to the Company’s significant subsidiaries:

Entity	Registered office address	Activity	Percentage interest owned and or voted (directly and indirectly) by Company
TEO	Alicia Moreau de Justo 50 (C1107AAB) - Buenos Aires Argentina	Provides “quadruple play” services, combining the provision of fixed and mobile telecommunications services as well as pay television and Internet services	50% plus 2 shares

VLG Argentina LLC.....	1209 Orange Street, Corporation Trust Center, Wilmington, Delaware, United States of America	Investing and financing activities	100%
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Property

As of the date of this Prospectus, CVH does not own real estate properties, but the Cablevisión Business owns several real estate properties including its corporate headquarters located in Barracas, in the City of Buenos Aires, and an operations center in Munro, in the Province of Buenos Aires, and also leases properties.

<u>Property</u>	<u>Address</u>
Corporate Headquarters	General Hornos 690, Buenos Aires, Argentina
Operations Center	Julian Segundo Agüero 3440 (1605), Munro, Buenos Aires, Argentina

Significant change

Except for the consummation of the Merger, there has been no significant change in the financial or trading position of the Cablevisión Group since 30 September 2017, the date of Cablevisión's and Telecom's latest consolidated financial statements.

Litigation

Save for the dispute between Cablevisión and the Domestic Trade Secretariat ("Secretaría de Comercio Interior") over the validity of Resolution No.50, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Cablevisión Group is aware) during the 12 months preceding the date of this Prospectus which may have or have had a significant effect on the financial position or profitability of the Cablevisión Group. We cannot predict the outcome of the dispute between Cablevisión and the Domestic Trade Secretariat over the validity of Resolution No. 50. See "Risk Factors—Risks Related to the Cablevisión Business and its Operations—If the constitutionality of Resolution No. 50 is upheld, it could have a material adverse impact on the Cablevisión Business," which is found on page 32 of this Prospectus.

Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by a member of the Cablevisión Group within the two years immediately preceding the date of this Prospectus and are, or may be, material or have been entered into at any time by any member of the Cablevisión Group and contain provisions under which any member of the Cablevisión Group has an obligation or entitlement which is, or may be, material to the Cablevisión Group as at the date of this Prospectus:

Merger Agreement

The Preliminary Merger Agreement set forth the preliminary terms and conditions, as approved by the Board of Directors of Cablevisión and Telecom, of the Merger. On 31 October 2017, both companies executed the Final Merger Agreement, which was filed with the CNV on 1 November 2017 for approval. In accordance with the terms of the Final Merger Agreement:

- Cablevisión dissolved without liquidation and transferred all of its rights, obligations, assets and liabilities to Telecom;
- Cablevisión merged into Telecom, and TEO became the surviving entity;
- Shareholders of Cablevisión are considered shareholders of TEO as of the Merger Effective Date;

- TEO amended its bylaws, which became effective as of the Merger Effective Date;
- TEO created a new class of shares of TEO's capital stock, TEO class D shares, that have the same voting and economic rights as TEO class A shares, TEO class B shares and TEO class C shares, and pursuant to the amended bylaws of TEO, the holders of, and the directors nominated by holders of, TEO class A shares and TEO class D shares will have supermajority rights with respect to certain matters;
- The TEO class A shares and the TEO class D shares will not be registered with the U.S. Securities and Exchange Commission and will not be listed on any U.S. stock exchange;
- TEO increased its share capital and issued additional TEO class A shares and TEO class D shares, each of which will be convertible to TEO class B shares; and
- TEO's new shares were allocated based on a fixed exchange ratio of 1 share of Cablevisión for every 9,871.07005 TEO class A shares or TEO class D shares, among Fintech Media, VLG and us (the "Exchange Ratio").

In addition, on 7 July 2017, Cablevisión Holding accepted the Call Option offer granted by the Fintech Parties for the acquisition of a participation equal to 13.51% of the total outstanding capital of TEO (after giving effect to its reorganisation but prior to the Merger) at an exercise price of U.S.\$634,275,282, plus interest at a rate of 6% per annum, which will be reduced by any adjustments for the payment of dividends paid by Telecom and certain liabilities of the relevant parties. The shares underlying the Call Option represent a participation of approximately 6% of the post-Merger shares of TEO.

On 5 October 2017, we prepaid the total exercise price under the Call Option. We exercised the Call option by delivering the required exercise notice on 27 December 2017, and the closing of the Call Option occurred on 1 January 2018.

On 27 December 2017, we and Fintech Media resolved to effect an escisión (split-off) pursuant to which VLG and its members unanimously agreed to split off and cause to vest the Split-Off Unit (as defined in the Split-Off Agreement (as defined below)), including VLG's right, title and interest in and to 17,522 capital stock of Cablevisión, including, for the avoidance of doubt, any appurtenant rights related to distributions on such shares of Cablevisión, each such shares representing the right to receive the corresponding amount of equity interests in TEO to holders of shares of Cablevisión, in VLG Argentina Escindida, LLC, a Delaware limited liability company ("VLG Escindida"), which prior to the Fintech Media Merger, was wholly owned by Fintech Media. In addition, on the same date, Fintech Media, VLG, VLG Escindida and us entered into an agreement with respect to the terms and conditions of the Split-Off (the "Split-Off Agreement").

As a result of the Merger (i) VLG received class D shares representing approximately 20.19% of the post-Merger capital stock of TEO, and (iii) we received TEO class D shares representing 18.89% of the post-Merger capital stock of TEO. As of 1 January 2018, we own a 100% interest in VLG and, through such ownership, we will be entitled to vote VLG's shares representing 20.19% of the post-Merger capital stock of TEO.

TEO Shareholders Agreement

The TEO shareholders agreement, dated 7 July 2017 (the "TEO Shareholders Agreement") among the Fintech Parties, VLG and the Company, regulates certain matters as to the corporate governance of TEO which became effective upon the Merger Effective Date, while other provisions became effective, upon the execution of the TEO Shareholders Agreement. The TEO Shareholders Agreement provides, among other matters, the following:

- Any capital stock of TEO as the surviving company, upon effectiveness of the Merger (such capital stock, "Post-Merger Shares"), owned by VLG will be split off pro rata between Fintech Media and the Company based on their holdings of VLG membership interests as of the date of the split off;

- Any shareholder party to the TEO Shareholders Agreement (any such shareholder, a “SHA Party”) is subject as of the date of the agreement to restrictions on the transfer of all their shares of Telecom upon effectiveness of the Merger, including (i) the right of first refusal to purchase such shares from a selling SHA Party, (ii) certain tag-along rights of each other SHA Party and (iii) so long as a SHA Party holds at least a certain minimum amount of Post-Merger Shares, such SHA Party will be entitled to certain drag-along rights pursuant to which it will be able to require the other SHA Parties to sell, together with the dragging SHA Party, a number of shares that represents in the aggregate at least fifty-one percent (51%) of the Post-Merger Shares;
- The Fintech Parties and the Company (i) will each deposit certain Post-Merger Shares in a voting trust (the “Voting Trust”), which, when added to the Post-Merger Shares held by the Company, will exceed fifty percent (50%) of the outstanding Post-Merger Shares, and (ii) will each appoint a co-trustee who will be designated to vote the shares in accordance with the terms of a voting trust agreement to be entered into by the SHA Parties. The Voting Trust will cause its Post-Merger Shares to be voted pursuant to the instructions of the Company co-trustee, except with respect to certain veto matters, in which case the Fintech Parties co-trustee will determine how the Voting Trust’s post-shares will be voted;
- The Board of Directors of TEO will consist of an odd number of members between 11 to 17. Each of the Fintech Parties, the Company and the Voting Trust will vote their Post-Merger Shares in favour of the election of directors designated by the Fintech Parties and the Company, a majority of which will be designated by CVH subject to CVH and the Fintech Parties satisfying certain ownership thresholds of the Post-Merger Shares;
- Subject to CVH and the Fintech Parties satisfying certain ownership thresholds of the Post-Merger Shares, CVH will be entitled to designate the Chief Executive Officer and other key employees of TEO and FAI will be entitled to designate the Chief Financial Officer and the Internal Auditor;
- An executive committee of TEO will be established consisting of five (5) board members, of which three (3) will be designated by CVH and two (2) will be designated by the Fintech Parties, in each case subject to the SHA Party maintaining certain ownership thresholds of Post-Merger Shares. In addition, CVH will be entitled to designate two (2) members of TEO’s statutory audit committee and three (3) members of TEO’s statutory supervisory committee (*comisión fiscalizadora*) and FAI will be entitled to designate one (1) member of the statutory audit committee and two members of the statutory supervisory committee;
- Prior to each shareholder meeting or any other meeting of TEO upon which certain veto matters will be decided, CVH and the Fintech Parties agree to hold meetings at which their representatives will determine how CVH and the Fintech Parties, and the Voting Trust, if in effect, will vote their Post-Merger Shares at such meeting in accordance with the provisions of the TEO Shareholders Agreement;
- TEO is required to maintain a listing of the TEO class B shares and the TEO American depositary shares representing the TEO class B shares on the BYMA and the New York Stock Exchange, respectively;
- Each SHA Party and its respective affiliates is prohibited from acquiring any capital stock of Telecom (prior to the Merger), any Post-Merger Shares (upon effectiveness of the Merger) in each case from a third party without (i) proper notice to the other SHA Parties and (ii) the right for such other SHA Parties to purchase fifty percent (50%) of the shares to be purchased from the third-party; provided that CVH may acquire an additional two percent (2%) of any Post-Merger Shares without complying with the foregoing obligations;
- In the event that a public acquisition offer in Argentina (*oferta pública de adquisición*) is required in connection with the change of control triggered by the Merger, CVH will launch such public acquisition offer to acquire TEO class B shares, and the Fintech Parties will be jointly and severally liable for payment for, and will receive following the closing of such public acquisition offer, fifty percent (50%) of any TEO class B shares tendered in such public acquisition offer;

- Subject to satisfying certain ownership thresholds of the Post-Merger Shares, each of the Fintech Parties and CVH, and certain other shareholders of TEO that subsequently become a SHA Party, will have certain supermajority rights over corporate governance matters of TEO;
- The SHA Parties agree to cause TEO to declare and pay dividends if its consolidated operating cash flows exceed a certain threshold, after taking into consideration certain adjustments. The Fintech Parties will be entitled to cause TEO to make dividend payments in excess of TEO's dividend policy for so long as any Bono de Goce Class A of TEO remains outstanding; and
- Each SHA Party will have certain registration rights with respect to TEO class B shares subject to the SHA Party satisfying certain ownership thresholds of the Post-Merger Shares.

The SHA Parties have also undertaken to use their respective reasonable best efforts to cause Telecom to become a party to the TEO Shareholders Agreement.

Agreements in connection with the GDS

- Deposit Agreement

The Deposit Agreement dated 28 August 2017 among the Company, the Depositary and the holders of GDSs. See "Terms and Conditions of the Global Depositary Shares."

Financing and indebtedness

See "Operating and Financial Review—Liquidity and Capital Resources—Indebtedness."

Other transactions

See "Related party transactions and other transactions."

Authorisation

The issuance of the Securities was approved by the shareholders of the Company and the board of directors of the Company on the Approval Date and pursuant to resolutions adopted on 20 March 2017, respectively. The entry into the Deposit Agreement was approved by the board of directors of the Company pursuant to a resolution adopted on 2 August 2017.

Proceeds

There will be no net proceeds resulting from the admission of the Class B Shares, since it is the result of the Split Up.

Listing

Application will be made to the UKLA for the GDSs to be admitted to the Official List. Application will be made to the London Stock Exchange for the GDSs to be admitted to trading on the Regulated Market through the IOB. It is expected that admission of the GDSs to the Official List of the UKLA and admission to trading of the GDSs on the Regulated Market of the London Stock Exchange will be granted on or around 21 February 2018. It is expected that dealings in the GDSs will commence on or around 21 February 2018. Cablevisión Holding has obtained authorisation to have its Class A Shares, Class B Shares and Class C Shares admitted to the public offering regime in Argentina and its Class B Shares and Class C Shares have been authorised to trade in Argentina. In addition, its Class B Shares are listed on the BCBA and have been admitted to trading on the BCBA.

Expense of admission to trading

Expenses related to admission of the Class B Shares and the GDSs to trading on the London Stock Exchange and the BCBA will be approximately US\$ 300,000.

Clearing reference numbers

The GDSs, with CUSIP number 12687E 104, are expected to be accepted for clearance with DTC, whose address is 55 Water Street, New York, NY 10041, United States. The GDSs are expected to be accepted for clearance through the Clearstream, Luxembourg and Euroclear systems with a Common Code of 167465978. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855, Luxembourg.

Interests of persons involved in the issue

None of the directors of the Company, the members of our supervisory committee, the members of the audit committee of our board of directors and our executive officers has any interest in any contract, arrangement or transaction entered into by the Company which is or was unusual in its nature or conditions or significant in relation to the business of the Company and which was effected during the current or immediately preceding financial year or which was effected during an earlier financial year and remains in any respect outstanding or unperformed. There are no potential conflicts of interest between any duties of the directors of the Company, the members of our supervisory committee, the members of the audit committee of our board of directors and our executive officers and their private interests and other duties, and to that extent may have interests that conflict with those of the Company.

Save for the fees payable to the Depository, so far as the Company is aware no person involved in the issue of the Securities has an interest that is material to the issue of the Securities.

Documents for inspection

So long as the GDSs are admitted to listing on the Official List and the rules of the Financial Conduct Authority shall so require, copies of the following documents (together with English translations, where applicable) may be inspected during normal business hours at the registered office of the Company:

- the Bylaws of the Company;
- the Audited Financial Statements;
- this Prospectus; and
- the Deposit Agreement.

GLOSSARY OF SELECTED TERMS

Access (or Accesses):	Connection provided by Telecom Argentina to Internet services.
ADSL	means asymmetrical digital subscriber line.
AFIP	means the <i>Administración Federal de Ingresos Públicos</i> , the Argentine Federal Revenue Service.
AFSCA	means the <i>Autoridad Federal de Servicios de Comunicación Audiovisual</i> , the Audiovisual Communication Services Law Federal Enforcement Authority.
AMBA Region	means the City of Buenos Aires and its surrounding areas.
Argentine Antitrust Law	means Argentine Law No. 25,156, as amended.
Argentine Corporations Law	means Argentine Law No. 19,550, as amended.
ARPU	means average revenue per user.
Banco Nación	means the <i>Banco de la Nación Argentina</i> .
BCBA	means the <i>Bolsa de Comercio de Buenos Aires</i> , the Buenos Aires Stock Exchange.
BYMA	means <i>Bolsas y Mercados Argentinos S.A.</i>
Bylaws	means the bylaws of the Company (<i>estatutos sociales</i>), as registered with the IGJ on 27 April 2017, as amended from time to time.
Cablevisión	means Cablevisión S.A.
Cablevisión Business	The legacy business of Cablevisión S.A.
Cablevisión Group	means Cablevisión Holding S.A. and its consolidated subsidiaries.
Cablevisión Holding, Company or CVH	means Cablevisión Holding S.A.
Central Bank	means the <i>Banco Central de la República Argentina</i> , the Argentine central bank.
Class B Shares	means 121,106,082 Class B Shares of the Company, with nominal value of Ps.1.00 and 1 (one) vote per share, and with equal rights to dividends as the outstanding shares of the Company.
Clearstream	means Clearstream Banking, société anonyme.
CNDC	means the <i>Comisión Nacional de Defensa de la Competencia</i> , the National Antitrust Commission.
CNV	means the <i>Comisión Nacional de Valores</i> , the Argentine Securities Commission.
Comfer	means the <i>Comité Federal de Radiodifusión</i> , the Federal Broadcasting Committee.
Controlling Shareholder	means GC Dominio S.A.
CPP (Calling Party Pays)	The system whereby the party placing a call to a mobile handset rather than the mobile subscriber pays for the air time charges for the call.
Custodian	means Banco Santander Río S.A.
Deposit Agreement	means the deposit agreement among the Company, the Depository and the holder of GDSs.
Depository	means JPMorgan Chase Bank N.A.

Direct Registration System	means the system for the uncertificated registration of ownership of securities established by DTC and utilised by the Depository pursuant to which the Depository may record the ownership of GDRs without the issuance of a certificate, which ownership shall be evidenced by periodic statements issued by the Depository to the holders of GDSs entitled thereto. For purposes hereof, the Direct Registration System shall include access to the profile modification system maintained by DTC which provides for automated transfer of ownership between DTC and the Depository.
DTC	means The Depository Trust Company.
EEA	means the European Economic Area.
Euroclear	means Euroclear Bank S.A./N.V. as operator of the Euroclear System.
Exchange Act	means the United States Securities Exchange Act of 1934, as amended.
Financial Conduct Authority or FCA	means the U.K. Financial Conduct Authority.
Fintech Media	means Fintech Media LLC.
FTTH, FTTC, FTT (<i>Fiber to the ...</i>)	It is the term used to indicate any network architecture that uses fibre optic cables in partial or total substitution of traditional copper cables used in telecommunications access networks. The various technological solutions differ in the point of the distribution network where the fibre connection is made, with respect to the end-user's location. In the case of FTTC (Fiber to the Curb or Fiber to the Cabinet), the fibre connection reaches the equipment (distribution cabinet) located on the pavement, from where copper connections are run to the customer; in the case of FTTH (Fiber to the Home), the fibre connection terminates inside the customer premises.
FSMA	means the Financial Services and Markets Act 2000.
GDS Closing Date	means on 31 August 2017.
GDSs	means, collectively, the Global Depository Shares.
GSM (<i>Global System for Mobile Communications</i>)	A standard for digital mobile technology used worldwide, which works on 900 MHz and 1,800 MHz band
GS Unidos	means GS Unidos, LLC.
IFRS	means International Financial Reporting Standards, as issued by the International Accounting Standards Board.
IGJ	means the <i>Inspección General de Justicia</i> , the Buenos Aires Registry of Public Commerce.
Independent Accountants	means Price Waterhouse & Co. S.R.L., Buenos Aires, Argentina (a member firm of the PricewaterhouseCoopers network), independent accountants.
IVC	means the <i>Instituto Verificador de Circulaciones</i> , the newspaper and magazine circulation verification institute.
MAE	means the <i>Mercado Abierto Electrónico, S.A.</i> , the Argentine over-the-counter market.
MERVAL	means the <i>Mercado de Valores de Buenos Aires</i> , the Buenos Aires Securities Market.
Multicanal	means Multicanal S.A.

Northern Region	The Argentine government's privatisation programme as set forth in the State Reform Law approved in August 1989 and subsequent decrees, the "Privatisation Regulations" provided for the division of the Argentine telecommunications network operated by ENTel into two regions, the northern region (the "Northern Region") and the southern region (the "Southern Region") of Argentina. Additionally, these two regions are set forth in Decree No. 1,461/93, which ratified the Resolution No. 575/93 which approved the list of conditions for the public offer for the provision of mobile telecommunication services.
Official List	means the official list of the Financial Conduct Authority.
OTT (<i>Over the Top</i>)	Over the Top applications or services are those services that bypass traditional network distribution approaches and run over, or on top of, internet networks. OTT refers, in general, to content from a third-party that is delivered to an end-user over the internet that is not provided directly by end-user Internet Service Provider.
PCS (<i>Personal Communications Service</i>)	A mobile communications service with systems that operate in a manner similar to cellular systems.
POPs of contents: "<i>Point Of Presence</i>"	Netflix, Google or other Internet content providers traffic cache servers where Internet contents are stored locally.
PP&E	Property, plant and equipment.
Prospectus	means all information contained in this Prospectus (including Annexes A, B and C).
Prospectus Directive	means Directive 2003/71/EC, as amended, including by Directive 2010/73/EU, and includes any relevant implementing measure in each Member State.
Prospectus Rules	means the prospectus rules of the Financial Conduct Authority made under Section 73A of the FSMA.
Member State	means each member state of the EEA.
Merger	means the merger between Cablevisión S.A. and Telecom Argentina S.A., pursuant to which, Cablevisión S.A. will be merged into Telecom Argentina S.A., TEO will be the surviving entity, Cablevisión S.A will be dissolved without liquidation and all of its assets and liabilities will be transferred to TEO, as applicable, in accordance with Law 19,550 and the terms of the Preliminary Merger Agreement.
RGUs	RGUs refer to the total sum of all the subscribers that generate revenue for the company.
Rule 144A	means Rule 144A under the Securities Act.
SCMA (<i>Servicio de Comunicaciones Móviles Avanzadas</i>)	Mobile Advanced Communications Service.
Secom	means the <i>Secretaría de Comunicaciones</i> , the Argentine Secretariat of Communications.
Securities	means, collectively, the Class B Shares and the GDSs.
Securities Act	means the United States Securities Act of 1933, as amended.
Share Distribution Date	means 30 August 2017.
Share Registrar	means Caja de Valores S.A.

Shareholders Agreement	means the shareholders agreement relating to the Company, dated on or about 20 February 2018 among GC Dominio, ELHN - Grupo Clarín New York Trust, HHM - Grupo Clarín New York Trust, LRP - Grupo Clarín New York Trust, José Antonio Aranda, Aranlu S.A., Luarán S.A., Red Media Investment Ltd., Héctor Horacio Magnetto, Brookstone Investments Ltd.GS Unidos, LLC, and Blue Media Investment Inc.
STM (Servicio Telefónico Móvil)	Mobile Telephone Service.
Telecom, Telecom Argentina or the Telecom Group	means Telecom Argentina S.A. and, where applicable, its consolidated subsidiaries prior to the Merger Effective Date.
Telecom Business	The legacy business of Telecom Argentina S.A.
TEO	means Telecom Argentina S.A. and, where applicable, its consolidated subsidiaries after the Merger Effective Date.
TLRD (Terminación Llamada Red Destino)	Termination charges from third parties' mobile networks
Transfer Date	means 8 November 1990, the date on which Telecom Argentina commenced operations upon the transfer from the Argentine government of the telecommunications system in the Northern Region of Argentina that was previously owned and operated by ENTel.
UKLA	means the U.K. Listing Authority.
VAS (Value Added Services)	Value Added Services (VAS): Services that provide a higher level of functionality than the basic transmission services offered by a telecommunications network such as video streaming, "Personal Video," "Nube Personal" (Cloud services), M2M (Machine to Machine communication), social networks, "Personal Messenger," content and entertainment (SMS subscriptions and content, games, music, etc.), MMS and voice mail.

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Cablevisión Holding S.A.

Interim Consolidated Financial Statements

As of September 30, 2017 and for the five-month period beginning May 1, 2017
and ended September 30, 2017

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GLOSSARY OF SELECTED TERMS

AEDBA	Association of Newspaper Publishers of the City of Buenos Aires
AFIP	<i>Administración Federal de Ingresos Públicos</i> (Argentine Federal Revenue Service)
AFSCA	<i>Autoridad Federal de Servicios de Comunicación Audiovisual</i> (Audiovisual Communication Services Law Federal Enforcement Authority)
AFTIC.....	Information and Communications Technology Federal Enforcement Authority
APE	<i>Acuerdo preventivo extrajudicial</i> (pre-packaged insolvency plan)
ATVC.....	<i>Asociación de Televisión por Cable</i> (Argentine Cable Television Association)
BCBA	<i>Bolsa de Comercio de Buenos Aires</i> (Buenos Aires Stock Exchange).
Cablevisión.....	Cablevisión S.A.
Cablevisión Holding or the Company.	Cablevisión Holding S.A.
CNDC.....	<i>Comisión Nacional de Defensa de la Competencia</i> (National Antitrust Commission);
CNV.....	<i>Comisión Nacional de Valores</i> (Argentine Securities Commission)
CPCECABA	<i>Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires</i> (Professional Council in Economic Sciences of the City of Buenos Aires)
COMFER.....	<i>Comité Federal de Radiodifusión</i> (Federal Broadcasting Committee)
ENACOM	<i>Ente Nacional de Comunicaciones</i> (National Communications Agency “ENACOM”, for its Spanish acronym)
FACPCE.....	<i>Federación Argentina de Consejos Profesionales de Ciencias Económicas</i> (Argentine Federation of Professional Councils in Economic Sciences)
Fintech	Fintech Advisory, Inc. together with its affiliates
GCSA Equity	GCSA Equity, LLC
GDS	Global Depositary Shares
Grupo Clarín.....	Grupo Clarín S.A.
IASB.....	International Accounting Standards Board
IFRIC or CINIIF	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IGJ.....	<i>Inspección General de Justicia</i> (Argentine Superintendency of Legal Entities)
VAT	Value Added Tax
Antitrust Law	Law No. 25,156, as amended
Audiovisual Communication Services Law.....	Law No. 26,522 and its regulations
LSE	London Stock Exchange
Multicanal	Multicanal S.A.
IAS	International Accounting Standards
PEM	PEM S.A.
PRIMA.....	Primera Red Interactiva de Medios Argentinos (PRIMA) S.A.
NEXTEL	NEXTEL Communications Argentina S.R.L.
SCI	<i>Secretaría de Comercio Interior</i> (Secretariat of Domestic Trade)
SECOM.....	<i>Secretaría de Comunicaciones</i> (Argentine Secretariat of Communications)
Supercanal.....	Supercanal Holding S.A.
Telecom	Telecom Argentina S.A.
Teledigital.....	Teledigital Cable S.A.
UIF	Financial Information Unit
VLG	VLG Argentina, LLC

Interim Consolidated Financial Statements as of September 30, 2017 and for the five-month period beginning May 1, 2017 and ended September 30, 2017

In Argentine Pesos (Ps. – Notes 2.1 and 2.11 to the interim consolidated financial statements.

Registered office: Tacuarí 1842, Piso 4º, Buenos Aires, Argentina

Main corporate business: Investing and financing

Date of incorporation: December 1, 2016

Date of registration with the Public Registry of Commerce:

- Of the by-laws: April 27, 2017

Business start date: May 1, 2017

Registration number with the IGJ: 1,908,463

Expiration of articles of incorporation: April 27, 2116

Information on Parent company:

Name: GC Dominio S.A.

Registered office: Piedras 1743, Buenos Aires, Argentina

Information on the subsidiaries in Note 2.4 to the interim consolidated financial statements.

CAPITAL STRUCTURE (See Note 10.1)

Type	Number of votes per share	Outstanding Shares	Treasury Stock	Total Subscribed, Registered and Paid-in Capital
Class "A "Common shares, Ps.1 par value	5	47,753,621	-	47,753,621
Class "B "Common shares, Ps.1 par value	1	121,104,504	1,578	121,106,082
Class "C "Common shares, Ps.1 par value	1	11,782,877	-	11,782,877
Total as of September 30, 2017		180,641,002	1,578	180,642,580

CABLEVISIÓN HOLDING S.A.
Consolidated Statement of Comprehensive Income

For the Five-Month Period Beginning May 1, 2017
and Ended September 30, 2017
(In Argentine Pesos)

	Notes	<u>Five-month period ended September 30, 2017</u>
Continuing Operations		
Revenues	6.1	17,225,283,5 35
Cost of Sales (1)	6.2	(7,937,426,50 0)
Gross income		9,287,857,03 5
Selling Expenses (1)	6.3	(2,638,632,08 4)
Administrative Expenses (1)	6.3	(1,946,316,55 4)
Other Income and Expenses, net		406,776
Financial Costs	6.4	(1,151,950,57 5)
Other Financial Results, net	6.5	(460,227,940)
Financial Results		(1,612,178,51 5)
Equity in Earnings from Associates	6.6	63,464,217
Income before Income Tax and Tax on Assets		3,154,600,87 5
Income Tax and Tax on Assets	13	(1,113,555,97 0)
Net income for the period		<u>2,041,044,90 5</u>
Other Comprehensive Income		
Items which can be reclassified to net income		
Variation in Translation Differences of Foreign Operations		203,659,087
Total Comprehensive Income for the Period		<u>2,244,703,99 2</u>
Net Income attributable to:		
Shareholders of the Controlling Company		1,147,769,38 2
Non-Controlling Interest		893,275,523
Total Comprehensive Income Attributable to:		
Shareholders of the Controlling Company		1,246,366,62 2

Non-Controlling Interest	998,337,370
Basic and Diluted Earnings per Share (See Note 11)	6.35

(1) Includes Amortization of Intangible Assets and Depreciation of Property, Plant and Equipment for Ps. 1,597,078,923.
The accompanying notes are an integral part of these consolidated financial statements.

CABLEVISIÓN HOLDING S.A.
Consolidated Balance Sheet

As of September 30, 2017
(In Argentine Pesos)

	Notes	September 30, 2017
ASSETS		
NON-CURRENT ASSETS		
Property, Plant and Equipment	7.1	20,494,675,570
Intangible Assets	7.2	2,354,275,042
Goodwill	7.3	3,531,653,014
Investments in Associates	7.5	207,629,078
Deferred Tax Assets	13	98,011,059
Other Receivables	7.6	347,677,365
Total Non-Current Assets		<u>27,033,921,128</u>
CURRENT ASSETS		
Inventories	7.8	110,632,894
Other Assets	7.10.2	311,515,414
Other Receivables	7.6	969,116,122
Trade Receivables	7.7	1,735,363,228
Investments	7.4	13,246,742,770
Cash and Banks	7.9	1,758,203,926
Total Current Assets		<u>18,131,574,354</u>
Total Assets		<u>45,165,495,482</u>
EQUITY (as per the corresponding statement)		
Attributable to Shareholders of the Parent Company		
Shareholders' Contributions		1,263,686,300
Other Items		844,433,669
Accumulated Income		5,748,779,231
Total Attributable to Shareholders of the Parent Company		7,856,899,200
Attributable to Non-Controlling Interests	14	5,623,527,201
Total Shareholders' Equity		<u>13,480,426,401</u>
LIABILITIES		
NON-CURRENT LIABILITIES		
Bank and Financial Debt	7.10	22,084,697,385
Deferred Tax Liabilities	13	393,671,024
Provisions and Other Charges	7.11	1,035,076,970
Taxes Payable	7.12	3,562,822
Other Liabilities	7.13	122,370,891
Total Non-Current Liabilities		<u>23,639,379,092</u>
CURRENT LIABILITIES		
Bank and Financial Debt	7.10	1,127,615,341
Taxes Payable	7.12	1,815,748,146
Other Liabilities	7.13	192,634,835
Trade Payables and Other	7.14	4,909,691,667
Total Current Liabilities		<u>8,045,689,989</u>
Total Liabilities		<u>31,685,069,081</u>
Total Equity and Liabilities		<u>45,165,495,482</u>

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

CABLEVISIÓN HOLDING S.A.
Consolidated Statement of Changes In Equity
For the Five-Month Period Beginning May 1, 2017
and Ended September 30, 2017
(In Argentine Pesos)

Equity attributable to Shareholders of the Parent Company												
	Shareholders' Contributions				Other Items		Accumulated Income				Equity Attributable to Non-Controlling Interests	Total Equity
	Capital Stock	Inflation Adjustment on Capital Stock	Additional Paid-in Capital	Subtotal	Translation of Foreign Operations	Other Reserves	Legal Reserve	Optional reserves (2)	Retained Earnings	Total Equity of Controlling Interests		
Balances as of May 1, 2017	180,642,580	194,762,882	888,280,838	1,263,686,300	749,470,539	(3,203,262)	75,081,092	3,691,570,698	834,358,059	6,610,963,426	4,625,189,831	11,236,153,257
Exchange of Shares - Payment of fractions in cash (see Note 10.1)	-	-	-	-	-	(430,848)	-	-	-	(430,848)	-	(430,848)
Net Income for the period	-	-	-	-	-	-	-	-	1,147,769,382	1,147,769,382	893,275,523	2,041,044,905
Other Comprehensive Income: Variation in Translation Differences of Foreign Operations	-	-	-	-	98,597,240	-	-	-	-	98,597,240	105,061,847	203,659,087
Balances as of September 30, 2017	<u>180,642,580</u>	<u>194,762,882</u>	<u>888,280,838</u>	<u>1,263,686,300</u>	<u>848,067,779</u>	<u>(3,634,110)</u>	<u>75,081,092</u>	<u>3,691,570,698</u>	<u>1,982,127,441</u>	<u>7,856,899,200</u>	<u>5,623,527,201</u>	<u>13,480,426,401</u>

(1) Includes 1,578 treasury shares. See Note 10.1.

(2) Broken down as follows: (i) Optional reserve for future dividends of Ps. 1,813,178,108; (ii) Optional reserve to ensure the liquidity of the Company and its subsidiaries of Ps. 659,951,291, (iii) Optional reserve for illiquidity of results of Ps. 436,412,739, and (iv) Optional reserve to provide financial aid to subsidiaries and in connection with the Audiovisual Communication Services Law of Ps. 782,028,560.

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

CABLEVISIÓN HOLDING S.A.
Consolidated Statement of Cash Flows

For the Five-Month Period Beginning May 1, 2017
and Ended September 30, 2017
(In Argentine Pesos)

	<u>Five-month period ended September 30, 2017</u>
CASH PROVIDED BY OPERATING ACTIVITIES	
Net income for the period	2,041,044,905
Income Tax and Tax on Assets	1,113,555,970
Adjustments to reconcile net income for the period to cash provided by operating activities	
Equity in Earnings for the period from Associates	(63,464,217)
Depreciation of Property, Plant and Equipment	1,586,738,740
Amortization of Intangible Assets	10,340,183
Obsolescence of Materials	5,971,089
Provisions	361,774,871
Income from Sale of Property, Plant and Equipment	(2,453,675)
Accrued Interest, net	303,951,943
Other Financial Results	1,058,479,282
Other Income and Expenses, net	437,909
Net Decrease of Property, Plant and Equipment	323,682,382
Changes in Assets and Liabilities	
Trade Receivables	247,669,979
Other Receivables	375,100,853
Inventories	52,512,582
Trade Payables and Other	783,170,337
Taxes Payable	(46,955,150)
Other Payables and Provisions	(55,281,588)
Change in Currency Translation of Foreign Operations	47,622,031
Collections of Interest	85,650,678
	(1,914,962,104)
Income Tax Paid)
Net Cash Provided by Operating Activities	<u>6,314,587,000</u>
CASH USED IN INVESTMENT ACTIVITIES	
Changes in Securities and Bonds, Net	200,343,840
Payment for call option	(52,620,000)
Dividends collected	30,398,328
Collection of repayment of bonds and other financial instruments	511,552,371
Proceeds from Sale of Property, Plant and Equipment	2,453,675
	(5,207,163,070)
Increase in Property, Plant and Equipment)
	<u>(4,515,034,856)</u>
CASH USED IN INVESTMENT ACTIVITIES	
)
CASH PROVIDED BY FINANCING ACTIVITIES	
Payment of debt for Dividends (Note 10.2.1)	(800,000,000)
Collection of Financial Instruments	10,108,100
	13,280,359,87
Increase in loans, net of application fees	1
Payment of Interest	(410,465,336)
Reserve set-up (Note 7.10.2)	(317,850,707)
Payment in cash of fractions of shares	(430,848)
Repayment of Loan Principal and Issuing Expenses of new loan	(426,568,927)
	<u>11,335,152,15</u>
Cash Provided by Financing Activities	<u>3</u>
	13,134,704,29
Net Increase in Cash Flow	7
Cash as of May 1, 2017	2,002,522,766
Effect of the variation of the exchange rate on cash and cash equivalents	<u>(200,709,309)</u>
Cash at the end of the period (See Note 2.23)	<u><u>14,936,517,75</u></u>

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

CABLEVISIÓN HOLDING S.A.
Notes to the Interim Consolidated Financial Statements

For the Five-Month Period Beginning May 1, 2017
and Ended September 30, 2017
(In Argentine Pesos)

NOTE 1 – GENERAL INFORMATION

Cablevisión Holding S.A. is a holding company that operates in the telecommunications industry. Its operating income and cash flows derive from the operations of its subsidiaries in which it participates directly or indirectly.

The Company has been incorporated as a spun-off company from Grupo Clarín S.A.. At the Extraordinary Shareholders' Meeting held on September 28, 2016, the shareholders of Grupo Clarín approved a corporate reorganisation that consisted in (i) the merger of Southtel S.A., Vistone S.A., Compañía Latinoamericana de Cable S.A. and CV B Holding S.A. into Grupo Clarín and (ii) the subsequent partial spin-off of Grupo Clarín to create Cablevisión Holding S.A.

The corporate reorganisation was registered with the IGJ on April 27, 2017. In view of the above and taking into consideration that, under the terms of the spin-off, the effective date of the Spin-off (the "Effective Date of the Spin-off") would be the first day of the month following the date on which the latest of the following registrations has been completed: (i) the registration of the Corporate Reorganisation with the IGJ, or (ii) the registration of the incorporation of Cablevisión Holding S.A. with the IGJ, the Effective Date of the Spin-off is May 1, 2017. As from that date, Cablevisión Holding S.A. began its operations, the accounting and tax effects of the Spin-off became effective, and Grupo Clarín transferred to Cablevisión Holding S.A. the operations, risks and benefits.

As a result of the spin-off, Grupo Clarín transferred to the Company mainly the direct and indirect equity interests it held in Cablevisión S.A. and in GCSA Equity, LLC. In this way, the Company became the direct and indirect holder of approximately 60% of the capital stock and votes of Cablevisión and of 100% of the capital stock of GCSA Equity.

Its operations include the provision of cable television and Internet access and telephony services, with operations in Argentina and in some neighboring countries, through its subsidiary Cablevisión. That company is the largest cable television operator in Latin America in terms of subscribers. This company also provides high-speed Internet access under the trademark Fibertel and telephony services through Nextel.

NOTE 2 - BASIS FOR THE PREPARATION AND PRESENTATION OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis for the preparation

These interim consolidated financial statements of the Company for the five-month period beginning May 1, 2017 and ended September 30, 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The interim consolidated financial statements have been prepared in accordance with the accounting policies the Company expects to adopt in its annual financial statements as of December 31, 2017. The accounting policies are based on IFRS issued by the International Accounting Standards Board ("IASB") and the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), which the Company expects to be applicable as of that date.

As mentioned in Note 1, Cablevisión Holding S.A. was created as a consequence of the spin-off of Grupo Clarín S.A. Consequently, the Company's Board of Directors has used as a general rule for the initial valuation of the assets received by the Company the valuation of those assets and liabilities as of the Effective Date of the Spin-off conducted by Grupo Clarín S.A. ("Predecessor Basis of Accounting"), which issues its financial statements under IFRS.

These interim consolidated financial statements for the five-month period beginning May 1, 2017 and ended September 30, 2017, have been prepared for the purposes of presentation to the London Stock Exchange relating to the incorporation of the company to the Official List and trading market.

These interim consolidated financial statements have been prepared based on historical cost except for the fair value measurement of certain non-current assets and financial instruments (including derivatives). In general, the historical cost is based on the fair value of the consideration granted in exchange for the assets.

International Accounting Standard (IAS) 29 “Financial Reporting in Hyperinflationary Economies ” requires that the financial statements of an entity that reports in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet closing date of the reporting period and details a series of factors that may indicate that an economy is hyperinflationary. Pursuant to the guidelines of IAS 29, there is not enough evidence to conclude that Argentina was a hyperinflationary economy and, therefore, the Company did not apply the restatement criteria to the financial information for the period reported as established under IAS 29.

The Company began operating on May 1, 2017. Therefore, these interim consolidated financial statements are not presented on a comparative basis.

The attached consolidated information, approved by the Board of Directors of the Company at the meeting held on November 24, 2017, is presented in Argentine Pesos (Ps.), the Argentine legal tender, and arises from accounting records kept by Cablevisión Holding S.A. and its subsidiaries.

2.2. Standards and Interpretations issued but not adopted to date

The Company has not adopted the IFRS or revisions of IFRS issued detailed below, since their application is not required for the period ended September 30, 2017:

- IFRS 9 “Financial Instruments”: Issued in November 2009 and amended in October 2010 and July 2014, IFRS 9 introduces new requirements for the classification and measurement of financial assets and liabilities and for their derecognition. This standard is applicable to years beginning on or after January 1st, 2018.

Upon reviewing the standard, the Company has determined that it would have an impact mainly on the accounting policy concerning the allowance for bad debts on the trade receivables of the Cable Television and Internet Access and IDEN Telephony segments, as a result of the application of the “expected losses” model. As of the date of these financial statements, the Company has not determined yet its quantitative impact.

- IFRS 15 “Revenue from ordinary activities under contracts with customers”: Issued in May 2014 and applicable to fiscal years beginning on or after January 1, 2018. This standard specifies how and when revenue will be recognised, as well as the additional information to be disclosed by the Company in the financial statements.

The standard provides a single, principles based five-step model to be applied to all contracts with customers.

Upon reviewing the standard, the Company has determined that it would have an impact mainly on the accounting policy concerning the recognition of revenues from connection charges of certain agreements of the cable television and Internet access segment, which are currently accrued based on the average useful life of the subscribers and, under the new standard, they will be accrued upon the provision of services. As of the date of these financial statements, the Company has not determined yet its quantitative impact.

- IFRS 16 “Leases”: Issued in January 2016. It establishes the principles for the recognition, measurement, presentation and disclosure of leases. Said standard applies to years beginning January 1, 2019.

As of the date of these financial statements, the Company cannot estimate its quantitative and qualitative impact because it is analyzing the corresponding accounting effects.

2.3. Standards and Interpretations issued and adopted to date

As of the date of these interim consolidated financial statements, no new standards have been issued that apply to the Company for this period.

2.4. Basis for Consolidation

These interim consolidated financial statements incorporate the financial statements of Cablevisión Holding and of the subsidiaries and joint ventures controlled by it as “joint operations”. Control is presumed to exist when the Company has a right to variable returns from its interest in a subsidiary and has the ability to affect those returns through its power over the subsidiary. This power is presumed to exist when it is evidenced by the voting rights, be it that the Company has the majority of voting rights or potential voting rights that are currently exercisable or convertible.

The subsidiaries are consolidated from the date on which the company assumes control over them and are excluded from consolidation on the date control ceases. Additionally, these interim consolidated financial statements incorporate the companies mentioned in 2.4.1.

For consolidation purposes, the intercompany transactions and the balances between the Company and the consolidated companies have been eliminated. Unrealised income has also been eliminated. Below is a detail of the most relevant consolidated subsidiaries, together with the interest percentages held directly or indirectly in each subsidiary’s capital stock and votes as of September 30, 2017:

Subsidiary	Country	Interest in capital stock and votes
		September 30, 2017
Cablevisión	Argentina	60%
NEXTEL	Argentina	60%
GCSA Equity	United States of America	100%

The financial statements of the consolidated companies and other financial information required for the preparation of the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows were prepared with the same closing date as that of the consolidated financial statements. The above-mentioned information has been prepared using exactly the same accounting policies as those used by the Company, described in the notes to the financial statements or, where appropriate, significant adjustments were made as applicable.

2.4.1. Consolidation of Special Purpose Entities

The subsidiary Cablevisión, through one of its subsidiaries, has executed certain agreements with other companies for the purpose of rendering on behalf of and by order of such companies certain selling and installation services, collections, administration of subscribers, marketing and technical assistance, financial and general business advising, with respect to cable television services in Uruguay. In accordance with IFRS 10 “Consolidated Financial Statements”, these interim consolidated financial statements include the assets, liabilities and results of these companies. Since the Company does not hold an equity interest in these companies, the offsetting entry of the net effect of the consolidation of the

assets, liabilities and results of these companies is disclosed under the line items “Equity attributable to non-controlling interests ” and “Net Income attributable to non-controlling interests.”

The Company considers those transactions executed with non-controlling companies that do not result in a loss of control as transactions among shareholders. A change in the equity interests held by the Company is considered as an adjustment in the book value of controlling interests and non-controlling interests to reflect the changes in its relative interests. The differences between the amount for which non-controlling interests are adjusted and the fair value of the consideration paid or received and attributed to the shareholders of the controlling company will be directly recognised in equity under a specific reserve in the equity attributed to the parent company.

2.5. Business Combinations

The Company applies the acquisition method of accounting for business combinations. The consideration for each acquisition is measured at fair value (on the date of exchange) of the assets assigned, the liabilities incurred or assumed and the equity instruments issued by the Company in exchange for the control of the acquired company. The costs related to the acquisition are expensed as incurred.

The consideration for the acquisition, if any, includes any asset or liability arising from a contingent consideration arrangement, measured at fair value at the acquisition date. Subsequent changes to such fair value, identified during the measurement period, are adjusted against the acquisition cost.

The measurement period is the effective period that begins on the acquisition date and ends on the date on which the Company obtains all the information about the facts and circumstances existing on the acquisition date, which may not extend beyond one year after the acquisition date. All other changes in the fair value of the contingent consideration classified as assets or liabilities, outside the measurement period, are recognised in the statement of income. The changes in the fair value of the contingent consideration classified as equity are not recognised.

In the cases of business combinations conducted in stages, the Company’s equity interest in the acquiree is remeasured at fair value on its acquisition date (i.e., the date on which the Company obtained control) and the resulting gain or loss, if any, is recognised in the statement of income or in other comprehensive income, as appropriate according to the source of the variation.

The identifiable assets, liabilities and contingent liabilities of the acquired company that meet the conditions for recognition under IFRS 3 (2008) are recognised at fair value at the acquisition date, except for certain particular cases provided by such standard.

Any excess of the acquisition cost, be it incurred by the surviving company in the case of equity interests received at the time of the creation of the Company or by the Company in subsequent acquisitions (including the interest previously held, if any, and the non-controlling interest) over the Company’s share in the net fair value of the subsidiary’s or associate’s identifiable assets, liabilities and contingent liabilities measured at the acquisition date is recognised as goodwill. Any excess of the Company’s share in the net fair value of the identifiable assets, liabilities and contingent liabilities over the acquisition cost, after its measurement at fair value, is immediately recognised in net income.

The acquisition cost comprises the consideration transferred, the amount of any non-controlling interest and the acquisition-date fair value of the acquirer’s previously-held equity interest in the acquiree, if any.

The Company initially recognises any non-controlling interest as per its share in the amounts recognised for the net identifiable assets of the acquired company.

2.6. Investments in Associates

An associate is an entity over which the Company has significant influence without exercising control.

The associates’ net income and the assets and liabilities are disclosed in the financial statements using the equity method. Under the equity method, the investment in an associate is to be initially recorded at cost and the book value will be increased or decreased to recognise the investor’s share in net income for the year or in other comprehensive income obtained by the associate, after the acquisition date. The

distributions received from the associate will reduce the book value of the investment. The Company's investments in associates includes the goodwill identified at the time of the acquisition, net of any impairment losses.

Any excess of the acquisition cost over the Company's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities measured at the acquisition date is recognised as goodwill. Goodwill is included in the book value of the investment and tested for impairment as part of the investment. Any excess of the Company's share in the net fair value of the identifiable assets, liabilities and contingent liabilities over the acquisition cost, after its measurement at fair value, is immediately recognised in the statement of income.

Unrealised gains or losses on transactions between the Company (and its subsidiaries) and the associates are eliminated considering the Company's interest in the associates.

Adjustments were made, where necessary, to the associates' financial statements so that their accounting policies are in line with those used by the Company.

Investments in companies in which the company does not have control or significant influence have been valued at cost, which does not differ significantly from its fair value.

The Company will record those transactions executed with non-controlling companies that do not result in a loss of control as equity transactions, i.e. as transactions with shareholders in their capacity as such. The difference between the fair value of the consideration paid and the relevant share acquired of the book value of net assets of the subsidiary is recorded inequity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Company ceases to have control, any interest retained in the entity is re-measured to its fair value at the date when control is lost, and the change in the book value is recognized in the statement of income. The fair value is the initial amount for the purposes of its subsequent accounting of the interest retained as associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. Consequently, the amounts previously recognised in Other Comprehensive Income may be reclassified to net income.

2.7. Interests in Joint Operations

A joint operation is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control, i.e., when the financial strategy and the operating decisions related to the company's activities require the unanimous consent of the parties sharing control.

In the cases of joint business arrangements executed through *Uniones Transitorias de Empresas* ("UTE"), considered joint operations under IFRS 11, the Company recognizes in its financial statements on a line-by-line basis the assets, liabilities and net income subject to joint control in proportion to its share in such arrangements. Cablevisión indirectly holds a 50% share in the UTE Ertach –Prima.

2.8. Goodwill

Goodwill arises from the acquisition of subsidiaries and refers to the excess of the cost of acquisition over the net fair value at the date of acquisition of the identifiable assets acquired and liabilities assumed. The Company initially recognizes any non-controlling interest as per its share in the amounts recognized for the net identifiable assets of the acquired company.

If, after the fair value measurement, the Company's share in the fair value of the net identifiable assets of the acquiree exceeds the amount of the transferred consideration, the amount of any non-controlling interest in such company and the fair value of the interest previously held by the acquirer in the acquiree (if any), that excess is immediately recognized in the statement of comprehensive income as income from purchase in very profitable terms.

Goodwill is not amortized, but tested for impairment on an annual basis. For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units expected to render benefits from the synergies of the respective business combination. Those cash-generating units to which goodwill

is allocated are tested for impairment on an annual basis, or more frequently, when there is any evidence of impairment. If the recoverable value of the cash-generating unit, i.e. the higher of the value in use or the fair value net of selling expenses, is lower than the value of the net assets allocated to that unit, including goodwill, the impairment loss is first allocated to reduce the goodwill allocated to the unit and then to the other assets of the unit, on a pro rata basis, based on the valuation of each asset in the unit. The impairment loss recognized against the valuation of goodwill is not reversed under any circumstance.

In case of a loss of control in a subsidiary, the amount attributable to goodwill is included in the calculation of the gain or loss for retirement.

2.9. Revenue Recognition

Sales of subscription for cable television, Internet, IDEN telephony or other services subscriptions are recognized as revenues for the period in which the services are rendered.

Revenues from the installation of these services are accrued over the average term during which clients maintain their subscription to the service. Advertising sales revenues are recognized in the period in which advertising is published or broadcast.

Revenues from transactions that include more than one item have been recognized separately to the extent they have commercial substance on their own. The amount of revenues allocated to each item is based on its fair value, which is assessed or estimated at market value (see Note 17).

Revenues from the sale of assets are recognized only when the risks and benefits arising from the use of the disposed assets have been transferred, the amount of revenues may be fairly estimated, and it is probable that the Company will obtain economic benefits.

Installment sales are recognized at the value of future income discounted at a market rate assessed at the beginning of the transaction.

2.10. Leases

Leases are classified as financial leases when the terms of the lease transfer to the lessee substantially all the risks and benefits inherent to the property. All other leases are classified as operating leases.

The assets held under financial leases are recognized at the lower of the fair value of the Company's leased assets at the beginning of the lease term, or the present value of the minimum lease payments. The liability held with the lessor is included in the balance sheet as an obligation under financial leases recorded under "Bank and Financial Debt".

Lease payments are apportioned between the finance charge and the reduction of the liabilities under the lease so as to achieve a constant interest rate on the outstanding balance. The finance charge is expensed over the lease term.

The assets held under financial leases are depreciated over the shorter of the useful life of the assets or the lease term.

Rentals under operating leases are charged to income on a straight line basis over the corresponding lease term.

2.11. Foreign Currency and Functional Currency

The parent company only financial statements of each of the entities consolidated by the Company are prepared in the currency of the primary economic environment in which the entity operates (its functional currency). For the purposes of the interim consolidated financial statements, the net income and the financial position of each entity are stated in Argentine Pesos (Argentina's legal tender for all companies domiciled in Argentina), which is the Company's functional currency, and the reporting currency of the interim consolidated financial statements. The functional currencies of the Uruguayan and Paraguayan companies are the Uruguayan Peso and the Guarani, respectively.

In preparing the financial statements of the individual entities, the transactions in currencies other than the entity's functional currency (foreign currency) are recorded at the exchange rates prevailing on the

dates on which transactions are carried out. At the end of each reporting period, the monetary items denominated in foreign currency are retranslated at the exchange rates prevailing on such date. The exchange differences were charged to income for the period in which they were generated.

In preparing the Company's interim consolidated financial statements, the assets and liabilities balances of the entities which functional currency is not the Argentine Peso, stated in their own functional currency (Uruguayan Peso and Guarani) are translated to Argentine pesos at the exchange rate prevailing at the end of the period, while the net income is translated at the exchange rate prevailing on the transaction date.

Translation differences are recognized in other comprehensive income as "Variation in Translation Differences of Foreign Operations" and in the consolidated Statement of Changes in Equity as "Translation of Foreign Operations".

2.12. Current and Deferred Income Tax

The income tax charge reflects the sum of current income tax and deferred income tax.

Current and deferred taxes are recognized as expense or income for the period, except when they are related to entries debited or credited to other comprehensive income or equity, in which cases taxes are also recognized in other comprehensive income or directly in equity, respectively. In the case of a business combination, the tax effect is taken into consideration in the calculation of goodwill or in the determination of the excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

Current tax payable is based on the taxable income recorded during the year. Taxable income and net income reported in the consolidated statement of comprehensive income differ due to revenue or expense items that are taxable or deductible in other fiscal years and items that are never taxable or deductible. The Company's current tax liability is calculated using the tax rate in effect as of the date of these financial statements. Current tax charge is calculated based on the tax rules effective in the countries in which the consolidated entities operate.

Deferred tax is recognized on temporary differences between the book value of the assets and liabilities included in the financial statements and the corresponding tax basis used to determine taxable income. Deferred tax liabilities are generally recognized for all temporary fiscal differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is likely that future taxable income will be available against which those deductible temporary differences can be charged. These assets and liabilities are not recognized if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting income.

The book value of a deferred tax asset is reviewed at each reporting period and reduced to the extent that it is no longer likely that sufficient taxable income will be available in the future to allow for the recovery of all or part of the asset.

Deferred tax is recognized on temporary differences arising from investments in subsidiaries and associates, except in the case of deferred tax liabilities where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applicable in the period in which the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the end of the reporting period, to recover or settle the book value of its assets and liabilities.

Deferred tax assets are offset against deferred tax liabilities if the Company has a legally enforceable right to offset, before the tax authorities, the amounts recognized in those items, and if the deferred tax assets and liabilities arise from income taxes levied by the same tax authority and the Company intends to settle its assets and liabilities on a net basis.

Under the IFRS, deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

2.12.1. Tax on assets

In Argentina, the tax on assets (*impuesto a la ganancia mínima presunta*) is supplementary to income tax. The Company assesses this tax at the effective rate of 1% on the taxable assets at year-end. The Company's tax liability for each year will be equal to the higher of the tax on assets assessment or the income tax liability assessed at the legally effective rate on the estimated taxable income for the year. However, if the tax on assets exceeds the income tax liability in any given fiscal year, the excess may be creditable against any excess of income tax liability over the tax on assets in any of the following ten fiscal years.

The tax on assets balance has been capitalized in the interim consolidated financial statements for the amounts paid and to be paid for this tax estimated to be recoverable within the statute of limitations, based on the subsidiaries' current business plans.

2.13. Property, Plant and Equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of property, plant and equipment is recognized on a straight-line basis over its estimated useful life.

The estimated useful life, residual value and depreciation method are reviewed at each year-end, with the effect of any changes in estimates accounted for on a prospective basis. Land is not depreciated.

Works in process are recorded at cost less any recognized impairment loss. Depreciation of these assets, as well as in the case of other property, begins when the assets are ready for their use.

Repair and maintenance expenses are expensed as incurred.

Borrowing costs attributable to the acquisition or construction of certain capital assets are capitalized as part of the cost of these assets until they are ready for their intended use or sale, under IAS 23 ("Borrowing Costs"). The assets in respect of which borrowing costs are capitalized are those that necessarily take a substantial period of time to get ready for their intended use.

The gain or loss arising from the retirement or disposal of an asset is calculated as the difference between income from the sale of the asset and the asset's book value, and recognized under "Other Income and Expenses, Net" in the Statement of Comprehensive Income.

The residual value of an asset is written down to its recoverable value, if the asset's residual value exceeds its estimated recoverable value (see Note 2.15).

The value of property, plant and equipment does not exceed its recoverable value estimated at the end of the period.

2.14. Intangible Assets

Intangible assets include trademarks, software and other rights, the purchase value of the subscriber portfolio, radio electric trunking (“SRCE”, for its Spanish acronym) service license, public network links, radio-electric spectrum and other intangible assets. The accounting policies regarding the recognition and measurement of such intangible assets are described below.

2.14.1. Intangible Assets Acquired Separately

Intangible assets acquired separately are valued at cost, net of the corresponding accumulated amortization and impairment losses. Amortization is calculated on a straight line basis over the estimated useful life of the intangible assets. The Company reviews the useful lives applied, the residual value and the amortization method at each year-end, and accounts the effect of any changes in estimates on a prospective basis.

2.14.2. Intangible Assets Acquired in a Business Combination

Intangible assets acquired in a business combination (subscriber portfolio, SRCE license, public network links and radio-electric spectrum) are identified and recognized separately regarding goodwill when they meet the definition of intangible assets and their fair value can be measured reliably. Such intangible assets are recognized at fair value at acquisition date.

After the initial recognition, intangible assets acquired in a business combination are valued at cost net of accumulated amortization and impairment losses, with the same basis as intangible assets acquired separately. Amortization is calculated on a straight line basis to allocate the cost over the estimated useful life.

2.14.3. Information Systems Projects

Costs related to the development or maintenance of computer software are generally recorded as expenses as incurred. However, the costs directly related to the development, acquisition and implementation of the information systems are recorded as intangible assets when certain conditions are met, among them, the technical feasibility to complete the development of the intangible asset, the intent of the Company to complete the development of that asset and the way in which the intangible asset will generate probable economic benefits in the future.

After the initial recognition, internally developed intangible assets are valued at cost net of accumulated amortization and impairment losses, with the same basis as intangible assets acquired separately.

Those assets are included under the columns projects in-progress and software.

2.15. Impairment of Non-Financial Assets, Except Goodwill

At the end of each financial statement, the Company reviews the book value of its non-financial assets with definite useful life to determine the existence of any evidence indicating that these assets could be impaired. If there is any evidence of impairment, the recoverable value of these assets is estimated for the purposes of determining the amount of the impairment loss (in case the recoverable value is lower than the book value). Where it is not possible to estimate the recoverable value of an individual asset, the Company estimates the recoverable value of the cash-generating unit (“CGU”) to which such asset belongs. Where a consistent and reasonable allocation base can be identified, corporate assets are also allocated to an individual cash-generating unit or, otherwise, to the smallest group of cash-generating units for which a consistent allocation base can be identified.

The recoverable value of an asset is the higher of the fair value less selling expenses or its value in use.

In measuring value in use, estimated future cash flows are discounted at their present value using a pre-tax discount rate, which reflects the current market assessments of the time value of money and, if any, the risks specific to the asset for which estimated future cash flows have not been adjusted.

Assets with an indefinite useful life (for example, non-financial assets unavailable for use) are not amortized, but are tested for impairment on an annual basis. No impairment losses have been recorded for the period.

Non-financial assets, except for goodwill, for which an impairment loss was recorded, are reviewed at each closing date for a possible reversal of the impairment loss.

2.16. Inventories

Inventories have been valued at acquisition cost under regular purchase conditions for the Company, net of the allowance for impairment. That allowance is calculated based on the recoverability analysis conducted by the Company at the end of the period, comparing to such end its valuation at cost with its net realizable value, which represents the cash selling price estimated in the ordinary course of business less the costs necessary to make such sale. The cost of inventories is determined under the weighted average price method. The value of inventories does not exceed its recoverable value at the end of the period.

2.17. Other Assets

The assets included in this item have been valued at acquisition cost.

Investments denominated in foreign currency subject to restrictions on disposition under financial covenants have been valued at face value plus interest accrued as of period-end.

2.18. Provisions and Other Charges

Provisions for Lawsuits and Contingencies and the Accrual for Asset Retirement are recognized when the Company has a present obligation (be it legal or constructive) as a result of a past event, when it is likely that an outflow of resources will be required to settle the obligation and when the amount of the obligation can be reliably estimated.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into consideration the corresponding risks and uncertainties. Where a provision is measured using the estimated cash flow to settle the present obligation, its book value represents the present value of such cash flow.

If some or all of the expenditure required to settle a provision is expected to be reimbursed, a receivable should be recognized under Assets, when it is virtually certain that the reimbursement will be received and the amount of the receivable is reliably measurable.

In estimating its obligations, the Company takes into consideration the opinion of its legal advisors.

2.19. Financial Instruments

2.19.1. Financial Assets

Purchases and sales of financial assets (including derivatives) are recognized at the transaction date when the Company undertakes to purchase or sell the asset, and is initially measured at fair value, plus transaction costs, except for those financial assets classified at fair value with changes in the statement of income, which are initially measured at fair value.

2.19.1.1. Classification of Financial Assets

Financial assets are classified within the following specific categories: “financial assets at fair value with changes in net income” and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined on initial recognition.

2.19.1.2. Recognition and Measurement of Financial Assets

2.19.1.2.1. Financial Assets at Fair Value with Changes in Net Income

Financial assets at fair value with changes in net income (mainly mutual funds) are recorded at fair value, recognising any gain or loss arising from the measurement in the consolidated statement of comprehensive income. The net gain or loss recognized in net income includes any gain or loss generated by the financial asset and is included under the item financial income or costs, as appropriate, in the consolidated statement of comprehensive income. Derivatives are included in this category unless they are designated as a hedging instrument.

The assets in this category are classified as current if they are expected to be realised within 12 months; otherwise, they are classified as non-current.

The fair value of the financial instruments traded in active markets is calculated based on the current quoted market price of these instruments.

The fair value of financial instruments that are not traded in active markets is calculated using valuation techniques.

2.19.1.2.2. Loans and Receivables

Loans and trade receivables with fixed or determinable payments not traded in an active market are classified as “trade receivables and other”. Trade receivables and other (except for derivatives) are initially measured at fair value plus transaction costs, and subsequently measured at amortized cost using the effective interest rate method, less any impairment, if any. Interest income is recognized using the effective interest rate method, except for short-term balances for which the recognition of interest is not significant.

Receivables are classified as current, except for those with maturities beyond 12 months as from the closing date.

In the case of balances in foreign currency, they were translated at the exchange rate effective as of the date on which the Company began operating for the settlement of these transactions. The exchange differences were charged to income for the period in which they were generated.

2.19.1.3. Impairment of Financial Assets

The Company tests financial assets or a group of assets for impairment at each closing date of the financial statements to assess if there is any objective evidence of impairment. The value of a financial asset or a group of assets is impaired, and an impairment loss is recognized, where there is objective evidence of the impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event or events have an impact on the estimated future cash flows of the financial asset or a group of assets, which may be reliably measured.

The objective evidence of impairment may include, among others, significant financial difficulties of the issuer or obligor, or breach of contractual terms, such as default or delinquency in interest or principal payments.

For certain categories of financial assets, such as accounts receivable and other receivables, the assets that are not impaired on an individual basis are tested for impairment on a collective basis. The objective evidence of impairment of a receivables portfolio includes the Company's past collection experience, an increase in the number of delinquent payments in the receivables portfolio, as well as observable changes in the local economic situation affecting the recoverability of receivables.

Where there is objective evidence of an impairment loss in the value of loans granted, receivables or held-to-maturity investments recorded at amortized cost, the loss amount is measured as the difference between the book value and the present value of estimated future cash flows (without including future non-incurred losses), discounted at the original effective interest rate of the financial asset. The asset's book value is written down under a contra asset account. The loss amount is recognized in net income for the period.

If, in subsequent periods, the impairment loss amount decreases and such decrease can be objectively related to an event occurring after the impairment has been recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed. A loss reversal can only be recorded to the extent the financial asset's book value does not exceed the amortized cost that would have been determined if the impairment loss had not been recorded at the reversal date. The reversal amount is recognized in net income for the period.

2.19.1.4. Derecognition of Financial Assets

The Company derecognizes a financial asset when the contractual rights to the cash flows of such assets expire or when it transfers the financial asset and, therefore, all the risks and benefits inherent to the ownership of the financial asset are transferred to another entity. If the Company retains substantially all the risks and benefits inherent to the ownership of the transferred asset, it will continue to recognize it and will recognize a liability for the amounts received.

2.19.2. Financial Liabilities

Financial liabilities, except for derivatives, are valued at amortized cost using the effective interest rate method.

2.19.2.1. Bank and Financial Debt

Bank and Financial Debt is initially valued at fair value net of the transaction costs incurred, and subsequently valued at amortized cost using the effective interest rate method. Any difference between the initial value net of the transaction costs and the settlement value is recognized in the income statement over the term of the loan using the effective interest rate method. Interest expense has been allocated to "Financial Costs" in the consolidated statement of comprehensive income, except for the portion allocated to the cost of works under construction recorded under "Property, Plant and Equipment" in the Consolidated Balance Sheet.

2.19.2.2. Trade Payables and Other

Trade payables with fixed or determinable payments not traded in an active market are classified as "Trade Payables and Other". Accounts Payable and Other are initially measured at fair value, and subsequently measured at amortized cost using the effective interest rate method. Interest expense is recognized using the effective interest rate method, except for short-term balances for which the recognition of interest is not significant.

Trade Payables and Other are classified as current, except for those with maturities beyond 12 months from the closing date.

Trade payables and other in foreign currency have been valued as mentioned above, at the exchange rates effective at the closing of each period. The exchange differences were charged to income for each

period.

2.19.2.3. Derecognition of Financial Liabilities

The Company shall derecognize a financial liability (or part of it) when it has been extinguished, i.e., when the obligation specified in the corresponding agreement is discharged, canceled or expires.

2.19.3. Derivatives and Hedge Accounting

The Company executes certain financial instruments to manage its exposure to exchange risks.

Derivatives are initially recognized at fair value at the date of execution of the related contract and subsequently measured at fair value at the end of the reporting period. The resulting gain or loss is immediately recognized in net income unless the derivative is designated as a hedging instrument, in which case the timing for its recognition will depend on the nature of the hedging relationship. The Company uses certain derivatives to hedge the fair value of its recognized liabilities (fair value hedge).

The Company documents at the beginning of the transaction the existing relationship between the hedging instruments and the hedged items, as well as its objectives to manage risk and the strategy to carry out hedge transactions. The Company also documents its assessment, both at the beginning and on an ongoing basis, of the high effectiveness of its hedging transactions to offset the changes in the fair value of the hedged items.

The fair value of hedging derivatives is fully classified as a non-current asset or liability if the hedged item matures in more than 12 months, and as a current asset or liability if the hedged item matures within 12 months.

Fair Value Hedge

Changes in the fair value of derivatives designated and classified as fair value hedges are charged to net income, together with any change in the fair value of a hedged liability attributable to the hedged risk. The Company only applies fair value hedge accounting to cover the exchange rate fluctuations of a portion of the liabilities the Company holds in foreign currency. The gain or loss relating to the effective portion of foreign currency agreements is charged to net income under Financial Costs. The loss or gain related to the ineffective portion, if any, is charged to net income under Other Income and Expenses, net. Changes in the fair value of the Company's hedged liabilities denominated in foreign currency, attributable to the risk detailed above, are charged to net income under Financial Costs.

2.19.4. Debt Refinancing - Restructuring

Liabilities arising from the restructuring of Cablevisión's financial debt have been initially valued at fair value and will be subsequently measured at amortized cost using the effective interest rate method.

2.20. Other Liabilities

They have been valued at nominal value.

2.21. Other Receivables

2.21.1. Call Option

The call option included under the item Other Receivables has been valued at its fair value.

2.22. Dividend Distribution

The distribution of dividends to the Company's shareholders is recognized as a liability in the financial statements for the period in which the distribution of dividends is approved by the Shareholders' Meeting.

2.23. Consolidated Statement of Cash Flows

For the purposes of preparing the statement of cash flows, the item "Cash and Cash Equivalents" includes cash and bank balances, certain high liquidity short-term investments (with original maturities

shorter than 90 days). Bank overdrafts payable on demand are deducted to the extent they are part of the Company's cash management.

Bank overdraft is classified under "Bank and Financial Debt" in the Consolidated Balance Sheet.

Cash and cash equivalents at each period-end, as disclosed in the consolidated statement of cash flows, may be reconciled against the items related to the balance sheet as follows:

	<u>September 30, 2017</u>
Cash and Banks	1,758,203,926
Investments:	
Term Deposits	22,259,726
Mutual Funds ⁽¹⁾	705,049,352
Other Financial Instruments - interest-bearing account	<u>12,451,004,750</u>
Cash and Cash Equivalents	<u>14,936,517,754</u>

(1) Mutual Funds not considered as cash equivalents as of September 30, 2017 amount to Ps. 43,191,583.

In the five-month period ended September 30, 2017, the following transactions were carried out, which did not have an impact on cash and cash equivalents:

	<u>Five-month period ended September 30, 2017</u>
Settlement of dividends payable with debts with Companies under Section 33 of General Associations Law No, 19,550, as amended	<u>8,400,000</u>
	<u><u>8,400,000</u></u>

NOTE 3 - ACCOUNTING ESTIMATES AND JUDGMENTS

In applying the accounting policies of the Company which are described in Note 2, the Company has to make judgments and prepare accounting estimates of the value of the assets and liabilities that may not be otherwise obtained. The estimates and related assumptions are based on historical experience and other pertinent factors. Actual results may differ from these estimates.

The underlying estimates and assumptions are continually reviewed. The effects of the reviews of accounting estimates are recognized for the period in which estimates are reviewed.

These estimates basically refer to:

Measurement of the fair value of certain financial instruments

The fair value of a financial instrument is the amount at which the instrument could be purchased or sold between knowledgeable, willing parties in an arm's length transaction. If there is a quoted market price available for an instrument in an active market, the fair value is calculated based on that price.

If there is not a quoted market price available for a financial instrument, its fair value is estimated based on the price established in recent transactions involving the same or similar instruments and, if not, based on valuation techniques regularly used in financial markets. The Company uses its judgment to select a variety of methods and makes assumptions based on market conditions at closing.

The method used to measure the fair value of certain financial instruments is described in further

detail in Note 2.19.

Allowance for Bad Debts

The Company calculates the allowance for bad debts for debt instruments that are not valued at fair value, taking into account the uncollectibility history and other circumstances known at the time of calculation.

Impairment losses of certain assets other than accounts receivable (including property, plant and equipment and intangible assets).

Certain assets, including property, plant and equipment and intangible assets are subject to impairment testing. The Company records impairment losses when it estimates that there is objective evidence of such losses or when the cost of such losses will not be recovered through future cash flows. The evaluation of what constitutes impairment is a matter of significant judgment. The impairment of non-financial assets is dealt with in more depth in Note 2.15.

Recognition and Measurement of Deferred Tax Items

As disclosed in Note 2.12, deferred tax assets are only recognized for temporary differences to the extent that it is likely that each entity, on an individual basis, will have enough future taxable income against which the deferred tax assets can be used. Tax loss carryforwards from prior years are only recognized when it is likely that each entity will have enough future taxable income against which they can be used.

Pursuant to effective regulations, the use of the subsidiaries' tax credits is based on a projection analysis of future income.

The Company examines the recoverable value of deferred tax assets based on its business plans and books a valuation allowance, if appropriate, so that the net position of the deferred tax asset will reflect the probable recoverable value.

Impairment of Goodwill

The Company assesses goodwill for impairment on an annual basis. In determining if there is impairment of goodwill, the Company calculates the value in use of the cash generating units to which it has been allocated. The calculation of the value in use requires the determination by the entity of the future cash flows that should arise from the cash generating units and an appropriate discount rate to calculate the present value.

Provisions for Lawsuits and Contingencies

The elements taken into consideration for the calculation of the Provision for Lawsuits and Contingencies are determined based on the present value of the estimated costs arising from the lawsuits brought against the Company.

In estimating its obligations, the Company takes into consideration the opinion of its legal advisors.

Determination of the Useful Lives of Property, Plant and Equipment and Intangible Assets

The Company reviews the reasonableness of the estimated useful life of property, plant and equipment and intangible assets at each year-end.

Measurement of the fair value of assets acquired in business combinations

See the accounting policies described in Note 2.5.

NOTE 4 –ACQUISITION OF COMPANIES AND CORPORATE REORGANISATION PROCESSES

- a) On March 31, 2017, Cablevisión's Board of Directors approved the Pre-Merger Commitment executed among Cablevisión, Nextel, Greenmax Telecomunicaciones S.A.U., WX Telecomunicaciones S.A.U., Gridley Investments S.A., Trixco S.A., Fibercomm S.A., Netizen S.A., Eritown Corporation Argentina S.A., Skyonline de Argentina S.A., Infotel Argentina S.A., Nextwave Argentina S.A. and Callbi S.A., whereby, as of the merger date, Cablevisión, in its capacity as absorbing company, will continue with the operations of Nextel, Greenmax Telecomunicaciones S.A.U., WX Telecomunicaciones S.A.U., Gridley Investments S.A., Trixco S.A., Fibercomm S.A., Netizen S.A., Eritown Corporation Argentina S.A., Skyonline de Argentina S.A., Infotel Argentina S.A., Nextwave Argentina S.A. and Callbi S.A. (the "Absorbed Companies") thus generating the corresponding operating, accounting and tax effects. As a result of the above-mentioned corporate reorganisation process, the Absorbed Companies will be dissolved without liquidation and Cablevisión will assume all the activities, receivables, property and all the rights and obligations of the above-mentioned companies, existing as of the first day of October 2017 ("Effective Date of the Merger"), or any that may exist or arise due to previous or subsequent acts or activities. That merger was approved by the shareholders of Cablevisión at the Extraordinary Shareholders' Meeting held on May 17, 2017. On July 11, 2017, the merger agreement was formalized through a deed, which is pending administrative approval from the CNV as of the date of these financial statements.
1. On September 18, 2017, the ENACOM authorised, under Resolution No. 2017-1734 APN ENACOM# MM, the transfer of the registrations, numbering and sign-posting resources, authorizations and frequency use permits granted to Nextel, Trixco S.A., Callbi S.A., Infotel Argentina S.A., Skyonline de Argentina S.A., Netizen S.A. and Eritown Corporation Argentina S.A. in favor of Cablevisión.
- b) On August 16, 2016, the Board of Directors of Cablevisión approved the Pre-Merger Commitment executed between Cablevisión, Copetonas Video Cable S.A., Dorrego Televisión S.A., Fintelco S.A., Indio Rico Cable Color S.A., Primera Red Interactiva de Medios Argentinos (PRIMA) S.A. ("Prima"), Cable Video Sur S.A., Wolves Televisión S.A. and Tres Arroyos Televisora Color S.A., whereby, on the effective date of the merger -October 1, 2016- ("Effective Date of the Merger"), Cablevisión, as absorbing company, continued with the operations of Copetonas Video Cable S.A., Dorrego Televisión S.A., Fintelco S.A., Indio Rico Cable Color S.A., Prima, Cable Video Sur S.A., Wolves Televisión S.A. and Tres Arroyos Televisora Color S.A. (the "Absorbed Companies"), thus generating the corresponding operating, accounting and tax effects. As a result of the above-mentioned corporate reorganisation process, the Absorbed Companies were dissolved without liquidation. That merger was approved by the shareholders of Cablevisión at the Extraordinary Shareholders' Meeting held on September 27, 2016, and on April 20, 2017 it was registered with the Public Registry of Commerce.
2. In view of the above, Cablevisión made a filing with the ENACOM in order to inform that Agency of the corporate reorganisation to be implemented, so that it would consequently register under the name of the absorbing company, the "Area Authorizations" required to exploit Cable Television Services corresponding to Copetonas Video Cable S.A., Dorrego Televisión S.A., Indio Rico Cable Color S.A., Cable Video Sur S.A., and Tres Arroyos Televisora Color S.A. The license for Wolves Televisión S.A. was abandoned because Cablevisión already has an Area Authorization in the jurisdiction where Wolves Televisión S.A. exploited the cable television service. In addition, Prima and Cablevisión made a filing with the ENACOM in order to request that Agency to register the license that had been granted to Prima in favor of Cablevisión as a consequence of the corporate reorganisation process.
3. In addition, at Cablevisión's Extraordinary Shareholders' Meeting held on September 27, 2016, the shareholders also unanimously approved: (i) the amendment of Article Three of the Bylaws in order to conform the core business of Cablevisión to the new regulatory framework under Laws Nos. 27,078 and 26,522, and (ii) the amendment of Articles Nine and Ten of the Bylaws in order

to eliminate the Executive Committee. Both amendments of the Bylaws were registered with the Public Registry of Commerce.

4. On August 25, 2017, the ENACOM authorised, under Resolution No. 2017-339 APN ENACOM# MM, the transfer of the registration of national and international long-distance telephony services, as well as the numbering and sign-posting resources, radioelectric frequencies and authorizations granted to Prima in favor of Cablevisión.
- c) On December 22, 2016, Adesol S.A., a subsidiary of Cablevisión, entered into a call option agreement (the “Call Option Agreement”) with the majority shareholder of the special purpose entities (see Note 2.4.1), whereby, Adesol has the right to exercise, until December 31, 2021, the irrevocable call option on the shares of those companies (the “Call Option”). If it exercises the Call Option, the purchase price has been preliminarily established in the amount of Ps. 127,600,002, subject to adjustment in case certain circumstances provided under the Call Option Agreement occur.

In addition to the execution of the Call Option Agreement, Adesol S.A. paid to the grantor an option premium under the Call Option in the amount of Ps. 44,660,000. If Adesol S.A. does not exercise the Call Option, the seller shall irrevocably retain the amount paid by Adesol S.A., and the agreement will be terminated.

If it exercises the Call Option, the assignment, sale and transfer of the shares in favor of Adesol S.A. shall be subject, as condition precedent, to the approval by the Communication Services Regulatory Agency of the Republic of Uruguay.

- d) On June 30, 2017, the Boards of Directors of Telecom Argentina S.A. and Cablevisión S.A. approved a pre-merger commitment whereby Telecom Argentina S.A., a company incorporated and existing under the laws of Argentina, the shares of which are currently listed in the stock markets of New York and Buenos Aires (NYSE: TEO, BCBA: TECO2), in its capacity as absorbing company, will absorb Cablevisión, which will be dissolved without liquidation, pursuant to the provisions of Sections 82 and 83 of the General Associations Law No. 19,550 and subject to corporate and regulatory approvals (the “Merger”).

The purpose of the Merger is for the merged company to offer in an efficient manner, in line with the national and international trend, technological convergence products for media and telecommunications in the different modalities, either separately or independently, of voice, data, sound and video transmission services, both wired and wireless, as an all-in-one solution or as a series of products to be provided to users as a whole for the benefit of the users and consumers of those multiple individual services. Both companies believe that their respective operating and technical structures are highly complementary and may be optimized through a structural consolidation, achieving synergies and efficiencies in the development of convergence products along with the demand of the market.

The effective date of the Merger (the “Effective Date of the Merger”) was established as from 0.00 hours of the day on which the Chairmen of the Boards of Directors of Telecom Argentina S.A. and Cablevisión sign the minutes regarding the transfer of operations which shall state: (i) that Telecom Argentina S.A. has adjusted its technical-operative systems to undertake the operations and activities of Cablevisión; and (ii) that the transfer of the operations and activities of Cablevisión to Telecom Argentina S.A. will take effect on that Effective Date of the Merger provided that every and each of the following conditions the Merger is subject to has been met: 1) that the pre-merger commitment has been executed; and 2) that the ENACOM has authorised the operation.

As from the Effective Date of the Merger, (i) all the assets and liabilities, including the assets subject to registration, the licenses, the rights and obligations that belong to Cablevisión will be deemed to have been incorporated to the equity of Telecom Argentina S.A., (ii) Telecom Argentina S.A. will continue with the operations of Cablevisión, thus generating the corresponding operating, accounting and tax effects, (iii) the management and representation of Cablevisión will be undertaken by the management and representatives of Telecom Argentina S.A.

For the purposes of Section 83 subsection c) of the Argentine General Associations Law No. 19,550, the parties have established the following exchange ratio: 1 common share of Cablevisión (either a

Class A Share of Cablevisión or a Class B Share of Cablevisión) for each 9,871.07005 new shares of Telecom Argentina S.A. (the “Exchange Ratio”). This Exchange Ratio was deemed reasonable, from a financial standpoint, by the independent professional appraiser Lion Tree Advisors LLC.

In view of the above, Telecom Argentina S.A. will increase its capital stock in the amount of Ps. 1,184,528,406, through the issuance of 1,184,528,406 common book-entry shares, with nominal value of ARS 1 each and entitled to one vote per share. The shareholders of Cablevisión will receive these new shares in exchange for the shares they held of that company, in the form of Class “A ” or “D ” Shares of Telecom Argentina S.A., as appropriate, according to the Exchange Ratio, or the number of new shares resulting from the adjustments to the Exchange Ratio arising from the pre-merger commitment.

On June 30, 2017, the Boards of Directors of Telecom Argentina S.A. and Cablevisión, respectively, decided to call an Ordinary and/or Extraordinary Shareholders ’ Meeting to be held on August 31, 2017 to consider the pre-merger commitment and, with regard to Cablevisión, its consequent dissolution and with regard to Telecom Argentina S.A., the amendment of the Bylaws and the increase of its capital stock.

On October 31, 2017, both companies executed the final merger agreement, which was filed with the CNV to request its administrative approval.

In connection with the above-mentioned transaction, on July 7, 2017, the Company, VLG Argentina LLC, Fintech Media LLC, Fintech Advisory Inc., GC Dominio S.A. and Fintech Telecom LLC executed a shareholder agreement that will govern the exercise of the rights of the shareholders of Telecom Argentina S.A. (the “Agreement”) once the merger process between Telecom Argentina S.A. and Cablevisión S.A. has concluded and become effective. Under that Agreement, the parties have provided:

- The representation of the corporate bodies establishing that, subject to the fulfillment of certain conditions established therein and provided Cablevisión Holding S.A. complies with certain minimum holding requirements in the Merger Company, it may appoint the majority of the members of the Board of Directors, the Executive Committee, the Audit Committee and the Supervisory Committee.
- A scheme of special majority requirements for the approval by the Board of Directors and/or the Shareholders ’ Meeting, as appropriate, of certain issues, such as: i) the Business Plan and the Annual Budget of the Merged Company, ii) the amendment of the bylaws, iii) the change of external auditors, iv) the creation of committees of the Board of Directors, v) the hiring of Key Employees as defined under the Agreement, vi) the merger or consolidation of Telecom or any Controlled Company, vii) acquisition of certain assets, viii) sales of certain assets, ix) increases of capital stock, x) borrowing above certain limits, xi) capital investments in infrastructure, plant and equipment above certain amounts, xii) transactions with related parties, xiii) contracts that impose restrictions on the distribution of dividends, xiv) new business lines or the discontinuation of existing ones, xv) actions to be taken in insolvency situations, among others.

Pursuant to the Agreement, (a) Fintech Telecom LLC and Cablevisión Holding (i) will each contribute certain shares of Telecom to a voting trust (the “Voting Trust”) which, once the shares in Telecom held by Cablevisión Holding are incorporated, will exceed fifty percent (50%) of the outstanding post-Merger shares, and (ii) will each appoint a co-trustee who will vote the shares under the terms of the voting trust to be executed by certain parties of the Agreement. The post-Merger shares under the Voting Trust shall be voted as per the instructions of the co-trustee appointed by Cablevisión Holding, except in the case of certain issues subject to veto, in which case the co-trustee of Fintech Telecom LLC will determine the vote with respect to the post-Merger shares under the Voting Trust. (b) Subject to the fulfillment by Cablevisión Holding and Fintech Telecom LLC of certain post-Merger share ownership thresholds, Cablevisión Holding will be entitled to appoint the general manager and other key employees of Telecom Argentina S.A. and Fintech Telecom LLC will be entitled to appoint the chief financial officer and the internal auditor.

On July 7, 2017, Cablevisión Holding S.A. accepted an offer for a call option granted by Fintech Advisory Inc. and its subsidiaries Fintech Telecom LLC and Fintech Media LLC for the acquisition of an equity interest of 13.51% in Telecom (which will represent approximately 6% of Telecom's capital stock once the merger process becomes effective) for USD 634,275,282 (the "Option"). The maximum term to exercise the Option is one year as from July 7 of this year. Cablevisión Holding had to pay to Fintech Advisory Inc., within a term of thirty days as from July 7, 2017, an option premium of USD 3,000,000, which was settled on July 2017.

On October 5, 2017, the Company made a prepayment of the aggregate Exercise Price under the Irrevocable Call Option mentioned above for USD 634,275,282.

NOTE 5 –SEGMENT INFORMATION

The Company is mainly engaged in the cable television, Internet access and IDEN Telephony business which requires the development of several activities distributed among the companies in which it holds equity interests. Based on the nature, clients, and risks involved, the following business segments have been identified, which are directly related to the way in which the Company assesses its business performance:

- a) Cable television and Internet access, mainly comprised by its own operations through its equity interests in its subsidiaries.
- b) IDEN telephony services through its interest in Nextel.

The Company's Board of Directors, the main operating decisions maker, uses adjusted EBITDA to measure the performance of the operating segments. Adjusted EBITDA is defined as revenues less cost of sales and selling and administrative expenses (excluding depreciation and amortization). The Company believes that adjusted EBITDA is a significant performance measure of its businesses, since it is commonly used in the industry to analyze and compare media companies based on operating performance, indebtedness and liquidity. However, adjusted EBITDA does not measure net income or cash flows generated by operations and should not be considered as an alternative to net income, an indication of the Company's financial performance, an alternative to cash flows generated by operating activities or a measure of liquidity.

Since adjusted EBITDA is not defined by IFRS, it is possible that other companies may calculate it differently. Therefore, the EBITDA reported by other companies may not be comparable to the Company's adjusted EBITDA.

Note 1 to these interim consolidated financial statements includes additional information about the Company's businesses.

The following tables include the information for the five-month period beginning May 1, 2017 and ended September 30, 2017, prepared under IFRS, for the business segments identified by the Company.

	<u>Cable Television and Internet Access (1)</u>	<u>IDEN Telephony</u>	<u>Other</u>	<u>Eliminations / Adjustments (2)</u>	<u>Consolidated</u>
Information arising from the Consolidated Statement of Comprehensive Income for the five-month period ended September 30, 2017					
Sales of services and goods to third parties	16,018,371,750	1,191,517,524	-	15,394,261	17,225,283,535
Intersegment Sales	<u>1,055,922</u>	<u>15,869,431</u>	<u>38,000,000</u>	<u>(54,925,353)</u>	<u>-</u>
Total Sales	16,019,427,672	1,207,386,955	38,000,000	(39,531,092)	17,225,283,535
Cost of sales (excluding depreciation and amortization)	(5,840,565,559)	(638,853,846)	-	(10,340,241)	(6,489,759,646)
Expenses - excluding depreciation and amortization:					
Selling Expenses	(2,118,379,481)	(458,118,323)	-	-	(2,576,497,804)
Administrative Expenses	(1,683,935,521)	(118,902,047)	(56,201,197)	-	(1,859,038,765)
Intersegment Costs and Expenses	(53,869,431)	(1,055,922)	-	54,925,353	-
Adjusted EBITDA	<u>6,322,677,680</u>	<u>(9,543,183)</u>	<u>(18,201,197)</u>	<u>5,054,020</u>	<u>6,299,987,320</u>
Depreciation of Property, Plant and Equipment					(1,586,738,740)
Amortization of Intangible Assets					(10,340,183)
Other Income and Expenses, net					406,776
Financial Results					(1,612,178,515)
Equity in Earnings from Associates					63,464,217
Income Tax and Tax on Assets					<u>(1,113,555,970)</u>
Net income for the period					<u><u>2,041,044,905</u></u>
Total Assets	29,035,848,331	4,517,459,861	12,950,254,437	(1,338,067,147)	45,165,495,482
Additional Consolidated Information as of September 30, 2017					
Acquisition of Property, Plant and Equipment	5,207,163,070	-	-	-	5,207,163,070
Ordinary Income from Foreign Subsidiaries	448,948,864	-	-	-	448,948,864
Non-Current Assets excluding deferred tax and financial assets in foreign subsidiaries	879,572,821	-	-	-	879,572,821

(1) It arises from internal information reviewed by the Board of Directors.

(2) The eliminations and adjustments correspond to operations between the Company and its subsidiaries and to different valuation criteria applied related to the recognition of revenues from cable TV and Internet installation services and transactions including separate items.

NOTE 6 - BREAKDOWN OF THE MAIN ITEMS OF THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

6.1 –Revenues

	Five-month period ended September 30, 2017
Cable Television Services	10,297,117,705
IDEN Telephony Services	1,027,624,868
Internet	5,495,629,170
Advertising	59,770,923
Sale of Goods	65,055,570
Sales of Services under bid in the City of Buenos Aires	140,262,272
Other	139,823,027
Total	17,225,283,535

6.2. - Cost of Sales

	Five-month period ended September 30, 2017
Inventories as of May 1, 2017	203,251,482
Purchases for the period, net	129,510,723
Cost of services provided (Note 6.3)	7,755,403,195
Inventories at period-end	(150,738,900)
Total Cost of Sales	7,937,426,500

6.3 –Cost of services provided, selling and administrative expenses

	Cost of services provided	Selling Expenses	Administrative Expenses	Total for the Five-month period ended September 30, 2017
Salaries, Social Security and Benefits to Personnel ⁽¹⁾	1,931,770,773	522,491,525	499,324,778	2,953,587,076
Programming Costs	2,253,717,647	-	-	2,253,717,647
Severance Payments	33,038,766	31,536,798	18,385,119	82,960,683
Public Utilities, Charges and Taxes	385,964,941	863,689,223	9,511,149	1,259,165,313
Representation Expenses	1,013,860	41,128,727	1,900,243	44,042,830
Maintenance of Property, Plant and Equipment and Network Expenses	822,829,114	88,707,127	269,314,890	1,180,851,131
Leases	236,184,057	25,272,186	27,319,791	288,776,034
Depreciation of Property, Plant and Equipment	1,437,326,671	62,134,280	87,277,789	1,586,738,740
Fees for services	16,037,044	187,109,626	581,007,849	784,154,519
Advertising and Promotion	-	437,004,363	406,160	437,410,523
Office Expenses	1,117,364	2,098,857	19,397,758	22,613,979
Magazine Production	102,060,388	834,921	7,219,783	110,115,092
Data Transmission Costs	323,997,833	-	964,559	324,962,392
Bad Debts	-	211,312,350	-	211,312,350
Collection Expenses and Fees	3,661,892	28,187,406	410,671,980	442,521,278
Obsolescence of Materials	46,077,095	-	-	46,077,095
Lawsuits and Contingencies	33,606,593	95,495,264	(18,745,342)	110,356,515

Amortization of Intangible Assets	10,340,183	-	-	10,340,183
Other	116,658,974	41,629,431	32,360,048	190,648,453
Total	7,755,403,195	2,638,632,084	1,946,316,554	12,340,351,833

(1) In accordance with the decision rendered by Chamber II of the Court of Appeals on Federal Administrative Matters, as from September 2015, Cablevisión began calculating employer's contributions as a VAT tax credit. The amount calculated for the five-month period ended September 30, 2017 was approximately Ps. 400 million.

6.4 - Financial Costs

	Five-month period ended September 30, 2017
Interest	(284,911,876)
Exchange Differences	(908,196,582)
Financial Discounts on Debt	9,475,149
Other Financial Results Related to the Financial Debt	31,682,734
Total	<u>(1,151,950,575)</u>

6.5 –Other Financial Results, net

	Five-month period ended September 30, 2017
Interest	(8,110,295)
Other Taxes and Expenses	(233,731,741)
Exchange Differences	(257,484,475)
Financial Discounts on Assets, debt and Other	19,605,058
Results from transactions with securities and bonds	(6,034,287)
Income from Changes in the Fair Value of Financial Instruments	25,527,800
Total	<u>(460,227,940)</u>

6.6 –Equity in Earnings from Associates

	Five-month period ended September 30, 2017
La Capital Cable S.A.	11,763,695
Teledifusora San Miguel Arcángel S.A.	15,894,488
Ver TV S.A.	35,296,298
Other	509,736
Total	<u>63,464,217</u>

NOTE 7 - BREAKDOWN OF THE MAIN ITEMS OF THE CONSOLIDATED BALANCE SHEET

7.1 - Property, Plant and Equipment

	Buildings and lands	Improvements to leased buildings	Installation, machinery and equipment	Furniture and fixtures	Vehicles	Tools	Cables, cable laying and assets under loan for use	Work in progress
Average useful life (years)	50	3	10	10	5	5	15-3	-
Cost or deemed cost	512,054,356	29,939,733	1,729,454,832	65,596,112	409,917,429	204,648,264	11,206,378,182	3,562,650,885
Accumulated depreciation	(104,509,909)	(23,626,541)	(870,340,139)	(45,698,344)	(201,875,741)	(159,574,914)	(3,507,307,339)	-
Net book value at May 1, 2017	407,544,447	6,313,192	859,114,693	19,897,768	208,041,688	45,073,350	7,699,070,843	3,562,650,885
Variation due to translation differences (Cost)	1,316,822	-	1,863,075	2,844,065	783,068	867,988	84,583,579	2,014,176
Additions	1,219,024	242,551	153,716,977	1,502,309	11,548,841	3,336,543	1,309,411,876	469,775,539
Decreases	-	(37,162,839)	(409,157,443)	(15,435,657)	(5,910,703)	-	(1,007,441,588)	(40,428,285)
Transfers	322,855	-	130,677,676	728,702	259,969	28,950,063	1,623,362,210	325,808,783
Accumulated depreciation of decreases	-	37,162,841	408,883,031	15,386,242	5,548,593	-	976,714,690	-
Variation due to translation differences (Depreciation)	(796,693)	-	(1,692,471)	(2,453,799)	(727,326)	(569,244)	(54,935,678)	-
Depreciation	(8,257,074)	(2,698,294)	(168,691,421)	(2,054,439)	(26,242,576)	(19,657,495)	(1,359,137,441)	-
Subtotal	401,349,381	3,857,451	974,714,117	20,415,191	193,301,554	58,001,205	9,271,628,491	4,319,821,098
Total at September 30, 2017								
Cost or deemed cost	514,913,057	(6,980,555)	1,606,555,117	55,235,531	416,598,604	237,802,858	13,216,294,259	4,319,821,098
Accumulated depreciation	(113,563,676)	10,838,006	(631,841,000)	(34,820,340)	(223,297,050)	(179,801,653)	(3,944,665,768)	-
Net book value at September 30, 2017	401,349,381	3,857,451	974,714,117	20,415,191	193,301,554	58,001,205	9,271,628,491	4,319,821,098

7.2 - Intangible Assets

	Subscriber's portfolio purchase	SRCE license (1)	Links to the public network	Radioelectric spectrum	Software	Other	Total
Average useful life (years)	7	3	3	15 ⁽²⁾	5	-	
Cost or deemed cost	448,923,742	517,527,295	3,998,211	1,860,549,580	175,821,257	44,346,502	3,051,166,587
Accumulated depreciation	(448,923,742)	(39,287,080)	(3,998,211)	-	(150,239,328)	(44,113,180)	(686,561,541)
Net book value at May 1, 2017	-	478,240,215	-	1,860,549,580	25,581,929	233,322	2,364,605,046
Foreign exchange translation differences (Cost)	-	-	-	-	-	56,517	56,517
Amortization	-	-	-	-	(10,254,832)	(85,351)	(10,340,183)
Foreign exchange translation differences (Depreciation)	-	-	-	-	-	(46,338)	(46,338)
Subtotal	-	478,240,215	-	1,860,549,580	15,327,097	158,150	2,354,275,042
Total at September 30, 2017							
Cost or deemed cost	448,923,742	517,527,295	3,998,211	1,860,549,580	175,821,257	44,403,019	3,051,223,104
Accumulated amortization	(448,923,742)	(39,287,080)	(3,998,211)	-	(160,494,160)	(44,244,869)	(696,948,062)
Net book value at September 30, 2017	-	478,240,215	-	1,860,549,580	15,327,097	158,150	2,354,275,042

(1) Radio-Electric Trunking Services License

(2) As from the beginning of the provision of the Advanced Mobile Communication Services or upon expiration of the 18-month term provided under Section 10.1, subsection a), Annex I, Decree No. 764/2000 for the beginning of the provision of the Advanced Mobile Communication Services, whatever occurs first (See Note 8.4.3.3.)

7.3 - Goodwill

Company assesses the recoverability of goodwill considering each company for which it records goodwill as a different cash generating unit ("CGU").

The recoverable amount of each CGU is determined as per its value in use, calculated based on operating cash flows estimated in the financial budgets approved by Management, which comprise a period ranging from one to three years. Cash flows not included in those periods are projected using a growth rate, assessed based on statistical data and historical indicators of Argentina, which does not exceed the long-term average growth of each business.

The gross margin used in each case for the calculation of the value in use allocated to each CGU arises from budgets prepared by each business for the period under consideration.

The discount rate used in each case for the calculation of the value in use allocated to each CGU takes into account the risk-free rate, the country risk premium and the premium for risks specific to each business, and the indebtedness structure of each CGU.

	September 30, 2017
<u>Cost</u>	
Telemas S.A.	362,098,283
Cablevisión Businesses	2,349,935,510
NEXTEL Businesses	819,619,221
Total	3,531,653,014

7.4 - Investments

**September 30,
2017**

Current	
Mutual Funds	748,240,935
Securities and Bonds	25,237,359
Term Deposits	22,259,726
Other Financial Instruments - interest-bearing accounts	<u>12,451,004,750</u>
Total	<u>13,246,742,770</u>

7.5 - Investments in Associates

Companies	Main business activity	Country	Interest in Capital and Votes	Valuation as of September 30, 2017
Ver T.V. S.A. ⁽¹⁾	Cable Television Station	Argentina	49.00	108,952,449
Teledifusora San Miguel Arcángel S.A. (1)	Cable Television Station	Argentina	49.10	46,210,617
La Capital Cable S.A.	Closed-Circuit Television	Argentina	49.00	35,889,415
Televisora Privada del Oeste S.A.	Closed-Circuit Television	Argentina	47.00	11,385,893
AVC Continente Audiovisual S.A. ⁽¹⁾	Closed-Circuit Television	Argentina	40.00	5,099,411
Other investments valued under the equity method				91,293
Total				207,629,078

⁽¹⁾ The data about these associates arise from non-accounting information.

Certain supplementary information required by IFRS about investments in associates is detailed below (in millions of Argentine pesos) .

	September 30, 2017
Dividends received	(1) 153
<u>Summarized financial information:</u>	
Non-current assets	665
Current assets	304
Non-current liabilities	14
Current liabilities	541
Revenues	(1) 792
Income from continuing operations	(1) 130
Total comprehensive income	(1) 130

(1) For the five-month period beginning May 1,2017 and ended September 30,2017

7.6 –Other Receivables

	September 30, 2017
Non-Current	
Tax Credits	92,817,100
Prepayments to Suppliers	216,564,512
Prepaid Expenses	32,390,940
Sundry Receivables	1,338,182
Other	4,566,631
Total	347,677,365
	September 30, 2017
Current	
Tax Credits	89,915,857
Prepaid Expenses	499,686,161
Court-Ordered Deposits	15,822,463
Call option (Note 4.d)	52,620,000
Companies under Section 33 of General Associations Law No. 19,550, as amended, and related laws (Note 15)	20,876,962
Prepayments to Suppliers	30,763,660
Dividends Receivable (Note 15)	114,450,142
Sundry Receivables	28,315,658

Advances to Employees	7,316,189
Deposits in Guarantee	57,419,818
Other	51,929,212
Total	<u>969,116,122</u>

7.7 –Trade Receivables

	September 30, 2017
Current	
Trade Receivables	2,108,838,473
Companies under Section 33 of General Associations Law No. 19,550, as amended, and related laws (Note 15)	41,569,287
Other	1,866,432
Allowance for Doubtful Receivables (Note 7.15)	(416,910,964)
Total	<u>1,735,363,228</u>

7.8 –Inventories

	September 30, 2017
Current	
Resale Goods	8,226,290
Computer Equipment held by Third Parties	544,040
Radio Equipment and Accessories	99,316,569
Spare Parts	42,652,001
Subtotal	150,738,900
Allowance for Impairment of Inventories (Note 7.15)	(40,106,006)
Total	<u>110,632,894</u>

7.9 - Cash and Banks

	September 30, 2017
Cash	6,336,047
Cash in foreign currency	336,615
Banks in local currency	618,277,436
Banks in foreign currency	1,112,763,573
To be deposited	20,490,255
	<u>1,758,203,926</u>

7.10 –Bank and Financial Debt

The following table details the changes in loans and indebtedness between May 1, 2017 and September 30, 2017:

	2017
Balance as of May 1	9,534,458,321
New Loans and Indebtedness ⁽¹⁾	13,293,379,705
Interest	282,410,713
Effect of exchange rate fluctuations	1,096,446,236
Offsetting of financial debt with other receivables	(8,400,000)
Payment of Interest	(310,899,128)
Repayment of Principal and Issue Expenses	(426,568,927)
Financial debt measured at present value	(248,514,194)
Balance as of September 30	<u>23,212,312,726</u>

⁽¹⁾ Includes the loan taken by Cablevisión Holding (see Note 7.10.2). Includes loans, taken by Cablevisión, to settle financial debts and to purchase capital assets and inventories.

The following is a breakdown of the Company's loans and indebtedness:

	September 30, 2017
Non-Current	
Notes issued by Cablevisión - principal	8,655,000,000
Financial debt measured at present value	(311,027,332)
Acquisition of equipment principal	625,594,730
Bank Loans principal	13,115,129,987
Total	<u>22,084,697,385</u>
Current	
Acquisition of equipment principal	841,594,628
Accrued interest	176,942,112
Loans with companies under Section 33 of General Associations Law No. 19,550, as amended, and related laws –principal (Note 15)	41,862,000
Financial debt measured at present value	15,289,350
Bank Loans - principal	51,927,251
Total	<u>1,127,615,341</u>

The breakdown of maturities of bank and financial debt (undiscounted values) is as follows:

At September 30, 2017	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	Total
Bank loans	13,041,398,10					13,167,057,238
Notes - principal	51,927,251	8	40,519,764	22,141,411	11,070,704	8
For purchase of equipment	-	-	-	8,655,000,000	0	-
Accrued interest	841,594,628	456,677,802	8	2,978,740	2,366,260	1,467,189,358
Debt with related companies	176,942,112	-	-	-	-	176,942,112
	41,862,000	-	-	-	-	41,862,000
	<u>1,112,325,991</u>	<u>13,498,075,910</u>	<u>204,091,692</u>	<u>8,680,120,151</u>	<u>13,436,964</u>	<u>23,508,050,708</u>

7.10.1 –Cablevisión

The following are the main terms of the bank loans for the period:

Date Issued	Bank	Currency	Principal Amount	Final Maturity	Interest Rate Fixed
September 2016	Banco Itaú Argentina S.A.	USD	3.5 (2)	September 2017 (1)	5.00%
January 2017	ICBC	USD	5.1 (2)	January 2022	6.00%
February 2017	Banco Itaú International PLC	BBA USD	5.3 (2)	February 2020	5.00%

(1) Repaid at maturity.

(2) Funds used to fulfill the investment plan.

On April 20, 2016, at the Annual General Ordinary and Extraordinary Shareholders' Meeting of Cablevisión, the shareholders of Cablevisión approved, among other matters: i) the extension of the authorization of the Global Program for the Issuance of Notes, which had been granted at the Annual General Ordinary and Extraordinary Shareholders' Meeting of Cablevisión on April 28, 2014, increasing the maximum amount of the outstanding notes that may be issued under this Program from a nominal value outstanding at any time of USD 500,000,000 (or its equivalent in other currencies) to USD 1,000,000,000 (or its equivalent in other

currencies). The Shareholders' Meeting renewed the delegation on the Board of Directors of the broadest powers in connection with the Program. The Board of Directors may subdelegate all or some powers interchangeably to one or more directors or managers of the Company; and ii) the extension of the authorization of the Short-Term Debt Securities ("VCPs", for its Spanish acronym) program under the terms that had been originally approved. The Shareholders' Meeting renewed the delegation on the Board of Directors of the broadest powers in connection with the Program. The Board of Directors may subdelegate all or some powers interchangeably to one or more directors or managers of Cablevisión.

On June 1, 2016, pursuant to its delegated powers, the Board of Directors of Cablevisión authorized the issuance of Class A Notes for a nominal value of USD 500,000,000 (the "Class A Notes"), at a fixed annual nominal interest rate of 6.50%, payable semi-annually as from June 2016, with final maturity in June 2021. Proceeds will be used for:

- (i) The settlement of the outstanding debt as of that date;
- (ii) The investment in fixed assets and other capital expenditures with the balance of the net proceeds (approximately USD 89,100,000).

In connection with the Notes issued by Cablevisión, it has undertaken certain covenants, including: (i) limitation on the issuance of guarantees by Cablevisión and its subsidiaries; (ii) consolidations, mergers, and sale of assets under certain conditions, (iii) limitation on incurring debt above certain approved ratios, (iv) restrictions on certain payments and on transactions with shareholders and affiliates under certain conditions, (v) limitation on the issuance and sale of significant subsidiaries' shares with certain exceptions and (vi) the limitation on the distribution of dividends for an amount not exceeding USD 50.0 million for fiscal year 2016 and USD 15 million for the subsequent years or up to a maximum of 50% of consolidated net income of each fiscal year, among others.

On October 30, 2017, within the framework of the merger between Cablevisión and Telecom Argentina S.A., Cablevisión called for a Shareholders' Meeting in order to request its holders of Class A Notes, issued for a nominal value of USD 500,000,000, the amendment and/or removal of certain clauses (or part of them) of the Indenture Agreement executed on June 15, 2016 between Cablevisión, Deutsche Bank Trust Company Americas, Deutsche Bank S.A. and Deutsche Bank Luxembourg S.A.

During the period covered by these interim consolidated financial statements, Cablevisión complied with such covenants.

7.10.2 –Cablevisión Holding

On September 24, 2017, Cablevisión Holding submitted to CITIBANK, N.A., GOLDMAN SACHS BANK USA, INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED, DUBAI (DIFC) BRANCH, ITAÚ UNIBANCO S.A., NASSAU BRANCH (the "Lenders"), CITIBANK, N.A. and the branch of Citibank N.A. established in Argentina (the "Arrangers, Collateral Agents") and CITIBANK, N.A. (the "Administrative Agent") a Loan Offer for an aggregate principal amount of Seven Hundred Fifty Million United States Dollars (USD 750,000,000). On September 25, 2017, Cablevisión Holding received communications from each of the Lenders, the Arrangers, the Collateral Agents and the Administrative Agent stating that they had accepted the Loan Offer.

The loan will accrue compensatory interest on the outstanding balances and until its effective cancellation, at a rate equal to LIBOR plus an applicable margin; of: (a) 3.5% per annum during the first six months as from the date of the first disbursement; or (b) 4% per annum during the period that begins on the day immediately following the sixth month after the date of the first disbursement and ends 12 months after such date; or (c) 4.5% per annum during the period that begins on the day immediately following the first anniversary of the first disbursement date and ends on the Maturity Date.

Interest under the loan shall be paid in arrears on the last business day of each interest period: The maturity date shall be the earlier of 18 months counted as from the date of disbursement or the date on which the loan becomes due and payable pursuant to acceleration events provided under the loan offer, whichever occurs first. That loan provides for covenants and negative covenants and representations, guarantees and obligations to be performed by the Company, which are usual for this type of financing.

Of the loan amount, USD 18.1 million were allocated to a reserve account, under the terms of the agreement, included under the item "Other Assets" as of September 30, 2017. Cablevisión Holding shall maintain in that account, as of any given calculation date, an amount of cash that may not be lower than the aggregate amount of interest payable under the loans during the following six-month period.

The funds from the loan will be used, among other things, for the prepayment of the Exercise Price under the Option Agreement mentioned in Note 4.d) to these Interim Consolidated Financial Statements.

In addition, for as long as the Loan is outstanding, the Company undertakes to create and maintain guarantees for an amount equivalent to 2.5 times the amount of the Loan. On September 27, 2017, the Company created a first priority pledge on 30,123 Class "A" book-entry common shares of nominal value Ps. 10,000 each and entitled to one vote per share, held by the Company in Cablevisión S.A., in favor of the Collateral Agent, acting for the benefit of Citibank, N.A. Goldman Sachs Bank USA, Industrial and Commercial Bank of China Limited Dubai (DIFC) Branch, Itaú Unibanco S.A., Nassau Branch as Lenders, Citibank, N.A. as Offshore Collateral Agent and the branch of Citibank N.A. established in Argentina as Onshore Collateral Agent, under the Loan agreement.

Among the main financial obligations undertaken under the loan is the obligation to apply (i) the net proceeds from any sale of material assets, (ii) the dividends received from its subsidiaries -after deducting any amount necessary to pay taxes and up to USD 10 million for current expenses-, (iii) the net proceeds from any public offering and (iv) the net proceeds from any debt issue; to the prepayment of the obligations under the loan. The Company undertakes to maintain certain consolidated debt ratios of Cablevisión Holding and Cablevisión and to guarantee a minimum amount to pay dividends from its subsidiary Cablevisión.

During the period covered by these interim consolidated financial statements, Cablevisión complied with such covenants.

7.11 –Provisions and Other Charges

	September 30, 2017
Non-Current	
Accrual for Asset Retirement (Note 7.15)	233,333,014
Provisions for Lawsuits and Contingencies (Note 7.15)	801,743,956
Total	<u>1,035,076,970</u>

7.12 - Taxes Payable

	September 30, 2017
Non-Current	
National Taxes	3,562,822
Total	<u>3,562,822</u>
Current	
National Taxes	1,711,437,488
Provincial Taxes	23,689,200
Municipal Taxes	80,621,458
Total	<u>1,815,748,146</u>

7.13 –Other Liabilities

	September 30, 2017
Non-Current	
Unearned Revenue	121,712,499
Other	658,392
Total	<u>122,370,891</u>
	September 30, 2017
Current	
Dividends Payable	7,522,319
Unearned Revenue	181,729,251
Other	3,383,265
Total	<u>192,634,835</u>

7.14 - Trade Payables and Other

	September 30, 2017
Current	
Suppliers	3,116,914,386
Companies under Section 33 of General Associations Law No. 19,550, as amended, and related laws (Note 15)	267,930,049
Employer's Contributions	1,524,847,232
Total	<u>4,909,691,667</u>

7.15 Allowances

	For doubtful trade receivables	For impairment of inventories	For doubtful deferred tax assets	For obsolescence of material
Deducted from assets				
Balance at May 1, 2017	426,599,844	-	6,131,296	46,026,122
Increases / reclassifications	(1) 211,312,350	40,106,006	8,132,486	431,180
Decreases	(2) (221,001,230)	-	(111,535)	-
Balance at September 30, 2017	416,910,964	40,106,006	14,152,877	46,457,302

(1) Included under "Bad debts" in Note 6.3.

(2) Includes the currency translation of foreign operations.

	For lawsuits and contingencies	Accrual for Asset retirement
Included in liabilities		
Balance at May 1, 2017	740,046,753	232,206,313
Increases / reclassification	(1) 119,572,013	23,205,724
Decreases	(2) (57,874,810)	(22,079,023)
Balance at September 30, 2017	801,743,956	233,333,014

(1) Comprised of Ps. 110,356,515 charged to "Lawsuits and Contingencies" under Note 6.3 and Ps. 9,215,498 of interest charged to "Other financial results, net".

(2) Corresponds to payments and allocations made during the period.

NOTE - 8 REGULATORY FRAMEWORK

8.1. Audiovisual Communication Services Law

Cablevisión is the holder of licenses for the exploitation of subscription television services that were originally granted under Law No. 22,285. The COMFER was the enforcement authority established by that law. Under Law No. 22,285 subscription television companies in Argentina required a non-exclusive license from the COMFER in order to operate. Other approvals were also required, including, for some services, authorization by municipal agencies.

The Audiovisual Communication Services Law (Law No. 26,522) was passed and enacted on October 10, 2009, with strong criticism about its content and enactment procedure. Even though the new Law became effective on October 19, 2009, not all of the implementing regulations provided by the law were issued. That vacuum resulted in the continued application of Law No. 22,285 with respect to the matters that had not been regulated.

Law No. 26,522 provided for the replacement of the COMFER by the Audiovisual Communication Services Law Federal Enforcement Authority (AFSCA, for its Spanish acronym) as a decentralized and autarchic agency under the jurisdiction of the Executive Branch, and vests the new agency with authority to enforce the law.

Through Emergency Decree No. 267/15 (the "Emergency Decree") issued on December 29, 2015, the Executive Branch created the ENACOM as a decentralized and autarchic agency under the jurisdiction of the Ministry of Communications. Among other powers, the ENACOM has all the same powers and competences that Law No. 26,522 had vested in AFSCA (See Note 8.3).

8.2. Telecommunication Services

The regulatory framework of the Argentine telecommunications sector is undergoing a process of change. In December 2014, the Argentine Congress passed Law No. 27,078, known as the "Digital Argentina Act", which partially repealed National Telecommunications Law No. 19,798. The new law subjects the

effectiveness of Decree No. 764/00, which deregulated the telecommunications market, to the enactment of four new sets of rules that will govern the License, Interconnection, Universal Service and Radio-electric Spectrum regimes.

Law No. 27,078 maintained the single country-wide license scheme and the individual registration of the services to be rendered, but replaced the name telecommunication services with Information and Communications Technology Services (“TIC Services”, for their Spanish acronym). Notwithstanding this, the scope of the licenses originally granted to Cablevisión, its merged companies and/or subsidiaries and related companies that exploited telecommunication licenses and their respective registrations of services, remained unaltered.

The license was named “Licencia Única Argentina Digital ”and allows licensees to render any telecommunication services to the public, be they fixed or mobile, wired or wireless, national or international, with or without the licensee’s own infrastructure.

The TIC Services registered with the Argentine Secretariat of Communications under the name of Cablevisión, its merged companies and/or subsidiaries and related companies that exploit telecommunication licenses are the following: Data Transmission, Paging, Videoconference, Community Retransmission, Transport of Broadcast Signals, Value-Added, Radio-Electric Trunking, Internet Access, Public Telephony, Local Telephony and National and International Long-Distance Telephony.

Law No. 27,078 created a new enforcement and oversight Authority as a decentralized agency under the jurisdiction of the Executive Branch, the AFTIC.

Said law also maintained the obligation to contribute 1% of telecommunication service revenues, net of taxes and charges, to be used for Universal Service investments (this obligation had been imposed by Decree No. 764/00 on all service providers as from January 1, 2001), but the Universal Service Trust Fund was placed under State control. Until August 2015, the manager of such trust fund was Banco Itaú Argentina S.A., which received the joinder requests filed by Cablevisión and its merged companies and/or subsidiaries and related companies that exploit telecommunication licenses to join the Trust Agreement.

The Argentine Secretariat of Communications has yet to decide on the approval of the Project submitted by Cablevisión on June 21, 2011, within the framework of SECOM Resolution No. 9/2011 which created the program “Infrastructure and Equipment”, whereby telecommunication service providers were allowed to submit projects aimed at developing new infrastructure, updating existing infrastructure and/or acquiring equipment for areas without coverage or with unmet needs, in order to meet the obligation to make contributions to the Universal Service Trust Fund for the amounts accrued as from January 2001 until the entry into force of Decree No. 558/08.

Another innovation of Law No. 27,078 was the creation of a new public service under the name “Public and Strategic Infrastructure Access and Use Service for and among Providers”. The right of access included “providers having to make available to other providers their network elements, associated facilities or services to render TIC services, even when such elements are used to render audiovisual content services. ”Under this scheme, the government seeks to make private companies that were created and developed in competition share their networks with other companies that had not made any investments.

The foregoing applied to any provider that had its own infrastructure or networks, because the term “Associated facilities ”is defined as physical infrastructures, systems, devices, associated services or other facilities or elements associated with a telecommunications network or with TIC Services that enable or support the provision of services using that network or service, or that have the potential to do so; and will include, inter alia, buildings or building entrances, building wiring, antennas, towers and other supporting constructions, ducts, masts, manholes, and cabinets (See Note 8.3.).

As of the date of these interim consolidated financial statements, Law No. 27,078 has been partially regulated.

8.3. Emergency Decree No. 267/15. Convergence

Emergency Decree No. 267/15, issued on December 29, 2015 and published in the Official Gazette on January 4, 2016, creates the ENACOM as a decentralized and autarchic agency under the jurisdiction of the Ministry of Communications and vests the new agency with authority to enforce Laws Nos. 26,522 and 27,078, as amended and regulated. The ENACOM has all the same powers and competences that had been vested in AFSCA and AFTIC by Laws Nos. 26,522 and 27,078, respectively.

Among the main amendments introduced by the Emergency Decree with respect to both laws, the most remarkable is the repeal of Section 161 of Law No. 26,522, which set forth the obligation to comply with the limits established under this law with respect to ownership conditions and number of licenses. Section 45 of Law No. 26,522, which establishes the multiple license regime, has been significantly amended. As a result, Cablevisión and the subsidiaries that are licensees and/or owners of audiovisual communication services already comply with the new regulatory framework.

Under the new regulatory framework, the licenses for physical link and for radio-electric link subscription television services held by Cablevisión and its subsidiaries that had been granted under Laws Nos. 22,285 and 26,522 are now called "Registrations" for the exploitation of physical link and radio-electric link subscription television services of a Licencia Única Argentina Digital.

Pursuant to this amendment (Section 7 of the Emergency Decree, which amends, among others, Section 10 of Law No. 27,078), all the services exploited by Cablevisión and some of its subsidiaries and related companies are now governed by the Digital Argentina Act. The only license held by the Company that could be considered to be subject to the LSCA is the registered title of the signal METRO, since this signal is broadcast through other services that acquire it for that purpose, and, therefore, it has a registration number issued by AFSCA which must be renewed on an annual basis.

Insofar as the Company and Cablevisión and its subsidiaries are concerned, Decree No. 267/15 eliminates:

- i) The incompatibility to render in the same location broadcast television services and subscription television services. When subscription television services are exploited through physical or radio-electric link, they will be subject to the Digital Argentina Act pursuant to Section 7 of the Emergency Decree which amends, among others, Section 10 of Law No. 27,078;
- ii) The limit of 10 licenses for radio-electric link subscription television services and 24 licenses for physical link subscription television services, which are considered to be TIC services as from January 4, 2016, date on which the decree became effective; and
- iii) The limit that provided that physical link and radio-electric link subscription television services may not reach more than 35% of all subscribers.

As far as Cablevisión is concerned, the Emergency Decree repeals Section 15 of Law No. 27,078, which created a new public service under the name "Public and Strategic Infrastructure Access and Use Service for and among Providers". The right of access included "providers having to make available to other providers their network elements, associated facilities or services to render TIC services, even when such elements were used to render audiovisual content services."

Due to the fact that physical link and radio-electric link subscription television services are now subject to the Digital Argentina Act:

- i) These services no longer fall within the scope of Section 45 of the LSCA, which sets forth the new multiple license regime for Audiovisual Communication Services;
- ii) The registration of physical link subscription television services is no longer limited to a specific territorial area. The same is not the case with radio-electric link subscription television services because of the portion of the spectrum allocated to render these services;

- iii) Both registrations, for physical link subscription television services and for radio-electric link subscription television services, are no longer subject to expiration terms. However, the portions of the spectrum allocated to render radio-electric link subscription television services do have expiration terms. The duration of such services shall be the longest of the term provided under their original title, or 10 years as from January 1, 2016.

Notwithstanding point iii) above, ENACOM Resolution No. 427/2016 provides that licensees that hold only one license to provide a certain type of service and have requested an extension of its term but have not obtained an express decision in this respect must ratify their requests. Accordingly, some of the companies in which Cablevisión holds an equity interest made filings to such end.

However, it should be noted that pursuant to Section 21 of the Emergency Decree and until the enactment of a law that shall unify the fee regime provided under Laws Nos. 26,522 and 27,078, the physical link and radio-electric link subscription television services exploited by Cablevisión and/or its Subsidiaries will continue to be subject only to the fee regime provided under Law No. 26,522. Therefore, they shall not be subject to the investment contribution or the payment of the Control, Oversight and Verification Fee provided under Sections 22 and 49 of Law No. 27,078.

Cablevisión followed the procedure established under ENACOM Resolution No. 427/16 in order to report, using the online application provided by the ENACOM to such end, the territorial location of its services, indicating the original coverage area, the supplementary territorial units and/or area extensions in which it currently renders services.

Through Resolution No. 1,663/2017, the ENACOM registered under the name of Cablevisión all the area authorizations (formerly, under Law No. 22,285, broadcasting licenses) originally granted to Cablevisión and/or the companies merged into it to render physical and/or radio-electric link subscription television services and the radioelectric frequencies allocated to the latter.

In addition, and pursuant to ENACOM Resolution No. 1.394/16, which approves the General Rules for Physical Link Subscription Television Services and/or Radio-Electric Link Subscription Television Services, in those cases in which Cablevisión and/or any of its Subsidiaries purchased bidding forms to apply for a new license when the term had expired or to apply for an area extension, the applicants amended their filings and converted them into a request an authorization of coverage area. Since then, several area authorizations have been registered under the name of Cablevisión.

The new General Rules also order providers of both types of services to guarantee their compliance with a programming grid in each Coverage Area. Cablevisión states that it complies with all the obligations set out under that Resolution.

Pursuant to the Emergency Decree, the providers of the Basic Telephone Service whose licenses were granted under the terms of Decree No. 62/90 and paragraphs 1 and 2 of Section 5 of Decree No. 264/98, as well as Mobile Telephone Service providers with a license granted pursuant to the list of bidding conditions approved by Resolution No. 575/93 of the then Ministry of Economy and Public Works and Services and ratified by Decree No. 1,461/93, shall only be able to provide subscription broadcasting services by means of physical or radio-electric link after a term of two years counted as from January 1, 2016. That term may be extended for one more year.

The Emergency Decree was approved on April 6, 2016 by the Lower House of Congress. Therefore, it has full force and effect.

Finally, in order to enhance the convergence of networks and services under conditions of competition, promote the deployment of next generation networks and the penetration of broadband Internet access services across the national territory, the Executive Branch issued Decree No. 1,340/16 on December 30, 2016. Among other things, the Decree:

- Provides for the protection for fifteen years of last mile fixed NGN for broadband Internet services that may be deployed by the licensees of TIC services with respect to the rules for open access to broadband services.
- Orders the issuance of regulations for the following purposes:
 - To call for a Public Bid for the allocation of new frequency bands for mobile services.
 - To ensure the re-allocation of radio-electric spectrum frequencies with economic compensation and shared use to frequencies previously allocated to other services, and to allocate such frequencies to providers of TIC Services that request to reuse them to render mobile services or fixed wireless services with LTE or higher technologies.
 - To allocate radio electric spectrum frequencies on demand, imposing compensation, deployment and coverage obligations on the current local or regional providers of TIC services and on the current providers of mobile communication services.
- Sets forth that the persons restricted under Decree No. 267/15 from rendering physical or radio-electric link subscription television services may request the corresponding registration and begin to provide those services in certain areas as from January 1st, 2018.
- Recognizes that the holders of satellite link subscription television service licenses that as of December 29, 2015 rendered TIC services may maintain the ownership of both services.
- Orders the Ministry of Communications to guarantee the interconnection principles provided under the applicable legislation in order to ensure the impartiality, non-discrimination and fair competition among providers of mobile services, restricting the possibility of delaying or hindering the technical, interconnection, operational or any other conditions that may create barriers for other providers to enter the market.

8.4. Matters related to the regulatory situation of Cablevisión and its subsidiaries

8.4.1. Fibertel License

The Ministry of Communications, as the highest government agency, replacing the MINPLAN with respect to this specific competence, issued Resolution No. 5/2016, which was notified on February 29, 2016, whereby it revoked SECOM Resolution No. 100/2010 for legitimacy reasons. This Resolution, which had been issued by the former Secretariat of Communications, had revoked the exclusive telecommunication service license held by Fibertel S.A., which was merged into Cablevisión S.A.

The ENACOM issued Resolution No. 1,359/16, whereby it authorized the transfer of ownership of the Exclusive Telecommunication Service License that had been granted to Fibertel S.A., which was merged into Cablevisión S.A. effective as of April 1, 2003.

8.4.2. Cablevisión's Shareholder Structure

Cablevisión has requested the ENACOM to acknowledge the change in its shareholder structure as a result of the corporate reorganisation carried out by Grupo Clarín. In the understanding that the above-mentioned change has not implied a change of control, it does not require that agency's authorization.

8.4.3. NEXTEL

8.4.3.1 Regulatory Approval of the Acquisition of Nextel

On September 24, 2015, the Official Gazette published AFTIC Resolution No. 326/15, whereby that agency ordered Nextel to render without effect within a term of 30 days, the sale of a non-majority portion of its shares because it allegedly contravened effective legislation and could be sanctioned with the revocation of its license pursuant to the Communications and Information Technology Law.

On October 9, 2015, Grupo Clarín S.A. and Cablevisión filed the corresponding appeals against Resolution No. 326/2015, arguing that they had standing based on their acquisition of 49% of the licensee and stating that the change of control alleged by AFTIC had not occurred.

Nextel requested the suspension of the effects of Resolution No. 326/2015 and also filed an appeal against that administrative act.

On January 29, 2016, Cablevisión and Nextel made a filing before the ENACOM as established under Section 8 of Decree No. 267/15 which amends Section 13 of Law No. 27,078 in order to request authorization for the change of control in full compliance with the new legal framework.

On February 22, 2016, the ENACOM issued Resolution No. 133/2016, whereby it partially admitted the appeals that had been filed against AFTIC Resolution No. 326/2015 in order to consider the Company's request for approval of the transfer of control.

On March 7, 2016, the ENACOM issued Resolution No. 280/2016, whereby it authorized the change of control of NEXTEL in favor of Cablevisión.

On April 12, 2017, the CNDC notified Cablevisión of Resolution No. 293/2017 dated April 10, 2017, whereby the CNDC authorized the economic concentration operation consisting of the acquisition by Cablevisión and Televisión Dirigida of 100% of the shares of Nextel, which were owned by NII Mercosur Telecom SLU and NII Mercosur Móviles S.L.U.

8.4.3.2 Status of the frequencies allocated to Nextel

Through Resolution No. 325/2015, AFTIC decided, abruptly and without prior notice of its decision, to dismiss the requests for extensions of certain frequencies allocated to NEXTEL, revoking them in that same act.

On October 9, 2015, Grupo Clarín and Cablevisión filed an appeal against Resolution No. 325/2015 grounding their legitimate interest on their acquisition of 49% of the licensee.

NEXTEL first requested the suspension of the effects of Resolution No. 325/2015 and then filed an appeal against that administrative act.

The ENACOM issued Resolution No. 134/2016, whereby it decided to grant partially the appeal filed by NEXTEL against AFTIC Resolution No. 325/2015. Even though this Resolution did not entail the automatic extension of the frequencies involved, the ENACOM ordered the corresponding areas to analyze each file to verify compliance with the requirements of the effective regulatory framework to be eligible for obtaining the requested extensions.

The ENACOM issued Resolution No. 281/16, whereby it authorized the extensions for a term of 10 years counted as from the original expiration of the authorizations for the use of the frequencies that had been dismissed and revoked through Resolution No. 325/2015.

8.4.3.3 Other requests for authorization filed with the ENACOM

On June 22, 2016, NEXTEL made a filing with the ENACOM in order to request authorization for direct and indirect share transfers that would imply a direct and/or indirect change of control in favor of NEXTEL, pursuant to Section 13 of Law No. 27,078 with respect to the licensees of telecommunication services listed below:

- Fibercomm S.A.
- Trixco S.A.
- Callbi S.A.
- Infotel S.A.
- Skyonline de Argentina S.A.
- Netizen S.A.
- Eritown Corporation Argentina S.A.

Within the required term, on January 6, 2017, the ENACOM issued Resolution No. 111/2017, which under section 1 authorizes the share transfers mentioned above.

The filing made on June 22, 2016 also included a request to change the allocation of a portion of the spectrum that corresponds to the licensees acquired by the Company in order to render 4G services, which was not addressed in ENACOM Resolution No. 111/2017.

Notwithstanding the foregoing, taking into consideration the new regulations provided under Decree No. 1,340/16 and Resolution No. 171/2017 issued by the Ministry of Communications, Nextel reformulated the original request in accordance with the new effective regulations, thus initiating a new administrative file. In this last filing, the Company finally requested:

- The beginning of a Refarming process with Economic Compensation as provided under Resolution No. 171/2017.
- The authorization of the agreements executed by NEXTEL with the licensees acquired by Cablevisión to operate the services registered by NEXTEL with the portion of the spectrum allocated to those licensees to render their respective services;
- The approval of the registration requested by NEXTEL of the Advanced Mobile Telecommunications Service; and,
- The authorization of the change that would allow that company:
 - To change the allocation and channeling on a primary basis of the 905-915 MHz and 950-960 MHz bands to render advanced mobile communication services at national level with primary status; and,
 - To enhance the allocation of the frequency bands and change the channeling of the 2500 MHz band to the 2690 MHz band to render advanced mobile communication services at national level with primary status.

By means of Resolution ENACOM No. 1,033/2017, the ENACOM provided for the use of the frequency bands between 905 and 915 MHz and between 950 and 960 MHz for the rendering of the ADVANCED MOBILE COMMUNICATIONS SERVICE (“SCMA”), and by means of Resolution ENACOM No. 1,034/2017, the ENACOM provided for the use of the frequency band between 2500 and 2690 MHz for the provision of SCMA, in addition to the current services when their coexistence is possible.

On March 6, 2017, NEXTEL was served with Resolution No. 1,299/ENACOM/2017, which was published in the Official Gazette on March 7, 2017 and approves the project for Refarming with Economic Compensation, filed by that Company to provide Advanced Mobile Communication Services in the

frequencies that had been subject to changes in allocation pursuant to ENACOM Resolutions No. 1,033 and 1,034/2017.

In addition, the ENACOM decided to register NEXTEL as provider of Advanced Mobile Communication Services in the Registry of Services; and to authorize the use of the above-mentioned frequencies.

In the same resolution and as part of the authorization, that agency imposed additional Coverage Obligations on Nextel.

It also imposes two obligations that must be fulfilled prior to initiating the rendering of Advanced Mobile Communication Services: (i) the return of the proposed radio-electric spectrum; and (ii) the creation of a guaranty issued in favor of and satisfactory to ENACOM for an amount equal to the value of the radio-electric spectrum that is subject to return.

The Resolution also orders that Nextel shall post a performance bond to guarantee the obligations and responsibilities undertaken by that company to be issued in favor and to the satisfaction of the ENACOM for the amount and under the terms that shall be set forth in the contract to be executed with the ENACOM. That contract shall establish, in addition to the economic compensation to be paid by Nextel, the terms, conditions, goals, obligations and other matters inherent to the rendering of the Advanced Mobile Communication Services authorized by that agency to which Nextel shall be bound

On April 12, 2017, Nextel and the ENACOM executed the agreement referred to in the previous paragraph. On April 28, 2017, pursuant the Agreement executed with the ENACOM, Nextel transferred to that agency the “economic compensation ”of Ps. 478,240,214, established by the ENACOM on April 26, 2017.

In another agreement also executed on April 12, 2017, NEXTEL accepted and expressly consented to the authorization granted to the Chairman of the ENACOM to decide on, within a term of 2 years as from the date of the agreement, the replacement with economic compensation -to be paid by NEXTEL- of certain channels of the 2500-2690 MHz frequency bands for frequencies in other bands, as established under Article 7 of ENACOM Resolution No. 1,034/2017.

Also, on May 5, 2017, Nextel posted the performance bond provided under the agreement in order to guarantee: (i) compliance with the coverage obligations in the localities ordered by ENACOM; and (ii) the return of compromised radio spectrum.

Through Resolution No. 3,909-E/2017 published on May 24, 2017, the ENACOM decided to record the agreements described in the previous paragraph.

On May 22, 2017, Cablevisión made a filing with the ENACOM in order to request the incorporation of the *Licencia Única Argentina Digital* held by Cablevisión to the records, resources, allocations, permits and authorizations held by Nextel, as well as those held by Trixco S.A., Callbi S.A., Infotel S.A., Skyonline de Argentina S.A., Netizen S.A., and Eritown Corporation Argentina S.A. as a result of the corporate reorganisation process to be implemented whereby Cablevisión will absorb under a merger by acquisition process the above-mentioned licensees among which is Nextel, which will be dissolved without liquidation. (See Note 4.a)).

8.4.4. Programming Grid

AFSCA Resolution No. 296/2010, as amended and/or supplemented, provided guidelines for the organization of the programming grids that had to be followed by the owners of subscription television audiovisual services. This resolution regulated section 65, subsections a) and b) of the LSCA and supplemented the provisions of the regulations to the same section of Decree No. 1,225/2010.

In spite of Cablevisión's efforts to organize its programming grids in accordance with the provisions of section 65 of Law No. 26,522, AFSCA initiated multiple summary proceedings in connection with the cable television licenses of which Cablevisión is the lawful successor. AFSCA contended that Cablevisión had failed to comply with the regulations set forth by AFSCA Resolution No. 296/2010. Cablevisión submitted

the responses set forth under section 1, Exhibit II of AFSCA Resolution No. 224/2010 in connection with such accusations. A decision has been rendered on some of the summary proceedings and, as a result, a fine was imposed on Cablevisión, while other proceedings are pending resolution. Cablevisión has appealed these decisions. Some of the appeals filed by Cablevisión have been decided against it and were appealed.

Insofar as Cablevisión is concerned, as of the date of these financial statements, an injunction issued in re “CABLEVISIÓN S.A. v. NATIONAL GOVERNMENT AND OTHERS ON COMPLAINT FOR THE PROTECTION OF CONSTITUTIONAL RIGHTS ”by the Federal Court of Appeals of the City of Mar del Plata, whereby that Court revoked the decision rendered in the First Instance, remains in full force and effect. The decision rendered in the First Instance had ordered the dismissal of Cablevisión’s request. The Court of Appeals ordered AFSCA to suspend –until a final decision was rendered on the matter –the application of the penalties derived from the alleged non-compliance with section 65 of Law No. 26,522 and Decree No. 1.225/2010. Therefore, it also suspended the application of section 6 of AFSCA Resolution No. 296/2010 on the grounds that Cablevisión’s alleged serious non-compliance was not contemplated in the Law or in the Decree. The National Government filed an appeal with the Supreme Court against this decision. Such appeal was dismissed. Consequently, AFSCA filed a direct appeal with the Supreme Court, which is still pending resolution.

In re “AFSCA v. CABLEVISION SA Decree 1,225/10 –RES. 296/10 on/ Proceeding leading to a declaratory judgment ”currently pending before the Federal Court of First Instance on Administrative Matters No. 9, on May 16, 2012 the Court granted an injunction that had been requested by AFSCA, ordering Cablevisión and/or the pay television audiovisual services it exploits, to conform to Section 65, subsection 3 b of Decree No. 1,225/2010 and Sections 1, 2, 3, 4 and 5 of AFSCA Resolution No. 296/2010, until a final judgment is rendered on the merits of the case. Cablevisión has appealed such injunction.

On August 6, 2012, Cablevisión was served notice of a decision rendered by the Federal Court of First Instance on Administrative Matters No. 9 of the City of Buenos Aires, whereby that court imposed a fine on Cablevisión of Ps. 20,000 per day for each day of delay in complying with the injunction that ordered Cablevisión to comply with Section 65 of Decree No. 1,225/2010 and AFSCA Resolution No. 296/2010. Cablevisión filed an appeal against that decision in due time and form. However, the Court of Appeals ignored the strong grounds asserted by Cablevisión; partially confirmed the decision rendered in the first instance; and reduced the fine to Ps. 2,000 per day for each day of delay, to be calculated as from the date the decision is deemed final. An appeal was filed with the Supreme Court of Argentina, which was dismissed by the intervening Chamber. Cablevisión filed an appeal against such decision, which was dismissed by the Supreme Court of Argentina.

On October 21, 2013 Cablevisión was served with new charges brought for alleged noncompliance with AFSCA Resolution No. 296/2010, clearly violating the preliminary injunction mentioned above. Accordingly, Cablevisión filed an appeal, but no decision has been rendered on the matter as of the date of these financial statements.

On December 23, 2013, Cablevisión informed AFSCA of its new programming grid in digital and analogue systems, expressly maintaining the reserves brought to continue challenging the legality and constitutionality of section 65 of Decree No. 1,225/2010 and AFSCA Resolution No. 296/2010, as amended.

Section 7 of the Emergency Decree which amends, among others, Section 10 of Law No. 27,078 provides that all the physical link and radio electric link subscription television services shall be governed by the Digital Argentina Act. Therefore, Cablevisión is no longer subject to Section 65 and its implementing regulations.

The new General Rules approved by ENACOM Resolution No. 1,394/16 order providers of both types of services (physical and radio-electric link) to guarantee their compliance with a programming grid in each Coverage Area. Cablevisión states that it complies with all the obligations set out under that Resolution.

Upon the enactment of Decree No. 267/2015, whereby the physical link or radio-electric link subscription television services no longer fall within the scope of Law No. 26,522, the claim that had been brought by AFSCA against Cablevisión has become moot.

8.5. Requests for authorization filed with the ENACOM relating to the merger of Telecom Argentina S.A. and Cablevisión S.A.

As a consequence of the corporate reorganisation process described under Note 4.d), on September 6, 2017, Cablevisión and Telecom Argentina S.A. made a filing with the ENACOM requesting the authorization of:

- (i) The transfer and incorporation to the *Licencia Única Argentina Digital* held by Telecom of the registrations, resources, allocations and permits held by Cablevisión.
- (ii) The transfer in favor of Telecom of the authorizations for use and the resources allocated to provide the services registered under the name of Cablevisión and/or the companies merged into the latter.
- (iii) The change of corporate control that will occur in Telecom Argentina S.A. once the above-mentioned authorization from the ENACOM has been obtained, the Merger becomes effective and the shareholders agreement dated July 7, 2017 enters into effect, which will result in Cablevisión Holding S.A. becoming the controlling company of Telecom Argentina S.A. as surviving company of Cablevisión.

8.6. Audiovisual Communications Law of the Republic of Uruguay

Law No. 19,307 was published in the Official Gazette of the Republic of Uruguay on January 14, 2015. This Law governs radio, television, and other audiovisual communication services (hereinafter, the "Audiovisual Communications Law"). Section 202 of such law provides that the Executive Branch shall issue its implementing regulations within a 120-day term, counted as from the day following publication of the Audiovisual Communications Law in the Official Gazette. As of the date of these interim consolidated financial statements, only Decree No. 45/015 has been issued, but the implementing regulations for most of the sections of this law are still pending. Such Decree provides that the concession for the use and allocation of the radio-electric spectrum for non-satellite audiovisual communication services shall be granted for a term of 15 years.

Section 54 of the Audiovisual Communications Law provides that an individual or legal entity cannot be allocated the full or partial ownership of more than 6 authorizations or licenses to render television services to subscribers throughout the national territory of Uruguay. Such limit is reduced to 3 if one of the authorizations or licenses includes the department of Montevideo. Section 189 of this law provides that in the cases where such limits were exceeded as of the entry into force of the Law, the owners of those audiovisual communication services shall transfer the necessary authorizations or licenses so as not to exceed the limits mentioned above within a term of 4 years as from the date of entry into force of the Audiovisual Communications Law.

The subsidiary Adesol S.A. is analyzing the possible impact on its business that could be derived from the change in the regulatory framework and the eventual legal actions it may bring to safeguard its rights and those of its shareholders. That company is also monitoring the different unconstitutionality claims filed by other companies against certain sections of the above-mentioned law to consider whether the decisions to be rendered by the Supreme Court in those proceedings may be favourable to the position of Adesol S.A. in the future. On April 7, 2016, 28 unconstitutionality claims were brought against the above mentioned law. To date, the Supreme Court has issued 28 decisions, whereby it declared the unconstitutionality of Sections 39 subsection 3, Section 55, 56 subsection 1, Section 60 point C, 98 subsection 2°, 117 subsection 2, 143 and 149 subsection 2 of Law No. 19,307. It is noteworthy that some of the decisions rendered in this respect by the Supreme Court dismissed the unconstitutionality claim filed by the claimant with respect to Section 54 of that Law.

NOTE 9 PROVISIONS AND OTHER CHARGES

9.1. Judicial, administrative and other proceedings

a) As from November 1, 2002 and until December 31, 2016, the COMFER, then AFSCA, now ENACOM has initiated summary administrative proceedings against Cablevisión and Multicanal (merged into Cablevisión) for infringements of regulations relating to programming content. Accordingly, a provision has been set up to cover potential penalties.

b) The CNDC initiated three legal actions following complaints filed by other cable television companies under Law No. 25,156 alleging an improper refusal by Dayco Holdings Ltd. ("Dayco"), a subsidiary of Fintelco group, to sell rights to broadcast South American qualifying football matches for the Korea/Japan 2002 World Cup. On February 14, 2003, the CNDC served Cablevisión notice of the complaint in one of those legal actions to provide explanations.

Subsequently, the Technical Coordination Secretary of the Ministry of Economy and Production decided that the proceedings related to one of the actions above should be closed. Although Dayco timely submitted the answers required and Cablevisión did the same on March 10, 2003, the CNDC has not made any material decision.

On July 16, 2010, the SCI served notice to Cablevisión and Multicanal of Resolution No. 219/2010 whereby the Secretariat of Domestic Trade found that both companies had engaged in market sharing practices in connection with the paid-television service in the City of Santa Fe and imposed a fine of Ps. 2,500,000 on each of them. On July 26, 2010, both companies appealed the resolution, presenting new arguments in connection with the application of statutes of limitation, which had already been alleged prior to the issuance of the appealed resolution.

On June 4, 2012, the Federal Court of Appeals of Rosario partially confirmed SCI Resolution No. 219/2010, whereby the Secretariat of Domestic Trade found that Cablevisión and Multicanal had engaged in market sharing practices in connection with the paid-television service in the City of Santa Fe and reduced the fine imposed on each of the companies involved from Ps. 2.5 million to Ps. 2 million. However, this decision is not yet final, because Cablevisión and Multicanal and the Ministry of Economy filed appeals, which are still pending before that Court of Appeals. On October 21, 2014, the Argentine Supreme Court dismissed the appeals; therefore, Resolution No. 219/2010 became final. The case is currently pending with the Court of Appeals of Rosario, which shall order its referral to the SCI. The SCI, in turn, shall serve notice to the companies involved in order for them to pay the fine.

On March 1, 2011, the SCI served notice to Multicanal and Cablevisión of Resolution No. 19/11 whereby the Secretariat of Domestic Trade found that both companies had engaged in market sharing practices in connection with the paid-television service in the City of Paraná and imposed a fine of Ps. 2.5 million on each of them. Cablevisión filed an appeal in due time and form. This appeal was dismissed by the Federal Court of Appeals of Paraná. Therefore, Cablevisión filed an appeal with the Argentine Supreme Court. On November 4, 2011, the appeal of SCI Resolution No. 19/11 filed by Cablevisión with the Supreme Court was partially granted by the Federal Court of Appeals of Paraná.

On August 30, 2012, the Argentine Supreme Court dismissed the appeal filed by Cablevisión; therefore, Resolution No. 19/11 became final. The case is currently pending with the Court of Appeals of Paraná, which shall order its referral to the SCI. The SCI, in turn, shall serve notice to the companies involved in order for them to pay the fine.

The ongoing investigations of the CNDC and SCI may lead to the imposition of fines pursuant to Law No. 25,156, which would be appealable. The eventual fines would be graduated based on: (i) the loss incurred by the people affected by the allegedly prohibited activity; (ii) the benefit obtained by all the people involved in the prohibited activity and (iii) the value of the assets involved owned by the people indicated in item (ii) above at the time the alleged violation was committed. To date, there is not any standard criterion on the application of the above-mentioned parameters.

While Cablevisión believes that its conduct and that of Multicanal have always been within the bounds of the Argentine Antitrust Law and regulations and that their positions in each of these proceedings are reasonably grounded, it can give no assurance that any of these cases will be resolved in its favor.

c) In 2003, ELP Investments filed a criminal complaint in Argentina against certain individuals related to the Hicks Muse Tate & Furst Group (“HMTF”), including some who were Directors of Cablevisión. That criminal complaint, which was filed by a person that is not a shareholder or creditor of Cablevisión, challenged certain operations undertaken by Cablevisión. Although Cablevisión believed that the party filing the complaint was not entitled to do so, and that the allegations by ELP Investments were false or wrongly presented, the court handling this case ordered searches at Cablevisión’s offices, as well as the seizure of certain of Cablevisión’s corporate books. On June 27, 2003, the criminal court appointed an agent to gather information at Cablevisión’s offices regarding the case within a forty five-day period. On September 16, 2003, this period was extended for forty five additional days. Cablevisión and certain Directors of that company each denied the challenges alleged by ELP Investments and offered supporting evidence and Cablevisión appealed the court’s appointment of the agent. On October 21, 2003, Chamber IV of the Criminal and Correctional Court of Appeals declared the nullity of all the decisions made and actions taken by the lower court judges. The litigation, however, continued through the filing of remedies before the highest criminal court of appeals (*Cámara de Casación*) and the Supreme Court of Argentina. The *Cámara de Casación* partially revoked the decision rendered by Chamber IV. The majority of the judges of this court of appeals upheld the principles and grounds held by Chamber IV. Notwithstanding the above-mentioned, the *Cámara de Casación* held that the proceedings related to the preliminary injunctions that are still pending should be resolved in the first place. It should be noted that, given the share transfers made in 2006, the companies represented by the parties involved in the above-mentioned case have ceased to be shareholders of Cablevisión. Cablevisión was never a party to the case. On July 3, 2009, Chamber IV of the Criminal Court of Appeals held that the intervention of Cablevisión was no longer in effect and, therefore, declared moot the claims that had been brought against that intervention.

On May 11, 2010, the Criminal Court of First Instance declared that the legal action had become barred by the statute of limitations and permanently acquitted the accused from all the criminal offenses claimed by ELP Investments. That decision was appealed by the acting Prosecutor and is now pending before Chamber IV of the Criminal and Correctional Court of Appeals. That Chamber suspended the application of the statutes of limitation to the criminal action. The suspension is due to the fact that the former claimant ELP Investments brought a new claim requesting to be a party to this proceeding. To date, Chamber IV of the Criminal and Correctional Court of Appeals has not allowed the former claimant ELP Investments to be a party to this proceeding. ELP Investments filed an appeal against this decision, which is still pending.

d) The Government of the City of Mar del Plata enacted Ordinance No. 9,163, governing the installation of cable television networks. Such ordinance was amended and restated by Ordinance No. 15,981 dated February 26, 2004, giving cable companies until December 31, 2007 to adapt their cable networks to the new municipal requirements. The ordinance sets forth that in those areas where street lighting has underground wiring, cable television networks are to be placed underground. In this sense, the Executive Department of the Municipality of General Pueyrredón has submitted to the Municipal Council a proposed ordinance extending the term provided until December 31, 2015. The term for legislators to discuss that proposed ordinance within the legislative period in which it was presented has expired. Even though the ordinance provides for certain penalties/ fines that may be imposed, the city has not imposed such penalties to cable systems that are not in compliance with such ordinance.

e) Multicanal has brought several legal actions requesting the nullification of: i) all the Ordinary Shareholders’ Meetings of Supercanal Holding S.A. held from 2000 to date, and ii) the guarantees granted by Supercanal Holding S.A. on bank loans exclusively in favor of the group controlling Supercanal Holding S.A. (Grupo Uno S.A. and its affiliates). In addition, a claim for the dissolution and liquidation of Supercanal Holding S.A. was brought jointly with the action for the removal of all the members of the Board of Directors and the Supervisory Committee, and the dissolution of Supercanal Capital N.V. On March 29, 2000, Supercanal filed for insolvency proceedings before the National Court of First Instance on Commercial Matters No. 20, Clerk’s Office No. 40, which was admitted by the Court on March 27, 2001. On December 26, 2007, the Court rendered a decision whereby it dismissed the claims and approved the settlement

proposal. That approval was appealed by the pledgees. On October 30, 2009, the Court of Appeals, rendered a decision whereby it revoked the approval of the proposal and requested the debtor to provide certain explanations and clarifications about the submitted proposal and to provide guarantee to the pledgees on the shares of the original shareholders. Supercanal made a filing stating that it complied with both requirements and provided a Ps. 2 million escrow for the pledgees. On March 3, 2011, the Court of First Instance approved once again the insolvency proceeding. That decision was once again appealed by the pledgees. On December 28, 2011, Chamber A of the Court of Appeals partially revoked the decision rendered by the Court of First Instance upholding the approval of the proposal submitted by Supercanal Holding S.A. but ordering that the guarantee for the pledgees should be of USD 30 million.

On April 23, 2012, a decision was rendered on one of the claims brought by Multicanal against Supercanal ordering the nullification of the decisions made at Supercanal's Shareholders' Meeting held on January 25, 2000 in considering points 2, 4, 5 and 6 relating to: i) the capital reduction to Ps. 12,000; ii) the cancellation of the shares corresponding to the reduced capital; iii) the capital increase to Ps. 83,012,000; iv) the delegation to the Board of Directors of the fixing of the term for the subscription and payment of the increase and the cancellation and registration of outstanding shares; and v) the amendment of the by-laws in connection with the changes in the capital stock in a new shareholders' meeting.

Such decision was appealed by both parties and the appeal is pending before the Court of Appeals.

Upon the revocation of a preliminary injunction initially granted in favor of Multicanal in re "Multicanal S.A. v/ Supercanal Holding S.A. on summary proceedings" for the request for nullification of the Shareholders' Meeting of Supercanal Holding S.A. held on January 25, 2000 at which the shareholders of that company decided to reduce the capital stock of Supercanal Holding S.A. to Ps. 12,000 and to subsequently increase the capital stock to Ps. 83,012,000, Multicanal was served on December 12, 2001 with a claim filed by Supercanal Holding S.A. for damages caused by the above-mentioned preliminary injunction which was subsequently revoked. Supercanal Holding S.A. alleges that the suspension of the effects of its Shareholders' Meeting that had been held on January 25, 2000 caused its insolvency. Multicanal answered the claim denying any liability stating that the claimant's insolvency took place, as per the documentary evidence provided by the very same claimant, before the date of the Shareholders' Meeting, which effects were suspended by the preliminary injunction. On the other hand, the suspension of the effects of the Shareholders' Meeting did not preclude the capitalization of Cablevisión by other alternative means. Based on legal and factual precedents of the case, Cablevisión, as successor of Multicanal's operations, believes that the claim filed should be rejected in its entirety, and that the legal costs should be borne by the plaintiff. The proceeding is at the discovery stage. The Court of First Instance dismissed Supercanal Holding S.A.'s request that it be allowed to sue without paying court fees or costs. This decision has been ratified by the Federal Court of Appeals.

Cablevisión cannot assure that, as a result of the actions brought, it may obtain a favourable economic or equity outcome. Currently and due to the ancillary jurisdiction of the insolvency proceedings of Supercanal Holding S.A. all the claims brought are pending before the above-mentioned court.

f) Multicanal, which was merged into Cablevisión, has taken notice of a claim (with which it has not been served as of the date of these interim consolidated financial statements) brought against it by an entity representing consumers and alleged financial victims (and by six other individuals). Claimants are Multicanal noteholders -individuals who are not investment professionals or consumers- who claim to be allegedly affected by Multicanal's APE. Since neither Multicanal nor Cablevisión, as successor of Multicanal, has been served with that claim, we cannot estimate the impact it will have on Cablevisión.

g) On January 22, 2010, Cablevisión was served notice of CNDC Resolution No. 8/10 issued within the framework of file No. 0021390/2010 entitled "Official Investigation of Cable Television Subscriptions (C1321)". Pursuant to this Resolution, Cablevisión, among other companies, was ordered to refrain from conducting collusive practices and, particularly, from increasing the price of cable television subscriptions for a term of 60 days, counted as from the date compliance with all required notices is certified in the records

of the case. As established by that Resolution, companies that have already increased the price of the subscriptions shall return to the price applicable in November 2009 and maintain such price for the above-mentioned term.

On February 2, 2010, by means of Resolution No. 13/10, the CNDC ordered Cablevisión to refund to its subscribers in the March 2012 invoices the amount of any price increase made after the date of CNDC Resolution No. 8/10.

Cablevisión appealed both resolutions in due time and form and their effects were suspended by an injunction issued by Chamber No. 2 of the National Court of Appeals on Federal Civil and Commercial Matters at the request of Cablevisión. The National Government filed an appeal with the Supreme Court against this decision, and the appeal has been dismissed.

On October 4, 2011, Chamber No. 2 of the National Court of Appeals on Federal Civil and Commercial Matters granted the appeal filed against both decisions in re “Cablevisión and Other on Appeal against the Decision rendered by the National Antitrust Commission” (File 1,473/2010), declaring Resolution No. 8/10 moot and nullifying Resolution No. 13/10.

The National Government filed an appeal with the Supreme Court of Argentina against the decision rendered by Chamber No. 2, which was granted, but it was dismissed by the Supreme Court of Argentina.

h) The Secretariat of Domestic Trade issued Resolution No. 50/10, whereby it approved certain rules for the sale of pay television services. These rules provide that cable television operators must apply a formula to estimate their monthly subscription prices. The price arising from the application of the formula was to be informed to the Office of Business Loyalty (*Dirección de Lealtad Comercial*) between March 8 and March 22, 2010. Cable television operators must adjust such amount semi-annually and inform the result of such adjustment to said Office.

Even though as of the date of these interim consolidated financial statements Cablevisión cannot assure the actual impact of the application of this formula, given the vagueness of the variables provided by the Resolution to calculate the monthly subscription prices, Cablevisión believes that Resolution No. 50/10 is arbitrary and bluntly disregards its freedom to contract, which is part of the right to freedom of industry and trade. Therefore, it has filed the pertinent administrative claims and has brought the necessary legal actions requesting the suspension of the Resolution’s effects and ultimately requesting its nullification.

Even though Cablevisión, like other companies in the industry, has strong constitutional arguments to support its position, it cannot be assured that the final outcome of this issue will be favourable. Therefore, Cablevisión may be forced to modify the price of its pay television subscription, a situation that could significantly affect the revenues of its core business. This situation generates uncertainties about Cablevisión’s business, which could significantly affect the recoverability of the Company’s relevant assets. Notwithstanding the foregoing, as of the date of these interim consolidated financial statements, in accordance with the decision rendered on August 1, 2011 in re “LA CAPITAL CABLE S.A. v/ Ministry of Economy-Secretariat of Domestic Trade”, the Federal Court of Appeals of the City of Mar del Plata has ordered the SCI to suspend the application of Resolution No. 50/10 with respect to all cable television licensees represented by the ATVC. Upon being served on the SCI and the Ministry of Economy on September 12, 2011, such decision became fully effective and may not be disregarded by the SCI. The National Government filed an appeal against the decision rendered by the Federal Court of Appeals of Mar del Plata to have the case brought before the Supreme Court. Such appeal was dismissed and so the National Government filed a direct appeal with the Supreme Court, which was also dismissed.

On June 1, 2010, the SCI imposed a Ps. 5 million fine on Cablevisión alleging that it had failed to comply with the information regime set forth by Resolution No. 50/10, and invoking the Antitrust Law to impose such penalty. The fine was appealed and submitted to the National Court of Appeals on Federal Administrative Matters, Chamber No. 5, which decided to reduce the fine to Ps. 300,000. Cablevisión appealed this decision by filing an extraordinary appeal with the Supreme Court of Argentina.

On March 10, 2011 SCI Resolution No. 36/11 was published in the Official Gazette. This Resolution falls within the framework of SCI Resolution No. 50/10. Resolution No. 36/11 sets forth the parameters to be applied to the services rendered by Cablevisión to its subscribers from January through April 2011. These parameters are as follows: 1) the monthly basic subscription price shall be Ps. 109 for that period; 2) the price of other services rendered by Cablevisión should remain unchanged as of the date of publication of the resolution; and 3) the promotional benefits, existing rebates and/or discounts already granted as of that same date shall be maintained. The resolution also provides that Cablevisión shall reimburse users for any amount collected above the price set for that period.

Cablevisión believes that Resolution No. 36/10 is illegal and arbitrary, since it is grounded on Resolution No. 50/10, which is absolutely null and void. Since the application of Resolution No. 50/10 has been suspended, the application of Resolution No. 36/11, which falls within the framework of the former, is also suspended.

The claim filed by Cablevisión seeking the nullification of Resolution No. 50/10 is currently pending before the Federal Administrative Court of First Instance No. 7 of the City of Buenos Aires. This claim was dismissed in view of the claim pending in the City of Mar del Plata.

Subsequently, the SCI issued Resolutions Nos. 65/11, 92/11, 123/11, 141/11, 10/11, 25/12, 97/12, 161/12, 29/13, 61/13, 104/13, 1/14, 43/14 and 93/14 pursuant to which the SCI extended the effectiveness of Resolution No. 36/11 up to and including September 2014, and adjusted the cable television subscription price to Ps. 152. Cablevisión believes, however, that given the terms under which the Federal Court of the City of Mar del Plata granted the preliminary injunction, that is, ordering the SCI to suspend the application of Resolution No. 50/10 with respect to all cable television licensees represented by ATVC (among them, Cablevisión and its subsidiaries), and also given the fact that Resolutions No. 36/11, 65/11, 92/11, 123/11, 141/11, 10/11, 25/12, 97/12, 161/12, 29/13, 61/13, 104/13, 1/14, 43/14 and 93/14 merely apply Resolution No. 50/10, Cablevisión continues to be protected by said preliminary injunction, and, therefore, the ordinary course of its business will not be affected.

On April 23, 2013, Cablevisión was served notice of a decision rendered in re “Ombudsman of Buenos Aires v. Cablevisión S.A. on Complaint for the protection of constitutional rights Law 16,986 (Motion for Preliminary Injunction)” pending before Federal Court No. 2, Civil Clerk’s Office No. 4 of the City of La Plata in connection with the price of cable television subscriptions, whereby the court imposed on Cablevisión a cumulative daily fine of Ps. 100,000 per day on Cablevisión.

Cablevisión appealed the fine on the grounds that Resolution No. 50/10 issued by Mr. Moreno, as well as its extensions and/or amendments were suspended, as mentioned above, by an injunction with respect to Cablevisión and its branches and subsidiaries prior to the imposition of the fine; pursuant to the collective injunction issued by the Federal Court of the City of Mar del Plata on August 1, 2011 in re “La Capital Cable and Others v. National Government and Others on Preliminary Injunction”. That injunction suspended the application of all the criteria set by the Secretariat of Domestic Trade under Mr. Guillermo Moreno.

The Federal Court of Appeals of the City of La Plata reduced the fine to Ps. 10,000 per day. Cablevisión filed an appeal against that decision in due time and form. On October 16, 2013, the Court of Appeals dismissed the appeal filed by Cablevisión. As of the date of these interim consolidated financial statements, Cablevisión had settled the fine in the amount of Ps. 1,260,000 and compliance was recorded in the file.

On June 11, 2013, Cablevisión was served notice of a resolution rendered in the above-mentioned case; whereby the court ordered the appointment of an expert overseer (*perito interventor*) specialized in economic sciences to: (i) verify whether or not the invoices corresponding to the basic cable television subscription issued by Cablevisión to subscribers domiciled in the Province of Buenos Aires, are actually prepared at the headquarters located at Gral. Hornos 690, and/or at Cablevisión’s branch offices, precisely detailing that process, (ii) identify the individuals responsible for that area, (iii) determine whether or not the administrative actions tending towards the effective compliance with the injunction issued on that case are underway, and (iv) identify the senior staff of Cablevisión that must order the invoice issuance area to prepare the invoices as decided under that injunction.

Cablevisión timely appealed the appointment of said expert on the same grounds stated above. This appeal is also pending before the Federal Court of Appeals of the City of La Plata.

For the purposes of enforcing the injunction, the court issued letters rogatory to the competent judge of the City of Buenos Aires. Upon the initiation of that proceeding, both the National Court on Federal Administrative Matters and the National Court on Federal Civil and Commercial Matters declined jurisdiction to enforce the injunction ordered by the Federal Judge of La Plata. Cablevisión has appealed the decision in connection with the lack of jurisdiction in due time and form. Chamber 1 of the Federal Court of Appeals on Civil and Commercial Matters confirmed the appealed decision. Accordingly, Cablevisión will file an extraordinary appeal in due time and form to have the case decided by the Supreme Court of Argentina.

It should be noted that, in the light of the corporate reorganisation and at the request of both parties, that company requested in the file to suspend the procedural terms for 180 days, which was granted by the judge. Therefore, the procedural terms have been suspended until December 11, 2014. Given the decision rendered by the Supreme Court of Argentina in re “Municipality of Berazategui v. Cablevisión ” mentioned below, the procedural periods remain suspended until the Federal Court of Mar del Plata renders a decision thereon.

The file initiated by the Ombudsman before the Federal Court of La Plata, was sent to Mar del Plata, as established by the decision rendered in re Municipality of Berazategui v. Cablevisión referred to below, ordering that the preliminary injunction be revoked because it contradicts the injunction ordered in the proceeding initiated by ATVC.

After the Federal Court of the City of Mar del Plata issued its injunction, several Municipal Offices of Consumer Information and several individuals filed claims requesting that Cablevisión comply with Resolution No. 50/10 and the subsequent resolutions that extended its effectiveness. In some cases, preliminary injunctions were granted. In every case, Cablevisión appealed such preliminary injunctions alleging that Resolution No. 50/10, as amended, and/or the subsequent resolutions that extended its effectiveness, had been suspended with respect to Cablevisión, its branches and subsidiaries prior to the issuance of such preliminary injunctions.

On September 23, 2014, the Supreme Court of Argentina rendered a decision in re “Municipality of Berazategui v. Cablevisión” and ordered that the cases related to these resolutions continue under the jurisdiction of the Federal Court of Mar del Plata that had issued the decision on the collective action in favor of ATVC.

Decisions made on the basis of these interim consolidated financial statements should consider the eventual impact that the above-mentioned resolutions might have on Cablevisión and its subsidiaries, and the Company’s financial statements should be read in light of such uncertainty.

i) On October 28, 2010, Cablevisión was served notice of the National Administration of Domestic Trade’s resolutions imposing two fines of Ps. 5 million each, for allegedly failing to observe the typographic character requirements under applicable regulations (Resolution No. 906/98) when informing its subscribers of the increase in the price of their cable television subscriptions. Cablevisión appealed the fines on November 12, 2010 because it believes it has strong grounds in its favor. However, it cannot assure that the outcome will be favourable. One of the files was assigned No. 1,280 and is pending before Chamber No. 1 of the Federal Administrative Court of Appeals, and the other one was assigned No. 1,278 and is pending before Chamber No. 5 of the Federal Administrative Court of Appeals.

j) On January 13, 2012, the Secretariat of Domestic Trade issued Resolution No. 2/2012 granting Cablevisión 24 hours to resume service to those subscribers who had duly paid their subscription fee in the amount established by the National Government. In its sixth section, the Resolution provides that, if the company does not comply with its obligations thereunder, penalties may be imposed as provided by Law No. 20,680.

On February 10, 2012, Cablevisión received a fine of Ps. 1,000,000 for alleged non-compliance with such Resolution. Such fine has been appealed but no decision has been rendered on the matter yet.

k) On November 27, 2012 the National Administration of Domestic Trade served Cablevisión with Resolution No. 308/2012, whereby it imposed a Ps. 5 million fine on that company alleging that it had failed to comply with Section No. 4 of the Antitrust Law (increase in the subscription price of cable television services/wrongful information provided by Customer Service, which informed by mail SECOM Resolution No. 50 and the supplementing resolutions are suspended on grounds of unconstitutionality, when in fact they have been suspended by an injunction). On December 11, 2012 Cablevisión appealed Resolution No. 308/2012. The administrative file No. S01:0312056/2011 was sent by the National Administration of Domestic Trade to the National Court of Appeals on Federal Administrative Matters. It is now pending before Chamber No. 1 in re “Cablevisión SA v. DNCI Res. 308/12 and Other ”(File 140/13). A decision has not been rendered yet.

Cablevisión and its legal advisors believe that the company has strong arguments in its favor. Nevertheless, Cablevisión cannot assure that the fine will be revoked.

l) On April 9, 2013, Cablevisión was served notice of AFIP Resolution No. 45/13 dated April 3, 2013, whereby such agency imposed penalties in a summary proceeding against Cablevisión with respect to compliance with General Resolution No. 3,260/12. Cablevisión filed an appeal, which has staying effects on the execution of those penalties.

m) On May 30, 2013, Pem S.A. was served with a claim in re “TELEVISORA PRIVADA DEL OESTE S.A. v. GRUPO CLARÍN S.A. AND OTHERS on ORDINARY ”File No. 99078/2011, which is pending before the Federal Commercial Court No. 16 of First Instance, Clerk’s Office No. 32. The claim seeks damages resulting from certain decisions made with respect to Televisora Privada del Oeste S.A. Cablevisión and Grupo Clarín, among others, are defendants in such lawsuit. Cablevisión was served with the claim and filed a response in due time and form. Notice of the claim is being served on the other co-defendants. According to Cablevisión’s legal advisors, the chances of success of the claim are low because the damages claimed are clearly overstated, the actual damage invoked does not exist and the claim is procedurally inappropriate, on both a factual and legal basis. Pem S.A. filed a response and the proceeding is now in the discovery stage. In view of the level of conflict that has arisen among the parties and the length of time it is taking to reach a solution, Cablevisión cannot ascertain the outcome of this claim.

n) On July 5, 2013, the National Administration of Domestic Trade served notice to Cablevisión of Resolution No. 134/2013, whereby it imposed a fine of Ps. 500,000 for breach of Section 2 of Resolution ex S.I.C. y M. No. 789/98, which regulates the Business Loyalty Law No. 22,802. Cablevisión appealed that resolution on July 16, 2013. The administrative file was sent by the National Administration of Domestic Trade to the National Court of Appeals on Federal Administrative Matters. It is now pending before Chamber No. 3 in re “Cablevisión SA v. DNCI Res. 134/13 and Other ”(File 36044/13). On May 20, 2014, Chamber No. 3 partially granted the appeal filed by Cablevisión and reduced the fine to Ps. 300,000 and ordered that each party shall bear its own legal costs. On June 9, 2014, Cablevisión filed an appeal with the Argentine Supreme Court. On September 18, 2014, Cablevisión was served notice of the extraordinary appeal filed by the National Government and on October 2, 2014 that company filed a response. On October 9, 2014, the Chamber dismissed both appeals.

On October 08, 2010, the National Administration of Domestic Trade served notice to Cablevisión of Resolution No. 697/2010, whereby it imposed a fine of Ps. 500,000 for breach of Section 21 of the Business Loyalty Law No. 22,802. Cablevisión appealed that resolution on October 26, 2010. The administrative file was sent by the National Administration of Domestic Trade to the National Court of Appeals on Federal Administrative Matters. It is now pending before Chamber No. 3 in re “Cablevisión SA v. DNCI Res. 697/2010 (File S01:80822/10) and Other ”(File 1,277/2011). On December 29, 2011 the Court of Appeals dismissed the appeal filed by Cablevisión, and imposed court costs on Cablevisión. On February 22, 2012, Cablevisión filed an appeal with the Argentine Supreme Court. The appeal was dismissed by the Chamber on April 10, 2012. On April 26, 2012, Cablevisión filed an appeal against the above-mentioned dismissal. The Supreme Court of Argentina granted the appeal and revoked the decision against which Cablevisión had filed the appeal with legal costs to be borne by the National Administration of Domestic Trade, and

ordered that the case be sent back to the court of first instance for it to render a new decision based on the precedent indicated in its ruling.

o) As a result of a report on suspicious activities reported by the Argentine Federal Revenue Service (“AFIP”) concerning transactions carried out between Grupo Clarín and some of its subsidiaries, the Financial Information Unit pressed criminal charges against Cablevisión and its officers in office in the corresponding fiscal year for alleged money laundering in connection with intercompany movements between Cablevisión and certain subsidiaries during fiscal period 2008. The action is now pending before Federal Court No. 9, under Dr. Luis Rodríguez.

During March 2014, the intervening prosecutor Dr. Miguel Angel Osorio broadened the request for evidence.

Cablevisión and its legal advisors believe that there are strong arguments in the Company’s favor, since the suspected movements were regular and had been duly recorded, and have gathered evidence that supports the non-existence of any such illegal maneuvers. However, they cannot assure that the outcome of this action will be favourable.

p) Cablevisión, together with its merged companies and ATVC, brought a claim requesting the Judicial Branch, through a final decision rendered in a contradictory trial, to declare: 1) that the National Government undertook the obligation to provide an alternative solution to the repeal of the regime established under Section 52 of Decree No. 1,387/01 for companies that render supplementary broadcasting services and cable television services, which shall contemplate the reasons for excluding these companies from the repeal of Decree No. 1,387/01 through Decree No. 746/03, and 2) that while the Government considers the situation of those companies to find such an alternative solution, it shall maintain the effectiveness of the regime established under Section 52 of Decree No. 1,387/01 (cfr. fs.2/12).

On October 1, 2015, Chamber II of the Court of Appeals on Federal Administrative Matters, in a single joint decision in re “AEDBA and other v. National Government - Decree No. 746/03 - AFIP on Incidental Procedure”, decided that, among other things, even though ATVC was not among the claimants that had been granted an injunction in the other two above-mentioned related cases, the situation was also applicable to the sector encompassed by that association, therefore, the decision shall also apply to this association. Under these conditions, the claims brought by the claimants shall be admitted - in the joinder of the three claims - and the claimants and the companies represented by them are entitled to have a differential VAT regime applicable to the sectors involved which shall be created, enforced and regulated by the authorities duly empowered by the Constitution to such end. This regime shall guarantee the full exercise of the rights recognized under Section 14 of the National Constitution, as well as the maintenance of the exception provided under Section 2 of Decree N° 746/03 from the repeal of Section 52 of Decree No. 1,387/01. On December 3, 2015, the Supreme Court of Argentina dismissed the appeal filed by the Executive Branch. Therefore, the decision rendered by the Court of Appeals became firm and final.

As a result of the foregoing, Cablevisión and its subsidiaries started to calculate employer’s contributions as a VAT tax credit as from September 2015.

q) On April 5, 2017, a subsidiary of the Cablevisión received a notification from the Under-Secretary of State for Taxation of the Treasury (“SET”) of the Republic of Paraguay, whereby that subsidiary was informed that it had failed to determine the additional IRACIS rate on the accumulated results of the companies merged in 2014. The Company’s subsidiary considers that it has solid arguments to support its position.

9.2. Re-allocation of Frequencies in Uruguay

The Executive Branch of Uruguay issued Decree No. 73/012, published in the Official Gazette on March 16, 2012, whereby it expressly repealed Decree No. 231/011, which had revoked certain signals’ broadcast frequencies. However, the new decree ratified and repeated –virtually in identical terms - the decree that was being repealed, and added certain provisions that caused further detriment to the two affected

companies with which a subsidiary of Cablevisión has contractual arrangements in place. Consequently, on March 23, 2012 the affected companies filed an appeal requesting that Decree No. 73/012 be revoked. The appeal is still pending resolution.

In May 2012, the aforesaid companies brought a legal action with the Court in Administrative Litigation Matters requesting the nullification of the resolution and the suspension of its execution. This motion to suspend the execution of the challenged resolution was brought as a separate case, and progressed through the corresponding instances. The Office of the Attorney General for Administrative Litigation Matters, in its opinion No. 412/013 advised the Court on Administrative Litigation Matters to grant the motion to suspend the execution of the challenged resolution for formal reasons, but the Court dismissed the motion of suspension. Notwithstanding the foregoing, as of the date of these financial statements, the governmental authorities have not yet enforced the decree.

On September 30, 2014, the Court on Administrative Litigation Matters through its decisions No. 416/2014 and No. 446/2014 revoked for formal reasons Decrees No. 73/012 and No. 231/011, respectively.

On March 9, 2015, Decree No. 82/015 was published in the Official Gazette, whereby the Executive Branch 1) repealed Decree No. 73/012; 2) 16 common stations are awarded to be held in common (the same stations) by BERSABEL S.A. and VISION SATELITAL S.A. (companies related to Adesol S.A.) for a term of 15 years: Two of the 16 stations are awarded on a secondary basis, which means that they may be exposed to interferences and they do not have the right to bring any claim in connection thereto; 3) use of existing stations must cease within 18 months of their award to mobile service operators; 4) both companies are expressly authorized to increase the number of TV signals (stations) included in their respective services making use of digitization techniques; 5) both companies shall submit before the Communication Services Regulatory Agency, within a fixed term of 60 calendar days as from the date of publication of the Decree, a technical plan for the migration and release of stations, which plan shall be assessed and approved by such agency (such plan was submitted on May 7, 2015); 6) the Bidding Terms governing the bid for frequency bands that were owned by both companies shall include an economic compensation mechanism for both companies to cover the expenses incurred in adapting their systems to the new stations awarded to them, in the amount of USD 7,000,000.

Even though both companies' request for the annulment of Decree No. 153/012 was granted for formal reasons (failure to serve prior notice) by the Court on Administrative Litigation Matters (decision 455 of June 11, 2015), this decision does not change prior considerations about the terms of Decree No. 82/015 with respect to both companies due to the fact that Decree No. 305/015 (which substituted Decree No. 153/012) confirmed the allocation of channels 21 through 36 (512 MHz - 608 MHz) and 38 through 41 (614 MHz - 638 MHz), of 6 MHz each, in the UHF band exclusively for rendering accessible, free, digital broadcast television services all over the country, except for channels 35 (596-602 MHz), 36 (602-608 MHz) and 38 through 41 (614-638 MHz) only in the geographic area for which BERSABEL S.A. and VISION SATELITAL S.A. had received authorization, which will be used solely for rendering television services to subscribers through the codified UHF system, as it had been previously and expressly stated in Section 5 of Decree No. 82/015 (which repealed and amended the language of Section 1 of the above-mentioned Decree No. 153/012).

NOTE 10 CAPITAL STOCK, RESERVES, ACCUMULATED INCOME AND DIVIDENDS

10.1 Capital Stock

The Company's capital stock as of May 1, 2017, date on which it started operating, was established at Ps. 180,642,580, represented by:

- 47,753,621 Class A common, registered, non-endorsable shares, with nominal value of Ps. 1 each and entitled to 5 votes per share.
- 117,077,867 Class B book-entry common shares, with nominal value of Ps. 1 each and entitled to 1 vote per share.

- 15,811,092 Class C common, registered, non-endorsable shares, with nominal value of Ps. 1 each and entitled to 1 vote per share.

On March 21, 2017, the Company made a filing with the CNV in order to request admission to the public offering regime. On May 29, 2017, Cablevisión Holding requested the BCBA the listing of its Class B common shares and it has begun a similar process in an international market.

On August 10, 2017, the Argentine Securities Commission approved the prospectus for admission to the public offering regime filed by Cablevisión Holding and, consequently, the Company fulfilled the conditions detailed in Resolution No. CNV 18818. On August 11, 2017, the BCBA notified the Company of its admission to the public offering regime.

Due to the fact that the Company has obtained all of the required regulatory authorizations, on August 30, 2017, Grupo Clarín and Cablevisión Holding exchanged their shares pursuant to the exchange ratio approved by Grupo Clarín's shareholders at the time of approval of the spin-off process. As a result of the exchange of shares and payment of fractions in cash, the Company holds 1,578 treasury shares as of September 30, 2017.

On September 26, 2017, the Company's Board of Directors approved, pursuant to Section five of the By-Laws, the conversion request submitted by the shareholder GS Unidos LLC of 4,028,215 Class C non-endorsable registered common shares with nominal value of Ps. 1 each and entitled to 1 vote per share for the same number of Class B book-entry common shares with nominal value of Ps. 1 each and entitled to 1 vote per share. Pursuant to the By-Laws, the Company informed the CNV and the BCBA of the conversion and: (i) on October 5, 2017, the CNV authorized, through Resolution No. DI 20178APN-G #CNV, the public transfer from the conversion of 4,028,215 Class C non-endorsable registered common shares and, (ii) on October 6, 2017, the BCBA informed the Company of the transfer of authorization for the listing of 4,028,215 non-endorsable registered common shares with nominal value of Ps. 1 each and entitled to 1 vote per share for the same number of Class B book-entry common shares with nominal value of Ps. 1 each and entitled to 1 vote per share.

The Company's capital stock as of September 30, 2017 is of Ps. 180,642,580 and is represented by:

- 47,753,621 Class A common, registered, non-endorsable shares, with nominal value of Ps. 1 each and entitled to 5 votes per share.
- 121,106,082 Class B book-entry common shares, with nominal value of Ps. 1 each and entitled to 1 vote per share.
- 11,782,877 Class C common, registered, non-endorsable shares, with nominal value of Ps. 1 each and entitled to 1 vote per share.

10.2 Reserves, accumulated income and dividends

	<u>2017</u>
Balances as of May 1,:	
Legal Reserve	75,081,092
Retained Earnings	834,358,059
Other Reserves	(3,203,262)
Optional Reserves	3,691,570,698
Total	4,597,806,587
Changes in Other Reserves	(430,848)
Net Income Attributable to the Shareholders of the Controlling	1,147,769,382
Balance as of September 30,	<u><u>5,745,145,121</u></u>

10.2.1. Cablevisión

On March 30, 2017, at the Annual General Ordinary and Extraordinary Shareholders 'Meeting of Cablevisión, its shareholders decided to appropriate the net income for the year ended December 31, 2016, which amounted to Ps. 4,045,337,263, as per the following detail: (i) Ps. 1,600,000,000 to the distribution of cash dividends payable to the shareholders in proportion to their equity interests in Argentine Pesos or US Dollars, in two installments, the first one to be paid within a term of thirty days as from the date of such Shareholders 'Meeting and the second one to be paid on December 31, 2017 or earlier as determined by the Board of Directors, and delegated on the Board of Directors the power to establish the time and payment method, (ii) Ps. 200,479,147 to the increase of the Legal reserve, and (iii) Ps. 2,244,858,116 to the Optional reserve to maintain Cablevisión's level of capital expenditures and its current solvency level". As of May 1, 2017 Ps. 800,000,000 were pending of payment. As of the date of these interim consolidated financial statements, Cablevisión paid all of the distributed dividends.

NOTE 11 EARNINGS PER SHARE

The following table shows the net income and the weighted average of the number of common shares used in the calculation of basic earnings per share:

	5-month period ended September 30, 2017
Net Income used in the Calculation of Basic Earnings per Share (gain):	
From Continuing Operations	<u>1,147,769,382</u>
	<u><u>1,147,769,382</u></u>
Weighted Average of the Number of Common Shares used in the Calculation of Basic Earnings per Share	180,642,264
Basic and Diluted Earnings per Share	6.35

The weighted average of outstanding shares for the five-month period ended September 30, 2017 was 180,642,264. Since no debt securities convertible into shares were recorded, the same weighted average should be used for the calculation of diluted earnings per share.

	5-month period ended September 30, 2017
Basic and Diluted Earnings per Share	
From Continuing Operations	6.35
Total Earnings per Share	6.35

NOTE 12 FINANCIAL INSTRUMENTS

12.1. Risks Management

Cablevisión Holding is a party to transactions involving financial instruments, which entail exposure to market, currency and interest rate risks. The management of these risks is based on the particular analysis of each situation, taking into account its own estimates and those made by third parties of the evolution of the respective factors.

12.1.1 Capital Risk Management

Cablevisión Holding manages its capital structure seeking to ensure its ability to continue as an ongoing concern, while maximising the return to its shareholders through the optimization of debt and equity balances.

As part of this process, Cablevisión Holding monitors its capital structure through the debt-to-equity ratio, which is equal to the quotient of its net debt (Debt less Cash and Cash Equivalents) divided by its adjusted EBITDA. The net debt to EBITDA ratio, which is the quotient between net debt (loans set off by the balances of "Cash and banks" and "Current investments", cash equivalents) and EBITDA for the five-month period, was 1.31 as of September 30, 2017.

12.1.2 Financial Risk Management

Cablevisión Holding monitors and manages the financial risks related to its operations; these risks include market risk (including exchange risk, interest rate risk and equity price risk), credit risk and liquidity risk.

Cablevisión Holding does not enter into financial instruments for speculative purposes as common practice.

12.1.3 Exchange Risk Management

Cablevisión Holding carries out transactions denominated in foreign currency. Therefore, it is exposed to exchange rate fluctuations. A portion of the Company's debt is denominated in US dollars while its revenues are generated in the currency of the country where it operates.

Therefore, the Company entered into foreign currency forward transactions.

The following table shows the monetary assets and liabilities denominated in foreign currency (USD) as of September 30, 2017:

	September 30, 2017
	<u>In Argentine pesos</u>
ASSETS	
Other Assets	311,515,414
Other Receivables	82,812,068
Trade Receivables	565,381
Investments	12,504,395,643
Cash and Banks	1,113,100,168
Total Assets	<u>14,012,388,674</u>
	September 30, 2017
	<u>In Argentine pesos</u>
LIABILITIES	
Bank and Financial Debt	23,254,288,508
Provisions and Other Charges	134,369
Other Liabilities	1,134,355
Trade Payables and Other	824,137,213
Total Liabilities	<u>24,079,694,445</u>

Considering the balances as of September 30, 2017 of financial assets and liabilities exposed to exchange rate fluctuations, Cablevisión Holding estimates that an impact of a 20% favourable/unfavourable, fluctuation in the U.S. dollar would generate income/loss before taxes of Ps. 2.013 million. On the other hand, upon a

20% favourable/unfavorable fluctuation in the U.S. dollar exchange rate, the result of foreign currency derivative contracts would generate an income/loss before taxes of Ps. 154 million.

12.1.4. Interest Rate Risk Management

As of September 30, 2017, Cablevisión Holding is exposed to interest rate risk because the Company has taken a loan at a variable interest rate (see Note 7.10.2) and that it has not entered into hedge agreements to mitigate these risks. If interest rates had eventually been 100 basis points higher and all the variables had remained constant, the additional estimated loss before taxes would have been of approximately Ps. 0.7 million as of September 30, 2017 and Ps 32.8 million for a three-month period.

12.1.5. Equity Price Risk Management

Cablevisión Holding is exposed to equity price risk in connection with its holdings of mutual funds, securities and bonds and foreign exchange agreements.

The Company's sensitivity to variations in the market price of these instruments is detailed below:

	<u>September 30, 2017</u>
Investments valued at quoted prices at closing (1)	769,608,455

- (1) Consists primarily of mutual funds Ps. 748,240,935 and securities and bonds Ps. 21,367,520.

Cablevisión estimates that the impact of a 10% favourable/unfavorable fluctuation of the quoted price of mutual funds, with all other variables remaining constant, would have generated an income/loss before taxes of Ps. 76,9 million. While income from foreign exchange agreements in case of a 20% favourable/unfavorable fluctuation in the U.S. dollar exchange rate would generate income/loss before taxes of Ps. 154 million.

12.1.6 Credit Risk Management

The credit risk affects cash and cash equivalents, deposits held at banks and financial institutions, as well as credit exposures with clients, including other remaining credits and transactions involved. The company actively monitors the credit worthiness of their treasury instruments and the counterparties related to derivatives in order to minimize credit risk. Upon expiration of invoices issued, if they are still outstanding, these companies file several claims for collection purposes.

Bank deposits are held in renowned institutions.

No significant credit risk concentration is observed concerning clients, due to the atomization of the subscriber base.

As of September 30, 2017, non-impaired past due trade receivables amounted to Ps. 827.3 million. They are predominantly credits of Cablevisión and the time lapsed since their maturity is in most cases up to 3 months. These receivables involve customers with no recent insolvency record.

As of the same date, the allowances for bad debts were of Ps. 416.9 million. This allowance for trade receivables is sufficient to cover all past due bad debts.

12.1.7 Liquidity Risk Management

Liquidity risk is the risk that Cablevisión Holding may not be able to fulfill its financial obligations at maturity. Cablevisión Holding manages liquidity risk through the management of its capital structure and if possible, the access to different capital markets. It also manages liquidity risk through a constant review of the estimated cash flows to ensure that it will have enough liquidity to fulfill its obligations.

The table below includes a breakdown of financial liabilities by relevant maturity groups based on the liabilities' remaining terms. Figures are expressed in millions of pesos and represent undiscounted cash flows (principal plus contractual interest).

The Company believes that the cash flows generated by its operations and the access to financing sources will allow it to meet its financial obligations.

Maturities	Other liabilities	Financial debt	Total
Past due	514	-	514
With no term	387	-	387
Fourth quarter 2017	2,471	262	2,733
First quarter 2018	439	457	896
Second quarter 2018	1,528	1,239	2,767
Third quarter 2018	16	443	459
October 2018 onwards	126	24,492	24,618
	5,481	26,893	32,374

12.2. Financial instruments by category

	September 30, 2017
Financial assets	
Loans and receivables	
Credits and receivables (1) (2)	2,637,040,685
Cash and banks	1,758,203,926
Investments	22,631,839
At fair value through profit or loss	
Current investments	13,220,613,205
Other receivables	52,620,000
	<u>17,691,109,655</u>
Financial liabilities	
Amortized cost	
Loans (3)	23,212,312,726
Accounts payable and other liabilities (4)	5,480,521,986
	<u>28,692,834,712</u>

(1) Net of Ps. 416,910,964 of provision for doubtful trade receivables.

(2) Includes Ps. 176,896,391 of credits with related parties.

(3) Includes Ps. 41,862,000 of loans to related parties.

(4) Includes Ps. 267,930,049 of debt with related parties.

12.3. Financial Instruments at Fair Value

The following table shows the Company's financial assets and liabilities measured at fair value as of September 30, 2017:

	<u>September 30, 2017</u>	<u>Quoted Prices (Level 1)</u>	<u>Other Significant Observable Items (Level 2)</u>	<u>Non-observable significant data (Level 3)</u>
Assets				
Current Investments	13,220,613,205	769,608,455	12,451,004,750	-
Other Receivables	52,620,000	-	-	52,620,000

Financial assets are valued using quoted prices for identical assets and liabilities (Level 1), or the prices of similar instruments arising from sources of information available in the market (Level 2). If one or more significant inputs are not based on observable data, the instrument is included in Level 3.

12.4. Fair Value of Financial Instruments

The book value of cash, accounts receivable and current liabilities is similar to their fair value, due to the short-term maturities of these instruments. Non-current financial loans were executed on a date near the closing of the period ended September 30, 2017. Therefore, their amortized cost approximates their fair value.

Non-current investments classified as loans and receivables have been measured at amortized cost, and their book value approximates their fair value.

Derivatives are measured at its fair value.

The fair value of non-current financial liabilities (Level 2) is measured based on the future cash flows of those liabilities, discounted at a representative market rate available to Cablevisión Holding for liabilities with similar terms (currency and remaining term) prevailing at the time of measurement.

The following table shows the estimated fair value of non-current financial liabilities (amounts stated in thousands of Argentine pesos) are the following (in millions of Argentine pesos):

	<u>September 30, 2017</u>	
	<u>Book Value</u>	<u>Fair Value</u>
Non-Current Bank and Financial Debt	22,085	22,383

NOTE 13 INCOME TAX

	Five-month period ended September 30, 2017
Income before income tax	3,154,600,875
Tax rate (35% income tax)	35%
Income tax expense at current statutory tax rate on income before income tax	(1,104,110,306)
Permanent differences:	
Equity in earnings from associates	22,212,476
Differences in tax rates applicable to subsidiaries from foreign countries	649,115
Other income and expense, net	(25,532,709)
Sub-total	(1,106,781,424)
Allowance for doubtful deferred tax assets, net and tax loss carryforwards	(8,020,951)
Total charge for income taxes	(1,114,802,375)
Deferred income tax	(32,567,555)
Current income tax	(1,082,234,820)
Total income tax	(1,114,802,375)
Tax on Assets	1,246,405
Total Income Tax and Tax on Assets	(1,113,555,970)

The breakdown of net deferred tax is as follows:

	May 1, 2017	Net Charge	Change in currency translation	September 30, 2017
Trade receivables and other receivables	188,438,990	(36,341,668)	239,058	152,336,380
Taxes payable	3,201,233	27,421	-	3,228,654
Provisions and other charges	333,060,847	16,491,771	-	349,552,618
Accounts payable and others	12,740,415	1,226,907	-	13,967,322
Tax loss carryforwards	6,020,391	61,441,113	-	67,461,504
Bank and financial debt	(198,327)	(19,646,300)	-	(19,844,627)
Other payables	86,707,543	(13,057,394)	190,356	73,840,505
Other temporary differences	(22,130,595)	31,126,265	29,206	9,024,876
Property, plant and equipment and intangible assets-net	(864,800,981)	(66,027,133)	(246,206)	(931,074,320)
Allowance for doubtful deferred tax assets, net	(6,131,926)	(8,020,951)	-	(14,152,877)
Total deferred tax liabilities, net	(263,092,410)	(32,779,969)	212,414	(295,659,965)

As of September 30, 2017, the Company had accumulated tax loss carryforwards of approximately Ps. 192,747,154, which, calculated at the statutory tax rate, represent a deferred tax asset of approximately Ps. 67,461,504.

Below is a breakdown of the estimated expiration date of tax loss carryforwards:

Year of origin	Tax loss carryforwards at September 30, 2017	Expiration year
2012	13,472,643	2017
2013	4,776,590	2018
2014	12,541,895	2019
2015	5,524	2020

2016	2,475,481	2021
2017	159,475,021	2022

NOTE 14 - NON-CONTROLLING INTEREST

	September 30, 2017
Balances as of May 1st	4,625,189,831
Equity in the Earnings of Other Companies for the period	893,275,523
Variation in Translation Differences of Foreign Operations	105,061,847
Balance at the end of the period	5,623,527,201

The following is a detail of certain supplementary information required by IFRS about the non-controlling interest in Cablevisión. The information corresponds to the subsidiary's identifiable assets and liabilities on which the Company values its investment. The amounts are stated in millions of pesos and do not take into consideration intercompany eliminations.

		September 30, 2017
Country		Argentina
Non-controlling interest percentage		40.0%
Comprehensive income for the period allocated to non-controlling interest	(1)	862
Accumulated non-controlling interest at period		5,133
Summarized financial information:		
Dividends distributed to Non-Controlling Interests	(1)	-
Current assets		5,306
Non-current assets		26,918
Current liabilities		7,881
Non-current liabilities		10,896
Revenues	(1)	17,225
Net Income from Continuing Operations	(1)	2,186
Other Comprehensive Income	(1)	204
Total Comprehensive Income	(1)	2,390
Cash and Cash Equivalents at Period		2,311

(1) For the five-month period beginning May 1, 2017 and ended September 30, 2017

NOTE 15 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Below are the outstanding balances between the Company and related parties at September 30, 2017:

<u>Non-Current and Current Assets</u>	September 30, 2017
<u>Other receivables</u>	
Associates	134,069,266
Other related parties	1,257,838
<u>Trade receivables</u>	
Associates	145,895
Other related parties	41,423,392
<u>Non-Current and Current liabilities</u>	
<u>Bank and financial debt</u>	
Associates	4,000,000
Other related parties	37,862,000
<u>Accounts payable and others</u>	

Associates	8,915,290
Other related parties	259,014,759

The following table shows the transactions between the Company and related parties at September 30, 2017:

Company	Concept	Five-month period ended September 30, 2017
Associates	Other sales	14,752,706
	Interest on debt	(67,233)
	Other purchases	(5,769,121)
Other related parties	Sales of advertising	20,309,456
	Other sales	11,975,223
	Programming costs	(430,946,087)
	Publishing and distribution of magazines	(107,153,203)
	Consultancy services	(73,081,087)
	Purchase of advertising	(52,238,611)
	Other purchases	(12,547,861)

NOTE 16 – OPERATING LEASE AGREEMENTS

16.1. The Company as lessee

16.1.1. Lease agreements

Operating leases include the lease of business premises, warehouses, network use and machinery, the terms of which range between 1 and 18 years. All operating lease agreements for more than 5 years contain clauses that provide for market reviews every 5 years. The Company does not have the option to purchase the land leased upon expiration of lease terms.

16.1.2. Operating lease commitments that may not be terminated

The amounts shown on the table are expressed in millions of pesos:

	September 30, 2017
1 year	458
Between 1 and 5 years	412
More than 5 years	26
	<u>896</u>

16.2. The Company as lessor

16.2.1. Lease agreements

The Company leases, to telecommunication operators, its infrastructure available in lands or terraces for the installation of equipment owned by those operators, required for rendering the services for which they have an authorization.

16.2.2. Operating lease commitments that may not be terminated

The amounts shown on the table are expressed in millions of pesos:

September 30, 2017
<u> </u>

1 year
Between 1 and 5 years

37
65
102

NOTE 17 JOINT VENTURES – Prima and UTE Ertach - Cablevisión

On May 24, 2017, the joint venture (UTE, for its Spanish acronym) Ertach - Cablevisión executed an agreement with the Ministry of the Chief of the Cabinet of Ministers of the Province of Buenos Aires for the provision of data transmission services for the Single Provincial Data Communication Network implemented under original Bid for a term of 24 months counted as from May 1, 2017. On June 1, 2017, the Governor of the Province of Buenos Aires signed Decree No. 2017-166-E-GDEBA-GPBA, whereby she decided:

1. To acknowledge the services rendered by the UTE for the Single Provincial Data Communication Network during the period from May 1, 2016 through April 30, 2017 and the services rendered to the Supplementary Network for Schools from May 1, 2015 through April 30, 2016,
2. To approved the Agreement executed on May 24, 2017 between the Ministry of the Chief of the Cabinet of Ministers and the UTE.

On September 4, 2017, the Executive Committee and the members of the UTE held a meeting, which was documented under Minutes No. 80. The attendees approved the amendment of the first section of the UTE agreement concerning the corporate name of this UTE as a result of the corporate changes mentioned in previous paragraphs. At that meeting, it was decided to change the corporate name of this UTE, which will now be called Ertach S.A. Cablevisión S.A. UTE, successor of Ertach S.A. Prima S.A. UTE. As of the date of these interim consolidated financial statements, the above-mentioned amendment is pending registration with the IGJ.

NOTE 18 SUBSEQUENT EVENTS

- a) Note 4 describes the main events that took place after September 30, 2017 relating to the acquisition of companies and corporate reorganisation processes.
- b) Note 7.10 describes the main events that took place after September 30, 2017 relating to bank and financial indebtedness.

NOTE 19 APPROVAL OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors of Cablevisión Holding has approved these interim consolidated financial statements and authorized their issuance for November 24, 2017.

Independent auditor's report

To the Board of Directors and Shareholders of
Cablevisión Holding S.A.

Report on the audit of the interim consolidated financial statements

Our opinion

In our opinion, Cablevisión Holding S.A.'s interim consolidated financial statements (the "interim consolidated financial statements") present fairly, in all material respects the financial position of the Group as at September 30, 2017 and its consolidated financial performance and its consolidated cash flows for the five-month period beginning May 1, 2017 and ended September 30, 2017 in accordance with International Financial Reporting Standards.

Emphasis of matter

We draw attention to Note 9.1.h. to the interim consolidated financial statements, which describes the situation related to the resolution issued by the regulator to calculate the monthly fee payable by the users of cable television services provided by the subsidiary Cablevisión S.A., whose decision cannot be foreseen to date. Our opinion is not modified in respect of this matter.

What we have audited

The interim consolidated financial statements comprise:

- the consolidated balance sheet as at 30 September 2017;
- the consolidated statement of comprehensive income for the five-month period beginning May 1, 2017 and ended September 30, 2017;
- the consolidated statement of cash flows for the five-month period beginning May 1, 2017 and ended September 30, 2017;
- the consolidated statement of changes in equity for the five-month period beginning May 1, 2017 and ended September 30, 2017; and
- the explanatory notes to the interim consolidated financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the interim consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of management and those charged with governance for the interim consolidated financial statements

Management is responsible for the preparation and fair presentation of the interim consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the interim consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the interim consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the interim consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these interim consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the interim consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the interim consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the interim consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Price Waterhouse & Co. S.R.L.
Bouchar 557, Floor 8
Buenos Aires, Argentina
November 24, 2017

Price Waterhouse & Co. S.R.L.

Carlos Pace

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Cablevisión S.A.

Consolidated Condensed Interim Financial Statements

as of September 30, 2017 and for the nine-month period beginning January 1, 2017
and ended on September 30, 2017 presented on a comparative basis

Cablevisión S.A.

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Cablevisión S.A.

Legal Address: Gral. Hornos 690 – Autonomous City of Buenos Aires, Republic of Argentina

Main Company's business: Provision of Information and Communication Technology Services ("ICT Services"), be they fixed, mobile, wired, wireless, national or international services, with or without own infrastructure, and provision of Audiovisual Communication Services. Provision, lease, sale and marketing, under any title, of equipment, infrastructure, goods and services of any type, related or supplementary to ICT Services and to Audiovisual Communication Services. Execution of works and provision of any class of services related to ICT Services and to Audiovisual Communication Services. Investments and Financial Transactions

Consolidated Condensed Interim Financial Statements

as of September 30, 2017 and for the period started January 1, 2017 and ended September 30, 2017 presented on a comparative basis

REGISTRATION DATE IN THE SUPERINTENDENCY OF CORPORATIONS:

Bylaws: August 29, 1979
Latest amendment of Bylaws: March 14, 2017

Registration number in the Superintendency of Corporations: 172,061

Bylaws expiration date: August 29, 2078

Information about the parent company:
(direct and indirect interests held)

Denomination: Cablevisión Holding S.A. (see Note 25)
Legal address: Tacuarí 1,842 – 4° Floor - Autonomous City of Buenos Aires, Republic of Argentina

CAPITAL STRUCTURE		
	Subscribed and paid-in	
	09.30.2017	12.31.2016
	Ps.	
Common book-entry Class "A" shares, with a nominal value of Ps. 10,000, and entitled to one vote per share.	960,060,000	960,060,000
Common book-entry Class "B" shares, with a nominal value of Ps. 10,000, and entitled to one vote per share.	239,940,000	239,940,000
	1,200,000,000	1,200,000,000

Cablevisión S.A.
Consolidated Statement of Comprehensive Income

For the nine and three-month periods ended
September 30, 2017 and 2016, respectively
(In Pesos)

	Note s	09.30.2017	09.30.2016	07.01.2017 to 09.30.2017	07.01.2016 to 09.30.2016
Continuing operations					
Revenues	6	29,777,809,522	22,237,371,086	10,544,680,208	7,994,699,020
Cost of sales (1)	7	(13,577,700,949)	(10,129,818,473)	(4,922,409,868)	(3,680,980,202)
Gross income		16,200,108,573	12,107,552,613	5,622,270,340	4,313,718,818
Selling expenses (1)	8	(4,430,084,598)	(3,062,484,904)	(1,689,214,075)	(1,131,804,398)
Administrative expenses (1)	8	(3,347,167,467)	(2,580,830,772)	(1,191,448,604)	(958,445,961)
Other income and expenses, net		10,516,426	(2,371,952)	(1,221,355)	(3,883,376)
Result for acquisition of companies		-	114,093,096	-	-
Financial costs	9	(1,287,064,624)	(2,033,315,142)	(549,210,447)	(324,964,365)
Other financial income and expenses, net	10	(301,546,086)	182,455,804	(145,659,668)	(173,437,342)
Financial results		(1,588,610,710)	(1,850,859,338)	(694,870,115)	(498,401,707)
Equity in earnings from associates		116,035,415	100,014,201	37,978,497	30,819,167
Net income before income tax		6,960,797,639	4,825,112,944	2,083,494,688	1,752,002,543
Income tax		(2,405,124,610)	(1,580,709,582)	(699,883,233)	(596,734,848)
Net income for the period		4,555,673,029	3,244,403,362	1,383,611,455	1,155,267,695
Other comprehensive income					
Items that can be reclassified to earnings					
Variation in translation differences of foreign operations		126,178,493	267,482,961	141,296,855	210,899,471
Total comprehensive income for the period		4,681,851,522	3,511,886,323	1,524,908,310	1,366,167,166
Net income for the period attributable to:					
Equity holders of the Company		4,502,777,155	3,203,008,530	1,363,899,145	1,140,358,237
Non-controlling interests		52,895,874	41,394,832	19,712,310	14,909,458
Total comprehensive results attributable to:					
Equity holders of the Company		4,611,470,111	3,436,457,280	1,473,105,903	1,302,146,091
Non-controlling interests		70,381,411	75,429,043	51,802,407	64,021,075

(1) Includes amortization of intangible assets and depreciation of property, plant and equipment of Ps. 2,839,645,064 and Ps. 1,713,356,172 at September 30, 2017 and 2016, respectively.

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

Cablevisión S.A.
Consolidated Statement of Financial Position
As of September 30, 2017 and December 31, 2016
(In Pesos)

	Notes	09.30.2017	12.31.2016
		<u>Ps.</u>	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	20,507,618,594	15,377,953,783
Intangible assets	12	2,368,996,040	1,921,465,069
Goodwill	13	4,056,970,144	4,041,725,646
Investments in associates	15	201,804,073	276,538,212
Investments	14	-	1,133,469,884
Deferred tax asset		37,162,336	71,338,687
Other receivables	16	293,041,511	290,033,086
Total non-current assets		<u>27,465,592,698</u>	<u>23,112,524,367</u>
CURRENT ASSETS			
Inventories	18	110,632,894	266,648,607
Other receivables	16	909,506,742	632,924,055
Trade receivables	17	1,735,363,228	1,673,554,772
Investments	14	1,584,364,262	2,002,196,003
Cash and banks		1,754,759,611	1,246,653,024
Total current assets		<u>6,094,626,737</u>	<u>5,821,976,461</u>
Total assets		<u>33,560,219,435</u>	<u>28,934,500,828</u>
SHAREHOLDERS' EQUITY (as per related statement)			
Attributable to equity holders of the Company			
Shareholders contributions		1,200,000,000	1,200,000,000
Reserves and accumulated results		13,092,993,378	10,081,523,267
Attributable to non-controlling interests		490,706,378	426,053,160
Total shareholders' equity		<u>14,783,699,756</u>	<u>11,707,576,427</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Bank and financial debt	19	9,341,236,430	8,579,453,749
Deferred tax liability		393,671,024	375,103,633
Provisions and other charges	21	1,035,076,970	955,036,803
Taxes payable	22	3,562,822	3,776,292
Other payables	23	122,370,891	110,487,630
Total non-current liabilities		<u>10,895,918,137</u>	<u>10,023,858,107</u>
CURRENT LIABILITIES			
Bank and financial debt	19	1,085,653,500	979,090,850
Taxes payable	22	1,725,880,810	1,620,117,773
Other payables	23	192,021,474	246,514,113
Accounts payable and others	24	4,877,045,758	4,357,343,558
Total current liabilities		<u>7,880,601,542</u>	<u>7,203,066,294</u>
Total liabilities		<u>18,776,519,679</u>	<u>17,226,924,401</u>
Total liabilities and shareholders' equity		<u>33,560,219,435</u>	<u>28,934,500,828</u>

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

Cablevisión S.A.
Consolidated Statement of Changes in Equity
As of September 30, 2017 and 2016
(In Pesos)

	EQUITY ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS											Non-controlling interests	Total equity
	SHAREHOLDERS' CONTRIBUTIONS					ACCUMULATED RESULTS					Total Company's equity holders		
	Share capital	Treasury shares	Additional paid – in capital	Merger premium	Sub-total	Legal Reserve	Voluntary reserve (2)	Special reserve – Application of IFRS	Accumulated Results	Other Reserve			
Balances as of January 1, 2016	197,397,110	207,157	134,234,500	2,894,151	334,732,918	39,520,853	4,544,575,404	42,775,870	2,473,366,772	995,323,686	8,430,295,503	295,977,472	8,726,272,975
Share capital reduction arranged by the Extraordinary General Assembly of January 12, 2016	-	(207,157)	-	-	(207,157)	-	207,157	-	-	-	-	-	-
Constitution of Voluntary reserve as decided at the Ordinary and Extraordinary Shareholders' Meeting held on April 20, 2016	-	-	-	-	-	-	1,723,366,772	-	(1,723,366,772)	-	-	-	-
Distribution of dividends as decided at the Ordinary and Extraordinary Shareholders' Meeting held on April 20, 2016 (1)	-	-	-	-	-	-	-	-	(750,000,000)	-	(750,000,000)	-	(750,000,000)
Change in the nominal value of shares as decided by the Directors at the Board of Directors' Meeting held on June 29, 2016, pursuant to the powers delegated by the shareholders at the Extraordinary General Shareholders' Meeting held on January 12, 2016	(97,110)	-	-	-	(97,110)	-	-	-	-	-	(97,110)	-	(97,110)
Partial reversal of the Voluntary reserve for future dividend distribution as decided by the shareholders at the Extraordinary General Shareholders' Meeting held on June 30, 2016 (1)	-	-	-	-	-	-	(749,000,000)	-	-	-	(749,000,000)	-	(749,000,000)
Capitalization of the accounts Additional Paid-in Capital and Merger Surplus as decided by the shareholders at the Extraordinary General Shareholders' Meeting held on June 30, 2016.	137,128,651	-	(134,234,500)	(2,894,151)	-	-	-	-	-	-	-	-	-
Partial reversal of the Voluntary reserve to maintain the Company's level of capital expenditures and its current solvency level for its capitalization as decided by the shareholders at the Extraordinary General Shareholders' Meeting held on June 30, 2016.	865,571,349	-	-	-	865,571,349	-	(865,571,349)	-	-	-	-	-	-
Distribution of dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(4,408,887)	(4,408,887)
Net income for the period	-	-	-	-	-	-	-	-	3,203,008,530	-	3,203,008,530	41,394,832	3,244,403,362
Other comprehensive income:													
Change in currency translation of foreign operations	-	-	-	-	-	-	-	-	-	233,448,750	233,448,750	34,034,211	267,482,961
Sub-total comprehensive income for the period	-	-	-	-	-	-	-	-	3,203,008,530	233,448,750	3,436,457,280	75,429,043	3,511,886,323
Balances as of September 30, 2016	1,200,000,000	-	-	-	1,200,000,000	39,520,853	4,653,577,984	42,775,870	3,203,008,530	1,228,772,436	10,367,655,673	366,997,628	10,734,653,301
Balances as of January 1, 2017	1,200,000,000	-	-	-	1,200,000,000	39,520,853	4,653,577,984	42,775,870	4,045,337,263	1,300,311,297	11,281,523,267	426,053,160	11,707,576,427
Constitution of Voluntary reserve and Legal reserve as decided at the Ordinary and Extraordinary General Meeting of March 30, 2017	-	-	-	-	-	200,479,147	2,244,858,116	-	(2,445,337,263)	-	-	-	-
Distribution of dividends as decided at the Ordinary and Extraordinary General Meeting of March 30, 2017 (1)	-	-	-	-	-	-	-	-	(1,600,000,000)	-	(1,600,000,000)	-	(1,600,000,000)
Distribution of dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(5,728,193)	(5,728,193)
Net income for the period	-	-	-	-	-	-	-	-	4,502,777,155	-	4,502,777,155	52,895,874	4,555,673,029
Other comprehensive income:													
Change in currency translation of foreign operations	-	-	-	-	-	-	-	-	-	108,692,956	108,692,956	17,485,537	126,178,493
Sub-total comprehensive income for the period	-	-	-	-	-	-	-	-	4,502,777,155	108,692,956	4,611,470,111	70,381,411	4,681,851,522
Balances as of September 30, 2017	1,200,000,000	-	-	-	1,200,000,000	240,000,000	6,898,436,100	42,775,870	4,502,777,155	1,409,004,253	14,292,993,378	490,706,378	14,783,699,756

- (1) Dividends distributed in March 2017 amounted to Ps 1,600 billion (Ps.13,333.3 per share) as of the date of these Financial Statements which were totally paid.
(2) As of September 30, 2017, includes Ps. 151 million of voluntary reserve for future distributions of dividends and Ps. 6,747.4 million of voluntary reserve to maintain the level of investments in fixed assets and the current level of solvency of the Company.

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

Cablevisión S.A.
Consolidated Statement of Cash Flows
As of September 30, 2017 and 2016
(In Pesos)

	09.30.2017	09.30.2016
	Ps.	
CASH FLOWS PROVIDED BY OPERATIONS		
Net income for the period	4,555,673,029	3,244,403,362
Accrued income tax	2,405,124,610	1,580,709,582
Adjustments to reconcile the net income for the period to net cash flows provided by operations:		
Equity in earnings from associates	(116,035,415)	(100,014,201)
Depreciation of property, plant and equipment	2,808,933,825	1,676,842,651
Amortization of intangible assets	30,711,239	36,513,521
Obsolescence of material	18,318,767	9,695,157
Allowances	579,234,728	330,133,121
Result for the sale of property, plant and equipment	(4,912,918)	(3,088,649)
Accrued interest, net	421,163,945	314,834,942
Financial results – sundry	750,164,955	887,554,566
Other income and expenses, net	(244,270)	970,867
Result for acquisition of companies	-	(114,093,097)
Net decrease of property, plant and equipment	411,050,514	298,893,082
Net decrease of intangible assets	-	3,050,655
Changes in assets and liabilities		
Trade receivables	(434,418,264)	(457,499,450)
Other receivables	(163,758,829)	(208,982,092)
Inventories	115,909,707	(6,271,574)
Accounts payable and others	519,702,200	418,996,487
Taxes payable	(135,930,126)	(191,576,642)
Other payables and provisions	(130,158,395)	(53,233,303)
Change in currency translation of foreign operations	3,809,295	49,244,097
Collection of interest	150,744,679	323,010,511
Income tax paid	(2,110,973,607)	(1,090,715,442)
Net cash flows provided by operations	<u>9,674,109,669</u>	<u>6,949,378,151</u>
CASH FLOWS USED IN INVESTMENT ACTIVITIES		
Acquisition of companies (see Note 4.a))	-	(2,032,133,371)
Increase of intangible assets	(478,240,914)	(23,024,704)
Net changes of notes, bonds and other investments	551,528,211	7,645,572
Collection of dividends	68,156,238	1,121,157
Collection of principal on bonds and other placements	511,552,371	117,565,153
Collection for the sale of property, plant and equipment	4,912,918	2,981,500
Increase of property, plant and equipment	(8,305,731,831)	(6,299,218,412)
Net cash flows used in investment activities	<u>(7,647,823,007)</u>	<u>(8,225,063,105)</u>
CASH FLOWS USED IN IN FINANCING ACTIVITIES		
Settlement of dividends	(1,600,000,000)	(1,498,747,039)
Settlement of financial instruments	(15,419,700)	22,285,450
Increase of loans (See Note 19)	719,131,253	7,742,825,167
Settlement of interests	(473,716,126)	(652,641,325)
Distribution of dividends to non-controlling interests	(5,728,193)	(4,408,888)
Settlement of loan principal and issuing expenses of new loan	(816,692,090)	(6,278,598,841)
Net cash flows used in financing activities	<u>(2,192,424,856)</u>	<u>(669,285,476)</u>
Net decrease in cash	(166,138,194)	(1,944,970,430)
Cash at the beginning of year	2,628,891,874	2,176,677,204
Effect of exchange rate changes on cash and cash equivalents	19,315,009	489,934,269
Cash and cash equivalents incorporated by acquisition of companies	-	2,052,951,267
Cash at the end of period (1) (See Note 2.5)	<u>2,482,068,689</u>	<u>2,774,592,310</u>
(1) Includes:		
Cash and banks	1,754,759,611	1,537,266,702
Investments with a maturity not exceeding three months	727,309,078	1,237,325,608

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

Cablevisión S.A.
Notes to the Consolidated Condensed Interim Financial Statements
For the nine-month period ended September 30, 2017 presented on a comparative basis
(In Pesos)

NOTE 1 GENERAL INFORMATION

Cablevisión S.A. (“Cablevisión” or the “Company”) was organized on April 5, 1979, to engage in the business of installing, operating and developing supplementary broadcasting services.

The main business of the Company and certain of its subsidiaries consists in operating cable television networks in several locations in Argentina and Uruguay and in the provision of telecommunication services.

Cablevisión is the largest multiple system operator (“MSO”) in Argentina and one of the largest in Latin America. A MSO is a company that owns multiple cable systems in different locations under the control and management of a single, common organization.

The Company provides pay television services pursuant to of licenses issued by the Federal Broadcasting Committee (Comité Federal de Radiodifusión or “COMFER”) and telecommunication services pursuant to of licenses issued by the Secretary of Communications (“Secom”).

NOTE 2 BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

2.1. Basis of preparation

Through General Resolutions No. 562/09 and No. 576/10, the Comisión Nacional de Valores (Argentine Securities Commission or “CNV”, for its Spanish acronym) provided for the application of Technical Pronouncements (“TP”) No. 26 and No. 29 issued by the Argentine Federation of Professional Councils of Economic Sciences (Federación Argentina de Consejos Profesionales de Ciencias Económicas or “FACPCE”, for its Spanish acronym), which adopt the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) for entities subject to the public offering regime governed by Law No. 26831, whether on account of their equity or their notes, or which have requested authorization to be subject to such regime. The FACPCE issues Adoption Communications in order to implement IASB pronouncements in Argentina.

These consolidated condensed interim financial statements of the Company for the nine-month period ended September 30, 2017 presented on a comparative basis, have been prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting”. Some additional matters were included as required by the General Argentine companies Law (“LGS”) and/or CNV regulations, including, the supplementary information set forth under the last paragraph of Section 1, Chapter III, Title IV of General Resolution No. 622/13. That information is included in the Notes to these consolidated condensed interim financial statements, as provided under IFRS and CNV standards. The consolidated condensed interim financial statements have been prepared in accordance with the accounting policies the Company expects to adopt in its annual financial statements as of December 31, 2017. The accounting policies are based on the IFRS issued by the IASB and the interpretations issued by the Interpretations Committee of the International Financial Reporting Standards (“IFRIC”).

These consolidated condensed interim financial statements should be read together with the annual financial statements of the Company as of December 31, 2016 prepared according to the IFRS.

These consolidated condensed interim financial statements have been prepared on the basis of historical cost, except for the valuation of financial instruments. In general, historical cost is based on the fair value of the consideration given in exchange for the net assets.

The accounting policies used in the preparation of these consolidated condensed interim financial statements are consistent with those used in the preparation of the annual financial statements as of December 31, 2016.

International Accounting Standard (IAS) 29 "Financial Reporting in Hyperinflationary Economies" requires that the financial statements of an entity that reports in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet closing date of the reporting period and details a series of factors that may indicate that an economy is hyperinflationary. Pursuant to the guidelines of IAS 29, there is not enough evidence to conclude that Argentina was a hyperinflationary economy in 2016 and, therefore, the Company did not apply the restatement criteria to the financial information for the years reported as established under IAS 29.

The attached consolidated information, approved by the Company's Board of Directors in its meeting of November 10, 2017, is presented in pesos (Ps.), the currency of legal tender in Argentina and has been prepared on the basis of the accounting records of Cablevisión and its controlled companies.

Certain figures reported in the consolidated condensed interim financial statements for the period ended September 30, 2016 were reclassified for comparative purposes with this period.

2.2. Standards and Interpretations issued but not adopted to date

The Company has not adopted the IFRS or revisions of IFRS detailed below, since their application is not required for the period ended September 30, 2017:

- IFRS 9 "Financial Instruments": Issued in November 2009 and amended in October 2010 and July 2014, IFRS 9 introduces new requirements for the classification and measurement of financial assets and liabilities and for their derecognition. Said standard is applicable to the years beginning on or after January 1, 2018.

- IFRS 15 "Revenue from ordinary activities under contracts with customers": Issued in May 2014 and applicable to years beginning on or after January 1, 2018. It specifies how and when revenue will be recognized, as well as the additional information to be disclosed by the Company in the financial statements.

The standard provides a single, principles-based five-step model to be applied to all contracts with customers.

- IFRS 16, "Leases": Issued in January 2016. It establishes principles for the recognition, measurement, presentation and disclosure of leases. This standard applies to years beginning on or after January 1, 2019.

As of the date of these Consolidated Condensed Interim Financial statements, the Company cannot estimate its quantitative and qualitative impact because it is analyzing the corresponding accounting effects.

2.3. Standards and Interpretations issued adopted to date

As of the date of these Consolidated Condensed Interim Financial Statements no new standards have been issued that apply to the Company in the current period.

2.4. Basis of consolidation

These condensed interim consolidated financial statements incorporate the financial statements of Cablevisión and the companies and joint ventures it controls as "joint operations". Control is presumed to exist when the Company has a right to variable returns from its interest in a subsidiary and has the ability to affect those returns through its power over the subsidiary. This power is presumed to exist when it is evidenced by the voting rights, be it that the Company has the majority of voting rights or potential voting rights currently exercised.

For consolidation purposes, intercompany transactions and balances between the Company and its consolidated companies have been eliminated. Unrealised net income has also been eliminated.

The detail of the subsidiaries consolidated in these consolidated condensed interim financial statements and the interests in the capital stock and votes of those companies does not differ significantly from that reported in the last annual consolidated financial statements.

The financial statements of subsidiaries used for consolidation purposes bear the same closing date as these consolidated financial statements, cover the same periods, and have been prepared using exactly the same accounting policies as those used by the Company, which are described in the notes to the financial statements, or adjusted as applicable.

2.5. Consolidated Statement of Cash Flows

For the purpose of preparing the statement of cash flows, “cash and cash equivalents” includes cash and bank balances, certain high liquidity short-term investments (with original maturity of less than 90 days), after deducting bank overdrafts payable on demand, to the extent that they are an integral part of the Company’s cash management.

Bank overdrafts are classified in line-item “Bank and financial debt” in the consolidated financial statement.

Cash and cash equivalents at the end of each period, as disclosed in the consolidated statement of cash flows, may be reconciled against the items related to the financial statement, as follows:

	09.30.2017	09.30.2016
	Ps.	
Cash and banks	1,754,759,611	1,537,266,702
Investments:		
Fixed-term deposit	22,259,726	39,816,523
Mutual funds (1)	705,049,352	1,197,509,085
Other placements	-	-
Cash and cash equivalents	2,482,068,689	2,774,592,310

(2) The mutual funds not considered as cash equivalents as of September 30, 2017 and 2016, amounted to Ps. 43,191,583 and Ps. 267,227,293, respectively.

For the periods ended September 30, 2017 and 2016, the following transactions were carried out and did not have an impact on cash and cash equivalents:

	09.30.2017	09.30.2016
	Ps.	
Settlement of dividends receivable by way of setoff against Debt with Related Parties	8,400,000	17,000,000
	8,400,000	17,000,000

2.6. Foreign currency and functional currency

The individual financial statements of each of the entities consolidated by the Company are prepared in the currency of the primary economic environment in which the entity operates (its functional currency). For the purposes of the preparation of consolidated financial statements, the net income and financial position of each entity are expressed in Argentine pesos (Argentina’s legal tender for all companies domiciled in Argentina), which is the Company’s functional currency and the reporting currency of the consolidated financial statements. The functional currencies of Uruguayan and Paraguayan companies are the Uruguayan peso and the Guaraní, respectively.

In preparing the financial statements of individual entities, transactions in currencies other than the entity’s functional currency (foreign currency) are recorded at the exchange rates prevailing on the dates on which transactions are carried out. At the end of each reporting period, monetary items denominated in foreign

currency are retranslated at the exchange rates prevailing on such dates. Exchange differences are charged to net income as incurred.

In preparing the Company's consolidated financial statements, asset and liability balances of the entities with functional currencies other than the Argentine peso, expressed in their own functional currency (Uruguayan peso and Guaraní), are translated into pesos at the exchange rate prevailing at the end of the period, while net income is translated at the exchange rate prevailing on the transaction date. Exchange differences are recognized in other comprehensive income as "Variation in translation differences of foreign operations", and in the Consolidated Statement of Changes in Equity they are presented under "Other reserve".

NOTE 3 ACCOUNTING ESTIMATES AND JUDGMENTS

In the application of the Company's accounting policies described in Note 2, the Company has to make judgments and prepare accounting estimates of the value of assets and liabilities that may not be obtained from other sources. The estimates and related assumptions are based on historical experience and other relevant factors. Actual results could differ from such estimates.

Underlying estimates and assumptions are continually reviewed. The effects of the review of accounting estimates are recognized for the period in which estimates are reviewed.

The estimates and assumptions used in the preparation of these consolidated condensed interim financial statements are consistent with those used in the preparation of the consolidated financial statements as of December 31, 2016, which are disclosed in Note 3 to such annual consolidated financial statements.

NOTE 4 ACQUISITION OF COMPANIES AND COMPANY'S REORGANIZATION PROCESSES

a) In June 2016, the Company, together with its controlled company NEXTEL COMMUNICATIONS ARGENTINA S.R.L. ("Nextel"), acquired 100% (97% owned by Nextel and the remaining 3% owned by the Company) of the capital stock of Fibercomm S.A. and Gridley Investments S.A., both owners of 100% of the capital stock of Trixco S.A., holder of licenses for the use of the radioelectric spectrum in the 900 Mhz bands. In addition, Nextel acquired 100% of the capital stock of WX Telecommunications LLC (currently and as conformed to the LGS, WX Telecommunications S.A.U.) and Greenmax Telecommunications LLC (currently and as conformed to the LGS, Greenmax Telecommunications S.A.U), which are the controlling companies of Skyonline Argentina S.A., Netizen S.A., Infotel S.A. and Callbi S.A. among the most important subsidiaries. The latter render wireless telecommunications services and hold licenses for the use of the radioelectric spectrum in the 2.5 Ghz bands. The aggregate price for those transactions was of USD 138.2 million, equivalent to Ps. 2,036 million.

During the year ended December 31, 2016, the Company concluded the process of allocating the cost of acquisition of 100% (97% to Nextel and the remaining 3% to the Company) of the capital stock of the companies Fibercomm S.A. and Gridley Investments S.A., both owners of 100% of the equity of Trixco S.A., which resulted in a goodwill derived from the acquisition of Ps. 801.7, million included under the item "Goodwill" in the Consolidated Statement of Financial Position, considering that the valuation of assets, liabilities and contingent liabilities attributable to the percentage of ownership that was acquired, is less than the acquisition cost.

On March 31, 2017, the Company's Board of Directors approved the Pre-Merger Commitment executed between the Company, Nextel, Greenmax Telecommunications S.A.U., WX Telecommunications S.A.U., Gridley Investments S.A., Trixco S.A., Fibercomm S.A., Netizen S.A, Eritown Corporation Argentina S.A., Skyonline de Argentina S.A., Infotel Argentina S.A., Nextwave Argentina S.A. and Callbi S.A., whereby as of the merger date, Cablevisión, in its capacity as absorbing company, will continue with the operations of Nextel, Greenmax Telecommunications S.A.U., WX Telecommunications S.A.U. , Gridley Investments S.A., Trixco S.A., Fibercomm S.A., Netizen S.A, Eritown Corporation Argentina S.A., Skyonline de Argentina S.A., Infotel Argentina S.A., Nextwave Argentina S.A. and Callbi S.A. (the "Absorbed Companies") thus generating

the corresponding operating, accounting and tax effects. As a result of the above-mentioned corporate reorganization process, the Absorbed Companies will dissolve without liquidation and Cablevisión will assume all the activities, receivables, property and all the rights and obligations of the above-mentioned companies, existing on the first day of the month of October, 2017 (“Effective Date of the Merger”), or any that may exist or arise due to previous or subsequent acts or activities. This merger was approved by Extraordinary General Shareholders’ Meeting on May 17, 2017. On July 11, 2017, the merger agreement was formalized through a deed, which is pending administrative approval from the CNV as of the date of these financial statements.

On September 18, 2017, the ENACOM authorized, through Resolution No. 2017-1734 APN ENACOM# MM, the transfer of the registrations, numbering and signposting resources and the authorizations and usage permits of frequencies opportunely granted to Nextel, Trixco S.A., Callbi S.A., Infotel Argentina S.A., Skyonline de Argentina S.A., Netizen S.A. and Eritown Corporation Argentina S.A. in favor of Cablevisión.

b) On August 16, 2016, the Company’s Board of Directors approved the Pre-Merger Commitment executed between the Company, Copetonas Video Cable S.A., Dorrego Televisión S.A., Fintelco S.A., Indio Rico Cable Color S.A. Primera Red Interactiva de Medios Argentinos (PRIMA) S.A. (“Prima”), Cable Video Sur S.A., Wolves Televisión S.A. and Tres Arroyos Televisora Color S.A., whereby, on the effective date of the merger -October 1, 2016- (“Effective Date of the Merger”), the Company, as absorbing company, continued with the operations of Copetonas Video Cable S.A., Dorrego Televisión S.A., Fintelco S.A., Indio Rico Cable Color S.A., Prima, Cable Video Sur S.A., Wolves Televisión S.A. and Tres Arroyos Televisora Color S.A. (the “Absorbed Companies”), thus generating the corresponding operating, accounting and tax effects. As a result of the above-mentioned corporate reorganization process, the Absorbed Companies they dissolved without liquidation. This merger was approved by the Extraordinary General Shareholders’ Meeting on September 27, 2016 and on April 20, 2017 it was registered with the Public Registry of Commerce.

The Company made a filing with the National Communications Agency (“ENACOM”, for its Spanish acronym) in order to inform that Agency of the corporate reorganization to be implemented, and consequently registering under the name of the absorbing company, the “Area Authorizations” required to exploit Cable Television Services corresponding to Copetonas Video Cable S.A., Dorrego Televisión S.A., Indio Rico Cable Color S.A., Cable Video Sur S.A., and Tres Arroyos Televisora Color S.A. The license of Wolves Televisión S.A. was abandoned because the Company already has an Area Authorization in the jurisdiction where Wolves Televisión S.A. exploited the cable television service. In addition, Prima and the Company made a filing with the ENACOM in order to request that Agency to register the license that had been granted to Prima in favor of the Company as a consequence of the corporate reorganization process.

In addition, at the Extraordinary Shareholders’ Meeting held on September 27, 2016, the shareholders also unanimously approved: (i) the amendment of Article Three of the Bylaws in order to conform the core business of the Company to the new regulatory framework under Laws Nos. 27,078 and 26,522, and (ii) the amendment of Articles Nine and Ten of the Bylaws in order to eliminate the Executive Committee. Both statutory reforms are registered in the Public Registry of Commerce.

On August 25, 2017, the ENACOM authorized, through Resolution No. 2017-339 APN ENACOM# MM, the transfer of the registrations of national and international long-distance telephony services, as well as the numbering and signposting resources, frequencies and radioelectric authorizations granted to it in favor of Cablevisión.

c) At the Extraordinary Shareholders’ Meetings of CV B Holding S.A., Vistone S.A. and Southtel Holdings S.A. –“The Direct Shareholders of the Company”- held on September 28, 2016, the shareholders approved the Pre-Merger Commitment executed between Grupo Clarín S.A. (“Grupo Clarín”), the Direct Shareholders of the Company and Compañía Latinoamericana de Cable S.A. (“CLC”), whereby, on the Effective Date of the Merger - October 1, 2016- Grupo Clarín, as absorbing company, continued with the operations of the “Direct Shareholders of the Company” and CLC, thus generating the corresponding operating, accounting and tax effects. As a result of the above-mentioned corporate reorganization process, the Direct Shareholders of the Company dissolved without liquidation and Grupo Clarín assumed all the activities, receivables, property and all the rights and obligations of the above-mentioned companies, existing on the Effective Date of the Merger, or any that may exist or arise due to previous or subsequent acts or activities.

Once the corresponding definitive merger agreement has been granted, the Company will notify the ENACOM of the change in the shareholder structure of the Company, which will not entail a change of control under the provisions of Section 13 of Law No. 27,078.

On September 28, 2016, the shareholders of Grupo Clarín, approved the merger by absorption of the Direct Shareholders of the Company and CLC. In addition, at such Shareholders' Meeting, the shareholders of Grupo Clarín approved the partial spin-off for the creation of a new company domiciled in the City of Buenos Aires under the name "Cablevisión Holding S.A." The equity subject to the spin-off comprises the direct (upon the execution of the merger) and indirect equity interests of Grupo Clarín in Cablevisión and in GCSA Equity, LLC.

On April 27, 2017, both corporate processes (merger and partial spin-off for the creation a new company) were registered with the Inspección General de Justicia ("Superintendency of Corporations" or "IGJ") and as from May 1, 2017, the controlling company of Cablevisión (directly and indirectly) is Cablevisión Holding S.A. (see Note 25).

d) On June 30, 2017, the Boards of Directors of Telecom Argentina S.A., and Cablevisión S.A. approved a pre-merger commitment whereby Telecom Argentina S.A., a company organised and existing under the laws of Argentina with securities currently listed in New York and Buenos Aires (NYSE: TEO, BCBA: TECO2), in its capacity as absorbing company, will absorb Cablevisión, which will be dissolved without liquidation pursuant to the provisions of Sections 82 and 83 of the LGS No. 19,550 and subject to corporate and regulatory approvals (the "Merger").

The purpose of the Merger is for the merged company to offer in an efficient manner, in line with national and international trend, media and telecommunications convergence technological products in the different modalities, either separately or independently, of voice, data, sound and video transmission services, both wired and wireless, as an all-in-one solution or as a series of products to be provided to users as a whole for the benefit of the users and consumers of those multiple individual services. Both companies believe that their respective operating and technical structures are highly complementary and may be optimized through a structural consolidation, achieving synergies and efficiencies in the development of convergence products along with the demand of the market.

The effective date of the Merger (the "Effective Date of the Merger") was established as from 0.00 of the day on which the Chairmen of the Boards of Directors of Telecom Argentina S.A. and Cablevisión will sign the minutes regarding the transfer of operations, which shall state: (i) that: Telecom Argentina S.A. has adjusted its technical-operative systems to undertake the operations and activities of Cablevisión; and (ii) that the transfer of the operations and activities of Cablevisión to Telecom Argentina S.A. will take effect on that Effective Date of the Merger provided that every and each of the following conditions the Merger is subject to has been met: 1) that the pre-merger commitment has been executed; and 2) that the ENACOM has authorized the operation.

As from the Effective Date of the Merger, (i) all the assets and liabilities, including the assets subject to registration, licenses, the rights and obligations that belong to Cablevisión will be deemed to have been incorporated to the equity of Telecom Argentina S.A., (ii) Telecom Argentina S.A. will continue with the operations of Cablevisión S.A., thus generating the corresponding operating, accounting and tax effects, (iii) the management and representation of Cablevisión will be undertaken by the management and representatives of Telecom Argentina S.A.

Pursuant to Section 83, subsection c) of the LGS No. 19550, the parties have established the following exchange ratio: 1 common share of Cablevisión (either a Class A Share of Cablevisión or a Class B Share of Cablevisión) for each 9,871.07005 new shares of Telecom Argentina S.A. (the "Exchange Ratio"). This Exchange Ratio was deemed reasonable, from a financial standpoint, by the independent professional appraiser Lion Tree Advisors LLC.

In view of the above, Telecom Argentina S.A. will increase its capital stock in the amount of Ps. 1,184,528,406, through the issuance of 1,184,528,406 common book-entry shares, with nominal value of Ps. 1 each and entitled to one vote per share. The shareholders of Cablevisión will receive these new shares in exchange for the shares they held of that company, in the form of Class "A" or "D" Shares of Telecom

Argentina S.A., as appropriate, according to the Exchange Ratio, or the number of new shares resulting from the adjustments to the Exchange Ratio arising from the pre-merger commitment.

In addition, on June 30, 2017, the Boards of Directors of Telecom Argentina S.A. and Cablevisión, respectively, decided to call an Ordinary and/or Extraordinary Shareholders' Meeting in the case of Telecom Argentina S.A. and Extraordinary in the case of Cablevisión to be held on August 31, 2017 to consider the Pre-Merger Commitment and, with regard to Cablevisión, its consequent dissolution on the Effective Date of the Merger and with regard to Telecom Argentina S.A., the amendment of the Bylaws and the increase of its capital stock.

On October 31, 2017 both companies executed the final merger agreement, which was filed with the CNV to request its administrative approval.

NOTE 5 SEGMENT INFORMATION

The Company is mainly engaged in the Cable Television and Internet Access sector, which requires the development of different activities distributed among the different legal entities in which the Company has an equity interest. In addition, as from this fiscal year, and as a result consequence of the acquisition of Nextel, the Company incorporated the IDEN telephony business. Based on the nature, clients, and risks involved, the following business segments have been identified, which are directly related to the way in which the Company assesses its business performance:

- c) Cable Television & Internet Access: mainly comprises mainly its own operations and those carried out by through its participation in its subsidiaries.
- d) IDEN mobile telephony services rendered by through its subsidiary participation in Nextel.

The Company's Board of Directors, which is the main operating decisions maker, uses adjusted EBITDA to measure the performance of the identified operating segments. Adjusted EBITDA is defined as sales less the cost of sales and selling and administrative expenses (excluding depreciation and amortization). The Company believes that adjusted EBITDA is a significant performance measure of its businesses, since it is commonly used in the industry to analyze and compare media companies based on operating performance, indebtedness and liquidity. However, adjusted EBITDA does not measure net income or cash flows generated by operations and should not be considered as an alternative to net income, an indication of the Company's financial performance, an alternative to cash flows generated by operating activities or a measure of liquidity.

Since adjusted EBITDA is not defined by IFRS, it is possible that other companies may calculate it differently. Therefore, the EBITDA reported by other companies may not be comparable to the Company's reported adjusted EBITDA.

Note 1 to these consolidated financial statements includes additional information about the Company's businesses.

The following tables include the information as of September 30, 2017 and 2016, prepared on the basis of IFRS, for the business segments.

	Cable Television services and Internet access (1)	Telephony IDEN	Eliminations / Adjustments (2)	Consolidated
Additional information consolidated at 09.30.2017				
Sales services and goods to third parties	27,553,218,952	2,189,589,721	35,000,849	29,777,809,522
Intersegment sales	1,770,081	20,385,159	(22,155,240)	-
Total sales	<u>27,554,989,033</u>	<u>2,209,974,880</u>	<u>12,845,609</u>	<u>29,777,809,522</u>
Cost of sales – excluding depreciation and amortization	(9,931,073,909)	(1,044,613,632)	(28,581,261)	(11,004,268,802)
Expenses – excluding depreciation and amortization				
Selling expenses	(3,520,592,711)	(789,807,344)	-	(4,310,400,055)
Administrative expenses	(2,911,029,489)	(289,609,604)	-	(3,200,639,093)
Intersegment costs and expenses	(20,385,159)	(1,770,081)	22,155,240	-
Adjusted EBITDA	<u>11,171,907,765</u>	<u>84,174,219</u>	<u>6,419,588</u>	<u>11,262,501,572</u>
Depreciation of property, plant and equipment				(2,808,933,825)
Amortization of intangible assets				(30,711,239)
Other income and expenses net				10,516,426
Financial results				(1,588,610,710)
Result of long-term investments in associates				116,035,415
Income tax				(2,405,124,610)
Net income for the period				<u>4,555,673,029</u>
Total assets	29,583,376,592	4,517,459,861	(540,617,018)	33,560,219,435
Additional information consolidated at 09.30.2017				
Payments for acquisition of property, plant and equipment	8,286,011,888	19,719,943	-	8,305,731,831
Payments for acquisition of intangible assets	-	478,240,914	-	478,240,914
Payments for acquisition of companies	-	-	-	-
Ordinary revenues of foreign subsidiaries	783,622,113	-	-	783,622,113
Non-current assets except deferred tax and financial assets in foreign subsidiaries	879,572,821	-	-	879,572,821

(1) Source: internal information reviewed by the Board of Directors.

(2) Eliminations and adjustments correspond to transactions between the Company and its subsidiaries and differences in valuation criteria for the recognition of revenues from cable TV and Internet installation services and transactions including separate items.

	Cable Television services and Internet access (1)	Telephony IDEN	Eliminations / Adjustments (2)	Consolidated
Additional information consolidated at 09.30.2016				
Sales services and goods to third parties	19,884,335,245	2,495,395,772	(142,359,931)	22,237,371,086
Intersegment sales	361,438	10,088,827	(10,450,265)	-
Total sales	<u>19,884,696,683</u>	<u>2,505,484,599</u>	<u>(152,810,196)</u>	<u>22,237,371,086</u>
Cost of sales – excluding depreciation and amortization	(7,378,002,538)	(990,439,051)	(192,701,519)	(8,561,143,108)
Expenses – excluding depreciation and amortization				
Selling expenses	(2,243,165,179)	(712,759,088)	-	(2,955,924,267)
Administrative expenses	(2,143,009,451)	(399,701,151)	-	(2,542,710,602)
Intersegment costs and expenses	(10,088,827)	(361,438)	10,450,265	-
Adjusted EBITDA	<u>8,110,430,688</u>	<u>402,223,871</u>	<u>(335,061,450)</u>	<u>8,177,593,109</u>
Depreciation of property, plant and equipment				(1,676,842,651)
Amortization of intangible assets				(36,513,521)
Other income and expenses net				(2,371,952)
Financial results				(1,850,859,338)
Gain of business acquisitions				114,093,096
Result of long-term investments in associates				100,014,201
Income tax				(1,580,709,582)
Net income for the period				<u>3,244,403,362</u>
Total assets	22,479,817,055	4,392,839,186	(86,811)	26,872,569,430
Additional information consolidated at 09.30.2016				
Payments for acquisition of property, plant and equipment	6,216,762,943	82,455,469	-	6,299,218,412
Payments for acquisition of intangible assets	23,024,704	-	-	23,024,704
Payments for acquisition of companies	20,808,000	2,011,325,371	-	2,032,133,371
Ordinary revenues of foreign subsidiaries	585,627,973	-	-	585,627,973
Non-current assets except deferred tax and financial assets in foreign subsidiaries	749,220,120	-	-	749,220,120

(1) Source: internal information reviewed by the Board of Directors.

(2) Eliminations and adjustments correspond to transactions between the Company and its subsidiaries and differences in valuation criteria for the recognition of revenues from cable TV and Internet installation services and transactions including separate items.

NOTE 6 REVENUES

	<u>09.30.2017</u>	<u>09.30.2016</u>
	<u>Ps.</u>	
Cable television service	17,843,262,956	13,752,766,598
IDEN Telephony services	1,864,917,253	2,121,760,555
Internet	9,175,093,338	5,349,543,321
Advertising	86,727,130	80,051,707
Sale of goods	192,980,767	337,589,133
Sale of services under the CABA tender	309,090,340	242,200,509
Others	305,737,738	353,459,263
Total	<u>29,777,809,522</u>	<u>22,237,371,086</u>

NOTE 7 COST OF SALES

	<u>09.30.2017</u>	<u>09.30.2016</u>
	<u>Ps.</u>	
Inventories at the beginning of the year	267,058,143	4,921,974
Incorporation of acquired company of inventories	-	222,227,387
Net purchases of the period	136,865,942	388,602,525
Application of allowance for impairment of inventories	-	(68,019)
Cost of services rendered (Note 8)	13,324,515,764	9,747,487,522
Inventories at the end of the period	(150,738,900)	(233,352,916)
Total	<u>13,577,700,949</u>	<u>10,129,818,473</u>

NOTE 8 COST OF SERVICES RENDERED, SELLING EXPENSES AND ADMINISTRATIVE EXPENSES

Item	Cost of services rendered	Selling expenses	Administrative expenses	Total 09.30.2017	Total 09.30.2016
	Ps.				
Payroll and social security charges and other personnel expenses (1)	3,288,203,09	896,605,70	857,186,776	5,041,995,5	3,623,995,35
	3	0		69	4
	3,874,359,17			3,874,359,1	2,872,550,88
Programming costs	8	-	-	78	6
Severance costs (compensations to the personnel)	53,490,338	43,077,972	27,816,706	124,385,016	106,864,162
		1,487,784,3		2,180,585,0	1,600,428,10
Public utilities and tax rates	672,629,382	27	20,171,373	82	0
Representation expenses	2,024,486	64,640,423	2,870,795	69,535,704	59,918,203
Maintenance of property, plant and equipment and network expenses	1,376,110,88	148,419,89		1,984,375,1	1,648,713,67
	9	7	459,844,357	43	9
Leases	404,733,232	43,826,489	47,602,518	496,162,239	399,948,680
Depreciation of property, plant and equipment	2,551,378,52	111,026,92		2,808,933,8	1,676,842,65
	7	4	146,528,374	25	1
		299,680,38		1,313,900,1	
Fees for services	27,055,112	9	987,164,606	07	991,070,086
Fees to directors and syndics	-	-	8,621,000	8,621,000	8,052,195
		676,993,68			
Advertising and promotion	-	4	-	676,993,684	398,102,251
Office expenses	1,465,726	3,036,936	32,167,737	36,670,399	29,426,614
Production of magazine	185,640,977	1,278,354	13,903,678	200,823,009	188,777,887
Data transfer costs	551,908,554	-	1,738,753	553,647,307	503,336,914
		384,352,73			
Bad debts	-	1	-	384,352,731	254,971,381
Collection expenses and commissions	8,072,234	64,163,616	712,863,125	785,098,975	623,378,405
Obsolescence of material	58,424,773	-	-	58,424,773	9,695,157
		131,061,41			
Lawsuits and contingencies	47,669,849	3	(23,955,271)	154,775,991	75,161,740
Amortization of intangible assets	22,053,620	8,657,619	-	30,711,239	36,513,521
Miscellaneous	199,295,794	65,478,124	52,642,940	317,416,858	283,055,332
	13,324,515,7	4,430,084,5	3,347,167,46	21,101,767,	
Total at 09.30.2017	64	98	7	829	
	9,747,487,52	3,062,484,9	2,580,830,77		15,390,803,1
Total at 09.30.2016	2	04	2	-	98

(1) In accordance with the decision rendered by Chamber II of the Court of Appeals on Federal Administrative Matters, as from September 2015, the Company began calculating employer's contributions as tax credit on VAT. The amount calculated by the Company for the nine-month period ended September 30, 2017 was approximately Ps. 692 million.

NOTE 9 FINANCIAL COSTS

	09.30.2017	09.30.2016
	Ps.	
Interest	(486,851,947)	(518,854,415)
Exchange differences	(853,898,347)	(1,369,806,956)
Financial debt discounts	8,190,736	(40,941,394)
Other financial results related to financial debt	45,494,934	(103,712,377)
Total	(1,287,064,624)	(2,033,315,142)

NOTE 10 OTHER FINANCIAL INCOME AND EXPENSES, NET

	09.30.2017	09.30.2016
	Ps.	
Interest	65,688,002	204,019,473
Bank expenses	(28,527,164)	(5,160,877)
Taxes and expenses	(335,475,899)	(338,141,717)
Exchange differences on cash and cash equivalents	19,315,009	489,934,269
Exchange differences from the other items	3,434,751	(142,399,650)
Financial discounts on assets, debts and diverse	13,017,265	(4,884,297)
Results for operations with notes and bonds	(26,134,683)	(13,038,903)
Other	(12,863,367)	(7,872,494)
Total	(301,546,086)	182,455,804

NOTE 11 PROPERTY, PLANT AND EQUIPMENT

The detail of carrying values that compose the item at September 30, 2017 and December 31, 2016 is shown below:

	09.30.2017	12.31.2016
	Ps.	
Buildings and land	414,292,405	418,450,455
Improvements to leased buildings	3,857,451	8,914,745
Installations, machinery and equipment	974,714,117	738,655,105
Furniture and fixtures	20,415,191	21,062,996
Vehicles	193,301,554	132,373,778
Tools	58,001,205	43,424,211
Cables, cable laying and assets under loan for use	9,271,628,491	7,040,894,243
Work in progress	4,319,821,098	2,893,483,126
Telecommunications	136,064,699	241,358,559
Material	5,161,979,685	3,875,871,711
	20,554,075,896	15,414,488,92
Allowance for obsolescence of material	(46,457,302)	(36,535,146)
Total	20,507,618,594	15,377,953,78

The evolution of this line-item between January 1, 2016 and September 30, 2017 and for the same period of the preceding year is shown below:

	2017	2016
	Ps.	
Balance as of January 1	15,377,953,783	8,450,192,40
Incorporation of acquired company balances	-	665,537,162
Additions	8,365,936,161	6,360,155,60
Decreases (original value)	(2,891,737,827)	(1,251,123,1
Depreciation	(2,808,933,825)	(1,676,842,6
Accumulated depreciation of decreases	2,459,904,424	952,230,083
Currency translation of foreign operations	14,339,355	29,598,607
Currency of the allowance for obsolescence of material	(9,843,477)	-
Balance as of September 30	20,507,618,594	13,529,748,0

Of the additions of the 2017 and 2016 periods 87 % and 86 %, respectively, correspond to the items Cables, cable laying, assets under loans for use and material.

Average useful life (in years) is detailed in Note 13 to the annual consolidated financial statements as of December 31, 2016.

NOTE 12 INTANGIBLE ASSETS

The detail of carrying values that compose the item at September 30, 2017 and December 31, 2016 is shown below:

	09.30.2017	12.31.2016
	Ps.	
Trademarks	14,720,998	15,113,146
Software	15,327,097	36,841,451
SRCE license	478,240,215	7,857,417
Links to the public network	-	799,503
Radioelectric spectrum	1,860,549,580	1,860,549,58
Other	158,150	303,972
Total	2,368,996,040	1,921,465,06

The evolution of this line-item between January 1, 2016 and September 30, 2017 and for the same period of the preceding year is shown below:

	2017	2016
	Ps.	
Balance as of January 1	1,921,465,069	66,119,113
Incorporation of acquired company balances	-	1,903,834,17
Increases	478.240.914	23.024.704
Decreases	-	(3,050,655)
Amortization	(30,711,239)	(36,513,521)
Currency translation of foreign operations	1,296	15,866
Balance as of September 30	2,368,996,040	1,953,429,68
	1	1

The increases for the period 2017 correspond to the item Radio-Electric Trunking Services License (see Note 20.1.1.2), while in the period 2016 correspond mainly to Software.

The main average useful lives are as follows:

	Average useful lives (in years)
Trademarks	50
Software	5
Radio-Electric Trunking Services License	3 - 15
Links to the public network	3
Radioelectric spectrum	15 ⁽¹⁾

(1) At the beginning of render of the SCMA service or the expiration of the 18-month period provided for in article 10.1 subsection a) of Annex I Decree No. 764/2000 for the start of service provision, whichever occurs first (See Note 20.1.1.2)

NOTE 13 GOODWILL

<u>Cost</u>	09.30.2017	12.31.2016
	Ps.	
Telemas S.A.	362,098,283	346,853,785
Cablevisión Business	2,893,129,939	2,893,129,939
Nextel Business	801,741,922	801,741,922
Total	4,056,970,144	4,041,725,646

NOTE 14 INVESTMENTS

	09.30.2017	12.31.2016
	Ps.	
Non-Current		
Other placements	-	1,133,469,884
Total	-	1,133,469,884
Current		
Mutual funds	748,240,935	1,517,011,570
Notes and bonds	25,237,359	349,999,610
Fixed-term deposit	22,259,726	37,585,831
Other placements	788,626,242	97,598,992
Total	1,584,364,262	2,002,196,003

NOTE 15 INVESTMENTS IN ASSOCIATES

Companies	Main activity	Country	% participation on capital and votes	Valuation at 09.30.2017	Valuation at 12.31.2016
Ver T.V. S.A. (1)	Cable TV station	Argentina	49.00	108,952,449	178,565,500
Teledifusora San Miguel					
Arcángel S.A. (1)	Cable TV station	Argentina	49.10	46,210,617	62,364,745
La Capital Cable S.A.	Closed circuit television	Argentina	49.00	35,889,415	25,548,618
Televisora Privada del Oeste S.A.	Closed circuit television	Argentina	47.00	5,592,798	5,592,798
AVC Continente Audiovisual S.A. (1)	Closed circuit television	Argentina	40.00	5,067,502	4,377,061
Other				91,292	89,490
Total				201,804,073	276,538,212

(1) Data on the issuer arising from non-accounting information.

NOTE 16 OTHER RECEIVABLES

	09.30.2017	12.31.2016
	Ps.	
Non-Current		
National tax credits	35,277,084	32,309,167
Provincial tax credits	2,904,162	728,896
Advances to suppliers	216,564,512	172,246,617
Prepaid expenses	32,390,940	74,529,539
Other debtors	1,338,182	3,984,313
Other	4,566,631	6,234,554
Total	293,041,511	290,033,086
Current		
National tax credits	77,020,261	144,694,597
Provincial tax credits	5,907,937	7,077,933
Municipal tax credits	-	127,848
Prepaid expenses	499,686,161	248,415,775
Judicial deposits	15,822,463	27,714,675
Related parties	20,875,242	19,788,905
Advances to suppliers	30,763,660	61,425,818
Dividends receivable	114,450,142	-
Other debtors	28,315,658	22,127,457
Advances to employees	7,316,189	5,993,864
Deposits in guarantee	57,419,818	20,481,681
Other	51,929,211	75,075,502
Total	909,506,742	632,924,055

NOTE 17 TRADE RECEIVABLES

	09.30.2017	12.31.2016
	Ps.	
Current		
Ordinary	2,108,838,473	1,969,684,888
Related parties	41,569,287	50,074,090
Other	1,866,432	756,100
Allowance for bad debts	(416,910,964)	(346,960,306)
Total	1,735,363,228	1,673,554,772

NOTE 18 INVENTORIES

	09.30.2017	12.31.2016
	Ps.	
Current		
Resale goods	8,226,290	9,672,286
Computer equipment held by third parties	544,040	2,823,190
Radio equipment and accessories	99,316,569	204,261,033
Parts	42,652,001	50,301,634
Allowance for impairment of inventories	(40,106,006)	(409,536)
Total	110,632,894	266,648,607

NOTE 19 BANK AND FINANCIAL DEBT

The evolution of loans and financing between January 1, 2017 and September 30, 2017 and for the same period of the preceding year is shown below:

2017	2016
------	------

	Ps.	
Balance as of January 1	9,558,544,599	6,621,169,498
New loans and financing (1)	719,131,253	7,742,825,167
Interest	488,104,666	517,418,439
Permanence fees	-	5,448,789
Effects of exchange rate variation	853,898,347	1,369,806,956
Offsetting of financial debt with other receivables	(8,400,000)	-
Effect of the decrease in the financial debt that was eliminated in consolidation	-	(7,966,202)
Settlement of interests	(359,506,109)	(564,867,113)
Settlement of principal and issuing expenses	(816,692,090)	(6,295,598,841)
Measurement of financial debt at present value	(8,190,736)	40,941,394
Balance as of September 30	10,426,889,930	9,429,178,087

(1) Mainly loans to pay financial debts and to purchase capital assets and inventories.

The following is a breakdown of the Company's loans and indebtedness:

	09.30.2017	12.31.2016
	Ps.	
Non-current		
Cablevisión Notes - principal	8,655,000,00	7,945,000,00
	0	0
Measurement of financial debt at present value	(71,988,287)	(80,071,908)
For purchase of equipment - principal	625,594,730	714,525,657
Bank loans - principal	132,629,987	-
Total	9,341,236,430	8,579,453,749

	09.30.2017	12.31.2016
	Ps.	
Current		
Debt with related companies - principal	4,000,000	8,400,000
For purchase of equipment – principal	841,594,628	791,484,224
Accrued interest	176,942,112	41,355,021
Measurement of financial debt at present value	15,289,350	32,134,985
Bank loans - principal	47,827,410	105,716,620
Total	1,085,653,500	979,090,850

The main conditions of bank loans for the period are as follows:

Date of issue	Institution	Currency	Original amount	Final maturity	Fixed interest rate
January 2016	Banco de Santa Fe S.A.	Ps.	50.0 (2)	April 2016 (1)	34.00%
April 2016	Banco de Santa Fe S.A.	Ps.	50.0 (2)	July 2016 (1)	34.25%
July 2016	Banco de Santa Fe S.A.	Ps.	50.0 (2)	October 2016 (1)	30.50%
September 2016	Banco Itaú Argentina S.A.	US\$	3.5 (3)	September 2017(1)	5.00%
October 2016	Banco de Santa Fe S.A.	Ps.	50.0 (2)	January 2017 (1)	27.50%
January 2017	Banco de Santa Fe S.A.	Ps.	50.0 (2)	April 2017 (1)	27.50%
January 2017	ICBC	US\$	5.1 (3)	January 2022	6.00%
February 2017	Banco Itaú BBA International PLC	US\$	5.3 (3)	February 2020	5.00%

- (1) Canceled at maturity.
(2) Renewal of funds to increase working capital.
(3) Funds used to complete the investment plan.

On October 30, 2017, within the framework of the merger between the Company and Telecom Argentina S.A., the Company called for a Shareholders' Meeting in order to request its holders of Class A Notes, issued for a nominal value of USD 500,000,000, the amendment and/or removal of certain clauses (or part of them) of the Indenture Agreement executed on June 15, 2016 between the Company, Deutsche Bank Trust Company Americas, Deutsche Bank S.A. and Deutsche Bank Luxembourg S.A.

NOTE 20 REGULATORY FRAMEWORK

20.1. Matters related to the regulatory situation of the Company

20.1.1. Nextel

20.1.1.1 Acquisition of control over Nextel

On March 7, 2016, the ENACOM issued Resolution No. 280/2016, whereby it authorized the change of control of Nextel, in favor of Cablevisión.

On April 12, 2017, the Comisión Nacional de Defensa de la Competencia (National Antitrust Commission or "CNDC", for its Spanish acronym) notified Cablevisión of Resolution No. 293/2017 dated April 10, 2017, whereby the CNDC authorized the economic concentration operation consisting of the acquisition by Cablevisión and Televisión Dirigida of 100%, of the shares of Nextel, which were owned by NII Mercosur Telecom S.L.U And NII Mercosur Móviles S.L.U.

20.1.1.2. Other requests for authorization filed with the ENACOM

On June 22, 2016, Nextel made a filing with the ENACOM in order to request authorization for direct and indirect share transfers that would imply a direct and/or indirect change of control in favor of Nextel, pursuant to Section 13 of Law No. 27,078, with respect to the licensees of telecommunication services listed below:

- Fibercomm S.A.
- Trixco S.A.
- Callbi S.A.
- Infotel S.A.
- Skyonline de Argentina S.A.
- Netizen S.A.
- Eritown Corporation Argentina S.A.

Within the required term, on January 6, 2017, the ENACOM issued Resolution No. 111/2017, which under Section 1 authorizes the share transfers mentioned above.

The filing made on June 22, 2016 also included a request to change the allocation of a portion of the spectrum that corresponds to the licensees acquired by the Company in order to render 4G services, which was not addressed in ENACOM Resolution No. 111/2017.

Notwithstanding the foregoing, taking into consideration the new regulations provided under Decree No. 1,340/16 and Resolution No. 171/2017 issued by the Ministry of Communications, Nextel reformulated the original request in accordance with the new effective regulations, thus initiating a new administrative file. In this last filing, Nextel finally requested:

- The beginning of a Refarming process with Economic Compensation as provided under Resolution No. 171/2017;
- The authorization of the agreements executed by Nextel with the licensees acquired by the Company to operate the services registered by Nextel with the portion of the spectrum allocated to those licensees to render their respective services;
- The approval of the registration by Nextel of the Advanced Mobile Telecommunications Service; and,
- The authorization of the change that allows for:
 - Changing the allocation and channeling on a primary basis of the 905-915 MHz and 950-960 MHz bands to render advanced mobile communication services at national level with primary status; and,
 - Enhancing the allocation of the frequency bands and changing the channeling of the 2500 MHz band to the 2690 MHz band to render advanced mobile communication services at national level with primary status.

By means of Resolution ENACOM No. 1,033/2017, the ENACOM provided for the use of the frequency bands between 905 and 915 MHz and between 950 and 960 MHz for the rendering of the ADVANCED MOBILE COMMUNICATIONS SERVICE ("SCMA") and by means of Resolution ENACOM No. 1,034/2017, the ENACOM provided for the use of the frequency band between 2500 and 2690 MHz for the provision of SCMA, in addition to the current services when their coexistence is possible.

On March 6, 2017, Nextel was served with Resolution ENACOM No. 1,299 /2017, which was published in the official Gazette on March 7, 2017 and approves the project for Refarming with Economic Compensation,

filed by that company to provide Advanced Mobile Communication Services in the frequencies that had been subject to change in allocation pursuant to ENACOM Resolutions No. 1,033 and 1,034/2017.

In addition, the ENACOM decided to register Nextel as provider of Advanced Mobile Communication Services in the Registry of Services; and to authorize the use of above-mentioned frequencies.

In the same resolution and as part of the authorization, that agency imposed additional Coverage Obligations on Nextel.

It also imposes two obligations that must be fulfilled prior to initiating the rendering of Advanced Mobile Communication Services: (i) the return of the proposed radio-electric spectrum; and (ii) the creation of a guaranty issued in favor of and satisfactory to ENACOM for an amount equal to the value of the radio-electric spectrum that is subject to return.

The Resolution also orders that Nextel shall post a performance bond to guarantee the obligations and responsibilities undertaken by that company to be issued in favor and to the satisfaction of the ENACOM for the amount and under the terms that shall be set forth in the contract to be executed with the ENACOM. That contract shall establish, in addition to the economic compensation to be paid by Nextel, the terms, conditions, goals, obligations and other matters inherent to the rendering of the Advanced Mobile Communication Services authorized by that agency to which Nextel shall be bound.

On April 12, 2017, Nextel executed with the ENACOM the above-mentioned agreement. On April 28, 2017, pursuant the Agreement executed with the ENACOM, Nextel transferred to that agency the “economic compensation” of Ps. 478,240,214, established by the ENACOM on April 26, 2017.

In another agreement also executed on April 12, 2017, Nextel accepted and expressly consented to the authorization granted to the Chairman of the ENACOM to decide on, within a term of 2 years as from the date of the agreement, the replacement with economic compensation -to be borne by Nextel- of certain channels of the 2500-2690 MHz frequency bands for frequencies in other bands, as established under Article 7 of ENACOM Resolution No. 1,034/2017.

Also, on May 5, 2017, Nextel posted the performance bond provided under the agreement in order to guarantee: (i) compliance with the coverage obligations in the localities ordered by ENACOM; and (ii) the return of compromised radio spectrum.

Through Resolution No. 3,909-E/2017 published on May 24, 2017, the ENACOM decided to record the agreements described in the previous paragraph.

On May 22, 2017, the Company made a filing with the ENACOM in order to request the incorporation of the records, resources, allocations, permits and authorizations held by Nextel, as well as those held by Trixco S.A., Callbi S.A., Infotel S.A., Skyonline de Argentina S.A., Netizen S.A. and Eritown Corporation Argentina S.A., to the Licencia Única Argentina Digital held by Cablevisión, as a result of the corporate reorganization process to be implemented whereby Cablevisión will absorb under a merger by acquisition process the above-mentioned licensees, including Nextel, which will be dissolved without liquidation. (See Note 4 a)).

20.1.2. Transaction with Telecom Argentina S.A.

As a consequence of the corporate reorganization process described under Note No. 4 d), on September 6, 2017, Cablevisión and Telecom Argentina S.A. made a filing with the ENACOM requesting the authorization of:

- (i) the transfer and incorporation to the Licencia Única Argentina Digital held by Telecom Argentina S.A. of the registrations, resources, allocations and permits held by Cablevisión.
- (ii) The transfer in favor of Telecom Argentina S.A. of the authorizations for use and the resources allocated to provide the services registered in the name of Cablevisión and/or the companies merged into the latter.

(iii) The change of corporate control in Telecom Argentina S.A. will take place once the above-mentioned authorization from the ENACOM has been obtained, the Merger becomes effective and the shareholders agreement dated July 7, 2017 enters into effect. As a result, Cablevisión Holding S.A. will become the controlling company of Telecom Argentina S.A. as surviving company of Cablevisión.

20.1.3. Shareholder Structure of the Company

Cablevisión has requested the ENACOM to acknowledge the change in its shareholder structure as a result of the corporate reorganization carried out by its controlling company (See Note 25). In the understanding that the above-mentioned change has not implied a change of control, it does not require that agency's authorization.

NOTE 21 PROVISIONS AND OTHER CHARGES

Non-Current	<u>09.30.2017</u>	<u>12.31.2016</u>
Accrual for asset retirement	233,333,014	228,237,296
Provisions for lawsuits and contingencies	801,743,956	726,799,507
Total	<u>1,035,076,970</u>	<u>955,036,803</u>

21.1. Legal and administrative processes and other commitments

a) The Secretary of Domestic Trader ("SCI") through its Resolution No. 50/10 approved certain rules for the sale of pay television services. These rules provide that cable television operators must apply a formula to estimate their monthly subscription prices. The price arising from the application of the formula was to be informed to the Office of Business Loyalty (Dirección de Lealtad Comercial) between March 8 and March 22, 2010. Cable television operators must adjust such amount semi-annually and inform the result of such adjustment to said Office.

Even though as of the date of these financial statements, the Company cannot assure the actual impact of the application of this formula, given the vagueness of the variables provided by the Resolution to calculate the monthly subscription prices, the Company believes that Resolution No. 50/10 is arbitrary and bluntly disregards its freedom to contract, which is part of the right to freedom of industry and trade. Therefore, the Company has filed the pertinent administrative claims and has brought the necessary legal actions requesting the suspension of the Resolution's effects and ultimately requesting its nullification.

Even though the Company and/or some of its subsidiaries, like other companies in the industry, have strong constitutional arguments to support their position, it cannot be assured that the final outcome of this issue will be favourable. Therefore, the Company may be forced to modify the price of its pay television subscription, a situation that could significantly affect the revenues of its core business. This creates a general framework of uncertainty over the Company's business that could significantly affect the recoverability of its relevant assets. Notwithstanding the foregoing, as of the date of these financial statements, in accordance with the decision rendered on August 1, 2011 in re "LA CAPITAL CABLE S.A. c/ Ministerio de Economía-Secretaría de Comercio Interior de la Nación", the Federal Court of Appeals of the City of Mar del Plata has ordered the SCI to suspend the application of Resolution No. 50/10 with respect to all cable television licensees represented by the Argentine Cable Television Association ("ATVC", for its Spanish acronym). Upon being served on the SCI and the Ministry of Economy on September 12, 2011 such decision became fully effective and may not be disregarded by the SCI. The National Government filed an appeal against the decision rendered by the Federal Court of Appeals of Mar del Plata to have the case brought before the Supreme Court. Such appeal was dismissed and so the National Government filed a direct appeal with the Supreme Court, which has also been dismissed.

On June 1, 2010, the SCI imposed a Ps. 5 million fine on the Company alleging that it had failed to comply with the information regime set forth by Resolution No. 50/10 and invoking the Consumer Defense Law to impose such penalty. The fine was appealed and submitted to the Federal Court of Appeals on Administrative Matters, Chamber No. 5 which decided to reduce the fine to Ps. 300,000. The Company appealed this decision by filing an extraordinary appeal with the Supreme Court of Argentina.

On March 10, 2011 SCI Resolution No. 36/11 was published in the Official Gazette. This resolution falls within the framework of SCI Resolution No. 50/10. Resolution No. 36/11 sets forth the parameters to be applied to the services rendered by Cablevisión to its subscribers from January through April 2011. These parameters are as follows: 1) the monthly basic subscription price shall be of Ps. 109 for that period; 2) the price of other services rendered by Cablevisión should remain unchanged as of the date of publication of the resolution; and 3) the promotional benefits, existing rebates and/or discounts already granted as of that same date shall be maintained. The resolution also provides that Cablevisión shall reimburse users for any amount collected above the price set for that period.

The Company believes that Resolution No. 36/11 is illegal and arbitrary, since it is grounded on Resolution 50/10, which is absolutely null and void. Since the application of Resolution No. 50/10 has been suspended, the application of Resolution No. 36/11, which falls within the framework of the former, is also suspended.

The claim filed by the Company seeking the nullification of Resolution No. 50/10 is currently pending before the Federal Administrative Court of First Instance No. 7 of the City of Buenos Aires. This claim was dismissed in view of the claim pending in the City of Mar del Plata.

Subsequently, the SCI issued Resolutions Nos. 65/11, 92/11, 123/11, 141/11, 10/11, 25/12, 97/12, 161/12, 29/13, 61/13, 104/13, 1/14, 43/14 and 93/14 pursuant to which the SCI extended the effectiveness of Resolution No. 36/11 up to and including September 2014, and adjusted the cable television subscription price to Ps. 152. The Company believes, however, that given the terms under which the Federal Court of the City of Mar del Plata granted the preliminary injunction, that is, ordering the SCI to suspend the application of Resolution No. 50/10 with respect to all cable television licensees represented by ATVC (among them, the Company and its subsidiaries), and also given the fact that Resolutions No. 36/11, 65/11, 92/11, 123/11, 141/11, 10/11, 25/12, 97/12, 161/12, 29/13, 61/13, 104/13, 1/14, 43/14 and 93/14 merely apply of Resolution No. 50/10, the Company continues to be protected by said preliminary injunction, and therefore, the ordinary course of its business will not be affected.

On April 23, 2013, the Company was served notice of a decision rendered in re “Defensor del Pueblo de Buenos Aires c/Cablevisión S.A. s/Amparo Ley 16,986 (Incidente de Medida Cautelar)” pending before Federal Court No. 2, Civil Clerk’s Office No. 4 of the City of La Plata, in connection with the price of cable television subscriptions, whereby the court imposed a cumulative fine of Ps. 100,000 per day on the Company.

The Company appealed the fine on the grounds that, Resolution No. 50/10 issued by Mr. Moreno, as well as its extensions and/or amendments, were suspended, as mentioned above, by an injunction with respect to the Company and its branches and subsidiaries prior to the imposition of the fine, pursuant to the collective injunction issued by the Federal Court of the City of Mar del Plata on August 1, 2011 in re “La Capital Cable y Otros c/ Estado Nacional y Otros s/ Medida Precautoria”. That injunction suspended the application of all the criteria set by the Secretariat of Domestic Trade under Mr. Guillermo Moreno.

The Federal Court of Appeals of the City of La Plata reduced the fine to Ps. 10,000 per day. The Company filed an appeal against that decision in due time and form. On October 16, 2013, the Court of Appeals dismissed the appeal filed by the Company. On that same date, the Company settled the fine in the amount of Ps. 1,260,000 and compliance was recorded in the file.

On June 11, 2013, the Company was served notice of a resolution rendered in the abovementioned case, whereby the court ordered the appointment of an expert overseer (perito interventor) specialized in economic sciences to: (i) verify whether or not the invoices corresponding to the basic cable television subscription issued by the Company to subscribers domiciled in the Province of Buenos Aires, are actually prepared at the headquarters located at Gral. Hornos 690, and/or at the Company’s branch offices, precisely detailing that process, (ii) identify the individuals responsible for that area, (iii) determine whether or not the administrative actions tending towards the effective compliance with the injunction issued on that case are underway, and (iv) identify the senior staff of the Company that must order the invoice issuance area to prepare the invoices as decided under that injunction.

The Company timely appealed the appointment of said expert on the same grounds stated above. This appeal is also pending before the Federal Court of Appeals of the City of La Plata.

For the purposes of enforcing the injunction, the court issued letters rogatory to the competent judge of the City of Buenos Aires. Upon the initiation of that proceeding, both the Federal Court on Administrative Matters and the Federal Court on Civil and Commercial Matters declined jurisdiction to enforce the injunction ordered by the Federal Judge of La Plata. The Company has appealed the decision in connection with the lack of jurisdiction in due time and form. Chamber No. 1 of the Federal Court of Appeals on Civil and Commercial Matters confirmed the appealed decision. Accordingly, the Company will file an extraordinary appeal in due time and form to have the case decided by the Supreme Court of Argentina.

It should be noted that, in light of the corporate reorganization, both parties requested the suspension of the procedural terms for 180 days. The judge granted such request. Therefore, the procedural terms were suspended until December 11, 2014. Given the decision rendered by the Supreme Court of Argentina in re “Municipality of Berazategui v. Cablevisión” mentioned below, the procedural periods remain suspended until the Federal Court of Mar del Plata renders a decision thereon.

The file initiated by the Ombudsman before the Federal Court of La Plata, was sent to Mar del Plata, as established by the decision rendered in re Municipality of Berazategui v. Cablevisión referred to below, ordering that the preliminary injunction be revoked because it contradicts the injunction ordered in the proceeding initiated by ATVC.

After the Federal Court of the City of Mar del Plata issued its injunction, several Municipal Offices of Consumer Information (“OMIC”, for its Spanish acronym) and several individuals filed claims requesting that the Company comply with Resolution No. 50/10 and the subsequent resolutions that extended its effectiveness. In some cases, preliminary injunctions were granted. In every case, the Company appealed such preliminary injunctions alleging that Resolution No. 50/10, as amended, and/or the subsequent resolutions that extended its effectiveness, had been suspended with respect of the Company, its branches and subsidiaries prior to the issuance of such preliminary injunctions.

On September 23, 2014, the Court rendered a decision in re “Municipalidad de Berazategui c/ Cablevisión” ordering that the cases related to these resolutions continue under the jurisdiction of the Federal Court of Mar del Plata that had issued the decision on the collective action in favor of ATVC.

Decisions made on the basis of these consolidated financial statements should consider the eventual impact that the above-mentioned resolutions might have on the Company and its subsidiaries, and the Company’s consolidated financial statements should be read in light of such uncertainty.

b) On April 5, 2017, a subsidiary of the Company received a notification from the Under-Secretary of State for Taxation of Treasury (“SET”) of the Republic of Paraguay, whereby that subsidiary was informed that it had failed to determine the additional IRACIS rate on the accumulated results of the companies merged in 2014. The Company’s subsidiary consider that it has solid arguments to support its position.

NOTE 22 TAXES PAYABLE

	<u>09.30.2017</u>	<u>12.31.2016</u>
	<u>Ps.</u>	
Non-Current		
National taxes	3,562,822	3,776,292
Total	<u>3,562,822</u>	<u>3,776,292</u>
	<u>09.30.2017</u>	<u>12.31.2016</u>
	<u>Ps.</u>	
Current		
National taxes	1,621,570,152	1,534,374,200
Provincial taxes	23,689,200	28,345,208
Municipal taxes	80,621,458	57,398,365
Total	<u>1,725,880,810</u>	<u>1,620,117,773</u>

NOTE 23 OTHER PAYABLES

	<u>09.30.2017</u>	<u>12.31.2016</u>
	<u>Ps.</u>	
Non-Current		
Revenues to accrue	121,712,499	109,397,233
Other	658,392	1,090,397
Total	<u>122,370,891</u>	<u>110,487,630</u>

	09.30.2017	12.31.2016
	Ps.	
Current		
Dividends payable – Other	7,522,319	1,794,126
Fees to directors and syndics	1,073,030	1,073,030
Revenues to accrue	181,729,251	237,524,327
Other	1,696,874	6,122,630
Total	192,021,474	246,514,113

NOTE 24 ACCOUNTS PAYABLE AND OTHERS

	09.30.2017	12.31.2016
	Ps.	
Current		
Suppliers	1,498,022,647	1,559,529,835
Commercial accruals	1,577,547,830	1,290,124,791
Related parties	276,628,049	203,735,757
Social accruals	1,524,847,232	1,303,953,175
Total	4,877,045,758	4,357,343,558

NOTE 25 SHARE CAPITAL

At the General Extraordinary Shareholders' Meeting held on January 12, 2016, the shareholders of the Company decided, among other things, i) to cancel 207,157 Class B common book-entry treasury shares with a nominal value of Ps. 1 representing 0.1% of the capital stock and votes of the Company; and, consequently, to reduce the capital stock by Ps. 207,157, (ii) to ratify the amendment of Section 4 of the Bylaws approved by the shareholders at the Extraordinary Shareholders' Meeting held on June 30, 2014, which, among other things, had amended the nominal value of shares from Ps. 1 to Ps. 10,000 and (iii) to delegate on the Board of Directors the power to determine and establish the time, form and conditions of issuance of the shares representing the new capital stock to be issued, as well as the payment in cash of the fractions, if any.

In light of the above, on June 29, 2016, the Board of Directors completed the implementation of the payment in cash of the fractions and the change in the nominal value and, therefore, the Company's capital stock now amounts to Ps. 197,300,000 represented by 19,730 shares, of which i) 15,785 are Class A book entry shares, with nominal value of Ps. 10,000 each and entitled to one vote per share, and ii) 3,945 are Class B book entry shares, with nominal value of Ps. 10,000 each and entitled to one vote per share. At the same meeting of the Board of Directors, new shares were issued.

Subsequently, at the General Extraordinary Shareholders' Meeting held on June 30, 2016, the shareholders decided to capitalize in full the following accounts, (i) the Paid-in Capital for Ps. 134,234,500, ii) the merger surplus for Ps. 2,894,151; iii) the partial capitalization of the "Optional Reserve to Maintain the Company's Level of Capital Expenditures and its Current Solvency Level" for Ps. 865,571,349, thus increasing the capital stock from Ps. 197,300,000 to Ps. 1,200,000,000 through the issuance of 100,270 new common book-entry shares with nominal value of Ps. 10,000 and entitled to one vote per share, of which 80,221 will be Class A common book-entry shares and 20,049 will be Class B common book-entry shares. On March 14, 2017, the capital increase was registered in IGJ.

On May 2, 2017, the Company received a communication sent by Grupo Clarín and Cablevisión Holding S.A. whereby the two companies informed the Company that, pursuant to the spin-off and incorporation process initiated by Grupo Clarín, with effective as from May 1, 2017, Grupo Clarín's participation in the Company was allocated to Cablevisión Holding S.A. (the "Spin-off and Incorporation"). As a result, the Company's Board of Directors proceeded to take account of the Spin-off and Incorporation and decided the

issuance of the shares, whereby Cablevisión Holding S.A. became the holder of 34,425 Class A shares and 6,782 Class B shares.

The following table shows the Company's shareholders as of the date of issuance of these consolidated condensed interim financial statements. The principal shareholders of the Company do not have different or preferred voting rights with respect to the shares owned by them.

Shareholders	Number of Shares	% of Share Capital
Cablevisión Holding S.A. (1) (3)	34,425	28.7
VLG Argentina, LLC (1)	61,581	51.3
Fintech Media LLC (2)	17,212	14.3
Cablevisión Holding S.A (2)	6,782	5.7
Total	120,000	100.0

(1) Class A Shares.

(2) Class B Shares.

(3) Cablevisión Holding S.A holds a 50% equity interest in VLG Argetina LLC.

NOTE 26 RESERVES, ACCUMULATED RESULTS AND DIVIDENDS

1. Cablevisión

On March 30, 2017, at the Company's Annual General Ordinary and Extraordinary Shareholders' Meeting, its shareholders decided to appropriate the net income for the year ended December 31, 2016, of Ps. 4,045,337,263, according to the following detail: (i) Ps. 1,600,000,000 to the distribution of cash dividends payable to shareholders in proportion to their shareholdings, in pesos or U.S. dollars in two installments, the first of which to be paid within thirty days of the Shareholders' Meeting and the second to be paid on December 31, 2017 or earlier date to be determined by the board, delegating on the board the time and form of payment, (ii) Ps. 200,479,147 to the increase in the Legal Reserve, and (iii) Ps. 2,244,858,116 to the Voluntary Reserve to maintain the Company's level of capital expenditures and its current solvency level. As of the date of issuance of these financial statements all dividends had been paid.

2. Subsidiaries

During the month of February 2017, the subsidiary Ver T.V. S.A. voted dividends of Ps. 77.1 million of which Ps. 37.8 million correspond to the Company according to its pro rata participation. As of the date of these financial statements, the aforementioned dividends were paid.

During the month of May 2017, the subsidiary La Capital Cable S.A. voted dividends of Ps. 21.4 million of which Ps. 10.5 million correspond to the Company according to its pro rata participation. As of the date of these financial statements, the aforementioned dividends were paid.

During the month of June 2017, the subsidiary Ver T.V. S.A. voted dividends of Ps. 104 million of which Ps. 51 million correspond to the Company according to its pro rata participation. As of the date of these financial statements, the aforementioned dividends were paid Ps. 19.1 million.

During the month of June 2017, the subsidiary Teledifusora San Miguel Arcángel S.A. voted dividends of Ps. 24 million of which Ps. 11.8 million correspond to the Company according to its pro rata participation. As of the date of these financial statements, the aforementioned dividends were paid.

During the month of August 2017, the subsidiary Teledifusora San Miguel Arcángel S.A. voted dividends of Ps. 69 million of which Ps. 34 million correspond to the Company according to its pro rata participation. As of the date of these financial statements, the aforementioned dividends were paid Ps. 5.7 million.

During the month of August 2017, the subsidiary Ver T.V. S.A. voted dividends of Ps. 94 million of which Ps. 46 million correspond to the Company according to its pro rata participation. As of the date of these financial statements, the aforementioned dividends are pending cancellation.

NOTE 27 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

During the nine-month period ended September 30, 2017, there were no transactions with related parties outside the ordinary course of business, or significant changes other than those described below:

As of December 31, 2016, the Company had a credit balance of Ps. 359,154,589, with the shareholder Grupo Clarín while as of September 30, 2017, the Company had not any balance with that shareholder (See Note 26.1).

As of December 31, 2016, and September 30, 2017, the Company had not any balances with the shareholder VLG Argentina LLC (See Note 26.1).

As of December 31, 2016, the Company did not have any balances with the shareholder Cablevisión Holding S.A., while as of September 30, 2017, the Company had a balance of Ps. 424,033,626 result of investments. In October 2017, the Company collected all of these investments.

In October 2017, a subsidiary of the Company received the payment of the investments it had with GCSA Equity LLC.

Agreements with shareholders

On June 28, 2008, Cablevisión and Grupo Clarín executed a supplementary agreement to the technical assistance agreement, effective as of September 26, 2006, whereby they amended the volume of the services rendered by Grupo Clarín and the mechanism used to determine that company's annual fee.

On January 6, 2017 and January 5, 2016 respectively, the agreements were amended, setting Grupo Clarín's annual fees. On April 30, 2017 the contract was terminated with the reason for the change of the controlling company.

On May 1, 2017 Cablevisión and Cablevisión Holding S.A., entered into a contract for advisory services and technical assistance under which the volume of services to be received from Cablevisión Holding S.A. and how the annual fee is determined.

NOTE 28 JOINT VENTURES – Prima AND UTE Ertach - Cablevisión

On May 24, 2017, the joint venture (UTE, for its Spanish acronym) Ertach - Cablevisión executed an agreement with the Ministry of the Chief of the Cabinet of Ministers of the Province of Buenos Aires for the provision of data transmission services for the Single Provincial Data Communication Network implemented under original Bid for a term of 24 months counted as from May 1, 2017. On June 1, 2017, the Governor of the Province of Buenos Aires signed Decree No. 2017-166-E-GDEBA-GPBA, whereby she decided:

1. To acknowledge the services rendered by the UTE for the Single Provincial Data Communication Network during the period from May 1, 2016 through April 30, 2017 and the services rendered to the Supplementary Network for Schools from May 1, 2015 through April 30, 2016,
2. To approved the Agreement executed on May 24, 2017 between the Ministry of the Chief of the Cabinet of Ministers and the UTE.

On September 4, 2017, the Executive Committee and the members of the UTE held a meeting, which was documented under Minutes No. 80. The attendees approved the amendment of the first section of the UTE agreement concerning the corporate name of this UTE as a result of the corporate changes mentioned in previous paragraphs. At that meeting, it was decided to change the corporate name of this UTE, which will now be called Ertach S.A. Cablevisión S.A. UTE, successor of Ertach S.A. Prima S.A. UTE. As of the date of these special financial statements, the above-mentioned amendment is pending registration with the IGJ.

NOTE 29 FINANCIAL INSTRUMENTS

The Company's activities expose it to several financial risks: market risk (including foreign exchange risk, fair value interest rate risk and price risk), capital risk, credit risk and liquidity risk.

There have not been any changes in risk management policies as from the last closing date.

The Company makes transactions in foreign currency and therefore, it is exposed to fluctuations in the exchange rate. A portion of the Company's financial debt is denominated in U.S. dollars, whereas its revenues are generated in the currency of the country in which it operates.

Therefore, the Company has executed forward foreign exchange purchases.

Monetary assets and liabilities denominated in foreign currency (U.S. dollar) at September 30, 2017, and at the end of the previous fiscal year are as follows:

	09.30.2017	12.31.2016
	Ps.	
ASSETS		
Other receivables	82,810,347	75,715,940
Trade receivables	565,381	713,554
Investments	842,017,135	2,028,930,770
Cash and banks	1,112,326,182	750,989,254
Total Assets	2,037,719,045	2,856,349,518
LIABILITIES		
Bank and financial debt	10,468,837,351	9,536,177,835
Provisions and other charges	134,369	131,151
Other payables	1,134,355	1,653,069
Accounts payable and others	783,354,394	649,296,192
Total Liabilities	11,253,460,469	10,187,258,247

The Company believes that the cash flows generated by its operations and the access to financing sources will allow it to meet its financial obligations.

29.1. Financial instruments at fair value

The following table shows the Company's financial assets and liabilities valued at fair value as of the end of each period and year respectively:

	09.30.2017	Trading prices (Level 1)	Other significant observable items (Level 2)
	Ps.		
Assets			
Current investments	769,608,455	769,608,455	-
	12.31.2016	Trading prices (Level 1)	Other significant observable items (Level 2)
	Ps.		
Assets	1,854,868,3	1,854,868,37	
Current investments	72	2	-

Financial assets are valued using quoted prices for identical assets and liabilities (Level 1) and the prices of similar instruments obtained from the information sources available in the market (Level 2). At September 30, 2017 and December 31, 2016, the Company did not have any asset or liability that had not been compared against observable market data to determine its fair value (Level 3).

29.2. Fair value of financial instruments

The book value of cash, accounts receivable and current liabilities is similar to their fair value due to the short term maturities of these instruments. Non-current financial credits were generated on a date close to the end of the periods ended as of September 30, 2017 and the year ended as of December 31, 2016 respectively so that the amortized cost is similar to their fair value.

Non-current investments classified as loans and receivables have been measured at amortized cost, and their book value approximates their fair value.

The fair value of non-current financial liabilities (level 2) is determined based on the future cash flows of the debt discounted at the market rate available to the Company for debt with similar terms (currency and remaining term), prevailing at the time of measurement.

The estimated fair value of non-current financial liabilities is as follows (in thousands of pesos):

	09.30.2017		12.31.2016	
	Book Value	Fair Value	Book Value	Fair Value
Bank and financial debt - non-current	9,341,236	9,965,717	8,579,454	8,773,651

NOTE 30 SUBSEQUENT EVENTS

a) Note 4 d) describes the main events that occurred after September 30, 2017 related to the company's reorganization processes.

b) Note 19 describes the main events that occurred after September 30, 2017 related to the company's Cablevisión notes.

c) Note 26 describes the main events that occurred after September 30, 2017 related to the related to the collection of dividends distributed by subsidiaries.

d) Note 27 describes the main events that occurred after September 30, 2017 related to the transaction with related parties.

NOTE 31 APPROVAL OF CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

These consolidated condensed interim financial statements have been approved by the Board of Directors of the Company and their issue has been authorized for November 10, 2017.

Report on Review of Consolidated Condensed Interim Financial Statements

To the Shareholders, President and Directors of
Cablevisión S.A.
Legal domicile: Gral. Hornos 690
Autonomous City of Buenos Aires
CUIT No.: 30-57365208-4

Introduction

We have reviewed the attached consolidated condensed interim financial statements of Cablevisión S.A. and its controlled subsidiaries (the "Company") which comprise the consolidated financial statement as of September 30, 2017, the consolidated statements of comprehensive income for the nine- and three-month periods ended at September 30, 2017, the consolidated statements of changes in equity and of cash flows for the nine-month period ended on that date, and selected explanatory notes.

The balances and other information corresponding to fiscal year 2016 and its interim periods are an integral part of the above-mentioned financial statements and, therefore, should be considered in relation to those financial statements.

Management's responsibility

The Board of Directors of the Company is responsible for the preparation and presentation of the financial statements in accordance with International Financial Reporting Standards, adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE, for its Spanish acronym) as professional accounting standards and incorporated by the Argentine Securities Commission (CNV, for its Spanish acronym) to its regulations, as approved by the International Accounting Standards Board (IASB) and, therefore, is responsible for the preparation and presentation of the consolidated condensed interim financial statements mentioned in the first paragraph in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34).

Scope of our review

Our review was limited to the application of the procedures established by International Standard on Review Engagements ISRE 2410 "Review of interim financial information performed by the independent auditor of the entity", which was adopted as review standard in Argentina by Technical Resolution No. 33 of the FACPCE as it was approved by the International Auditing and Assurance Standards Board (IAASB). A review of interim financial information consists of making inquiries to the Company's personnel responsible for preparing the information included in the consolidated condensed interim financial statements and applying analytical and other review procedures. The scope of this review is substantially less than an audit conducted in accordance with International Standards on Auditing, and consequently, a review does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated financial statement, consolidated statements of comprehensive income and of cash flows of the Company.

Conclusion

Based on our review, nothing has come to our attention that caused us to believe that the consolidated condensed interim financial statements mentioned in the first paragraph of this report, are not prepared, in all material respects, in accordance with International Accounting Standard 34.

Emphasis of Matter

Without modifying our conclusion, we would like to emphasize the information contained in Note 21.1.a) to the consolidated condensed interim financial statements, which describes the situation related to the resolution issued by the regulator to calculate the monthly fee payable by the users of cable television services, whose decisions cannot be foreseen to date.

Report on compliance with current regulations

In accordance with current regulations, in respect to Cablevisión S.A., we report that:

- a) the consolidated condensed interim financial statements of Cablevisión S.A. have been transcribed to the "Inventory and Balance Sheet" book and comply with the General Associations Law and pertinent resolutions of the Argentine Securities Commission, as regards those matters that are within our competence;
- b) the interim condensed separate financial statements of Cablevisión S.A. arise from accounting records kept in all formal respects in conformity with legal provisions;
- c) we have read the supplementary financial information, on which, as regards those matters that are within our competence, we have no observations to make;
- d) at September 30, 2017, the debt accrued in favor of the (Argentine) Integrated Social Security System of Cablevisión S.A. according to the Company's accounting records and calculations amounted to \$ 141,291,297, none of which was claimable at that date.

Autonomous City of Buenos Aires, November 10, 2017

PRICE WATERHOUSE & CO.
S.R.L.

by
(Partner)

Carlos A. Pace

Cablevisión S.A.

Consolidated Financial Statements

as of December 31, 2016 and 2015
presented on a comparative basis

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Cablevisión S.A.

Legal Address: Gral. Hornos 690 – Autonomous City of Buenos Aires, Republic of Argentina

Main Company's business: Cable television networks operator – Communal antenna – Telecommunication services – Investments in companies

Consolidated Financial Statements

as of December 31, 2016
presented on a comparative basis

REGISTRATION DATE IN THE SUPERINTENDENCY OF CORPORATIONS:

Bylaws: August 29, 1979
Latest amendment of Bylaws: December 28, 2016

Registration number in the Superintendency of Corporations: 172,061

Bylaws expiration date: August 29, 2078

Information about the parent company:

Denomination: Grupo Clarín S.A.
Legal address: Piedras 1,743 - Autonomous City of Buenos Aires, Republic of Argentina

CAPITAL STRUCTURE (*)		
	Subscribed and paid-in	
	12.31.16	12.31.15 (*)
	Ps.	
Common book-entry Class "A" shares, with a nominal value of Ps. 1, and entitled to one vote per share.	-	157,862,000
Common book-entry Class "B" shares, with a nominal value of Ps. 1, and entitled to one vote per share.	-	39,742,267
Common book-entry Class "A" shares, with a nominal value of Ps. 10,000 and entitled to one vote per share.	960,060,000	-
Common book-entry Class "B" shares, with a nominal value of Ps. 10,000 and entitled to one vote per share.	239,940,000	-
	1,200,000,000	197,604,267

(*) Including treasury shares.

Cablevisión S.A.
Consolidated Statement of Comprehensive Income
December 31, 2016 and 2015

	Note	12.31.2016	12.31.2015
Continuing operations			
Revenues	6	30,571,193,944	20,125,357,239
Cost of sales (1)	7	(14,189,733,320)	(9,243,975,860)
Gross income		16,381,460,624	10,881,381,379
Selling expenses (1)	8	(4,398,098,782)	(2,524,906,935)
Administrative expenses (1)	8	(3,640,690,239)	(2,627,972,838)
Other income and expenses, net		(11,429,716)	1,685,031
Result for acquisition of companies		114,093,096	-
Financial costs	9	(2,596,575,482)	(2,784,674,993)
Other financial income and expenses, net	10	222,131,850	(28,217,451)
Financial results		(2,374,443,632)	(2,812,892,444)
Equity in earnings from associates	11	131,378,676	504,747,128
Net income before income tax		6,202,270,027	3,422,041,321
Income tax	12	(2,095,215,277)	(909,187,780)
Net income for the year		4,107,054,750	2,512,853,541
Other comprehensive income			
Items that can be reclassified to earnings			
Variation in translation differences of foreign operations		422,414,699	146,568,999
Total comprehensive income for the year		4,529,469,449	2,659,422,540
Earnings from operations attributable to:			
Equity holders of the Company		4,045,337,263	2,473,366,772
Non-controlling interests		61,717,487	39,486,769
Total comprehensive income attributable to:			
Equity holders of the Company		4,394,984,874	2,646,458,050
Non-controlling interests		134,484,575	12,964,490

(1) Includes amortization of intangible assets and depreciation of property, plant and equipment of Ps. 2,588,183,393 and Ps. 1,566,174,439 at December 31, 2016 and 2015, respectively.

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

Cablevisión S.A.
Consolidated Statement of Financial Position
As of December 31, 2016 and 2015

	Note	12.31.16	12.31.15
Ps			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	15,377,953,783	8,450,192,402
Intangible assets	14	1,921,465,069	66,119,113
Goodwill	15	4,041,725,646	3,143,248,654
Investments in associates	17	276,538,212	1,370,204,458
Investments	16	1,133,469,884	697,057,242
Deferred tax asset	12	71,338,687	74,256,927
Other receivables	18	290,033,086	1,271,286,271
Total non-current assets		23,112,524,367	15,072,365,067
CURRENT ASSETS			
Inventories	19	266,648,607	4,853,955
Other receivables	18	632,924,055	490,719,774
Trade receivables	20	1,673,554,772	1,263,859,164
Investments	16	2,002,196,003	911,123,423
Cash and banks	21	1,246,653,024	1,765,860,661
Total current assets		5,821,976,461	4,436,416,977
Total assets		28,934,500,828	19,508,782,044
SHAREHOLDERS' EQUITY (as per related statement)			
Attributable to equity holders of the Company			
Shareholders contributions	22	1,200,000,000	334,732,918
Reserves and accumulated results	23	10,081,523,267	8,095,562,585
Attributable to non-controlling interests	24	426,053,160	295,977,472
Total shareholders' equity		11,707,576,427	8,726,272,975
LIABILITIES			
NON-CURRENT LIABILITIES			
Bank and financial debt	25	8,579,453,749	3,866,186,846
Deferred tax liability	12	375,103,633	24,684,471
Provisions and other charges	29	955,036,803	281,903,813
Taxes payable	30	3,776,292	10,123,846
Other payables	31	110,487,630	110,991,475
Total non-current liabilities		10,023,858,107	4,293,890,451
CURRENT LIABILITIES			
Bank and financial debt	25	979,090,850	2,754,982,652
Taxes payable	30	1,620,117,773	822,747,954
Other payables	31	246,514,113	160,454,506
Accounts payable and others	32	4,357,343,558	2,750,433,506
Total current liabilities		7,203,066,294	6,488,618,618
Total liabilities		17,226,924,401	10,782,509,069
Total liabilities and shareholders' equity		28,934,500,828	19,508,782,044

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

Cablevisión S.A.
Consolidated Statement of Changes in Equity
As of December 31, 2016 and 2015

	EQUITY ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS											Non-controlling interests	Total equity
	SHAREHOLDERS' CONTRIBUTIONS					ACCUMULATED RESULTS					Total Company's equity holders		
	Share capital	Treasury shares	Additional paid-in capital	Merger premium	Sub-total	Legal Reserve	Optional reserve (2)	Special reserve - Application of IFRS	Accumulated results	Other Reserve			
Balances as of January 1, 2015	197,397,110	207,157	134,234,500	2,894,151	334,732,918	39,520,853	3,693,389,476	42,775,870	1,287,185,928	822,232,408	6,219,837,453	286,437,581	6,506,275,034
Constitution of Optional Reserve as decided at the Ordinary and Extraordinary Shareholders' Meeting held on April 23, 2015	-	-	-	-	-	-	851,185,928	-	(851,185,928)	-	-	-	-
Distribution of dividends as decided at the Ordinary and Extraordinary Shareholders' Meeting held on April 23, 2015 (1)	-	-	-	-	-	-	-	-	(436,000,000)	-	(436,000,000)	-	(436,000,000)
Net income for the year -	-	-	-	-	-	-	-	-	2,473,366,772	-	2,473,366,772	39,486,769	2,512,853,541
Other comprehensive income:													
Change in currency translation of foreign operations	-	-	-	-	-	-	-	-	-	173,091,278	173,091,278	(26,522,279)	146,568,999
Sub-total comprehensive income for the year	-	-	-	-	-	-	-	-	2,473,366,772	173,091,278	2,646,458,050	12,964,490	2,659,422,540
Distribution of dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(3,424,599)	(3,424,599)
Balances as of September 30, 2015	197,397,110	207,157	134,234,500	2,894,151	334,732,918	39,520,853	4,544,575,404	42,775,870	2,473,366,772	995,323,686	8,430,295,503	295,977,472	8,726,272,975
Balances as of January 1, 2016	197,397,110	207,157	134,234,500	2,894,151	334,732,918	39,520,853	4,544,575,404	42,775,870	2,473,366,772	995,323,686	8,430,295,503	295,977,472	8,726,272,975
Share capital reduction arranged by the Extraordinary Shareholders' Meeting held on January 12, 2016	-	(207,157)	-	-	(207,157)	-	-	-	-	-	-	-	-
Constitution of Optional Reserve as decided at the Ordinary and Extraordinary Shareholders' Meeting held on April 20, 2016	-	-	-	-	-	-	1,723,366,772	-	(1,723,366,772)	-	(750,000,000)	-	(750,000,000)
Distribution of dividends as decided at the Ordinary and Extraordinary Shareholders' Meeting held on April 20, 2016 (1)	-	-	-	-	-	-	-	-	-	-	(97,110,000)	-	(97,110,000)
Effect of change in the nominal value of shares as decided by the Board of Directors on June 29, 2016, pursuant to the powers delegated by the shareholders at the Extraordinary Shareholders' Meeting held on January 12, 2016	(97,110)	-	-	-	(97,110)	-	-	-	-	-	(749,000,000)	-	(749,000,000)
Partial reversal of the Optional Reserve for future dividend distribution as decided by the shareholders at the Extraordinary Shareholders' Meeting held on June 30, 2016 (1)	-	-	-	-	-	-	(749,000,000)	-	-	-	-	-	-
Capitalization of the accounts Additional Paid-in Capital and Merger Surplus as decided by the shareholders at the Extraordinary Shareholders' Meeting held on June 30, 2016.	137,128,651	-	(134,234,500)	(2,894,151)	-	-	-	-	-	-	-	-	-
Partial reversal of the Optional Reserve to maintain the Company's level of capital expenditures and its current solvency level for its capitalization as decided by the shareholders at the Extraordinary Shareholders' Meeting held on June 30, 2016.	865,571,349	-	-	-	865,571,349	-	(865,571,349)	-	-	-	-	-	-
Reserve for a call option on non-controlling interest (see Note 23)	-	-	-	-	-	-	-	-	-	(44,660,000)	(44,660,000)	-	(44,660,000)
Net income for the year	-	-	-	-	-	-	-	-	4,045,337,263	-	4,045,337,263	61,717,487	4,107,054,750
Other comprehensive income:													
Change in currency translation of foreign operations	-	-	-	-	-	-	-	-	-	349,647,611	349,647,611	72,767,088	422,414,699
Sub-total comprehensive income for the year	-	-	-	-	-	-	-	-	4,045,337,263	349,647,611	4,394,984,874	134,484,575	4,529,469,449
Distribution of dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(4,408,887)	(4,408,887)
Balances as of December 31, 2016	1,200,000,000	-	-	-	1,200,000,000	39,520,853	4,653,577,984	42,775,870	4,045,337,263	1,300,311,297	11,281,523,267	426,053,160	11,707,576,427

(1) Dividends distributed in April 2016 were of Ps. 750 million (Ps. 3.80 per share), of which Ps. 749.8 million were paid (Ps. 3.80 per share); the dividends distributed in June 2016 were of Ps. 749 million (Ps. 6,241.7 per share), which were totally paid, and dividends distributed in 2015 were Ps. 436 million (Ps. 2.21 per share) of which Ps. 435.9 were paid (Ps. 2.21 per share).

(2) As of December 31, 2016, includes Ps. 151 million of voluntary reserve for future distributions of dividends and Ps. 4,502.6 million of voluntary reserve to maintain the level of investments in fixed assets and the current level of solvency of the Company.

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

Cablevisión S.A.
Consolidated Statement of Cash Flows
As of December 31, 2016 and 2015

	12.31 .2016	12.31.2015
	Ps.	
CASH FLOWS PROVIDED BY OPERATIONS		
Net income for the year	4,107,054,750	2,512,853,541
Accrued income tax	2,095,215,277	909,187,780
Adjustments to reconcile the net income for the year to net cash flows provided by operations:		
Equity in earnings from associated companies	(131,378,676)	(504,747,128)
Depreciation of property, plant and equipment	2,519,374,617	1,531,614,402
Amortization of intangible assets	68,808,776	34,560,037
Obsolescence of material	21,778,186	9,479,003
Allowances	496,791,269	303,106,602
Result for the sale of property, plant and equipment	(8,364,828)	(457,965)
Accrued interest, net	487,589,161	349,300,952
Financial results – sundry	1,159,391,339	1,426,170,841
Other income and expenses, net	970,867	-
Result for acquisition of company	(114,093,097)	-
Net decrease of property, plant and equipment	331,013,805	170,061,899
Net decrease of intangible assets	3,050,655	822,680
Changes in assets and liabilities		
Trade receivables	(391,812,841)	(440,383,213)
Other receivables	(222,889,604)	(485,855,029)
Inventories	(44,687,578)	2,571,045
Accounts payable and others	1,101,867,610	1,149,389,554
Taxes payable	(277,910,060)	(48,891,277)
Other payables and provisions	(27,478,663)	22,044,289
Change in currency translation of foreign operations	138,952,144	45,606,597
Collection of interest	380,721,244	273,401,190
Income tax paid	(1,345,536,810)	(749,488,503)
Net cash flows provided by operations	10,348,427,543	6,510,347,297
CASH FLOWS USED IN INVESTMENT ACTIVITIES		
Acquisition of companies (See Notes 4 c) and d))	(2,032,133,371)	(799,231,498)
Increase of intangible assets	(23,338,586)	(7,600,638)
Net changes of notes and bonds	(447,806,134)	154,406,226
Call option - Nextel	-	(849,919,134)
Collection of dividends	1,121,157	32,103,387
Collection of notes and bonds	117,565,153	222,874,183
Collection for the sale of property, plant and equipment	8,364,828	439,964
Increase of property, plant and equipment	(9,043,691,046)	(4,342,609,987)
Net cash flows used in investment activities	(11,419,917,999)	(5,589,537,497)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Settlement of dividends	(1,498,894,116)	(435,858,858)
Settlement of financial instruments	22,709,662	47,307,700
Increase of loans (See note 25)	7,857,254,508	1,271,321,743
Settlement of loans – interests	(961,957,530)	(587,392,721)
Distribution of dividends to non-controlling interests	(4,408,887)	(3,424,599)
Settlement of loan principal and issuing expenses of new loan	(6,488,539,363)	(857,995,614)
Net cash flows used in financing activities	(1,073,835,726)	(566,042,349)
Net (decrease) / increase in cash	(2,145,326,182)	354,767,451
Cash at the beginning of year	2,176,677,204	1,333,264,395
Effect of exchange rate changes on cash and cash equivalents	544,589,585	488,645,358
Cash and cash equivalents incorporated by acquisition of companies (See Note 4.e)	2,052,951,267	-
Cash at the end of the year(1) (See Note 2,23)	2,628,891,874	2,176,677,204
(1) Includes:		
Cash and banks	1,246,653,024	1,765,860,661
Investments with a maturity not exceeding three months	1,382,238,850	410,816,543

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

Cablevisión S.A.
Notes to the Consolidated Financial Statements

As of December 31, 2016 and 2015

(In Pesos)

NOTE 1 - GENERAL INFORMATION

Cablevisión S.A. (“Cablevisión” or the “Company”) was organized on April 5, 1979, to engage in the business of installing, operating and developing supplementary broadcasting services.

The main business of the Company and certain of its subsidiaries consists in operating cable television networks in several locations in Argentina and Uruguay and in the provision of telecommunication services.

Cablevisión is the largest multiple system operator (“MSO”) in Argentina and one of the largest in Latin America. A MSO is a company that owns multiple cable systems in different locations under the control and management of a single, common organization.

The Company provides pay television services pursuant to of licenses issued by the Federal Broadcasting Committee (Comité Federal de Radiodifusión or “COMFER”) and telecommunication services pursuant to of licenses issued by the Secretary of Communications (“Secom”).

NOTE 2 - BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of preparation

The Comisión Nacional de Valores (Argentine Securities Commission or “CNV”), by means of General Resolutions No. 562/09 and No. 576/10, has ordered the application of Technical Pronouncements (“TP”) No. 26 and 29 of the Argentine Federation of Professional Councils of Economic Sciences (“Federación Argentina de Consejos Profesionales de Ciencias Económicas” or “FACPCE”). Such Pronouncements adopt the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) for entities that are subject to the public offering regime of Law No. 26831, because they have either listed their shares or notes, or because they have requested authorization to be included under such regime. The FACPCE issues so-called Adoption Letters for the enforcement of IASB pronouncements in Argentina.

These consolidated financial statements of the Company for the year ended December 31, 2016 presented on a comparative basis, have been prepared in accordance with IFRS. Some additional matters were included as required by the General Argentine companies Law and/or CNV regulations, including, the supplementary information set forth under the last paragraph of Section 1, Chapter III, Title IV of General Resolution No. 622/13. That information is included in the Notes to these consolidated financial statements, as provided under IFRS and CNV standards. The consolidated financial statements have been prepared in accordance with the accounting policies of the Company, that are based on the IFRS issued by the IASB and the interpretations issued by the Interpretations Committee of the International Financial Reporting Standards (“IFRIC”).

In preparing these consolidated financial statements for the year ending December 31, 2016, and for the purposes of presentation to the London Stock Exchange (LSE), the Company has followed accounting policies that are in accordance with IFRS.

These consolidated financial statements have been prepared on the basis of historical cost, except for the valuation of financial instruments. In general, historical cost is based on the fair value of the consideration given in exchange for the assets.

International Accounting Standard (IAS) 29 “Financial Reporting in Hyperinflationary Economies” requires that the financial statements of an entity that reports in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet closing date of the reporting period and details a series of factors that may indicate that an economy is hyperinflationary. Pursuant to the guidelines

of IAS 29, there is not enough evidence to conclude that Argentina was a hyperinflationary economy in 2016 and, therefore, the Company did not apply the restatement criteria to the financial information for the years reported as established under IAS 29.

The attached consolidated information, approved by the Company's Board of Directors in its meeting of March 9, 2017, is presented in pesos (Ps.), the currency of legal tender in Argentina, and has been prepared on the basis of the accounting records of Cablevisión and its controlled companies.

Certain figures reported in the financial statements for the year ended December 31, 2016 were reclassified for comparative purposes with this year.

2.2. Standards and Interpretations issued but not adopted to date

The Company has not adopted the IFRS or revisions of IFRS detailed below, since their application is not required for the year ended December 31, 2016:

- IFRS 9 Financial Instruments: Issued in November 2009 and amended in October 2010 and July 2014, IFRS 9 introduces new requirements for the classification and measurement of financial assets and liabilities and for their derecognition. Said standard is applicable to the years beginning on or after January 1, 2018.

- IFRS 15 "Revenue from ordinary activities under contracts with customers": Issued in May 2014 and applicable to years beginning on or after January 1, 2018. It specifies how and when revenue will be recognized, as well as the additional information to be disclosed by the Company in the financial statements.

The standard provides a single, principles-based five-step model to be applied to all contracts with customers.

- IFRS 16, "Leases": Issued in January 2016. It establishes principles for the recognition, measurement, presentation and disclosure of leases. This standard applies to years beginning on or after January 1, 2019.

As of the date of these consolidated interim financial statements, the Company cannot estimate its quantitative impact because it is analyzing the corresponding accounting effects.

2.3. Standards and Interpretations issued adopted to date

As of the date of these consolidated interim financial statements no new standards have been issued that apply to the Company in the current year.

2.4. Basis of consolidation

These consolidated financial statements incorporate the financial statements of Cablevisión and the companies and joint ventures ("Interests in Joint Operations", Note 2.7) controlled by the Company. Control is presumed to exist when the Company has a right to variable returns from its interest in a subsidiary and has the ability to affect those returns through its power over the subsidiary. This power is presumed to exist when it is evidenced by the voting rights, be it that the Company has the majority of voting rights or potential voting rights currently exercised.

The subsidiaries are consolidated from the date on which the Company assumes control over them and are excluded from consolidation on the date control ceases. Additionally, these financial statements incorporate the companies mentioned in 2.4.1.

For consolidation purposes, intercompany transactions and balances between the Company and its consolidated companies have been eliminated. Unrealised net income has also been eliminated. Below is a detail of the most significant consolidated subsidiaries, as well as the percentage of direct and indirect interest in the capital stock and votes of each of them as of the dates indicated:

Subsidiary	Participation rate in the share capital and votes		
	Country	12.31.2016	12.31.2015
Fintelco S.A. (3)	Argentina	-	100
Pem S.A.	Argentina	100	100
CV Berazategui S.A.	Argentina	70	70
Cable Imagen S.R.L. (2)	Argentina	100	100
Televisión Dirigida S.A.	Paraguay	100	100
Wolves Televisión S.A. (3)	Argentina	-	100
Adesol S.A. (1)	Uruguay	100	100
Ultima Milla S.A.	Argentina	100	100
Primera Red Interactiva de Medios Argentinos (PRIMA) S.A. ("Prima") (3)	Argentina	-	100
Nextel Communications Argentina S.R.L. ("Nextel")	Argentina	100	-

(1) Includes interests in special purpose entities, to wit: Audomar S.A., Bersabel S.A., Dolfycor S.A., Reiford S.A., Space Energy S.A., Tracel S.A. y Visión Satelital S.A.

(2) Data on the issuer arising from non-accounting information.

(3) Companies merged into Cablevision with effect as of October 1, 2016 (See Note 4 d)).

The financial statements of subsidiaries used for consolidation purposes bear the same closing date as these consolidated financial statements, cover the same periods, and have been prepared using exactly the same accounting policies as those used by the Company, which are described in the notes to the financial statements, or adjusted as applicable.

2.4.1. Consolidation of Structured Entities

The Company, through one of its subsidiaries, has executed certain agreements with other companies for the purpose of rendering, on behalf of and by order of such companies, certain installation services, collections, administration of subscribers, marketing and technical assistance, financial and general business advising with respect to cable television in Uruguay. In accordance with IFRS 10 "Consolidated financial statements", these consolidated financial statements include the assets, liabilities and results of these companies. Since the Company does not hold an interest in these companies, the offsetting entry of the net effect of the consolidation of the assets, liabilities and results of these companies is disclosed in the line-items "Equity attributable to non controlling interests" and "Net income attributable to non controlling interests".

The Company considers those transactions executed with non-controlling companies that do not result in a loss of control as transactions among shareholders. A change in the equity interests held by the Company are considered as an adjustment in the book value of controlling interests and non-controlling interests to reflect the changes in their relative interests. The differences between the amount for which non-controlling interests are adjusted and the fair value of the consideration paid or received and attributed to the shareholders of the controlling company will be directly recognized in equity under a specific reserve under the equity attributed to the parent company.

2.5. Business combinations

The Company applies the acquisition method of accounting for business combinations. The consideration for each acquisition is measured at fair value (on the date of exchange) of the assets assigned, the liabilities incurred or assumed and the equity instruments issued by the Company in exchange for the control of the acquired company. The costs related to the acquisition are expensed as incurred.

Consideration for the acquisition includes any asset or liability arising from a contingent consideration arrangement, if any, measured at fair value at the acquisition date. Subsequent changes to such fair value, verified during the measurement period, are adjusted against the acquisition cost.

The identifiable assets, liabilities and contingent liabilities of the acquired company that meet the conditions for recognition under IFRS 3 (2008) are recognized at fair value at the acquisition date, except for certain particular cases provided by such standard.

Any excess of the acquisition cost over the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or associate measured at the acquisition date is recognized as goodwill. Any excess of the net fair value of the identifiable assets, liabilities and contingent liabilities over the acquisition cost, after measurement thereof at fair value, is immediately recognized in net income.

The acquisition cost comprises the consideration transferred, the amount of any non controlling interest and the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree, if any.

The Company initially recognizes any non controlling interest as per its share in the amounts recognized for the net identifiable assets of the acquiree.

2.6. Investments in associates

An associate is an entity over which the Company has significant influence, without exercising control, generally accompanied by a 20%-50% holding of the voting power.

The associate's net income, assets and liabilities are disclosed in these financial statements using the equity method. Under the equity method, the investment in an associate is to be initially recorded at cost, and the book value will be increased or decreased to recognize the investor's share in the comprehensive income for the year or in the other comprehensive income obtained by the associate after the acquisition date. Any distributions received from the associate will reduce the book value of the investment. The investment in the Company's associates includes the goodwill identified in the acquisition, net of any impairment losses.

Any excess of the acquisition cost over the Company's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities measured at the acquisition date is recognized as goodwill. Goodwill is included in the book value of the investment and tested for impairment as part of the investment. Any excess of the Company's share in the net fair value of identifiable assets, liabilities and contingent liabilities over the acquisition cost, after its measurement at fair value, is immediately recognized in net income.

Unrealised gains or losses on transactions between the Company (and its subsidiaries) and the associates are eliminated considering the Company's interest in the associates.

Where necessary, adjustments were made to the associates financial statements so that their accounting policies are in line with those used by the Company.

Investments in companies in which the Company does not have control or significant influence have been valued at cost, which does not differ significantly from their fair value.

Transactions with the non-controlling interest that do not result in a loss of control are registered as asset transactions, i.e. as transactions with the owners in their capacity as such. The difference between the fair value of the consideration paid and the part of such consideration that corresponds to the book value of the subsidiary's net assets that underlie the acquired shares, is registered in equity. Gains or losses on sales to non controlling interests are also registered in equity.

When the Company ceases to have control, any interest retained in the entity is once again measured at its fair value as of the date on which it loses control, and the change in book value is registered in results. The fair value is the initial value for the purpose of the later registration of the retained interest as an

associated company, joint arrangements or financial asset. In addition, the amounts previously recognized as other comprehensive income in respect of such entity are registered as if the Company had directly transferred the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified as income.

2.7. Interests in joint operations

A joint operation is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control, i.e., when the financial strategy and operating decisions related to the company's activities require the unanimous consent of the parties sharing control.

In the case of joint business arrangements executed through *Uniones Transitorias de Empresas* ("UTE"), considered jointly controlled operations under IFRS 11, the Company recognizes in its financial statements on a line-by-line basis, the jointly controlled assets, liabilities and net income, subject to joint control in proportion to its share in such arrangements. Cablevisión indirectly holds a 50% interest in the UTE Ertach – Prima (See Note 34).

2.8. Goodwill

Goodwill arises from the acquisition of subsidiaries and refers to the excess of the cost of acquisition over the net fair value at the date of the acquisition of the identifiable assets acquired and liabilities assumed. The Company initially recognizes any non-controlling interest as per its interest percentage in the amounts recognized for the net identifiable assets of the acquired company.

Goodwill is tested for impairment annually or more often if there is any evidence of impairment. To test for impairment, goodwill is allocated to each of the Company's cash-generating units that are expected to provide benefits from the synergies of the respective combination. If the recoverable value of the cash-generating unit, i.e. the higher of the value in use or the fair value net of selling expenses, is lower than the value of the net assets allocated to that unit, including goodwill, the impairment loss is first allocated to reduce the goodwill allocated to the unit and then to the other assets of the unit, on a pro rata basis, based on the valuation of each asset in the unit. The impairment loss recognized against the valuation of goodwill is not reversed under any circumstance.

As of December 31, 2016, goodwill has not suffered any impairment.

2.9. Revenue recognition

Sales of subscriptions for cable, Internet, IDEN telephony and other services are recognized as revenues for the period in which the services are rendered.

Revenues from the installation of these services are accrued over the average term during which clients maintain their subscription to the service. Advertising sales revenues are recognized in the period in which advertising is published or broadcast.

Revenues from transactions that include more than one item have been recognized separately to the extent they have commercial substance on their own. The amount of revenues allocated to each item is based on its fair value, which is assessed or estimated at market value (See Note 37).

Revenues from the sale of assets are recognized only when the risks and benefits arising from the use of the disposed assets have been transferred, the amount of revenues may be fairly estimated, and the Company is likely to obtain economic benefits.

Installment sales are recognized at the value of future income discounted at a market rate assessed at the beginning of the transaction.

2.10. Leases

A lease is classified as a financial lease when the terms of the lease transfer to the lessee substantially all the risks and benefits inherent to ownership. All other leases are classified as operating leases.

Assets held under financial leases are recognized at the lower of the fair value of the Company's leased assets at the beginning of the lease term, or the present value of the minimum lease payments. The liability held with the lessor is included in the financial statement as an obligation in line-item "Bank and financial debt".

Lease payments are allocated between the finance charge and the reduction of the liabilities under the lease so as to achieve a constant interest rate on the outstanding balance. Financial expenses are charged to results during the period of the lease.

Assets held under financial leases are depreciated over the shorter of the lease term or the useful life of the asset.

Operating leases are charged to income on a straight-line basis over the term of the lease.

2.11. Foreign currency and functional currency

The individual financial statements of each of the entities consolidated by the Company are prepared in the currency of the primary economic environment in which the entity operates (its functional currency). For the purposes of the preparation of consolidated financial statements, the net income and financial position of each entity are expressed in Argentine pesos (Argentina's legal tender for all companies domiciled in Argentina), which is the Company's functional currency and the reporting currency of the consolidated financial statements. The functional currencies of Uruguayan and Paraguayan companies are the Uruguayan peso and the Guaraní, respectively.

In preparing the financial statements of individual entities, transactions in currencies other than the entity's functional currency (foreign currency) are recorded at the exchange rates prevailing on the dates on which transactions are carried out. At the end of each reporting period, monetary items denominated in foreign currency are retranslated at the exchange rates prevailing on such dates. Exchange differences are charged to net income as incurred.

In preparing the Company's consolidated financial statements, asset and liability balances of the entities with functional currencies other than the Argentine peso, expressed in their own functional currency (Uruguayan peso and Guaraní), are translated into pesos at the exchange rate prevailing at the end of the period, while net income is translated at the exchange rate prevailing on the transaction date. Exchange differences are recognized in other comprehensive income as "Variation in translation differences of foreign operations", and in the Consolidated Statement of Changes in Equity they are presented under "Other reserve".

2.12. Current and deferred income tax

The income tax charge reflects the sum of the current and deferred income tax.

Current and deferred income tax is recognized as income or expense for the year, except where it relates to items credited or debited in other comprehensive income or equity, in which case the tax is also recognized in other comprehensive income or directly in equity, respectively. In the case of a business combination, the tax effect is taken into account in the calculation of goodwill or in the determination of the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

Current tax payable is based on the taxable income recorded during the year. Taxable income and net income reported in the consolidated statement of comprehensive income differ due to revenue or expense items that are taxable or deductible in other periods and items that are never taxable or deductible. The

Company's current tax liability is calculated using the tax rate in effect as of the date of the financial statements. The current tax charge is calculated based on the tax rules effective in the countries where consolidated entities operate.

Deferred tax is recognized on temporary differences between the book value of the assets and liabilities included in the financial statements and the corresponding tax bases used to determine taxable income. Deferred tax liabilities are generally recognized for all temporary tax differences. Deferred tax assets are recognized, for all deductible temporary differences, to the extent that it is likely that future taxable income will be available against which to charge such deductible temporary differences. These assets and liabilities are not recognized if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that does not affect the taxable or accounting income.

The book value of a deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer likely that sufficient taxable income will be available in the future to allow for the recovery of all or part of the asset.

Deferred taxes are recognized on temporary differences arising from investments in subsidiaries and associated companies, except for those deferred tax liabilities for which the Company may control the date on which temporary differences will revert and which are not likely to revert in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applicable in the period in which the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the way in which the entity expects, at the end of the reporting period, to recover or settle the book value of its assets and liabilities.

Deferred tax assets are offset against deferred tax liabilities if effective regulations allow to offset, before the tax authorities, the amounts recognized in such items, and if deferred tax assets and liabilities arise from income taxes levied by the same tax authority and the Company intends to settle its assets and liabilities on a net basis.

Under IFRS, deferred tax assets and liabilities are classified as non current assets and liabilities, respectively.

2.12.1. Tax on assets

In Argentina, the tax on assets ("impuesto a la ganancia mínima presunta") is complementary to income tax. The Company assesses this tax at the effective rate of 1% on the taxable assets at year-end. The Company's tax liability for each year will be equal to the higher of the tax on assets assessments or the income tax liability assessed at the legally effective rate on the estimated taxable income for the year. However, if the tax on assets exceeds the income tax liability in any given fiscal year, such excess may be creditable against any excess of income tax liability over the tax on assets in any of the following ten fiscal years.

The balance of the tax on assets has been capitalized in the consolidated financial statements for the amount estimated to be recoverable within the terms provided under the applicable statute of limitations based on the current business plans of controlled companies.

2.13. Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and any accumulated impairment loss.

Depreciation of property, plant and equipment is recognized on a straight line basis over its estimated useful life.

The estimated useful life, the residual value and the depreciation method are reviewed at the end of each year, with the effect of any changes in estimates accounted for on a prospective basis. Land is not depreciated.

Works in progress are recorded at cost less any recognized impairment loss. Depreciation of these assets, as in the case of other property, begins when the assets are ready for their use.

Repair and maintenance expenses are expensed as incurred.

Borrowing costs that are directly attributable to the acquisition or construction of certain capital assets are capitalized as part of the cost of these assets until they are ready for their use or sale, according to IAS 23 ("Borrowing Costs"). The assets for which the borrowing costs are capitalized are those that require a substantial time before being ready for their use.

The gain or loss arising from the retirement or disposal of an asset is calculated as the difference between the income from the sale of the asset and the asset's book value, and recognized in line-item "Other income and expenses net" in the statement of comprehensive income.

The residual value of an asset is written down to its recoverable value if the residual value of the asset exceeds its estimated recoverable value (See Note 2.15).

The value of property, plant and equipment does not exceed its recoverable value at the end of the year.

2.14. Intangible assets

Intangible assets include trademarks, software and other rights, the purchase value of the subscriber portfolio, Radio-Electric Trunking Services License ("SRCE"), links to the public network, radioelectric spectrum and other intangible assets. Accounting policies on the recognition and measurement of such intangible assets are described below.

2.14.1. Intangible assets acquired separately

Intangible assets acquired separately are valued at cost net of all accumulated amortization and impairment losses. Amortization is calculated on a straight-line basis over the estimated useful life of the intangible assets. The Company reviews the useful lives applied, residual values and the amortization method at the end of each year, and accounts the effect of any changes in estimates on a prospective basis.

2.14.2. Intangible assets acquired in a business combination

Intangible assets acquired in a business combination (subscriber portfolio, SRCE license, links to the public network and radioelectric spectrum) are identified and recognized separately with respect to goodwill when they meet the definition of intangible assets and their fair value can be measured reliably. Such intangible assets are recognized at fair value at the acquisition date.

After initial recognition, the intangible assets acquired in a business combination are valued at cost net of accumulated amortization and impairment losses, on the same basis as intangible assets acquired separately. Amortization is calculated using the straight-line method over their estimated useful lives.

2.14.3. Information systems projects

Costs relating to the development or maintenance of computer software are generally registered as expenses as incurred. However, costs directly relating to the development, acquisition and implementation of information systems are registered as intangible assets if certain conditions are met, including their technological feasibility, the Company's intention to complete the development of the intangible asset and its likely future benefits.

After initial recognition, internally developed intangible assets are valued at cost net of accumulated amortization and impairment losses, on the same basis as intangible assets acquired separately.

Such assets are included under the columns “ongoing projects” and “software” (See Note 14).

2.15. Impairment of non financial assets except goodwill

At the end of each financial statement, the Company tests for impairment the book value of its non financial assets with a finite useful life. If there is any sign of impairment, the recoverable value of the assets is assessed in order to determine the impairment loss (in the event the recoverable value is lower than the book value). When it is not possible to assess the recoverable value of an individual asset, the Company estimates the recoverable value of the cash generating unit (“CGU”) to which such asset belongs. When a consistent and reasonable allocation basis may be identified, corporate assets are also allocated to an individual cash generating unit, or otherwise, they are allocated to the smallest group of cash generating units for which a consistent allocation basis may be identified.

An asset’s recoverable value is the higher of its fair value less its selling expenses or its value in use.

In the determination of the value in use, estimated future cash flows are discounted at their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and, if any, the risks specific to the asset for which estimated future cash flows have not been adjusted.

Assets with an indefinite useful life (e.g., non financial assets unavailable for use) are not amortized, but are tested for impairment on an annual basis. No impairment losses have been registered during the year.

Non-financial assets, except for goodwill, for which an impairment loss was recorded, are tested at the end of each year for a possible reversal of such impairment.

2.16. Inventories

Inventories have been valued at acquisition cost, in the customary purchase conditions for the Company, net of the allowance for impairment. Such allowance is calculated based on the recoverability analysis done by the Company at the end of the year by comparing cost with net realization value, i.e. the estimated cash selling price in the ordinary course of business less the necessary cost to make such sale. The cost of inventories is determined using the weighted average price method. The value of inventories does not exceed their recoverable value at the end of the year.

2.17. Other assets

The assets included in this line-item have been valued at their acquisition cost.

Investments denominated in foreign currency subject to restrictions on disposition under financial covenants have been valued at face value plus interest accrued as of the end of each year.

2.18. Provisions and other charges

Provisions for lawsuits and contingencies and accrual for asset retirement are recognized when the Company has a present obligation (whether legal or constructive) as a result of a past event, the Company is likely to require an outflow of resources to settle such obligation, and when the amount of the obligation can be reliably estimated.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account relevant risks and uncertainties. Where a provision is measured using the estimated cash flow necessary to settle the present obligation, its book value represents the present value of such cash flow.

Where some, all or a portion of the resources required to settle a provisioned liability are expected to be recovered, an account receivable is recognized as an asset, if it is virtually certain that the disbursement will be received and the amount of the account receivable may be reliably measured.

In estimating its obligations, the Company takes into consideration the opinion of its legal advisors.

2.19. Financial instruments

2.19.1. Financial assets

Purchases and sales of financial assets are recognized at the transaction date when the Company undertakes to purchase or sell the asset, and are initially measured at fair value, plus transaction costs, except for those financial assets classified at fair value with changes in the statement of income, which are initially measured at fair value.

2.19.1.1. Classification of financial assets

Financial assets are classified within the following specific categories: “financial assets at fair value with changes in the net income” and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined upon initial recognition.

2.19.1.2. Recognition and measurement of financial assets

2.19.1.2.1. Financial assets at fair value with changes in net income

Financial assets at fair value with changes in net income (mainly mutual funds) are recorded at fair value, recognising any gain or loss arising from any re-measurement in the consolidated statement of comprehensive income. The net gain or loss recognized in net income includes any gain or loss generated by the financial asset and is included in the income or financial cost line-item, as appropriate, in the consolidated statement of comprehensive income.

The fair value of these assets is calculated based on the current quoted market price of these instruments.

2.19.1.2.2. Loans and receivables

Loans and trade receivables with fixed or determinable payments that are not traded in an active market are classified as “trade receivables and other receivables”. Trade receivables and other are initially measured at fair value plus transaction costs, and subsequently measured at amortized cost using the effective interest rate method, less any impairment, if applicable. Interest income is recognized using the effective interest rate method, except for short-term balances for which the recognition of interest is not significant.

2.19.1.3. Impairment of financial assets

The Company tests financial assets for impairment at each closing date to assess if there is any objective evidence of impairment. The value of a financial asset or group of assets is impaired, and impairment losses are recognized, only when there is objective evidence of the impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event or events have an impact on the estimated future cash flows of the financial asset or group of assets that can be measured reliably.

Objective evidence of impairment may include, among other things, material financial difficulties of the issuer or obligor, or breach of contractual terms, such as default or delinquency in interest or principal payments.

For certain categories of financial assets, such as loans and receivables, assets that are not impaired on an individual basis are tested for impairment on a collective basis. The objective evidence of impairment of a receivable portfolio includes the Company’s past collection record, an increase in delinquent payments, as well as changes in the local economic situation affecting the recoverability of receivables.

Where there is objective evidence of an impairment loss in the value of loans granted, receivables or held-to-maturity investments recorded at amortized cost, the loss amount is measured as the difference between the book value and the present value of estimated future cash flows (excluding future non-incurred

losses), discounted at the financial asset's original effective interest rate. The book value of the asset is written down under a contra-account. The loss amount is recorded in the result of the period.

If in subsequent periods the impairment loss amount decreases and such decrease may be objectively related to an event subsequent to the recognition of the impairment (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed. A loss reversal can only be recorded to the extent the financial asset's book value does not exceed the amortized cost that would have been determined if the impairment loss had not been recorded at the reversal date. The reversal amount is recognized in the net income for the year.

2.19.1.4. Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights over such asset's cash flows have expired or when it has transferred the financial asset and, therefore, all the risks and benefits inherent to the ownership of the asset have been transferred to another entity. If the Company retains substantially all the risks and benefits inherent to the ownership of a transferred asset, it shall continue to recognize it and it will recognize a liability for any amounts received.

2.19.2. Financial liabilities

Financial liabilities, except for derivatives, are valued at amortized cost using the effective interest rate method.

2.19.2.1. Bank and financial debt

Bank and financial debts are initially valued at their fair value net of any incurred transaction costs, and subsequently valued at amortized cost using the effective interest rate method. Any difference between the initial value net of transaction costs and the settlement value is recognized in results over the term of the loan using the effective interest rate method. Interest expense has been allocated to the line-item "Financial costs" in the consolidated statement of comprehensive income, except for the portion allocated to works in progress, which are recorded in line-item "Property, plant and equipment" in the consolidated financial statement.

2.19.2.2. Accounts payable and others

Accounts payables with fixed or determinable payments are classified as "accounts payable and others". Accounts payable are initially measured at fair value, and subsequently measured at amortized cost using the effective interest rate method. Interest expense is recognized using the effective interest rate method, except for short-term balances where interest recognition is not material.

2.19.2.3. Derecognition of financial liabilities

The Company shall derecognize a financial liability (or part of it) when it is extinguished, i.e. when the obligation specified in the relevant contract is either discharged, cancelled or expires.

2.19.3. Derivatives and hedge accounting

The Company executes certain financial instruments to hedge its exposure to exchange rate risks.

Derivatives are initially recognized at fair value at the date of execution of the related contract and subsequently re-measured at fair value at the end of the reporting period. The resulting gain or loss is immediately recognized in net income, unless the derivative is designated as a hedging instrument, in which case, the timing for its recognition will depend on the nature of the hedging relationship. The Company uses certain derivatives to hedge the fair value of its recognized liabilities (fair value hedge).

The Company documents at the beginning of the transaction the relationship existing between the hedging instruments and the hedged items, as well as its risk management objectives and the strategy to implement

hedge transactions. The Company also documents its assessment, both at the beginning and on an ongoing basis, of the high effectiveness of its hedging transactions to offset the changes in the fair value of the hedged items.

The fair value of a hedging derivative is classified as a non current asset or liability if the hedged item matures in more than 12 months, and as a current asset or liability if the hedged item matures within 12 months.

Fair value hedge

Changes in the fair value of derivatives designated and classified as fair value hedges are charged to net income, together with any change in the fair value of a hedged liability attributable to the hedged risk. The Company only applies fair value hedge accounting to cover exchange rate fluctuations of the liabilities it holds in foreign currency. The gain or loss relating to the effective portion of foreign currency forward contracts is charged to net income under financial costs. The gain or loss related to the ineffective portion, if any, is charged to net income as other income and expenses, net. Changes in the fair value of the Company's hedged liabilities denominated in foreign currency, attributable to the risk described above, are charged to net income under financial costs.

2.19.4. Debt refinancing - restructuring

Liabilities arising from the restructuring of Cablevisión's financial debt have been initially valued at their fair value and will be subsequently measured at the amortized cost using the effective interest rate method.

2.20. Other payables

Other payables have been valued at their nominal value.

2.21. Capital

Ordinary shares are classified as equity (See Note 22).

2.22. Other receivables

2.22.1 Call option

The call option included in the item Other Receivables has been valued at its acquisition cost (See Note 23).

2.23. Consolidated Statement of Cash Flows

For the purpose of preparing the statement of cash flows, "cash and cash equivalents" includes cash and bank balances, certain high liquidity short-term investments (with original maturity of less than 90 days), after deducting bank overdrafts payable on demand, to the extent they are an integral part of the Company's cash management.

Bank overdrafts are classified in line-item "Bank and financial debt" in the consolidated financial statement.

Cash and cash equivalents at the end of each year, as disclosed in the consolidated statement of cash flows, may be reconciled against the items related to the financial statement, as follows:

	12.31.2016	12.31.2015
	Ps.	
Cash and banks	1,246,653,024	1,765,860,661
Investments:		
Fixed-term deposit	37,585,831	20,289,303
Mutual funds (1)	1,247,054,027	390,527,240
Notes and bonds (2)	-	-

Other placements	97,598,992	-
Cash and cash equivalents	<u>2,628,891,874</u>	<u>2,176,677,204</u>

(1) The mutual funds not considered as cash equivalents as of December 31, 2016 and 2015, amounted to Ps. 269,957,543 and Ps. 344,237,496, respectively.

(2) Notes and bonds not considered as cash equivalents as of December 31, 2016 and 2015, amounted to Ps. 349,999,610 and Ps. 156,069,384, respectively.

For the year ended December 31, 2016 and 2015, the following transactions were carried out and did not have an impact on cash and cash equivalents:

	<u>12.31.2016</u>	<u>12.31.2015</u>
	<u>Ps.</u>	
Settlement of dividends receivable by way of setoff against Debt with Related Parties	17,000,000	19,000,000
Settlement of derivative financial instruments with guarantee deposits	-	1,100,400
	<u>17,000,000</u>	<u>20,100,400</u>

2.24. Distribution of dividends

The distribution of dividends to the Company's shareholders is recognized as a liability in the financial statements for the year in which the dividend distribution is approved by the Meeting of Shareholders.

2.25. Segment information

The Board of Directors is the main operating decision maker of the Company. Management has defined operating segments considering the internal information regularly reviewed by the Board of Directors to allocate resources and assess their performance. On this basis, the geographical regions Argentina and Other Countries have been identified as segments. The Other Countries region does not meet the minimum levels required by standards for its separate presentation. For this reason, the Argentina and Other Countries segments have been combined in a single reportable segment.

Until the year ended December 31, 2015, the services and goods provided by the Company and its subsidiaries correspond to a single business segment, considering their nature, the risks involved in their provision, the distribution processes and the unified customer base. As of this year, and as a result of the acquisition of Nextel, the Company has incorporated the IDEN telephony business.

The Company measures its performance using EBITDA, defined as earnings before income taxes, financial results, depreciation and amortization and the result of the Company's interests in other companies. The internal information reviewed by the Board of Directors is prepared pursuant to effective accounting standards, except for the recognition of the earnings relating to installations of the cable and internet service as sales, the recognition of transactions including separable elements, which are considered on the basis of their billing and the non consolidation of special purpose entities.

NOTE 3 ACCOUNTING ESTIMATES AND JUDGMENTS

In the application of the Company's accounting policies described in Note 2, the Company has to make judgments and prepare accounting estimates of the value of assets and liabilities that may not be obtained from other sources. The estimates and related assumptions are based on historical experience and other relevant factors. Actual results could differ from such estimates.

Underlying estimates and assumptions are continually reviewed. The effects of the review of accounting estimates are recognized for the period in which estimates are reviewed.

These estimates basically refer to:

Fair value measurement of certain financial instruments

The fair value of a financial instrument is the amount for which it could be purchased or sold between knowledgeable willing parties, in an arm's length transaction. If there is a quoted market price available for an instrument in an active market the fair value is calculated based on that price.

If there is no quoted market price available for a financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving the same or similar instruments, or, otherwise, on the basis of valuation techniques regularly used in financial markets. The Company uses its judgment to select a variety of methods and makes assumptions on the basis of market conditions at closing.

The methodology used for the measurement of the fair value of certain financial instruments is more fully described in Note 2.19.

Allowance for bad debts

The Company calculates the allowance for bad debts for debt instruments that are not valued at fair value taking into account the past uncollectibility record and other circumstances known at the time of calculation.

Impairment losses of certain assets other than receivables (including property, plant and equipment and intangible assets)

Certain assets, including property, plant and equipment and intangible assets are tested for impairment. The Company records impairment losses when it estimates that there is objective evidence thereof or when the cost of such losses will not be recovered through future cash flows. The evaluation of what constitutes impairment is a matter of significant judgment. Impairment of the value of non financial assets is more fully described in Note 2.15.

Recognition and measurement of deferred tax items

As set forth in Note 2.12, deferred tax assets are only recognized for temporary differences to the extent it is likely that each entity, on an individual basis, will have sufficient future taxable income against which to apply the deferred tax assets. Tax loss carryforwards from prior years are only recognized when it is likely that each entity shall have sufficient future taxable income against which they can be used.

Pursuant to effective regulations, the use of the subsidiaries' tax credits is based on a projection analysis of future income.

The Company examines the recoverable value of the deferred tax assets based on its business plans and books a valuation allowance, if applicable, so that the net position of the deferred tax asset will reflect its probable recoverable value.

Impairment of goodwill

The Company assesses goodwill for impairment on an annual basis. In determining if there is impairment of goodwill, the Company calculates the value in use of the cash generating units to which it has been allocated. The calculation of the value in use requires the entity to determine the future cash flows that should arise from the cash generating units and an appropriate discount rate to calculate the present value.

At the end of the year there were no impairment losses of goodwill.

Provisions for lawsuits and contingencies

The elements taken into consideration for the calculation of the provisions for lawsuits and contingencies are determined based on the present value of the estimated costs arising from the lawsuits brought against the Company.

In estimating its obligations, the Company takes into consideration the opinion of its legal advisors.

Determination of the useful lives of property, plant and equipment and intangible assets

The Company reviews the reasonableness of the estimated useful lives of property, plant and equipment and intangible assets at the end of each year.

Estimated useful lives this year do not differ from those estimated in prior years.

Determination of the fair value of assets acquired in business combinations

See accounting policies described in Note 2.5.

NOTE 4 ACQUISITION OF COMPANIES AND COMPANY'S REORGANIZATION PROCESSES

a) On September 26, 2006, through a series of related transactions, Grupo Clarín S.A. ("Grupo Clarín") and Fintech Media LLC ("Fintech") reached participations in the capital stock of Cablevisión. As a result of these operations: i) Fintech became the holder of approximately 40% of the share capital of Cablevisión - of which 14.34% is directly owned and 25.66% is indirectly owned through its participation in VLG Argentina LLC and ii) Grupo Clarín became the indirect owner of the remaining 60% of the share capital of Cablevisión. On the same date, Cablevisión purchased 100% of the capital stock of Teledigital Cable S.A. ("Teledigital"), a cable television provider that operated in several Argentine provinces and 98.5% of the common shares of Multicanal S.A. ("Multicanal"). Immediately prior to the acquisition of Multicanal by Cablevisión, Multicanal had acquired from Grupo Clarín 100% of the capital stock of Prima. Such acquisitions were subject to applicable administrative approvals.

By means of Resolution No. 257, the Secretaría de Comercio Interior ("Secretary of Domestic Trade" or "SCI", for its Spanish acronym), with a prior favourable opinion from the Comisión Nacional de Defensa de la Competencia (National Antitrust Commission or "CNDC", for its Spanish acronym) and after consulting the COMFER and the SECOM, which did not raise any objections – approved the above-mentioned transactions and notified the Company thereof on December 7, 2007. The aforesaid resolution has been appealed by five entities. As of the date of these financial statements, the CNDC has denied the five appeals. Four of the entities filed appeals by right before the judicial branch, but all of such appeals were dismissed.

On June 11, 2008 Cablevisión was served with a decision of the Federal Commercial and Civil Court of Appeals revoking a decision rendered by the CNDC on September 13, 2007, whereby such agency had dismissed a claim filed by Gigacable S.A. prior to the December 7, 2007 decision referred to above. The Court of Appeals upheld the revocation only in respect of the events occurred before authorization of the transaction, and ordered to investigate if Cablevisión's and Multicanal's actions prior to the resolution of December 7, 2007 of the CNDC are subject to a fine. As of the date of these financial statements, the Company has presented the relevant defenses, under the aforementioned agency analysis.

b) On September 10, 2015, the Board of Directors of the Company approved the assignment of the rights and obligations held by Grupo Clarín under an offer it had submitted to NII Mercosur Telecom, S.L.U. and NII Mercosur Móviles, S.L.U. (hereinafter, the "Sellers") for the acquisition of 49% of the capital stock of Nextel and an option to acquire, together with its subsidiary Televisión Dirigida S.A., subject to certain conditions -among them, the regulatory approvals- 51% of the remaining capital stock. The price of the transaction was USD 165 million (out of this amount, USD 80 million accounts for 49% and USD 85 million accounts for 51%) plus the right to collect an additional amount of up to USD 13 million subject to the fulfillment of certain conditions. The offer submitted by Grupo Clarín was subject to the acceptance of the Sellers. On September 11, 2015, the Sellers accepted the offer submitted by Grupo Clarín and, on the same date, the Sellers accepted the assignment of the rights under such offer in favor of Cablevisión, offering Cablevisión the acquisition of 49% of the capital stock of Nextel and the option to acquire the remaining 51%. In order to guarantee the rights and obligations under the offer, the capital stock owned by NII Mercosur Móviles, S.L.U. was pledged (subject to registration with the Public Registry of Commerce).

The transaction was completed on September 14, 2015 upon payment by the Company and its subsidiary of an aggregate USD 159 million. The companies undertook to create a guarantee fund with the USD 6 million balance, to cover any potential liabilities of Nextel (this fund was set up on October 7, 2015). In addition, upon the fulfillment of certain conditions precedent, on October 1, 2015, the Company paid to the Sellers the additional amount of USD 12.73 million. On June 3, 2016, the assignment of 49% of the capital stock of Nextel in favor of the Company was registered with the Inspección General de Justicia ("Superintendency of Corporations" or "IGJ"). Under the terms of the offer, Nextel would continue to be controlled and operated by the Sellers until the option to acquire the remaining 51% of the capital stock had been exercised.

As of December 31, 2015, the call option was not legally exercisable and the Company could not yet assure that it would obtain the required regulatory authorization. As of December 31, 2015, Cablevisión did not have control over Nextel taking into consideration the elements provided under IFRS 10. Therefore, it did not consolidate Nextel as of such date. In January 2016, the regulatory framework changed and regulatory authorization of the transaction was no longer necessary.

Also, on January 27, 2016, the Company and its subsidiary Televisión Dirigida S.A. decided to exercise the option to acquire the remaining 51% of the capital stock and votes of Nextel, and, consequently, the Company became the holder of 51.4% of the capital stock and votes of Nextel and Televisión Dirigida S.A. became the holder of the remaining 48.6%. To such effect, on the same date, Nextel's management took notice of the release of the pledge that had been set up to guarantee the rights and obligations under the offer. On July 26, 2016, the IGJ registered the assignment of the remaining 51% of the capital stock (See note 28.4.3.).

On June 30, 2016, the subsidiary Televisión Dirigida S.A. transferred to the Company 392,774,929 membership interests with nominal value of Ps. 1 each and entitled to one vote per membership interest, representing 48.5% of the capital stock of Nextel. Televisión Dirigida S.A. also transferred to PEM 1,000,000 membership interests with nominal value of Ps. 1 each and entitled to one vote per membership interest, representing 0.1% of the capital stock. As a result of these transactions, the shareholders of Nextel hold the following interests: i) - Cablevisión S.A. became the owner of 809,236,480 membership interests with nominal value of Ps.1 and entitled to one vote per membership interest, representing 99.90% of the capital stock and votes. ii) PEM S.A. became the owner of 1,000,000 membership interests with nominal value of Ps.1 and entitled to one vote per membership interest, representing 0.1% of the capital stock and votes. Those transactions were registered with the IGJ on November 25, 2016.

On December 28, 2016, PEM S.A. transferred to Cablevisión 1,000,000 membership interests with nominal value of Ps. 1 each and entitled to one vote per membership interest, representing 0.1% of the capital stock and votes of Nextel. As a result of the assignment of the membership interests described above, Cablevisión became the holder of 810,236,480 membership interests with nominal value of Ps.1 and entitled to one vote per membership interest, representing 100% of the capital stock and votes of Nextel. The Company has filed with the IGJ the registration of the assignment of the membership interests, which, to date, is pending before that agency.

As of December 31, 2015, the Company concluded the process of allocating the cost of acquisition of 49% of the capital stock of Nextel and calculated a gain from this acquisition of Ps. 316.7 million disclosed under the item "Equity in Earnings from Affiliates and Subsidiaries" of the Consolidated Statement of Comprehensive Income, considering that the valuation of its identifiable assets, liabilities and contingent liabilities in proportion to the equity interest acquired, exceeds the acquisition cost.

During the present year, the Company concluded the process of allocating the cost of acquisition of 51% of the capital stock of Nextel and calculated a gain from this acquisition of Ps. 114.1 million disclosed under the item "Result for acquisition of companies" of the Consolidated Statement of Comprehensive Income, considering that the valuation of its identifiable assets, liabilities and contingent liabilities in proportion to the equity interest acquired, exceeds the acquisition cost.

Below is a detail of the additional information required by IFRS in connection with business combinations, in connection with the transaction that resulted in the assumption by the Company of control over Nextel.

The assets and liabilities recognized as a result of the acquisition are the following (in millions of pesos):

	As of the date of acquisition
Cash	1,140.8
Investments	928.7
Trade receivables	386.9
Other receivables	101.2
Inventories	222.2
Non-current other receivables	21.3
Deferred tax asset	167.2
Property, plant and equipment	650.9
Intangible assets	43.3
Account payable and other	(484.2)
Taxes payable	(176.9)
Other payables	(144.2)
Provisions and other charges	(387.8)
Net identifiable assets acquired	2,469.4
Less: Investment as of December 31, 2015	(1,201.0)
Result for acquisition assets acquired	(114.1)
Total consideration transferred	(1) 1,154.3

(1) This figure corresponds to credit derived from the prepayment of the call option.

c) In June 2016, the Company, together with its controlled company Nextel, acquired 100% (97% owned by Nextel and the remaining 3% owned by the Company) of the capital stock of Fibercomm S.A. and Gridley Investments S.A., both owners of 100% of the capital stock of Trixco S.A., holder of licenses for the use of the radioelectric spectrum in the 900 Mhz bands. Nextel acquired 100% of the capital stock of WX Telecommunications LLC and Greenmax Telecommunications LLC, which are the controlling companies of Skyonline Argentina S.A., Netizen S.A., Infotel S.A. and Callbi S.A. among the most important subsidiaries. The latter render wireless telecommunications services and hold licenses for the use of the radioelectric spectrum in the 2.5 Ghz bands. The aggregate price for those transactions was of USD 138.2 million, equivalent to Ps. 2,036 million.

During the present year, the Company has concluded the process of allocating the cost of acquisition of 100% (97% to Nextel and the remaining 3% to the Company) of the capital stock of the companies Fibercomm S.A. y Gridley Investments S.A., both owners of 100% of the equity of Trixco S.A., which resulted in a goodwill derived from the acquisition of Ps. 801.7, million included under the item "Goodwill" in the Consolidated Statement of Financial Position, considering that the valuation of assets, liabilities and contingent liabilities attributable to the percentage of ownership that was acquired, is less than the acquisition cost.

Below is a detail of the additional information required by IFRS in connection with business combinations, in connection with the transaction that resulted in the acquisition of the companies detailed in the previous paragraphs.

The assets and liabilities recognized as a result of the acquisition are the following (in millions of pesos):

	As of the date of acquisition
Cash	10.3
Investments	2.1
Trade receivables	5.7
Other receivables	14.1
Non-current other receivables	3.0
Property, plant and equipment	18.5
Intangible assets (1)	1,860.6
Account payable and other	(18.3)
Taxes payable	(9.9)

Other payables	(0.6)
Deferred tax liability	(651.2)
Net identifiable assets acquired	1,234.3
Goodwill	801.7
Total consideration transferred	2,036.0

(1) Includes radioelectric spectrum.

d) On August 16, 2016, the Company's Board of Directors approved the Pre-Merger Commitment executed between the Company, Copetonas Video Cable S.A., Dorrego Televisión S.A., Fintelco S.A., Indio Rico Cable Color S.A., Prima, Cable Video Sur S.A., Wolves Televisión S.A. and Tres Arroyos Televisora Color S.A., whereby, on the effective date of the merger -October 1, 2016- ("Effective Date of the Merger"), the Company, as absorbing company, will continue with the operations of Copetonas Video Cable S.A., Dorrego Televisión S.A., Fintelco S.A., Indio Rico Cable Color S.A., Prima, Cable Video Sur S.A., Wolves Televisión S.A. and Tres Arroyos Televisora Color S.A. (the "Absorbed Companies"), thus generating the corresponding operating, accounting and tax effects. As a result of the above-mentioned corporate reorganization process, the Absorbed Companies will be dissolved without liquidation and Cablevisión S.A. will assume all the activities, receivables, property and all the rights and obligations of the above-mentioned companies, existing on the Effective Date of the Merger, or any that may exist or arise due to previous or subsequent acts or activities.

At the Company's Extraordinary Shareholders' Meeting held on September 27, 2016, the shareholders approved, among other issues: (i) the Special Parent Company Only Financial Statements and the Special Merger Balance Sheet as of June 30, 2016, which were used as a basis for the execution of the Pre-Merger Commitment, and (ii) of the Pre-Merger Commitment executed on August 16, 2016 between the Company and the Absorbed Companies.

In view of the above, the Company made a filing with the ENACOM in order to inform that Agency of the corporate reorganization to be implemented, and consequently registering under the name of the absorbing company, the "Area Authorizations" required to exploit Cable Television Services corresponding to Copetonas Video Cable S.A., Dorrego Televisión S.A., Indio Rico Cable Color S.A., Cable Video Sur S.A., and Tres Arroyos Televisora Color S.A. The license of Wolves Televisión S.A. was abandoned because the Company already has an Area Authorization in the jurisdiction where Wolves Televisión S.A. exploited the cable television service. In addition, Prima and the Company made a filing with the ENACOM in order to request that Agency to register the license that had been granted to Prima in favor of the Company as a consequence of the corporate reorganization process.

In addition, at the Extraordinary Shareholders' Meeting held on September 27, 2016, the shareholders also unanimously approved: (i) the amendment of Article Three of the Bylaws in order to conform the core business of the Company to the new regulatory framework under Laws Nos. 27,078 and 26,522, and (ii) the amendment of Articles Nine and Ten of the Bylaws in order to eliminate the Executive Committee. Both amendments of the Bylaws were filed with the CNV for its approval.

At the Extraordinary Shareholders' Meetings of CV B Holding S.A., Vistone S.A. and Southtel Holdings S.A. -"The Direct Shareholders of the Company"- held on September 28, 2016, the shareholders approved the Pre-Merger Commitment executed between Grupo Clarín S.A., the Direct Shareholders of the Company and Compañía Latinoamericana de Cable S.A. ("CLC"), whereby, on the Effective Date of the Merger - October 1, 2016- Grupo Clarín S.A., as absorbing company, will continue with the operations of the "Direct Shareholders of the Company" and CLC, thus generating the corresponding operating, accounting and tax effects. As a result of the above-mentioned corporate reorganization process, the Direct Shareholders of the Company will be dissolved without liquidation and Grupo Clarín S.A. will assume all the activities, receivables, property and all the rights and obligations of the above-mentioned companies, existing on the Effective Date of the Merger, or any that may exist or arise due to previous or subsequent acts or activities.

Once the public deed related to the Pre-Merger Commitment has been executed, the Company will notify the ENACOM of the change in the shareholder structure of the Company, which will not entail a change of control under the provisions of Section 13 of Law No. 27,078.

On September 28, 2016, the shareholders of Grupo Clarín S.A., approved the merger by absorption of the Direct Shareholders of the Company and CLC. In addition, at such Shareholders' Meeting, the shareholders of Grupo Clarín S.A. approved the partial spin-off for the creation of a new company domiciled in the City of Buenos Aires under the name "Cablevisión Holding S.A." The equity subject to the spin-off comprises the direct (upon the execution of the merger) and indirect equity interests of Grupo Clarín S.A. in Cablevisión S.A. and in GCSA Equity, LLC.

As of the date of these financial statements, those processes are pending registration with the IGJ.

e) On December 15, 2008, Cablevisión's shareholders approved the merger of Cablevisión with Multicanal, Delta Cable S.A. Holding Teledigital Cable S.A. Teledigital, Televisora La Plata Sociedad Anónima, Pampa TV S.A. Construed S.A. and Cablepost S.A., on account of which effective as of October 1, 2008, Cablevisión, as surviving company, became the universal successor to all of the assets, rights, and obligations of the merged companies.

Such process received administrative approval from the CNV and was registered with the Inspección General de Justicia ("Superintendency of Corporations" or "IGJ") under No. 9,448, Book 79 Volume – Stock Companies on June 7, 2016.

NOTE 5 SEGMENT INFORMATION

The Company is mainly engaged in the Cable Television and Internet Access sector, which requires the development of different activities distributed among the different legal entities in which the Company holds an equity interest. In addition, as from this fiscal year, and as a consequence of the acquisition of Nextel, the Company has incorporated the IDEN telephony business. Based on the nature, clients, and risks involved, the following business segments have been identified, which are directly related to the way in which the Company assesses its business performance:

- a) Cable Television & Internet Access, comprises mainly its own operations and through its participation in its subsidiaries.
- b) IDEN mobile telephony services, through its participation in Nextel.

The Company's Board of Directors, which is the main operating decisions maker, uses EBITDA to measure the performance of the identified operating segments. EBITDA is defined as sales less the cost of sales and selling and administrative expenses (excluding depreciation and amortization). The Company believes that EBITDA is a significant performance measure of its businesses, since it is commonly used in the industry to analyze and compare media companies based on operating performance, indebtedness and liquidity. However, EBITDA does not measure net income or cash flows generated by operations and should not be considered as an alternative to net income, an indication of the Company's financial performance, an alternative to cash flows generated by operating activities or a measure of liquidity.

Since EBITDA is not defined by IFRS, it is possible that other companies may calculate it differently. Therefore, the EBITDA reported by other companies may not be comparable to the Company's reported EBITDA.

Note 1 to these consolidated financial statements includes additional information about the Company's businesses.

The following tables include the information as of December 31, 2016 and 2015, prepared on the basis of IFRS, for the business segments identified by the Company.

	Cable Television services and Internet access (1)	Telephony services IDEN	Eliminations / Adjustments (2)	Consolidated
Additional information consolidated at 12.31.2016				
Sales of services and goods to third parties	27,506,874,871	3,311,005,730	(246,686,657)	30,571,193,944
Intersegment sales	1,333,070	13,446,798	(14,779,868)	-
Total sales	27,508,207,941	3,324,452,528	(261,466,525)	30,571,193,944
Cost of sales – excluding depreciation and amortization	(10,182,116,002)	(1,342,985,491)	(309,024,936)	(11,834,126,429)
Expenses – excluding depreciation and amortization				
Selling expenses	(3,214,913,723)	(1,004,361,444)	-	(4,219,275,167)
Administrative expenses	(3,046,600,745)	(540,336,607)	-	(3,586,937,352)
Intersegment costs and expenses	(13,446,798)	(1,333,070)	14,779,868	-
EBITDA	11,051,130,673	435,435,916	(555,711,593)	10,930,854,996
Depreciation of property, plant and equipment				(2,519,374,617)
Amortization of intangible assets				(68,808,776)
Other income and expenses net				(11,429,716)
Financial results				(2,374,443,632)
Result for acquisition of companies				114,093,096
Result of long-term investments in associates				131,378,676
Income tax				(2,095,215,277)
Net income for the year				<u>4,107,054,750</u>
Total assets	24,755,522,294	4,183,370,342	(4,391,808)	28,934,500,828

Additional information consolidated at 12.31.2016

Payments for acquisition of property, plant and equipment	8,850,837,071	192,853,975	-	9,043,691,046
Payments for acquisition of intangible assets	23,338,586	-	-	23,338,586
Payments for acquisition of companies	20,808,000	2,011,325,371	-	2,032,133,371
Ordinary revenues of foreign subsidiaries	816,075,846	-	-	816,075,846
Non-current assets except deferred tax and financial assets in foreign subsidiaries	884,259,624	-	-	884,259,624

(1) Source: internal information reviewed by the Board of Directors.

(2) Eliminations and adjustments correspond to transactions between the Company and its subsidiaries and differences in valuation criteria for the recognition of revenues from cable TV and Internet installation services and transactions including separate items.

	Cable Television services and Internet access (1)	Telephony services IDEN	Eliminations / Adjustments (2)	Consolidated
Additional information consolidated at 12.31.2015				
Sales of services and goods to third parties	<u>20,013,686,223</u>	-	<u>111,671,016</u>	<u>20,125,357,239</u>
Total sales	20,013,686,223	-	111,671,016	20,125,357,239
Cost of sales – excluding depreciation and amortization	(7,475,216,033)	-	(316,335,385)	(7,791,551,418)
Expenses – excluding depreciation and amortization				
Selling expenses	(2,444,400,263)	-	-	(2,444,400,263)
Administrative expenses	(2,594,729,513)	-	-	(2,594,729,513)
EBITDA	<u>7,499,340,414</u>	<u>-</u>	<u>(204,664,369)</u>	<u>7,294,676,045</u>
Depreciation of property, plant and equipment				(1,531,614,402)
Amortization of intangible assets				(34,560,037)
Other income and expenses net				1,685,031
Financial results				(2,812,892,444)
Result of long-term investments in associates				504,747,128
Income tax				<u>(909,187,780)</u>
Net income for the year				<u><u>2,512,853,541</u></u>
Total assets	19,508,782,044	-	-	19,508,782,044
Additional information consolidated at 12.31.2015				
Payments for acquisition of property, plant and equipment	4,342,609,987	-	-	4,342,609,987
Payments for acquisition of intangible assets	7,600,638	-	-	7,600,638
Payments for acquisition of companies	799,231,498	-	-	799,231,498
Ordinary revenues of foreign subsidiaries	718,406,183	-	-	718,406,183
Non-current assets except deferred tax and financial assets in foreign subsidiaries	616,696,192	-	-	616,696,192

(1) Source: internal information reviewed by the Board of Directors.

(2) Eliminations and adjustments correspond to differences in valuation criteria for the recognition of revenues from cable TV and Internet installation services and transactions including separate items.

NOTE 6 REVENUES

	12.31.2016	12.31.2015
	Ps.	
Cable television service	18,750,387,702	14,430,045,995
IDEN telephony services	2,804,437,872	-
Internet	7,697,490,955	4,818,011,021
Advertising	111,551,806	118,881,031
Sale of goods	379,506,243	86,303,932
Sale of services under the CABA tender	330,967,737	262,712,869
Other	496,851,629	409,402,391
Total	30,571,193,944	20,125,357,239

NOTE 7 COST OF SALES

	12.31.2016	12.31.2015
	Ps.	
Inventories at the beginning of the year	4,921,974	7,493,019
Incorporation of acquired company inventories	222,227,387	-
Net purchases of the year	486,471,542	82,967,360
Cost of services provided (Note 8)	13,743,238,579	9,158,437,455
Application of allowance for impairment of inventories	(68,019)	-
Inventories at the end of the year	(267,058,143)	(4,921,974)
Total cost of sales	14,189,733,320	9,243,975,860

NOTE 8 COST OF SERVICES RENDERED, SELLING EXPENSES AND ADMINISTRATIVE EXPENSES

Item	Cost of services provided	Selling expenses	Administrative expenses	Total 12.31.2016	Total 12.31.2015
Ps.					
Payroll and social security charges and other personnel expenses	3,375,397,985	968,344,965	860,846,643	5,204,589,593	4,153,787,477
Programming costs	3,932,135,034	-	-	3,932,135,034	2,889,016,782
Severance costs (compensations to personnel)	56,798,735	69,931,515	57,450,713	184,180,963	62,382,405
Public utilities and tax rates	628,237,535	1,541,332,330	29,557,063	2,199,126,928	1,326,864,936
Representation expenses	3,019,152	77,381,644	5,726,957	86,127,753	47,012,744
Maintenance of property, plant and equipment and network expenses	1,626,054,238	151,034,285	482,352,215	2,259,440,738	1,007,755,650
Leases	438,321,499	49,685,891	64,290,458	552,297,848	254,202,721
Depreciation of property, plant and equipment	2,321,425,779	144,195,951	53,752,887	2,519,374,617	1,531,614,402
Fees for services	45,598,168	141,456,383	1,190,606,056	1,377,660,607	838,361,641
Fees to directors and syndics	-	-	10,920,195	10,920,195	138,372,267
Advertising and promotion	-	621,441,502	-	621,441,502	434,129,622
Office expenses	667,069	2,645,964	37,272,504	40,585,537	30,255,041
Production of magazine	233,771,276	2,658,628	21,423,785	257,853,689	173,175,001
Data transfer costs	695,580,513	51,251	2,644,118	698,275,882	282,962,582
Bad debts	-	375,894,434	-	375,894,434	260,111,103
Collection expenses and commissions	9,173,440	81,891,709	769,622,025	860,687,174	553,039,809
Obsolescence of material	21,778,186	-	-	21,778,186	9,479,003
Lawsuits and contingencies	51,334,799	69,485,873	76,163	120,896,835	42,995,499
Amortization of intangible assets	34,181,103	34,627,673	-	68,808,776	34,560,037
Miscellaneous	269,764,068	66,038,784	54,148,457	389,951,309	241,238,506
Total at 12.31.2016	13,743,238,579	4,398,098,782	3,640,690,239	21,782,027,600	
Total at 12.31.2015	9,158,437,455	2,524,906,935	2,627,972,838		14,311,317,228

NOTE 9 FINANCIAL COSTS

	12.31.2016	12.31.2015
Ps.		
Interests	(681,430,741)	(586,965,270)
Exchange differences	(1,724,669,176)	(2,139,296,741)
Financial debt discounts	(40,330,615)	(15,996,408)
Other financial costs	(150,144,950)	(42,416,574)
Total	(2,596,575,482)	(2,784,674,993)

NOTE 10 OTHER FINANCIAL INCOME AND EXPENSES, NET

	12.31.2016	12.31.2015
	Ps.	
Interests	193,841,580	237,664,318
Bank expenses	(9,937,383)	(6,417,696)
Taxes and expenses	(430,097,505)	(226,403,378)
Exchange differences on cash and cash equivalents	544,589,585	488,645,357
Exchange differences from the other items	(113,251,179)	289,637,140
Financial discounts on assets, debts and diverse	30,344,996	(6,066,943)
Results for operations with notes and bonds	6,758,775	(867,829,549)
Results for changes in fair value of financial instruments	11,081,662	62,553,300
Other	(11,198,681)	-
Total	222,131,850	(28,217,451)

NOTE 11 EQUITY IN EARNINGS FROM ASSOCIATES

	12.31.2016	12.31.2015
	Ps.	
La Capital Cable S.A.	23,147,490	18,543,238
Tres Arroyos Televisora Color S.A.	220,965	331,785
Teledifusora San Miguel Arcángel S.A.	30,604,401	18,552,269
Ver TV S.A.	75,669,613	64,329,577
Nextel	-	85,064,384
Result for acquisition of companies (See Note 4)	-	316,726,916
Other	1,736,207	1,198,959
Total	131,378,676	504,747,128

NOTE 12 INCOME TAX

	12.31.2016	12.31.2015
	Ps.	
Income before income tax	6,202,270,027	3,422,041,321
Tax rate (35% income tax)	35%	35%
Income tax expense at current statutory tax rate on income before income tax	2,170,794,509	1,197,714,462
Permanent differences:		
Equity in earnings from associates	(45,982,537)	(176,661,495)
Differences in tax rates applicable to subsidiaries from foreign countries	(24,653,429)	(89,397,547)
Result for acquisition of companies	(39,932,584)	-
Other income and expense, net	29,025,030	(22,466,082)
Sub-total	2,089,250,989	909,189,338
Allowance for doubtful deferred tax assets, net and tax loss carryforwards	5,614,393	(1,324,820)
Application of statutes of limitations on tax loss carryforwards	349,895	1,323,262
Total charge for income taxes recognized in the statement of comprehensive income	2,095,215,277	909,187,780
Deferred income tax	(130,109,537)	(44,814,838)
Current income tax	2,225,324,814	954,002,618
Total	2,095,215,277	909,187,780

The breakdown of net deferred tax is as follows:

	01.01.2016	Incorporation of acquired company balances	Net Charge	Change in currency translation	12.31.2016
	Ps.				
Trade receivables and other receivables	49,374,230	(24,444,050)	123,539,409	1,980,345	150,449,934
Taxes payable	34,127,884	-	2,735,067	-	36,862,951
Provisions and other charges	91,033,212	141,023,992	94,997,073	-	327,054,277
Accounts payable and others	5,050,433	-	1,355,424	-	6,405,857
Tax loss carryforwards	447,421	458,608	5,114,362	-	6,020,391
Bank and financial debt	(11,446,067)	-	12,708,973	-	1,262,906
Other payables	89,314,172	-	3,381,598	435,357	93,131,127
Other temporary differences	(14,981,036)	6,640,690	(33,681,864)	1,546,435	(40,475,775)
Property, plant and equipment and intangible assets-net	(192,804,066)	(607,126,179)	(76,326,537)	(2,061,712)	(878,318,494)
Allowance for doubtful deferred tax assets, net	(543,727)	-	(5,614,393)	-	(6,158,120)
Total deferred tax liabilities, net	49,572,456	(483,446,939)	128,209,112	1,900,425	(303,764,946)

	01.01.2015	Net Charge	Change in currency translation	12.31.2015
	Ps.			
Trade receivables and other receivables	(19,796,258)	69,926,911	(756,423)	49,374,230
Taxes payable	24,193,171	9,934,713	-	34,127,884
Provisions and other charges	62,175,876	28,857,336	-	91,033,212
Accounts payable and others	4,007,491	1,042,942	-	5,050,433
Tax loss carryforwards	1,899,042	(1,451,621)	-	447,421
Bank and financial debt	(12,764,578)	1,318,511	-	(11,446,067)
Other payables	76,019,225	13,386,793	(91,846)	89,314,172
Other temporary differences	1,163,566	(15,852,443)	(292,159)	(14,981,036)
Property, plant and equipment and intangible assets-net	(130,271,370)	(63,229,617)	696,921	(192,804,066)
Allowance for doubtful deferred tax assets, net	(1,868,547)	1,324,820	-	(543,727)
Total deferred tax liabilities, net at 12.31.2015	4,757,618	45,258,345	(443,507)	49,572,456

As of December 31, 2016, the Company had accumulated tax loss carryforwards of approximately Ps. 17,201,117, which, calculated at the statutory tax rate, represent a deferred tax asset of approximately Ps. 6,020,391, which the Company estimates are not recoverable.

Below is a breakdown of the estimated expiration date of tax loss carryforwards:

Year of origin	Tax loss carryforwards at 12.31.2016	Tax loss carryforwards at 12.31.2015	Expiration year
	Ps.		
2010	-	999,700	2015
2014	-	278,646	2019
2016	17,201,117	-	2021
	<u>17,201,117</u>	<u>1,278,346</u>	

NOTE 13 PROPERTY, PLANT AND EQUIPMENT

Cost or deemed cost and accumulated depreciation

	Buildings and lands	Improvements to leased buildings	Installation, machinery and equipment	Furniture and fixtures	Vehicles	Tools	Cables, cable laying and assets under loan for use	Work in progress	Materials	Telecommunications	Allowance for obsolescence of material	Total
Average useful life (years)	50	3	10	10	5	5	15-3	-	-	-	-	-
Cost or deemed cost	231,152,770	28,257,264	908,800,796	53,447,675	310,082,463	144,136,324	7,405,674,222	1,263,469,923	1,615,863,948	-	(22,701,624)	11,938,183,761
Accumulated depreciation	(83,811,114)	(24,880,764)	(526,488,315)	(37,706,811)	(155,420,743)	(111,929,013)	(2,547,754,599)	-	-	-	-	(3,487,991,359)
Net book value at January 1, 2016	147,341,656	3,376,500	382,312,481	15,740,864	154,661,720	32,207,311	4,857,919,623	1,263,469,923	1,615,863,948	-	(22,701,624)	8,450,192,402
Incorporation of acquired company balances (Notes 4 b) and 4 c))	175,870,566	5,598,634	99,729,461	5,113,227	433,402	455,495	11,326,515	34,179,740	23,850,975	319,661,603	-	676,219,618
Variation due to translation differences (Cost)	2,474,045	-	3,641,269	5,659,768	2,317,472	1,445,494	156,590,546	5,284,306	8,337,459	-	(374,401)	185,375,958
Additions	6,987,618	-	237,321,691	4,880,653	24,617,041	1,481,057	1,966,441,095	1,094,129,609	5,618,725,082	111,806,102	(13,459,121)	9,052,930,827
Decreases	(83,906)	(10,197,763)	(9,800,970)	(2,590,005)	(14,315,487)	(584,017)	(1,335,561,530)	(1,142,681)	(328,363,765)	(1,397,320)	-	(1,704,037,444)
Transfers	105,228,906	8,481,460	253,814,320	57,517	(14,661)	42,334,304	2,098,210,912	497,562,229	(3,062,541,988)	56,867,001	-	-
Accumulated depreciation of decreases	83,906	9,977,644	9,264,136	2,409,023	14,186,268	584,017	1,334,513,577	-	-	2,005,068	-	1,373,023,639
Incorporation of acquired company balances (accumulated depreciation)	(287,819)	-	(61,339)	(362,456)	(310,068)	(455,495)	(9,205,279)	-	-	-	-	(10,682,456)
Variation due to translation differences (Depreciation)	(1,528,289)	-	(3,304,297)	(4,818,084)	(2,196,837)	(990,769)	(112,855,868)	-	-	-	-	(125,694,144)
Depreciation	(17,636,228)	(8,321,730)	(234,261,647)	(5,027,511)	(47,005,072)	(33,053,186)	(1,926,485,348)	-	-	(247,583,895)	-	(2,519,374,617)
Subtotal	418,450,455	8,914,745	738,655,105	21,062,996	132,373,778	43,424,211	7,040,894,243	2,893,483,126	3,875,871,711	241,358,559	(36,535,146)	15,377,953,783
Total at December 31, 2016												
Cost or deemed cost	521,629,999	32,139,595	1,493,506,567	66,568,835	323,120,230	189,268,657	10,302,681,760	2,893,483,126	3,875,871,711	486,937,386	(36,535,146)	20,148,672,720
Accumulated depreciation	(103,179,544)	(23,224,850)	(754,851,462)	(45,505,839)	(190,746,452)	(145,844,446)	(3,261,787,517)	-	-	(245,578,827)	-	(4,770,718,937)
Net book value at September 30, 2016	418,450,455	8,914,745	738,655,105	21,062,996	132,373,778	43,424,211	7,040,894,243	2,893,483,126	3,875,871,711	241,358,559	(36,535,146)	15,377,953,783

NOTE 13 PROPERTY, PLANT AND EQUIPMENT (Cont.)

Cost or deemed cost and accumulated depreciation

	Buildings and lands	Improvements to leased buildings	Installation, machinery and equipment	Furniture and fixtures	Vehicles	Tools	Cables, cable laying and assets under loan for use	Work in progress	Materials	Allowance for obsolescence of material	Total
Average useful life (years)	50	3	10	10	5	5	15-3	-	-	-	
Cost or deemed cost	235,298,771	26,884,955	736,859,232	54,334,262	208,352,654	111,659,331	5,910,227,690	646,270,825	964,956,185	(17,797,698)	8,877,046,207
Accumulated depreciation	(93,905,032)	(22,462,852)	(504,047,607)	(39,042,631)	(162,078,733)	(86,673,805)	(2,116,979,559)	-	-	255,842	(3,024,934,377)
Net book value at January 1, 2015	141,393,739	4,422,103	232,811,625	15,291,631	46,273,921	24,985,526	3,793,248,131	646,270,825	964,956,185	(17,541,856)	5,852,111,830
Variation due to translation differences (Cost)	(952,276)	-	(1,529,008)	(2,689,468)	(1,110,105)	(529,849)	(71,613,502)	(3,199,421)	(4,325,605)	178,871	(85,770,363)
Additions	844,980	536,664	153,514,268	3,527,219	143,827,675	1,841,558	1,330,432,007	416,444,282	2,286,060,198	(5,338,639)	4,331,690,212
Decreases	(14,723,913)	-	(78,608,483)	(2,080,535)	(40,987,761)	(404,971)	(878,842,497)	-	(169,389,977)	255,842	(1,184,782,295)
Transfers	10,685,208	835,645	98,564,787	356,197	-	31,570,255	1,115,470,524	203,954,237	(1,461,436,853)	-	-
Accumulated depreciation of decreases	14,717,920	-	78,601,000	2,011,632	40,986,712	188,051	878,470,923	-	-	(255,842)	1,014,720,396
Variation due to translation differences (Depreciation)	640,182	-	1,458,724	2,124,008	982,390	315,059	48,316,661	-	-	-	53,837,024
Depreciation	(5,264,184)	(2,417,912)	(102,500,432)	(2,799,820)	(35,311,112)	(25,758,318)	(1,357,562,624)	-	-	-	(1,531,614,402)
Subtotal	147,341,656	3,376,500	382,312,481	15,740,864	154,661,720	32,207,311	4,857,919,623	1,263,469,923	1,615,863,948	(22,701,624)	8,450,192,402
Total at December 31, 2015											
Cost or deemed cost	231,152,770	28,257,264	908,800,796	53,447,675	310,082,463	144,136,324	7,405,674,222	1,263,469,923	1,615,863,948	(22,701,624)	11,938,183,761
Accumulated depreciation	(83,811,114)	(24,880,764)	(526,488,315)	(37,706,811)	(155,420,743)	(111,929,013)	(2,547,754,599)	-	-	-	(3,487,991,359)
Net book value at December 31, 2015	147,341,656	3,376,500	382,312,481	15,740,864	154,661,720	32,207,311	4,857,919,623	1,263,469,923	1,615,863,948	(22,701,624)	8,450,192,402

13.1. Impairment losses recognized in the year

During this year, the Company made a review of the recoverable amount of its property, plant and equipment regarding the obsolescence of materials. As result of such review, it was necessary to recognize an additional loss for impairment of Ps. 13,459,121 and Ps. 5,338,639 in 2016 and 2015, respectively.

13.2. Evolution of the allowance for obsolescence of material

Variations in the allowance for obsolescence of material were as follows:

	12.31.2016	12.31.2015
	Ps	
	.	.
Balance at beginning of year	22,701,624	17,541,856
Currency translation of foreign operations	374,401	(178,871)
Additions	13,459,121	5,338,639
Balance at year end	36,535,146	22,701,624

NOTE 14 INTANGIBLE ASSETS

Cost or attributed cost, accumulated amortization

	Subscriber's portfolio purchase	Trademarks	SRCE license (1)	Links to the public network	Radioelectric spectrum	Software	Other	Total
	Ps.							
Average useful life (years)	7	50	3	3	Undefined	5	-	
Cost or deemed cost	7,057,073	22,438,834	-	-	-	152,707,371	44,265,817	226,469,095
Accumulated depreciation	(3,528,537)	(7,058,732)	-	-	-	(105,923,029)	(43,839,684)	(160,349,982)
Net book value at January 1, 2016	3,528,536	15,380,102	-	-	-	46,784,342	426,133	66,119,113
Incorporation of acquired company balances (Notes 4 b) and 4 c))	-	-	39,287,081	3,997,512	1,860,549,580	-	-	1,903,834,173
Foreign exchange translation differences (Cost)	-	-	-	-	-	-	113,377	113,377
Additions	-	224,700	-	-	-	23,113,886	-	23,338,586
Decreases	(7,057,073)	-	-	-	-	-	-	(7,057,073)
Amortization of decreases	(477,881)	(491,656)	(31,429,664)	(3,198,009)	-	(33,056,777)	(154,789)	(68,808,776)
Foreign exchange translation differences (Depreciation)	4,006,418	-	-	-	-	-	-	4,006,418
	-	-	-	-	-	-	(80,749)	(80,749)
Subtotal	-	15,113,146	7,857,417	799,503	1,860,549,580	36,,841,451	303,972	1,921,465,069

Total at December 31, 2016								
Cost or deemed cost	-	22,663,534	39,287,081	3,997,512	1,860,549,580	175,821,257	44,379,194	2,146,698,158
Accumulated amortization	-	(7,550,388)	(31,429,664)	(3,198,009)	-	(138,979,806)	(44,075,222)	(225,233,089)
Net book value at December 31, 2016	-	15,113,146	7,857,417	799,503	1,860,549,580	36,841,451	303,972	1,921,465,069

(1) Radio-Electric Trunking Services License.

	Subscriber's portfolio purchase	Trademarks	Software	Other	Total
	Ps.				
Average useful life (years)	7	50	5	-	
Cost or attributed cost	-	22,438,834	153,269,906	44,036,705	219,745,445
Accumulated amortization	-	(6,610,768)	(75,567,798)	(43,642,151)	(125,820,717)
Net book value at January 1, 2015	-	15,828,066	77,702,108	394,554	93,924,728
Variation due to translation differences	-	-	-	(23,536)	(23,536)
Additions / (decreases)	7,053,073	-	(562,535)	287,420	6,777,958
Transfers	4,000	-	-	(4,000)	-
Amortization	(3,528,537)	(447,964)	(30,355,231)	(228,305)	(34,560,037)
Sub-total	3,528,536	15,380,102	46,784,342	426,133	66,119,113
Total at December 31, 2015					
Cost or attributed cost	7,057,073	22,438,834	152,707,371	44,265,817	226,469,095
Accumulated amortization	(3,528,537)	(7,058,732)	(105,923,029)	(43,839,684)	(160,349,982)
Net book value at December 31, 2015	3,528,536	15,380,102	46,784,342	426,133	66,119,113

NOTE 15 GOODWILL

	12.31.2016	12.31.2015
<u>Cost</u>	Ps.	
Prima	-	39,507,456
Telemas S.A.	346,853,785	274,311,009
Cablevisión Business	2,893,129,939	2,829,430,189
Nextel Business	801,741,922	-
Total	4,041,725,646	3,143,248,654

	12.31.2016	12.31.2015
<u>Cost - Evolution</u>	Ps.	
Balance at beginning of year	3,143,248,65	3,177,997,78
	4	3
Additions / (decreases)	825,934,216	-
Change in currency translation of foreign operations	72,542,776	(34,749,129)
Balance at December 31	4,041,725,64	3,143,248,65
	6	4

Allocation of goodwill to cash generating units

For the purpose of prove its impairment, goodwill was allocated to the following groups of cash generating units ("CGU"):

	12.31.2016	12.31.2015
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	Ps.	
Uruguay operation	362,432,604	289,889,828
Argentina operation	3,679,293,042	2,853,358,826
	4,041,725,646	3,143,248,654

The Company assesses the recoverability of goodwill considering each country where the Company has a subsidiary for which it records goodwill as a different group of CGU.

Cablevisión determined that the group of CGU with a significant goodwill amount, as compared to the total goodwill amount as of December 31, 2016 and December 31, 2015, was Argentina, which accounts for 91% of the total goodwill in both years.

The recoverable amount of each group of CGU has been determined on the basis of its value in use, calculated based on operating cash flows estimated in the financial budgets approved by the Company's Management, which cover the period of one year. Cash flows beyond such period are projected using a growth rate assessed based on statistical data and historical indicators of the country, which does not exceed the long term average growth of each business.

The discount rate used in each case for the calculation of the value in use allocated to each group of CGU considers the risk free rate, the premium for country risk and the specific risks of each business and each group of CGU's own indebtedness structure. In particular, the discount rate applied to cash flow projections for the operation of Cablevision Argentina is approximately 9% per annum.

Cablevisión's main sources of revenues are subscribers. The main indicators are the evolution in subscription prices and subscribers. In order to determine key assumptions, Cablevisión uses external sources of information and Management's opinions based on past experience.

NOTE 16 INVESTMENTS

	12.31.2016	12.31.2015
Non-Current	Ps	
	.	
Other placements (See Note 33)	1,133,469,884	697,057,242
	1,133,469,884	697,057,242
Current		
Mutual funds	1,517,011,570	734,764,736
Notes and bonds	349,999,610	156,069,384
Fixed-term deposit	37,585,831	20,289,303
Other placements	97,598,992	-
	2,002,196,003	911,123,423

Movements of fixed-term deposits and other placements were as follows:

	12.31.2016	12.31.2015
	Ps.	
Balance at beginning of year	717,346,545	599,999,137
Incorporation of acquired company balances	35,889,072	-
Increases	730,115,834	228,912,326
Currency translation of foreign operations	151,205,334	167,668,409
Decreases	(365,902,078)	(279,233,327)

Balance at year end

<u>1,268,654,707</u>	<u>717,346,545</u>
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NOTE 17 INVESTMENTS IN ASSOCIATES

Companies	Main activity	Country	% participation in capital and votes	Valuation at 12.31.2016	Valuation at 12.31.2015
La Capital Cable S.A.	Closed circuit television	Argentina	49.00	25,548,618	20,523,128
Tres Arroyos Televisora Color S.A. (3)	Cable TV station	Argentina	-	-	1,835,217
Ver T.V. S.A. (1)	Cable TV station	Argentina	49.00	178,565,500	102,895,887
Teledifusora San Miguel Arcángel S.A. (1)	Cable TV station	Argentina	49.10	62,364,745	31,760,343
Televisora Privada del Oeste S.A.	Closed circuit television	Argentina	47.00	5,592,798	5,592,798
AVC Continente Audiovisual S.A.	Closed circuit television	Argentina	40.00	4,377,061	2,648,384
Nextel (2)	Telecommunications service	Argentina	-	-	1,201,022,798
Other investements valued at equity method				89,490	53,600
Goodwill				-	3,872,303
				276,538,212	1,370,204,458

(1) Data on the issuer arising from non-accounting information.

(2) From the first quarter of 2016, the company has proceeded to consolidate the investment in Nextel (See note 4.b)).

(3) From the second quarter of 2016, the company has proceeded to consolidate patrimonially the investment in Tres Arroyos Televisora Color S.A. (See note 4.d) to the individual financial statement).

The evolution of investments in associates are summarized below:

	12.31.2016	12.31.2015
	Ps.	
Balance at beginning of year	1,370,204,458	110,322,719
Equity in earnings from associates	131,378,676	504,747,128
Additions / (decreases) of investments (1) y (2)	(1,206,917,567)	799,237,998
Dividend distributions	(18,127,355)	(44,103,387)
Balance at year end	276,538,212	1,370,204,458

(1) From the first quarter of 2016, the company has proceeded to consolidate the investment in Nextel (See note 4.b)).

(2) From the second quarter of 2016, the company has proceeded to consolidate patrimonially the investment in Tres Arroyos Televisora Color S.A. (See note 4.d) to the individual financial statement).

Certain supplementary information required by IFRS about investments in associates is detailed below.

	<u>12.31.2016</u>	<u>12.31.2015</u>
	<u>Ps.</u>	
Dividends received	18,127,355	44,103,387
<u>Summarized financial information:</u>		
Non-current assets	597,672,025	1,222,984,219
Current assets	299,812,106	3,002,923,446
Non-current liabilities	(11,358,475)	(111,454,055)
Current liabilities	(319,750,077)	(1,312,837,166)
Sales		1,897,960,316
	1,334,031,084	1
Income from continuing operations	271,105,322	387,056,535
Total comprehensive income	271,105,322	387,056,535

NOTE 18 OTHER RECEIVABLES

	<u>12.31.2016</u>	<u>12.31.2015</u>
	<u>Ps.</u>	
Non-Current		
National tax credits	32,309,167	4,180,605
Provincial tax credits	728,896	-
Advances to suppliers	172,246,617	109,643,206
Prepaid expenses	74,529,539	38,080,166
	-	1,103,673,966
Call option – Nextel ((Notes 4.b) and (28.4.3))		6
Other debtors	3,984,313	14,139,007
Other	6,234,554	1,569,321
	<u>290,033,086</u>	<u>1,271,286,271</u>
Current		
National tax credits	144,694,597	45,804,889
Provincial tax credits	7,077,933	3,386,929
Municipal tax credits	127,848	-
Prepaid expenses	248,415,775	152,501,150
Judicial deposits	27,714,675	8,180,553
Related parties (Note 33)	19,788,905	19,006,734
Advances to suppliers	61,425,818	85,589,912
Financial instruments	-	11,628,000
Other debtors	22,127,457	30,587,812
Advances to employees	5,993,864	5,458,718
Deposits in guarantee	20,481,681	40,824,176
Other	75,075,502	87,750,901
	<u>632,924,055</u>	<u>490,719,774</u>

NOTE 19 – INVENTORIES

	12.31.2016	12.31.2015
	<u>Ps.</u>	
Resale goods	9,672,286	3,669,046
Computer equipment held by third parties	2,823,190	1,252,928
Radio equipment and accessories	204,261,033	-
Parts	50,301,634	-
Allowance for impairment of inventories	(409,536)	(68,019)
	<u>266,648,607</u>	<u>4,853,955</u>

NOTE 20 TRADE RECEIVABLES

	12.31.2016	12.31.2015
	<u>Ps.</u>	
Current		
Ordinary	1,969,684,888	1,406,044,189
Related parties (Note 33)	50,074,090	50,998,117
Other	756,100	2,543,084
Allowance for bad debts	(346,960,306)	(195,726,226)
	<u>1,673,554,772</u>	<u>1,263,859,164</u>

The above described trade receivables are classified as financial assets measured at amortized cost. All amounts are classified as current and non current assets, respectively.

Changes in the allowance for doubtful recoverability were:

	12.31.2016	12.31.2015
	<u>Ps.</u>	
Balance at beginning of year	195,726,226	119,651,413
Incorporation of acquired company balances	90,664,576	-
Increases	375,894,434	260,111,103
Decreases (1)	(315,324,930)	(184,036,290)
Balance at year end	<u>346,960,306</u>	<u>195,726,226</u>

(1) It includes currency conversion for business conducted abroad

NOTE 21 CASH AND BANKS

	12.31.2016	12.31.2015
	<u>Ps.</u>	
Cash	3,928,966	1,314,312
Cash in foreign currency	319,184	12,422,400
Banks in local currency	471,312,019	340,247,475
Banks in foreign currency	750,670,070	1,401,718,103
To be deposited	20,422,785	10,158,371
	<u>1,246,653,024</u>	<u>1,765,860,661</u>

NOTE 22 SHARE CAPITAL

	12.31.2016	12.31.2015
	Ps.	
Share capital	1,200,000,000	197,397,110
Treasury shares	-	207,157
Additional paid - in capital	-	134,234,500
Merger premium	-	2,894,151
	<u>1,200,000,000</u>	<u>334,732,918</u>
The issued share capital consists of:		
	12.31.2016	12.31.2015
	Ps.	
Fully paid-in common shares	120,000	197,604,267
	<u>120,000</u>	<u>197,604,267</u>

The following table shows the Company's shareholders at December 31, 2015. The principal shareholders of the Company do not have different or preferred voting rights with respect to the shares owned by them.

Shareholders	Number of Shares	% of Share Capital
Southtel Holdings S.A. (1)	56,609,313	28,7
VLG Argentina, LLC (1)	101,252,687	51,2
Fintech Media LLC (2)	28,304,317	14,3
Vistone S.A. (2)	3,277,197	1,7
CV B Holding S.A. (2)	7,883,139	4,0
Other (2)	70,457	-
Treasury Shares – Section 220, paragraph 3) of the General Business Companies Law (2)	207,157	0,1
Total	<u>197,604,267</u>	<u>100,0</u>

(1) Class A Shares.

(2) Class B Shares.

At the Extraordinary Shareholders' Meeting held on January 12, 2016, the shareholders of the Company decided, among other things, i) to cancel 207,157 Class B common book-entry treasury shares with a nominal value of Ps. 1 representing 0.1% of the capital stock and votes of the Company; and, consequently, to reduce the capital stock by Ps. 207,157, (ii) to ratify the amendment of Section 4 of the Bylaws approved by the shareholders at the Extraordinary Shareholders' Meeting held on June 30, 2014, which, among other things, had amended the nominal value of shares from Ps. 1 to Ps. 10,000 and (iii) delegate on the Board of Directors the power to determine and establish the time, form and conditions of the shares representing the new capital stock to be issued, as well as the payment in cash of the fractions, if any.

In light of the above, on June 29, 2016, the Board of Directors completed the implementation of the payment in cash of the fractions and the change in the nominal value and, therefore, the Company's capital stock now amounts to Ps. 197,300,000 represented by 19,730 shares, of which i) 15,785 are Class A book entry shares, with nominal value of Ps. 10,000 each and entitled to one vote per share, and ii) 3,945 are Class B book entry shares, with nominal value of Ps. 10,000 each and entitled to one vote per share. At the same meeting of the Board of Directors, new shares were issued.

Subsequently, at the Extraordinary Shareholders' Meeting held on June 30, 2016, the shareholders decided to capitalize in full the following accounts, (i) the Paid-in Capital for Ps. 134,234,500, ii) the merger surplus for Ps. 2,894,151; iii) the partial capitalization of the "Optional Reserve to Maintain the Company's Level of Capital Expenditures and its Current Solvency Level" for Ps. 865,571,349, thus increasing the capital stock from Ps. 197,300,000 to Ps. 1,200,000,000 through the issuance of 100,270 new common book-entry shares with nominal value of Ps. 10,000 and entitled to one vote per share, of which 80,221 will be Class A common book-entry shares and 20,049 will be Class B common book-entry shares.

The following table shows the Company's shareholders as of the date of issuance of these consolidated interim financial statements. The principal shareholders of the Company do not have different or preferred voting rights with respect to the shares owned by them.

Shareholders	Number of Shares	% of Share Capital
Southtel Holdings S.A. (1)	34,425	28.7
VLG Argentina, LLC (1)	61,581	51.3
Fintech Media LLC (2)	17,212	14.3
Vistone S.A. (2)	1,989	1.7
CV B Holding S.A. (2)	4,793	4.0
Total	120,000	100.0

(1) Class A Shares.

(2) Class B Shares.

NOTE 23 RESERVES, ACCUMULATED RESULTS AND DIVIDENDS

	12.31.2016	12.31.2015
	Ps.	
Balance at January 1		
Legal Reserve and other reserves	5,622,195,813	4,597,918,607
Accumulated results	2,473,366,772	1,287,185,928
Total balance at the beginning of the year	8,095,562,585	5,885,104,535
Net income attributable to equity holders of the Company	4,045,337,263	2,473,366,772
Net increase in other reserves	305,194,768	173,091,278
Distribution of dividends	(1,499,000,000)	(436,000,000)
Capitalization of the optional reserve	(865,571,349)	-
Balance at December 31	10,081,523,26	8,095,562,585

1. Cablevisión.

On April 23, 2015, at the Company's Annual General Ordinary and Extraordinary Shareholders' Meeting, its shareholders decided to appropriate the net income for the year ended December 31, 2014, of Ps. 1,287,185,928, according to the following detail: (i) Ps. 436,000,000 to the distribution of cash dividends payable to shareholders in proportion to their shareholdings, in pesos or dollars within thirty days of the Shareholders' Meeting, delegating on the board the time and form of payment, (ii) Ps. 851,185,928 to the Optional Reserve to maintain the Company's level of capital expenditures and its current solvency level. As of the date of issuance of these financial statements the Company has paid Ps. 435,844,379 of its distributed dividends.

On April 20, 2016, at the Company's Annual General Ordinary and Extraordinary Shareholders' Meeting, its shareholders decided to appropriate the net income for the year ended December 31, 2015, of Ps. 2,473,366,772 according to the following detail: (i) Ps. 750,000,000 to the distribution of cash dividends payable to shareholders in proportion to their shareholdings, in pesos or dollars within thirty days of the Shareholders' Meeting, delegating on the board the time and form of payment, (ii) Ps. 1,723,366,772 to the Voluntary Reserve to maintain the Company's level of capital expenditures and its current solvency level. As of the date of issuance of these financial statements the Company has paid Ps. 749,791,048 of its distributed dividends.

On June 30, 2016, at an Extraordinary Shareholders' Meeting, the shareholders decided, i) to distribute cash dividends for Ps. 749,000,000; ii) the capitalization of the Optional Reserve to maintain the Company's level of capital expenditures and its current solvency level in the amount of Ps. 865,571,349 and ii) the

capitalization of the accounts Additional Paid-in Capital and Merger Surplus in the amount of Ps. 134,234,500 and Ps. 2,894,151, respectively.

As of the date of issuance of these financial statements all dividends had been paid.

2. Subsidiaries

On December 22, 2016, Adesol S.A. executed a call option agreement (the "Call Option Agreement") with the majority shareholder of the special purpose entities (see Note 2.4.1), whereby, Adesol has the right to exercise, until December 31, 2021, the irrevocable call option on the shares of those companies (the "Call Option"). If it exercises the Call Option, the purchase price has been preliminarily established in the amount of Ps. 127,600,002, subject to an eventual adjustment in case certain circumstances provided under the Call Option Agreement occur.

In addition to the execution of the Call Option Agreement, Adesol S.A. paid to the grantor an option premium under the Call Option in the amount of Ps. 44,660,000. If Adesol S.A. does not exercise the Call Option, the seller shall irrevocably retain the amount paid by Adesol S.A., and the agreement will be terminated.

If it exercises the Call Option, the assignment, sale and transfer of the shares in favor of Adesol S.A. shall be subject, as condition precedent, to the approval by the Communication Services Regulatory Agency of the Republic of Uruguay.

NOTE 24 NON-CONTROLLING INTERESTS

	<u>12.31.2016</u>	<u>12.31.2015</u>
	<u>Ps.</u>	
Balance at the beginning of the year	295,977,472	286,437,581
Participation in Company's in earnings for the year	61,717,487	39,486,769
Variation due to translation differences	72,767,088	(26,522,279)
Distribution of dividends to non-controlling interests	(4,408,887)	(3,424,599)
Balance at year end	<u>426,053,160</u>	<u>295,977,472</u>

Non-controlling interests in income are detailed below:

Company name	Address	Country	Non-controlling interests in capital and votes	Earnings of the year attributable to non-controlling interests at 12.31.2016	Earnings of the year attributable to non-controlling interests at 12.31.2015
Audomar S.A.	Ituzaingo 1169 - Paysandú	Uruguay	100%	4,437,088	2,584,321
Bersabel S.A.	Av. Italia 4070 - Montevideo	Uruguay	100%	33,576,640	20,425,689
Dolfycor S.A.	Pte. Berreta 663 - Artigas	Uruguay	100%	1,302,031	647,313
Reiford S.A.	Treinta y tres 318 - Tacuarembó	Uruguay	100%	333,719	47,348
Space Energy Tech S.A.	Ituzaingo 946 - Rivera 18 de Julio 587 - Paso	Uruguay	100%	4,611,072	2,978,673
Tracel S.A.	de los Toros	Uruguay	100%	1,811,026	1,376,968
Visión Satelital S.A.	Av. Italia 4070 - Montevideo	Uruguay	100%	8,492,978	6,527,693
CV Berazategui S.A.	Gral. Hornos 690 - CABA	Argentina	30%	7,152,933	4,898,764
				61,717,487	39,486,769

The following amounts are included in the financial statements of the Company corresponds to the non-controlling interest:

	12.31.2016	12.31.2015
	Ps.	
Non-current assets	420,719,184	307,013,422
Current assets	136,365,750	86,332,351
Non-current liabilities	355,982	150,173
Current liabilities	110,565,781	83,510,886
Revenues	938,871,410	806,550,587
Cash and cash equivalents	31,199,673	4,853,408
Dividends paid	4,408,887	3,424,599

NOTE 25 BANK AND FINANCIAL DEBT

The evolution of loans and financing between January 1, 2016 and December 31, 2016 and for the same year of the preceding year is shown below:

	12.31.2016	12.31.2015
	Ps.	
Balance as of January 1	6,621,169,498	4,106,971,963
New loans and financing (1)	7,857,254,508	1,271,321,743
Interest	680,050,752	586,630,317
Permanence fees	5,448,376	5,518,817
Effects of exchange rate variation	1,724,669,176	2,075,799,997
Effect of the decrease in the financial debt that was eliminated in consolidation	(7,966,202)	-

Settlement of interests	(856,872,761)	(571,074,133)
Settlement of principal and issuance expenses	(6,505,539,363)	(869,995,614)
Measurement of financial debt at present value	40,330,615	15,996,408
Balance as of December 31	9,558,544,599	6,621,169,498

(1) Mainly loans to pay financial debts and to purchase capital assets and inventories.

The following is a breakdown of the Company's loans and indebtedness:

	12.31.2016	12.31.2015
	Ps.	
Non-current		
Cablevisión Notes - principal	7,945,000,000	3,321,722,710
Measurement of financial debt at present value and issuing expenses of loans	(80,071,908)	(38,535,875)
For purchase of equipment - principal	714,525,657	583,000,011
	8,579,453,749	3,866,186,846
Current		
Debt with related companies - principal (1) (Note 33)	8,400,000	21,031,267
For purchase of equipment - principal	791,484,224	386,967,757
Accrued interest	41,355,021	194,384,944
Cablevisión Notes - principal	-	614,039,099
Multicanal Notes – principal	-	1,047,438,000
Measurement of financial debt at present value	32,134,985	5,832,827
Current account overdraft	-	15,288,758
Bank loans - principal	105,716,620	470,000,000
	979,090,850	2,754,982,652

(1) At December 31, 2016 for a principal amount of Ps. 8,400,000 an average rate of 25.00% is applied.

At December 31, 2015 for a principal amount of Ps. 21,031,267 an average rate of 20.75% is applied.
The breakdown of maturities of bank and financial debt is as follows:

At December 31, 2016	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	Total
	Ps.					
Bank loans	105,716,620	-	-	-	-	105,716,620
Notes - principal	-	-	-	-	7,945,000,000	7,945,000,000
	-	-	-	-	0	0
For purchase of equipment	791,484,224	550,401,757	158,373,693	5,441,791	308,416	1,506,009,881
Accrued interest	41,355,021	-	-	-	-	41,355,021
Debt with related companies	8,400,000	-	-	-	-	8,400,000
Measurement of financial debt at present value	32,134,985	(35,466,500)	(29,587,146)	(10,722,813)	(4,295,449)	(47,936,923)
Current account overdraft	-	-	-	-	-	-
	979,090,850	514,935,257	128,786,547	(5,281,022)	7,941,012,967	9,558,544,599

At December 31, 2015	1 year or less	1-2 years	2-3 years	3-4 years	Total
Bank loans	470,000,000	-	-	-	470,000,000
Notes - principal	1,661,477,099	2,214,477,931	1,107,244,779	-	4,983,199,809
For purchase of equipment	386,967,757	406,550,467	172,740,201	3,709,343	969,967,768
Accrued interest	194,384,944	-	-	-	194,384,944
Debt with related companies	21,031,267	-	-	-	21,031,267
Measurement of financial debt at present value	5,832,827	(15,482,382)	(23,053,493)	-	(32,703,048)
Current account overdraft	15,288,758	-	-	-	15,288,758
	2,754,982,652	2,605,546,016	1,256,931,487	3,709,343	6,621,169,498

The most significant bank and financial debt are as follows:

Date of issuance	Borrower	Original amount	Balance 12.31.2016	Balance 12.31.2015	Final maturity	Interest rate
In millions of U.S. dollars						
December 2003	Multicanal	80.3	-	80.3	July 2016	3.5% a 4.5% (5)
February 2011	Cablevisión (1)	88.2	-	4.52	February 2018	8.75% (5)
February 2011	Cablevisión (1)	71.3	-	2.75	February 2018	9.375% (5)
February 2011	Cablevisión (1)	223.3	-	8.62	February 2018	9.625% (5)
February 2011	Cablevisión (2)	17.2	-	0.67	February 2018	9.375% (5)
January 2015	Cablevisión (3)	80.9 (4)	-	32.2 (4)	August 2016	Adjusted + 4.85% Badlar
February 2015	Cablevisión (3)	286.3	-	286.3	February 2018	9.375% (5)
June 2016	Cablevisión (6)	500.0	500.0	-	June 2021	6.50% (5)

(1) Use of proceeds: Note refinancing.

(2) Use of proceeds: Acquisition of non financial assets and import financing.

(3) Destination: Prepayment of loans and financing working capital and capital investments.

(4) Corresponds to loan in pesos converted to US exchange rate of January 31, 2015 and December 2015, respectively.

(5) Fixed rate.

(6) Use of funds: i) the redemption from the aggregate amount of outstanding principal refinancing under the Series V Notes, unpaid interest, plus an applicable surplus of 2%; ii) the redemption of the aggregate amount of the outstanding principal under each of the Series I, II, III and IV Notes, plus unpaid interest; iii) the prepayment in full of the Syndicated Loan and the investment in fixed assets and other capital expenditures.

On February 9, 2015, pursuant to the powers delegated on the Board of Directors of Cablevisión by the shareholders at the Annual General Ordinary and Extraordinary Shareholders' Meeting of the Company held on April 28, 2014, the Board of Directors of Cablevisión approved the issuance of Class V notes for a nominal value of USD 286,377,785.96 (the "Class V Notes"), at a fixed annual nominal rate of 9.375%, payable semiannually as from August 2016, with final maturity in February 2018. Such Notes were used in the refinancing of a portion of the debt represented by the outstanding Notes, which were refinanced pursuant to the Trust Agreement executed between Cablevisión, as issuer, and Deutsche Bank Trust

Company Americas as trustee, co-registrar and paying agent. As of the date of these financial statements, the Company proceeded to the full settlement of principal and interests on the notes class V.

On April 20, 2016, at the Annual General Ordinary and Extraordinary Shareholders' Meeting of the Company, its shareholders approved, among other matters: i) the extension of the authorization of the Program, which had been granted at the Annual General Ordinary and Extraordinary Shareholders' Meeting on April 28, 2014, increasing the maximum amount of the outstanding notes that may be issued under this Program from a nominal value outstanding at any time of USD 500,000,000 (or its equivalent in other currencies) to USD 1,000,000,000 (or its equivalent in other currencies). At the Shareholders' Meeting, the shareholders renewed the delegation on the Board of Directors of the broadest powers in connection with the Program. The Board of Directors may subdelegate all or some powers interchangeably to one or more directors or managers of the Company; and ii) the extension of the authorization of the (Valores Representativos de Deuda de Corto Plazo, "VCPs", for its Spanish acronym) program under the terms that had been originally approved. At the Shareholders' Meeting, the shareholders renewed the delegation on the Board of Directors of the broadest powers in connection with the Program. The Board of Directors may subdelegate all or some powers interchangeably to one or more directors or managers of the Company.

On June 1, 2016, pursuant to its delegated powers, the Board of Directors of Cablevisión authorized the issuance of Class A Notes for a nominal value of USD 500,000,000 (the "Class A Notes"), at a fixed annual nominal interest rate of 6.50%, payable semi-annually as from June 2016, with final maturity in June 2021. Proceeds will be used for:

- (i) The redemption of the aggregate amount of outstanding principal under the Class V Notes for USD 286,377,785.96, unpaid interest, plus an applicable surplus of 2%;
- (ii) The redemption of the aggregate amount of the outstanding principal under each of the Series I, II, III and IV Notes for USD 12,355,552.00 plus unpaid interest;
- (iii) The payment of the aggregate principal amount under the 10-year Notes for USD 80,325,000.00 on its maturity date, July 20, 2016;
- (iv) The prepayment in full of the Syndicated Loan (as defined below);
- (v) Investment in fixed assets and other capital expenditures with the balance of the net proceeds (approximately USD 89,100,000).

In connection with the issue of Notes, the Company has undertaken certain covenants, including: (i) limitation on the issuance of guarantees by the Company and its subsidiaries, (ii) consolidations, mergers and sales of assets under certain conditions, (iii) limitation on indebtedness above certain approved ratios, (iv) restriction on certain payments and on transactions with shareholders and affiliates under certain conditions, (v) limitation on the issuance and sale of shares of significant subsidiaries with certain exceptions, among others, and (vi) limitation on the distribution of dividends to an amount not to exceed USD 50.0 million for fiscal 2016 and USD 15 million for subsequent years, or up to 50% of the consolidated result of each fiscal year, among others.

During the years covered by these consolidated financial statements, the Company has complied with the assumed commitments.

As described above, on June 16, 2016, the Company redeemed all outstanding principal under the Class V Notes for USD 286,377,785.96, which accrued interest at a fixed annual rate of 9.375%, with maturity on February 11, 2018, at a redemption price equal to 100% of the outstanding principal and unpaid interest plus an applicable surplus of 2%; and the aggregate amount of the outstanding principal under each of the Series I, II, III and IV Notes for USD 12,355,552.00 which accrued interest at an annual rate of 8.75%, 9.375%, 9.625% and 9.375%, respectively, with maturity on February 11, 2018, at a redemption price equal to 100% of the outstanding principal and accrued and unpaid interest without surplus, in compliance with the use of proceeds established in the pricing supplement of the "Class A Notes".

On July 19, 2016, the Company repaid in full the outstanding principal under the 10-year Notes for USD 80,325,000.00, which accrued interest at a fixed annual rate of 4.50%, in compliance with the use of proceeds established in the pricing supplement of the "Class A Notes".

On January 30, 2015, the Company entered into a syndicated loan agreement with the Industrial and Commercial Bank of China (Argentina) S.A. (“ICBC”), Banco Itaú Argentina S.A. (“Itaú”), Banco de la Ciudad de Buenos Aires (“Banco Ciudad”), Banco Santander Río S.A. (“Santander”) and Banco Macro S.A. (“Macro”) for Ps. 700 million, at a variable interest rate of adjusted BADLAR + 4.85%, with final maturity in July 2016, for the purpose of making a prepayment of principal and interest owed to ICBC, Itaú and Banco Ciudad under the syndicated loan agreement executed on January 31, 2014, and in order to finance working capital and capital investments. In June 2016, this loan was prepaid in compliance with the use of proceeds established in the pricing supplement of the “Class A Notes”.

On January 13, 2015, the Company executed a financial loan agreement with Nuevo Banco de Santa Fe S.A. for Ps. 30 million at an annual fixed nominal interest rate of 29% with final maturity in July 2015, for the purpose of increasing its working capital to finance the development of its core business. As of December 31, 2015 this loan had been paid.

On July 16, 2015, the Company executed a financial loan agreement with Nuevo Banco de Santa Fe S.A. for Ps. 50 million at an annual fixed nominal interest rate of 28% with final maturity in January 2016, for the purpose of increasing its working capital to finance the development of its core business. In January 2016, this loan was canceled.

On January 18, 2016, the Company executed a financial loan agreement with Nuevo Banco de Santa Fe S.A. for Ps. 50 million at an annual fixed nominal interest rate of 34% with final maturity in April 2016, for the purpose of increasing its working capital to finance the development of its core business. In April 2016, this loan was canceled.

On April 19, 2016, the Company executed a financial loan agreement with Nuevo Banco de Santa Fe S.A. for Ps. 50 million at an annual fixed nominal interest rate of 34.25% with final maturity in July 2016, for the purpose of increasing its working capital to finance the development of its core business. In July 2016, this loan was canceled.

On July 19, 2016, the Company executed a financial loan agreement with Nuevo Banco de Santa Fe S.A. for Ps. 50 million at an annual fixed nominal interest rate of 30.50% with final maturity in October 2016, for the purpose of increasing its working capital to finance the development of its core business. In October 2016 this loan was canceled.

On October 18, 2016, the Company executed a financial loan agreement with Nuevo Banco de Santa Fe S.A. for Ps. 50 million at an annual fixed nominal interest rate of 27.50% with final maturity in January 2017, for the purpose of increasing its working capital to finance the development of its core business. In January 2017 this loan was canceled.

On January 19, 2017, the Company executed a financial loan agreement with Nuevo Banco de Santa Fe S.A. for Ps. 50 million at an annual fixed nominal interest rate of 27.50% with final maturity in April 2017, for the purpose of increasing its working capital to finance the development of its core business.

On September 20, 2016, Nextel executed a financial loan agreement with Banco Itaú Argentina S.A. for USD 3.5 million at an annual fixed nominal interest rate of 5% with final maturity in September 2017, for the purpose of increasing its working capital to finance the development of its core business.

On January 16, 2017, the Company executed a loan agreement with Banco ICBC for USD 5.2 million payable in 60 monthly installments at an annual fixed nominal interest rate of 6% with final maturity in January 2022 for the purpose of financing imports under its investment plan.

On February 6, 2017, the Company executed a loan agreement with Banco ITAU BBA INTERNATIONAL PLC for USD 5.3 million payable in 36 monthly installments at an annual fixed nominal interest rate of 5% with final maturity in February 2020 for the purpose of financing imports under its investment plan.

NOTE 26 ALLOWANCES

	For doubtful trade receivables	For impairment of inventories	For doubtful deferred tax assets	For obsolescence of material
Deducted from assets				
Balance at January 1, 2016	195,726,226	68,019	543,727	22,701,624
Incorporation of acquired company balances	90,664,576	-	-	-
Increases / reclassifications	(1) 375,894,434	409,536	5,964,288	13,833,522
Decreases	(2) (315,324,930)	(68,019)	(349,895)	-
Balance at December 31, 2016	<u>346,960,306</u>	<u>409,536</u>	<u>6,158,120</u>	<u>36,535,146</u>

- (1) Included under "Bad debts" in Note 8.
(2) Includes the currency translation of foreign operations.

	For lawsuits and contingencies	Accrual for Asset retirement
Included in liabilities		
Balance at at January 1, 2016	271,389,526	10,514,287
Incorporation of acquired company balances	285,803,602	100,557,703
Increases / reclassification	(1) 253,286,311	119,221,644
Decreases	(2) (83,679,932)	(2,056,338)
Balance at December 31, 2016	<u>726,799,507</u>	<u>228,237,296</u>

- (1) Comprised of Ps. 120,896,835 charged to "Lawsuits and Contingencies" under Note 8 and Ps. 132,389,476 of interest charged to "Other financial income and expenses, net".
(2) Corresponds to payments and allocations made during the year.

NOTE 27 OPERATING LEASE AGREEMENTS

27.1. The Company as lessee

27.1.1. Lease agreements

Operating leases include the lease of business premises, warehouses, network use and machinery, the terms of which range between 1 and 18 years. All operating lease agreements for more than 5 years contain clauses that provide for market reviews every 5 years. The Company does not have the option to purchase the land leased upon expiration of lease terms.

27.1.2. Operating lease commitments that may not be terminated

The amounts shown on the table are expressed in millions of pesos:

	12.31.2016	12.31.2015
1 year	430	218
Between 1 and 5 years	455	359
More than 5 years	26	30
	911	607

27.2. The Company as lessor

27.2.1. Lease agreements

The Company leases, to telecommunication operators, its infrastructure available in lands or terraces for the installation of equipment owned by those operators, required for rendering the services for which they have an authorization.

27.2.2. Operating lease commitments that may not be terminated

The amounts shown on the table are expressed in millions of pesos:

	12.31.2016	12.31.2015
1 year	24	-
Between 1 and 5 years	46	-
	70	-

NOTE 28 REGULATORY FRAMEWORK

28.1. Legal Status of Audiovisual Communication Services

The Company is the holder of licenses for the exploitation of subscription television services that were originally awarded under the regime established by Law No. 22285. The COMFER was the enforcement authority established by that law. Under Law No. 22285, subscription television companies in Argentina required a non-exclusive license from the COMFER in order to operate. Other approvals were also required, including, for some services, authorization by municipal agencies.

The Audiovisual communication services Law (Law No. 26522, LSCA, for its Spanish acronym) was passed and enacted on October 10, 2009, subject to strong concerns over its content and enactment procedure. Even though the new Law became effective on October 19, 2009, not all of the implementing regulations provided by the law have been issued. Therefore, Law No. 22285 still applies with respect to those matters

that to date have not been regulated, until all terms and procedures for the regulation of the new law are defined.

The law provided for the replacement of the COMFER with the Audiovisual Communication Services Law Federal Enforcement Authority (“AFSCA”, for its Spanish acronym) as a decentralized and autarchic agency under the jurisdiction of the National Executive Branch, and vests the new agency with authority to enforce the law.

Emergency Decree No. 267/15 (the “Emergency Decree”), issued on December 29, 2015 created the ENACOM as a decentralized and autarchic agency under the jurisdiction of the Ministry of Communications. Among other powers, ENACOM has all the same powers and competences that Law No. 26522 vested in AFSCA (See note 28.3).

28.2. Telecommunication services

The regulatory framework of the Argentine telecommunications sector is undergoing a process of change. In December 2014, the Argentine Congress passed Law No. 27078, known as the “Digital Argentina Act”, which partially repealed National Telecommunications Law No. 19798. The new law subjects the effectiveness of Decree No. 764/00, which deregulated the telecommunications market, to the enactment of four new sets of rules that will govern the License, Interconnection, Universal Service and Radio-electric Spectrum regimes.

The new law maintains the single country-wide license scheme and the individual registration of the services to be rendered, but replaces the name telecommunication services with Information and Communications Technology Services (“TIC Services”, for their Spanish acronym). Notwithstanding this, the scope of the licenses originally granted to Cablevisión, its merged companies and/or subsidiaries and related companies that exploit telecommunication licenses and their respective registrations of services, remain unaltered.

The license is called “*Licencia Única Argentina Digital*” and allows licensees to render any telecommunication services to the public, be they fixed or mobile, wired or wireless, national or international, with or without the licensee’s own infrastructure.

The TIC Services registered with the SECOM under the name of Cablevisión, its merged companies and/or subsidiaries and related companies that exploit telecommunication licenses are the following: Data Transmission, Paging, Videoconference, Community Retransmission, Transport of Broadcast Signals, Value-Added, Radio-Electric Trunking, Internet Access, Public Telephony, Local Telephony and National and International Long-Distance Telephony.

The law created a new enforcement and oversight Authority as a decentralized agency under the jurisdiction of the Executive Branch, the Information and Communications Technology Federal Enforcement Authority (“AFTIC”, for its Spanish acronym).

The new law maintained the obligation to contribute 1% of telecommunication service revenues, net of taxes and charges, to be used for Universal Service investments (this obligation had been imposed by Decree No. 764/00 on all service providers as from January 1, 2001), but the Universal Service Trust Fund was placed under State control. Until August 2015, the manager of such trust fund was Banco Itaú Argentina S.A., which received the requests from Cablevisión and its merged companies and/or subsidiaries and related companies that exploit telecommunication licenses to join the Trust Agreement.

The Argentine Secretariat of Communications has yet to decide on the approval of the Project submitted by Cablevisión on June 21, 2011, within the framework of SECOM Resolution No. 9/2011 which created the “Infrastructure and Equipment” program, whereby telecommunication service providers were allowed to submit projects aimed at developing new infrastructure, updating existing infrastructure and/or acquiring equipment for areas without coverage or with unmet needs, in order to meet the obligation to make contributions to the Universal Service Trust Fund for the amounts accrued as from January 2001 until the entry into force of Decree No. 558/08.

Another innovation of Law No. 27078 was the creation of a new public service under the name “Public and Strategic Infrastructure Access and Use Service for and among Providers”. The right of access included “providers having to make available to other providers their network elements, associated facilities or services to render TIC services, even when such elements are used to render audiovisual content services.” Under this scheme, the government seeks to make private companies that were created and developed in competition share their networks with other companies that have not made any investments.

The foregoing applied to any provider that has its own infrastructure or networks, because the term “Associated facilities” is defined as physical infrastructures, systems, devices, associated services or other facilities or elements associated with a telecommunications network or with TIC Services that enable or support the provision of services using that network or service, or that have the potential to do so; and will include, inter alia, buildings or building entrances, building wiring, antennas, towers and other supporting constructions, ducts, masts, manholes, and cabinets (See Note 28.3).

As of the date of issuance of these interim consolidated financial statements Law No. 27078 is partially regulated.

28.3. Emergency Decree No. 267/15. Convergence

Emergency Decree No. 267/15 (the “Emergency Decree”), issued on December 29, 2015 and published in the Official Gazette on January 4, 2016, creates ENACOM as a decentralized and autarchic agency under the jurisdiction of the Ministry of Communications and vests the new agency with authority to enforce Laws Nos. 26522 and 27078, as amended and regulated. The ENACOM has all the same powers and competences as those that had been vested in AFSCA and AFTIC by Laws Nos. 26522 and 27078, respectively.

Among the main amendments introduced by the Emergency Decree with respect to both laws, the most remarkable is the repeal of Section 161 of Law No. 26522, which set forth the obligation to conform to the provisions of this law with respect to ownership conditions and the number of licenses. Section 45 of Law No. 26522, which establishes the multiple license regime, has been significantly amended. As a result, the Company and its subsidiaries that are licensees and/or owners of audiovisual communication services already conform to the new regulatory framework.

Under the new regulatory framework, the licenses for physical link subscription television services and for radio-electric link subscription television services held by the Company and its subsidiaries that had been granted under Laws Nos. 22285 and 26522 are now called “Registrations” for the exploitation of physical link subscription television services and radio-electric link subscription television services of a *Licencia Única Argentina Digital*.

Pursuant to this amendment (Section 7 of the Emergency Decree, which amends, among others, Section 10 of Law No. 27078), all the services exploited by the Company and some of its subsidiaries and related companies are now governed by the Digital Argentina Act. The only license held by the Company that could be considered to be still subject to the LSCA is the registered title of the signal METRO, since this signal is broadcast through other services that acquire it for that purpose, and, therefore, it has a registration number issued by AFSCA that must be renewed on an annual basis.

As far as the Company, its controlling company and its subsidiaries are concerned, the Emergency Decree eliminates:

- (i) The incompatibility to provide in the same location broadcast television services and subscription television services. When subscription television services are exploited through physical or radio-electric link, they will be subject to the Digital Argentina Act pursuant to Section 7 of the Emergency Decree which amends, among others, Section 10 of Law No. 27078;
- (ii) The limit of 10 licenses for radio-electric link subscription television services and 24 licenses for physical link subscription television services, which are considered to be TIC services as from January 4, 2016, date on which the Emergency Decree became effective; and

- (iii) The limit that provided that physical link and radio-electric link subscription television services may not reach more than 35% of all subscribers.

As far as Cablevisión is concerned, the Emergency Decree repeals Section 15 of Law No. 27078, which created a new public service under the name “Public and Strategic Infrastructure Access and Use Service for and among Providers”. The right of access included “providers having to make available to other providers their network elements, associated facilities or services to render TIC services, even when such elements were used to render audiovisual content services.”

Due to the fact that physical link and radio-electric link subscription television services are now subject to the Digital Argentina Act:

- (iv) These services no longer fall within the scope of Section 45 of the LSCA, which sets forth the new multiple license regime for Audiovisual Communication Services;
- (v) The registration of physical link subscription television services is no longer limited to a specific territorial area. The same is not the case with radio-electric link subscription television services because of the portion of the spectrum allocated to render these services;
- (vi) Both registrations, for physical link subscription television services and for radio-electric link subscription television services, are no longer subject to expiration terms. However, the portions of the spectrum allocated to render radio-electric link subscription television services do have expiration terms. The duration of such services shall be the longest of the term-provided under their original title, or 10 years counted as from January 1, 2016.

Notwithstanding point iii) above, ENACOM Resolution No. 427/2016, provides that licensees that hold only one license to provide a certain type of service and have requested an extension of its term but have not obtained an express decision in this respect, must ratify their requests. Therefore, some of the companies in which the Company holds an equity interest have made filings to such end.

However, it should be noted that pursuant to Section 21 of the Emergency Decree and until the enactment of a law that shall unify the fee regime provided under Laws Nos. 26522 and 27078, the physical link and radio-electric link subscription television services exploited by the Company and/or its Subsidiaries will continue to be solely subject to the fee regime provided under Law No. 26522. They shall not be subject to a 1% contribution of their revenues or to the payment of the Control, Oversight and Verification Fee provided under Sections 22 and 49 of Law No. 27078.

The Company will follow the procedure established under ENACOM Resolution No. 427/16 in order to report, using the online application provided by the ENACOM to such end, the territorial location of its services, indicating the original coverage area, the supplementary territorial units and/or area extensions in which it currently renders services.

In addition, and pursuant to ENACOM Resolution No. 1394/16, which approves the General Rules for Physical Link Subscription Television Services and/or Radio-Electric Link Subscription Television Services, in those cases in which the Company and/or any of its subsidiaries purchased bidding forms to apply for a new license because its term had expired or to apply for an area extension, the applicants amended their filings and converted them into a request for authorization of coverage area.

The new General Rules also order providers of both types of services to guarantee their compliance with a programming grid in each Coverage Area. The Company states that it already complies with all the obligations derived from such Resolution.

Pursuant to the Emergency Decree, the providers of the Basic Telephone Service whose licenses were granted under the terms of Decree No. 62/90 and paragraphs 1 and 2 of Section 5 of Decree No. 264/98, as well as Mobile Telephone Service providers with a license granted pursuant to the list of bidding conditions approved by Resolution No. 575/93 of the then Ministry of Economy and Public Works and Services and ratified by Decree No. 1461/93, shall only be able to provide subscription broadcasting services by means of physical or radio-electric link after a term of two years counted as from January 1, 2016. That term may be extended for one more year.

The Emergency Decree was approved on April 6, 2016, by the National Chamber of Deputies. Therefore, it has full force and effect.

Finally, in order to enhance the convergence of networks and services under conditions of competition, promote the deployment of next generation networks and the penetration of broadband Internet access services across the national territory, the Executive Branch issued Decree No. 1,340/16 on December 30, 2016. Among other things, the Decree:

- Provides for the protection for fifteen years of last mile fixed NGN for broadband Internet services that may be deployed by the licensees of TIC services with respect to the rules for open access to broadband services.
- Orders the issuance of regulations for the following purposes:
 - To call for a Public Bid for the allocation of new frequency bands for mobile services.
 - To ensure the re-allocation of radio-electric spectrum frequencies with economic compensation and shared use to frequencies previously allocated to other services, and to allocate such frequencies to providers of TIC Services that request to reuse them to render mobile services or fixed wireless services with LTE or higher technologies.
 - To allocate radio electric spectrum frequencies on demand, imposing compensation, deployment and coverage obligations on the current local or regional providers of TIC services and on the current providers of mobile communication services.
- Sets forth that the persons restricted under Decree No. 267/15 from rendering physical or radio-electric link subscription television services may request the corresponding registration and begin to provide those services in certain areas as from January 1st, 2018.
- Recognizes that the holders of satellite link subscription television services licenses that as of December 29, 2015 rendered TIC services may maintain the ownership of both services.
- Orders the Ministry of Communications to guarantee the interconnection principles provided under the applicable legislation in order to ensure the impartiality, non-discrimination and fair competition among providers of mobile services, restricting the possibility of delaying or hindering the technical, interconnection, operational or any other conditions that may create barriers for other providers to enter the market.

28.4. Matters related to the regulatory situation of the Company

28.4.1. Proposal to conform to the provisions of Law No. 26522

Pursuant to ENACOM Resolution No. 17/2016 dated February 1, 2016, the new enforcement authority recognized that all the files and/or administrative proceedings pending resolution containing requests made under the regime approved by Section 161 of Law No. 26522 and its regulations, among which is the proposal submitted by the Company and its controlling company comply with the limits relating to multiplicity of licenses set forth under Section 45 of Law No. 26522 amended by the Emergency Decree. Therefore, they shall be deemed concluded and filed. In the same administrative act, the ENACOM revoked Resolution AFSCA No. 1,121/2014, whereby the AFSCA had ordered the ex officio transfer procedure.

28.4.2. Fibertel license

The Ministry of Communications, as the highest government agency, replacing the MINPLAN with respect to this specific competence, issued Resolution No. 5/2016, which was notified on February 29, 2016, whereby it revoked SECOM Resolution No. 100/2010 for legitimacy reasons. This Resolution, which had been issued by the former Secretariat of Communications, had revoked the exclusive telecommunication service license held by Fibertel S.A., which was merged into Cablevisión S.A.

The ENACOM issued Resolution No. 1359/16, whereby it authorized the transfer of ownership of the Exclusive Telecommunication Service License that had been granted to Fibertel S.A., a company that was absorbed by Cablevisión S.A. in a merger with effect as from April 1, 2003.

28.4.3. Nextel

28.4.3.1 Regulatory Approval of the Acquisition of Nextel

On September 24, 2015, the Official Gazette published AFTIC Resolution No. 326/15, whereby that agency ordered Nextel to render without effect within a term of 30 days, the sale of a non-majority portion of its shares because it allegedly contravened effective legislation and could be sanctioned with the revocation of its license pursuant to the Communications and Information Technology Law.

On October 9, 2015, Grupo Clarín S.A. and Cablevisión filed the corresponding appeals against Resolution No. 326/2015, arguing that they had standing based on their acquisition of 49% of the licensee and stating that the change of control alleged by AFTIC had not occurred.

Nextel requested the suspension of the effects of Resolution No. 326/2015 and also filed an appeal against that administrative act.

On January 29, 2016, the Company and Nextel appeared before the ENACOM pursuant to Section 8 of Decree No. 267/15, which amends Section 13 of Law No. 27,078 in order to request authorization for the transfer of control, in full compliance with the new legal framework.

On February 22, 2016, the ENACOM issued Resolution No. 133/2016, whereby it partially admitted the appeals that had been filed against AFTIC Resolution No. 326/2015, in order to consider the Company's request for approval of the transfer of control.

On March 7, 2016, the ENACOM issued Resolution No. 280/2016, whereby it authorized the change of control of Nextel, in favor of Cablevisión S.A.

This transaction is subject to the corresponding administrative approval of the CNDC.

28.4.3.2 Status of the frequencies allocated to Nextel

Through Resolution No. 325/2015, AFTIC decided, abruptly and without prior notice of its decision, to dismiss the requests for extensions of certain frequencies allocated to Nextel, revoking Nextel's licenses over such frequencies in that same act.

On October 9, 2015, Grupo Clarín and the Company filed an appeal against AFTIC Resolution No. 326/2015 grounding their legitimate interest on their acquisition of 49% of the licensee.

Nextel first requested the suspension of the effects of Resolution No. 325/2015, and then filed an appeal against the administrative act.

The ENACOM issued Resolution No. 134/2016, whereby it decided to grant partially the appeal filed by Nextel against AFTIC Resolution No. 325/2015. Even though this Resolution did not entail the automatic extension of the frequencies involved, the ENACOM ordered the corresponding areas to analyze each file to verify compliance with the requirements of the effective regulatory framework to be eligible to obtain the requested extensions.

The ENACOM issued Resolution No. 281/16, whereby it authorized the extensions of the authorizations for the use of the frequencies that had been dismissed and revoked through Resolution No. 325/2015 for a term of 10 years counted as from the original expiration.

28.4.3.3 Other requests for authorization filed with the ENACOM

On June 22, 2016, Nextel made a filing with the ENACOM in order to request authorization for direct and indirect share transfers that would imply a direct and/or indirect change of control in favor of Nextel, pursuant to Section 13 of Law No. 27,078, with respect to the licensees of telecommunication services listed below:

- Fibercomm S.A.
- Trixco S.A.
- Callbi S.A.
- Infotel S.A.
- Skyonline de Argentina S.A.
- Netizen S.A.
- Eritown Corporation Argentina S.A.

Within the required term, on January 6, 2017, the ENACOM issued Resolution No. 111/2017, which under Section 1 authorizes the share transfers mentioned above.

The filing made on June 22, 2016 also included a request to change the allocation of a portion of the spectrum that corresponds to the licensees acquired by the Company in order to render 4G services, which was not addressed in ENACOM Resolution No. 111/2017.

Notwithstanding the foregoing, taking into consideration the new regulations provided under Decree No. 1,340/16 and Resolution No. 171/2017 issued by the Ministry of Communications, Nextel reformulated the original request in accordance with the new effective regulations, thus initiating a new administrative file. In this last filing, the Company finally requested:

- The beginning of a Refarming process with Economic Compensation as provided under Resolution No. 171/2017;
- The authorization of the agreements executed by Nextel with the licensees acquired by the Company to operate the services registered by Nextel with the portion of the spectrum allocated to those licensees to render their respective services;
- The approval of the registration by Nextel of the advanced mobile telecommunications Service; and,
- The authorization of the change that allows for:
 - Changing the allocation and channeling on a primary basis of the 905-915 MHz and 950-960 MHz bands to render advanced mobile communication services at national level with primary status; and,
 - Enhancing the allocation of the frequency bands and changing the channeling of the 2500 MHz band to the 2690 MHz band to render advanced mobile communication services at national level with primary status.

By means of Resolution ENACOM No. 1,033/2017, the ENACOM provided for the use of the frequency bands between 905 and 915 MHz and between 950 and 960 MHz for the rendering of the advanced mobile communications services ("SCMA") and by means of Resolution ENACOM No. 1,034/2017, the ENACOM provided for the use of the frequency band between 2500 and 2690 MHz for the provision of SCMA, in addition to the current services when their coexistence is possible.

On March 6, 2017, Nextel was served with Resolution ENACOM No. 1,299 /2017, which was published in the Official Gazette on March 7, 2017 and approves the project for Refarming with Economic Compensation, filed by that company to provide SCMA in the frequencies that had been subject to change in allocation pursuant to ENACOM Resolutions No. 1,033 and 1,034/2017.

In addition, the ENACOM decided to register Nextel as provider of advanced mobile communication Services in the Registry of Services; and to authorize the use of above-mentioned frequencies.

In the same resolution and as part of the authorization, that agency imposed additional Coverage Obligations on Nextel.

It also imposes two obligations that must be fulfilled prior to initiating the rendering of advanced mobile communication services: (i) the return of the proposed radio-electric spectrum; and (ii) the creation of a guaranty issued in favor of and satisfactory to ENACOM for an amount equal to the value of the radio-electric spectrum that is subject to return.

The Resolution also orders that Nextel shall post a performance bond to guarantee the obligations and responsibilities undertaken by that company to be issued in favor and to the satisfaction of the ENACOM for the amount and under the terms that shall be set forth in the contract to be executed with the ENACOM. That contract shall establish, apart from the economic compensation to be paid by Nextel, the terms, conditions, goals, obligations and other matters inherent to the rendering of the advanced mobile communication Services authorized by that agency with Nextel shall be bound.

28.4.4. Programming Grid

AFSCA Resolution No. 296/2010, as amended and/or supplemented, provided guidelines for the organization of the programming grids that had to be followed by the owners of subscription television audiovisual services. This resolution regulated section 65, subsections a) and b) of the LSCA and supplemented the provisions of the regulations to the same section of Decree No. 1225/2010.

In spite of Cablevisión's efforts to organize its programming grids in accordance with the provisions of section 65 of the LSCA, the AFSCA initiated multiple summary proceedings in connection with the cable television licenses of which Cablevisión is the lawful successor. AFSCA contended that Cablevisión had failed to comply with the regulations set forth by AFSCA Resolution No. 296/2010. Cablevisión submitted the responses set forth under section 1, Exhibit II of AFSCA Resolution No. 224/2010 in connection with such accusations. A decision has been rendered on some of the summary proceedings and, as a result, a fine was imposed on the Company, while other proceedings are pending resolution. The Company has appealed these decisions. Some of the appeals filed by Cablevisión have been decided against it and have again been appealed.

Insofar as the Company is concerned, as of the date of these financial statements, an injunction issued in re "CABLEVISIÓN S.A. C. ESTADO NACIONAL Y OTRO S. AMPARO" by the Federal Court of Appeals of the City of Mar del Plata, whereby that Court revoked the decision rendered in the First Instance, remains in full force and effect. The decision rendered in the First Instance had ordered the dismissal of Cablevisión's request. The Court of Appeals ordered AFSCA to suspend – until a final decision was rendered on the matter – the application of the penalties derived from the alleged non-compliance with section 65 of LSCA and Decree No. 1225/2010. Therefore, it also suspended the application of section 6 of AFSCA Resolution No. 296/2010 on the grounds that Cablevisión's alleged serious non-compliance was not contemplated in the Law or in the Decree. The National Government filed an appeal to have the case brought before the Supreme Court. Such appeal was dismissed. Consequently, AFSCA filed a direct appeal with the Supreme Court, which is still pending resolution.

In re "AFSCA c/ CABLEVISION SA DTO. 1,225/10 – RES. 296/10 s/ PROCESO DE CONOCIMIENTO", currently pending before the Federal Court of First Instance on Administrative Matters No. 9, on May 16, 2012 the Court granted an injunction that had been requested by AFSCA, ordering Cablevisión and/or the pay television audiovisual services it exploits, to conform to Section 65, paragraph 3 b), of Decree

No. 1225/2010 and Sections 1, 2, 3, 4 and 5 of AFSCA Resolution No. 296/2010 until a final judgment is rendered on the merits of the case. The Company has appealed such injunction.

On August 6, 2012, the Company was served notice of a decision rendered by the Federal Court of First Instance on Administrative Matters No. 9 of the Autonomous City of Buenos Aires, whereby that court imposed a fine on Cablevisión of Ps. 20,000 per day for each day of delay in complying with the injunction that ordered the Company to comply with Section 65 of Decree No. 1225/2010 and AFSCA Resolution No. 296/2010. The Company filed an appeal against that decision in due time and form. However, the Court of Appeals ignored the strong grounds asserted by the Company, partially confirmed the decision rendered in the first instance, and reduced the fine to Ps. 2,000 per day for each day of delay, to be calculated as from the date the decision is deemed final. The Company filed an extraordinary appeal to have the case heard by the Supreme Court, but the appeal was rejected by the Court of Appeals. The Company filed a direct appeal before the Supreme Court, which was rejected.

On October 21, 2013 the Company was served with new charges brought for alleged noncompliance with AFSCA Resolution No. 296/2010, clearly violating the preliminary injunction mentioned above. Accordingly, the Company filed an appeal, but no decision has been rendered on the matter as of the date of these financial statements.

On December 23, 2013, the Company informed AFSCA of its new programming grid in digital and analogue systems, expressly maintaining the Company's reservation of its right to continue challenging the legality and constitutionality of section 65 of Decree No. 1225/2010 and AFSCA Resolution No. 296/2010, as amended.

Section 7 of the Emergency Decree, which amends, among other things, Section 10 of Law No. 27078 provides that all the physical link and radio electric link subscription television services shall be governed by the Digital Argentina Act. Therefore, the Company is no longer subject to Section 65 and its implementing regulations.

The new General Rules approved by ENACOM Resolution No. 1,394/16 order providers of both types of services (physical and radio-electric link) to guarantee their compliance with a programming grid in each Coverage Area. The Company states that it complies with all the obligations set out under that Resolution.

28.5. Audiovisual Communications Law of the Republic of Uruguay

Law No. 19307 was published in the Official Gazette of the Republic of Uruguay on January 14, 2015. This Law governs radio, television, and other audiovisual communication services (hereinafter, the "Audiovisual Communications Law"). Section 202 of this law provides that the Executive Branch shall issue the implementing regulations for this law within a 120-day term as from the day following the publication of this law in the Official Gazette. As of the date of the financial statements, only Decree No. 45/015 has been issued, but the implementing regulations for most of the sections of this law are still pending. Such Decree provides that the concession for the use and allocation of the radio-electric spectrum for non-satellite audiovisual communication services shall be granted for a term of 15 years.

Section 54 of the Audiovisual Communications Law provides that an individual or legal entity cannot be allocated the full or partial ownership of more than six authorizations or licenses to render television services to subscribers throughout the national territory of Uruguay. Such limit is reduced to three if one of the authorizations or licenses includes the department of Montevideo. Section 189 of this law provides that in the cases where such limits were exceeded as of the entry into force of the Law, the owners of those audiovisual communication services shall transfer the necessary authorizations or licenses so as not to exceed the limits mentioned above within a term of 4 years as from the date of entry into force of the Audiovisual Communications Law.

Adesol S.A. is analyzing the possible impact on its business that could be derived from the change in the regulatory framework and the eventual legal actions it may bring to safeguard its rights and those of its shareholders. That company is also monitoring the different unconstitutionality claims filed by other companies against certain sections of the above-mentioned law to consider whether the decisions to be

rendered by the Supreme Court in those proceedings may be favourable to the position of Adesol S.A. in the future. As of April 7, 2016, 28 unconstitutionality claims had been brought against the above-mentioned law. To date, the Supreme Court has issued 28 decisions, whereby it declared the unconstitutionality of Section 39 subsection 3, Section 55, Section 56 subsection 1, Section 60 point C, Section 98 subsection 2, Section 117 subsection 2, Section 143 and Section 149 subsection 2 of Law No. 19,307. It should be noted that in some of these judgments the Supreme Court dismissed the unconstitutionality claim filed by the claimant with respect to Section 54 of that Law

NOTE 29 PROVISIONS AND OTHER CHARGES

	12.31.2016	12.31.2015
Non-Current	Ps.	
Accrual for asset retirement	228,237,296	10,514,287
Provisions for lawsuits and contingencies	726,799,507	271,389,526
	<u>955,036,803</u>	<u>281,903,813</u>

Movements of the provisions and other charges:

	Accrual for asset retirement	Provisions for lawsuits and contingencies	Total
	Ps.		
Balance at 1 January, 2015	9,515,603	192,071,075	201,586,678
Increases / reclassifications	998,684	42,995,499	43,994,183
Accrual of interest	-	64,053,251	64,053,251
Uses	-	(27,741,569)	(27,741,569)
Currency translation of foreign operations	-	11,270	11,270
Balances at December 31, 2015	<u>10,514,287</u>	<u>271,389,526</u>	<u>281,903,813</u>
Balance at 1 January, 2016	10,514,287	271,389,526	281,903,813
Incorporation of acquired company balances	100,557,703	285,803,602	386,361,305
Increases / reclassifications	119,221,644	120,896,835	240,118,479
Accrual of interest	-	132,389,476	132,389,476
Uses	(2,056,338)	(83,679,932)	(85,736,270)
Balances at December 31, 2016	<u>228,237,296</u>	<u>726,799,507</u>	<u>955,036,803</u>

29.1. Legal and administrative processes and other commitments

a) As from November 1, 2002 and until December 31, 2016, the COMFER, then AFSCA, today ENACOM have initiated summary administrative proceedings against the Company and Multicanal (merged into Cablevisión) for infringements of regulations relating to programming content. Accordingly, a provision has been set up in this regard.

b) The CNDC initiated three legal actions following complaints filed by other cable television companies under Law No. 25156 alleging an improper refusal by Dayco Holdings Ltd. ("Dayco"), a subsidiary of Fintelco S.A., to sell rights to broadcast South American qualifying football matches of the Korea/Japan 2002 World Cup. On February 14, 2003, the CNDC served the Company notice of the complaint in one of the legal actions to provide explanations.

The Technical Coordination Head of the Ministry of Economy and Production resolved that the proceedings related to one of the actions above should be closed. Although Dayco submitted the required responses and the Company did the same on March 10, 2003, decision by the CNDC is still pending.

The Company and Multicanal are a party to several administrative proceedings within the framework of the Antitrust Law, facing charges of restrictive behavior, including the territorial division of markets, price discrimination, abuse of a dominant position, refusal to deal and predatory pricing. They are also party to a proceeding filed by the Cámara de Cableoperadores Independientes (Chamber of Independent Cable Operators), objecting the transactions effected on September 26, 2006 described in Note 4.a).

On July 16, 2010, the SCI notified Cablevisión and Multicanal of the content of Resolution No. 219/2010, whereby the Secretary of Domestic Trade decided to declare both companies responsible for having agreed to divide among themselves the pay television market of the City of Santa Fe. Consequently, it imposed a joint and several fine of Ps. 2.5 million to each company. On July 26, 2010, both companies appealed the

resolution, presenting new arguments in connection with the application of statutes of limitation, which had already been alleged prior to the issuance of the resolution.

On June 4, 2012, the Federal Court of Appeals of Rosario partially confirmed SCI Resolution No. 219/2010, whereby the Secretary of Domestic Trade found that Cablevisión and Multicanal had engaged in market sharing practices in connection with the paid-television service in the City of Santa Fe and reduced the fine imposed on each of the companies involved from Ps. 2.5 million to Ps. 2 million. However, this decision is not yet final, because Cablevisión and Multicanal and the Ministry of Economy filed appeals which are still pending before that Court of Appeals. On October 21, 2014, the Argentine Supreme Court dismissed the appeals; therefore, Resolution No. 219/2010 became final. The case is currently pending with the Court of Appeals of Rosario, which shall order its referral to the SCI. The SCI, in turn, shall serve notice to the companies involved in order for them to pay the fine.

On March 1, 2011, the SCI served notice to Multicanal and Cablevisión of the content of Resolution No. 19/11, whereby the Secretary of Domestic Trade found that both companies had engaged in market sharing practices in connection with the paid television service in the City of Paraná, and imposed a fine of Ps. 2.5 million on each of them. The Company filed an appeal in due time and form. This appeal was dismissed by the Federal Court of Appeals of Paraná. Therefore, the Company filed an appeal with the Argentine Supreme Court. On November 4, 2011, the appeal to the Supreme Court of Argentina filed by the Company in connection with SCI Resolution No. 19/11 was partially granted by the Federal Court of Appeals of Paraná.

On August 30, 2012, the Argentine Supreme Court dismissed the appeal filed by the Company; therefore, Resolution No. 19/11 became final. The case is currently pending with the Court of Appeals of Paraná, which shall order its referral to the SCI. The SCI, in turn, shall serve notice to the companies involved in order for them to pay the fine.

The investigations carried out by the CNDC and SCI may lead to the imposition of more fines pursuant to Law No. 25156, which would be appealable. The eventual fines would be graduated based on: (i) the loss incurred by the persons affected by the allegedly prohibited activity; (ii) the benefit obtained by all the persons involved in the prohibited activity and (iii) the value of the assets involved owned by the persons indicated in item (ii) above at the time the alleged violation was committed. To date, there is not any standard criterion on the application of the above-mentioned parameters.

While Cablevisión believes that its conduct and that of Multicanal have always been within the bounds of the Argentina antitrust law and regulations, and that their positions in each of these proceedings are reasonably grounded, it can give no assurance that any of these cases will be resolved in its favor.

c) In 2003, ELP Investments filed a criminal complaint in Argentina against certain individuals related to the Hicks Muse Tate & Furst Group (“HMTF”), including some who were Directors of the Company. The criminal complaint, which was filed by a person that is not a shareholder or creditor of Cablevisión, challenged certain operations undertaken by the Company. Although the Company believes that the party filing the complaint was not entitled to do so, and that the allegations by ELP Investments were false or wrongly presented, the court handling this case ordered searches at the Company’s offices, as well as the seizure of certain of the Company’s corporate books. On June 27, 2003, the criminal court appointed an agent to gather information regarding the case at the Company’s offices for a forty five-day period. On September 16, 2003, this period was extended for forty five additional days. The Company and the Directors affected by the complaint have each denied the allegations and have offered supporting evidence and the Company appealed the court’s appointment of the agent. On October 21, 2003, Chamber IV of the Criminal Court of Appeals declared the nullity of all the decisions made and actions taken by the lower court judges. The litigation, however, continued through the filing of remedies before the Court of Cassation on Criminal Matters (the highest criminal court) and the Argentine Supreme Court. The Court of Cassation on Criminal Matters has resolved to revoke partially the decision of Chamber IV, although the majority of the court upheld the principles and grounds of Chamber IV’s decision. Notwithstanding the aforesaid, the Court of Cassation on Criminal Matters decided that certain motions relating to pending injunctions be resolved prior to any further action in the proceeding. It should be noted that after the share transfers made in 2006, the

companies represented by the parties involved in the above mentioned case have ceased to be shareholders of the Company. Cablevisión has never been a party to the case. On July 3, 2009 Chamber IV of the Criminal Court held that since the court appointed agent was no longer gathering Company information, the petitions filed against such appointment were moot.

On May 11, 2010, the Court of First Instance on Preliminary Criminal Matters declared the criminal action extinguished pursuant to applicable statutes of limitations and therefore finally acquitted the accused from all the crimes denounced by ELP Investments. Such resolution was appealed by the intervening prosecutor, and Chamber IV of the Court of Appeals on Criminal and Correctional Matters must now render a decision on the matter. Such Chamber has suspended the proceedings dealing with the incidental demand dealing with the application of statutes of limitation to the criminal action. This suspension results from a new plea filed by the former plaintiff, ELP Investments that wishes to be a party to the incidental demand. To date, Chamber IV has not allowed former plaintiff, ELP Investments, to be a party to the incidental demand. This demand has given rise to claims by ELP Investments and to an appeal before the Court of Cassation on Criminal Matters, which is still pending.

d) The Government of the City of Mar del Plata enacted Ordinance No. 9,163, governing the installation of cable television networks. Such ordinance was amended and restated by Ordinance No. 15,981 dated February 26, 2004, giving cable companies until December 31, 2007 to adapt their cable networks to the new municipal requirements. The ordinance provides that in those areas where street lighting has underground wiring, cable television networks are to be placed underground. The Executive Department of the Municipality of General Pueyrredón has submitted to the Municipal Council a proposed ordinance extending the term provided until December 31, 2015. The bill is no longer valid because the Municipal Council did not discuss it during the legislative period in which it was submitted. Even though the ordinance provides for certain penalties that may be imposed, the city has not imposed such penalties to cable systems that are not in compliance with such ordinance.

e) Multicanal has initiated several legal actions seeking the nullity of: i) all the ordinary shareholders' meetings held by Supercanal Holding S.A. from the year 2000 to the date hereof and ii) the sureties granted by Supercanal S.A. securing bank loans granted exclusively for the benefit of the controlling group of Supercanal Holding S.A. (Grupo Uno S.A. and its affiliates). In addition, a legal action was filed seeking the dissolution and liquidation of Supercanal Holding S.A. together with a legal action seeking the removal of all the members of the Board of Directors and the Supervisory Commission and the dissolution of Supercanal Capital N.V. Supercanal Holding S.A. On March 29, 2000 Supercanal filed for concurso preventivo (judicial restructuring proceedings) with the National Court of First Instance on Commercial Matters Court No. 20, Clerk's office No. 40, and the proceedings began on March 27, 2001. On December 26, 2007 the court dismissed the objections filed against such proceedings, and confirmed the restructuring proposal. Such ratification was appealed by secured creditors. On October 30, 2009, the Court of Appeals revoked the confirmation of the restructuring proposal and requested the company under reorganization to provide certain explanations and clarifications on the proposal filed and to grant a guarantee to creditors that had been secured with a pledge on the shares of the original shareholders. Supercanal filed a document stating that it had complied with both requirements and providing a guarantee in the amount of Ps. 2 million for the benefit of such secured creditors. On March 3, 2011, the first instance judge again confirmed the restructuring proposal. Such judgment was again appealed by the secured creditors. On December 28, 2011, Chamber A of the Court of Appeals partially revoked the decision of the first instance judge, maintaining the confirmation of the proposal filed by Supercanal Holding S.A. but providing that the guarantee for the creditors secured with pledges on shares should be US\$ 30 million.

On April 23, 2012, a decision was rendered on one of the claims brought by Multicanal against Supercanal ordering the nullification of the decisions made at Supercanal's Shareholders' Meeting held on January 25, 2000 in considering points 2, 4, 5 and 6 relating to: i) the capital reduction to Ps. 12,000; ii) the cancellation of the shares corresponding to the reduced capital; iii) the capital increase to Ps. 83,012,000; iv) the delegation to the Board of Directors of the fixing of the term for the subscription and payment of the increase and the cancellation and registration of outstanding shares; and v) the amendment of the by-laws in connection with the changes in the capital stock in a new shareholders' meeting.

Such decision was appealed by both parties and the appeal is pending before the Court of Appeals.

On December 12, 2001, Supercanal Holding S.A. filed a claim against Multicanal for damages as a result of the enforcement of a preliminary injunction brought by Multicanal in re: "Multicanal S.A. c/Supercanal Holding S.A. s/sumario". The injunction, which was later reversed, sought to nullify the January 25, 2000 Extraordinary Shareholders' Meeting of Supercanal Holding S.A. At that meeting, the shareholders of Supercanal Holding S.A. reduced the capital stock of Supercanal Holding S.A. to Ps. 12,000 and subsequently increased it to Ps. 83,012,000. Supercanal Holding S.A. claims that the suspension of the effects of the January 25, 2000 shareholders' meeting caused that company's inability to meet its ordinary course payments when due. Multicanal responded to such claim denying any liability on the grounds that Supercanal Holding S.A.'s inability to pay its obligations when due had begun before the date of the suspension of the shareholders meeting according to documentation provided by the plaintiff itself. Furthermore, the suspension of the meeting did not prevent capitalization of Supercanal Holding S.A. through other means. Based on the records of the case, Cablevisión, as Multicanal's continuing company considers that the claim should be rejected in its entirety, and the legal costs should be borne by the plaintiff. The case is in the discovery period. The court of First Instance has dismissed Supercanal Holding S.A.'s request that it be allowed to sue without paying court fees or costs and that decision has been confirmed by the National Court of Appeals.

No assurance can be provided that the Company will obtain an economic or financial gain as a result of these actions. At present, as a result of the ancillary jurisdiction of the "concurso preventivo" ("bankruptcy proceedings") proceedings of Supercanal Holding S.A., all the claims are brought in the abovementioned Court.

f) The litigation brought before the Civil, Commercial, Mining and Labor Court of the City of Concarán, Province of San Luis, in early 2007 in re "Grupo Radio Noticias SRL c/ CableVisión y otros" is still pending before the Federal Court on Administrative Matters No. 2. The purpose of that claim was to challenge the share transfers mentioned in Note 1.2.a) and to request the revocation of Cablevisión's broadcasting licenses. The Company has responded to such claim and believes it is very unlikely that it will be admitted. The claimant has abandoned the claim it had brought, and the claimant's attorney must provide evidence of his attorney powers.

g) Multicanal has become aware of a legal action (the contents of which have not yet been notified to it as of the date of these financial statements) brought against it by an entity representing consumers and alleged financial victims (and by six other individuals), claiming damages suffered by noteholders – individuals who are not professional investors or consumers – derived from Multicanal's Acuerdo Preventivo Extrajudicial ("Out-of-court Reorganization Proceeding" or "APE"). Since neither Multicanal nor the Company, as Multicanal's continuing company, have been served notice of the claim, we cannot ascertain its outcome for the Company.

h) On January 22, 2010, the Company was served notice of CNDC Resolution No. 8/10 issued within the framework of File No. 0021390/2010 entitled "Investigación de Oficio de los Abonos del Televisión Paga (C1321)". Pursuant to this Resolution, the Company and among other companies was ordered to refrain from conducting collusive practices and, particularly, from increasing the price of cable television subscriptions for a term of 60 days, counted as from the date all required notices are certified on the court record as completed. According to said Resolution, companies that have already increased the price of their subscriptions shall return to the price applicable in November 2009 and maintain such price for the abovementioned term.

On February 2, 2010, by means of Resolution No. 13/10, the CNDC ordered the Company to refund to its subscribers in the March 2010 invoices the amount of any price increase made after the date of CNDC Resolution No. 8/10.

The company appealed both resolutions in due time and form and their effects were suspended by an injunction granted by Chamber No. 2 of the Federal Civil and Commercial Court of Appeals at the request

of the Company. The National Government filed an appeal with the Supreme Court against this decision, and the appeal has been dismissed.

On October 4, 2011, Chamber No. 2 of the National Court of Appeals on Federal Civil and Commercial Matters granted the appeal filed against both decisions in re “Cablevisión and Other on Appeal against the Decision rendered by the National Antitrust Commission” (File 1,473/2010), declaring Resolution No. 8/10 moot and nullifying Resolution No. 13/10.

The National Government filed an appeal with the Supreme Court of Argentina against the decision rendered by Chamber No. 2, which was granted but was finally rejected by the Supreme Court of Argentina.

i) SCI Resolution No. 50/10 approved certain rules for the sale of pay television services. These rules provide that cable television operators must apply a formula to estimate their monthly subscription prices. The price arising from the application of the formula was to be informed to the Office of Business Loyalty (Dirección de Lealtad Comercial) between March 8 and March 22, 2010. Cable television operators must adjust such amount semi-annually and inform the result of such adjustment to said Office.

Even though as of the date of these financial statements, the Company cannot assure the actual impact of the application of this formula, given the vagueness of the variables provided by the Resolution to calculate the monthly subscription prices, the Company believes that Resolution No. 50/10 is arbitrary and bluntly disregards its freedom to contract, which is part of the right to freedom of industry and trade. Therefore, the Company has filed the pertinent administrative claims and has brought the necessary legal actions requesting the suspension of the Resolution’s effects and ultimately requesting its nullification.

Even though the Company and/or some of its subsidiaries, like other companies in the industry, have strong constitutional arguments to support their position, it cannot be assured that the final outcome of this issue will be favourable. Therefore, the Company may be forced to modify the price of its pay television subscription, a situation that could significantly affect the revenues of its core business. This creates a general framework of uncertainty over the Company’s business that could significantly affect the recoverability of its relevant assets. Notwithstanding the foregoing, as of the date of these financial statements, in accordance with the decision rendered on August 1, 2011 in re “LA CAPITAL CABLE S.A. c/ Ministerio de Economía-Secretaría de Comercio Interior de la Nación”, the Federal Court of Appeals of the City of Mar del Plata has ordered the SCI to suspend the application of Resolution No. 50/10 with respect to all cable television licensees represented by the Argentine Cable Television Association (“ATVC”, for its Spanish acronym). Upon being served on the SCI and the Ministry of Economy on September 12, 2011 such decision became fully effective and may not be disregarded by the SCI. The National Government filed an appeal against the decision rendered by the Federal Court of Appeals of Mar del Plata to have the case brought before the Supreme Court. Such appeal was dismissed and so the National Government filed a direct appeal with the Supreme Court, which has also been dismissed.

On June 1, 2010, the SCI imposed a Ps. 5 million fine on the Company alleging that it had failed to comply with the information regime set forth by Resolution No. 50/10 and invoking the Consumer Defense Law to impose such penalty. The fine was appealed and submitted to the Federal Court of Appeals on Administrative Matters, Chamber No. 5 which decided to reduce the fine to Ps. 300,000. The Company appealed this decision by filing an extraordinary appeal with the Supreme Court of Argentina.

On March 10, 2011 SCI Resolution No. 36/11 was published in the Official Gazette. This resolution falls within the framework of SCI Resolution No. 50/10. Resolution No. 36/11 sets forth the parameters to be applied to the services rendered by Cablevisión to its subscribers from January through April 2011. These parameters are as follows: 1) the monthly basic subscription price shall be of Ps. 109 for that period; 2) the price of other services rendered by Cablevisión should remain unchanged as of the date of publication of the resolution; and 3) the promotional benefits, existing rebates and/or discounts already granted as of that same date shall be maintained. The resolution also provides that Cablevisión shall reimburse users for any amount collected above the price set for that period.

The Company believes that Resolution No. 36/11 is illegal and arbitrary, since it is grounded on Resolution 50/10, which is absolutely null and void. Since the application of Resolution No. 50/10 has been suspended, the application of Resolution No. 36/11, which falls within the framework of the former, is also suspended.

The claim filed by the Company seeking the nullification of Resolution No. 50/10 is currently pending before the Federal Administrative Court of First Instance No. 7 of the City of Buenos Aires. This claim was dismissed in view of the claim pending in the City of Mar del Plata.

Subsequently, the SCI issued Resolutions Nos. 65/11, 92/11, 123/11, 141/11, 10/11, 25/12, 97/12, 161/12, 29/13, 61/13, 104/13, 1/14, 43/14 and 93/14 pursuant to which the SCI extended the effectiveness of Resolution No. 36/11 up to and including September 2014, and adjusted the cable television subscription price to Ps. 152. The Company believes, however, that given the terms under which the Federal Court of the City of Mar del Plata granted the preliminary injunction, that is, ordering the SCI to suspend the application of Resolution No. 50/10 with respect to all cable television licensees represented by ATVC (among them, the Company and its subsidiaries), and also given the fact that Resolutions No. 36/11, 65/11, 92/11, 123/11, 141/11, 10/11, 25/12, 97/12, 161/12, 29/13, 61/13, 104/13, 1/14, 43/14 and 93/14 merely apply of Resolution No. 50/10, the Company continues to be protected by said preliminary injunction, and therefore, the ordinary course of its business will not be affected.

On April 23, 2013, the Company was served notice of a decision rendered in re “Defensor del Pueblo de Buenos Aires c/Cablevisión S.A. s/Amparo Ley 16,986 (Incidente de Medida Cautelar)” pending before Federal Court No. 2, Civil Clerk’s Office No. 4 of the City of La Plata, in connection with the price of cable television subscriptions, whereby the court imposed a cumulative fine of Ps. 100,000 per day on the Company.

The Company appealed the fine on the grounds that, Resolution No. 50/10 issued by Mr. Moreno, as well as its extensions and/or amendments, were suspended, as mentioned above, by an injunction with respect to the Company and its branches and subsidiaries prior to the imposition of the fine, pursuant to the collective injunction issued by the Federal Court of the City of Mar del Plata on August 1, 2011 in re “La Capital Cable y Otros c/ Estado Nacional y Otros s/ Medida Precautoria”. That injunction suspended the application of all the criteria set by the Secretariat of Domestic Trade under Mr. Guillermo Moreno.

The Federal Court of Appeals of the City of La Plata reduced the fine to Ps. 10,000 per day. The Company filed an appeal against that decision in due time and form. On October 16, 2013, the Court of Appeals dismissed the appeal filed by the Company. On that same date, the Company settled the fine in the amount of Ps. 1,260,000 and compliance was recorded in the file.

On June 11, 2013, the Company was served notice of a resolution rendered in the abovementioned case, whereby the court ordered the appointment of an expert overseer (perito interventor) specialized in economic sciences to: (i) verify whether or not the invoices corresponding to the basic cable television subscription issued by the Company to subscribers domiciled in the Province of Buenos Aires, are actually prepared at the headquarters located at Gral. Hornos 690, and/or at the Company’s branch offices, precisely detailing that process, (ii) identify the individuals responsible for that area, (iii) determine whether or not the administrative actions tending towards the effective compliance with the injunction issued on that case are underway, and (iv) identify the senior staff of the Company that must order the invoice issuance area to prepare the invoices as decided under that injunction.

The Company timely appealed the appointment of said expert on the same grounds stated above. This appeal is also pending before the Federal Court of Appeals of the City of La Plata.

For the purposes of enforcing the injunction, the court issued letters rogatory to the competent judge of the City of Buenos Aires. Upon the initiation of that proceeding, both the Federal Court on Administrative Matters and the Federal Court on Civil and Commercial Matters declined jurisdiction to enforce the injunction ordered by the Federal Judge of La Plata. The Company has appealed the decision in connection with the lack of jurisdiction in due time and form. Chamber No. 1 of the Federal Court of Appeals on Civil and Commercial Matters confirmed the appealed decision. Accordingly, the Company will file an extraordinary appeal in due time and form to have the case decided by the Supreme Court of Argentina.

It should be noted that, in light of the corporate reorganization, both parties requested the suspension of the procedural terms for 180 days. The judge granted such request. Therefore, the procedural terms were suspended until December 11, 2014. Given the decision rendered by the Supreme Court of Argentina in re “Municipality of Berazategui v. Cablevisión” mentioned below, the procedural periods remain suspended until the Federal Court of Mar del Plata renders a decision thereon.

The file initiated by the Ombudsman before the Federal Court of La Plata, was sent to Mar del Plata, as established by the decision rendered in re Municipality of Berazategui v. Cablevisión referred to below, ordering that the preliminary injunction be revoked because it contradicts the injunction ordered in the proceeding initiated by ATVC.

After the Federal Court of the City of Mar del Plata issued its injunction, several Municipal Offices of Consumer Information (“OMIC”, for its Spanish acronym) and several individuals filed claims requesting that the Company comply with Resolution No. 50/10 and the subsequent resolutions that extended its effectiveness. In some cases, preliminary injunctions were granted. In each case, the Company appealed such preliminary injunctions alleging that Resolution No. 50/10, as amended, and/or the subsequent resolutions that extended its effectiveness, had been suspended with respect of the Company, its branches and subsidiaries prior to the issuance of such preliminary injunctions.

On September 23, 2014, the Court rendered a decision in re “Municipalidad de Berazategui c/ Cablevisión” ordering that the cases related to these resolutions continue under the jurisdiction of the Federal Court of Mar del Plata that had issued the decision on the collective action in favor of ATVC.

Decisions made on the basis of these consolidated financial statements should consider the eventual impact that the above-mentioned resolutions might have on the Company and its subsidiaries, and the Company’s consolidated financial statements should be read in light of such uncertainty.

j) On October 28, 2010, the Company was served notice of the National Administration of Domestic Trade’s resolutions imposing two fines of Ps. 5 million each, for allegedly failing to observe the typographic character requirements under applicable regulations (Resolution No. 906/98) when informing its subscribers of the increase in the price of their cable television subscriptions. On November 12, 2010, the Company appealed those fines because it believes it has strong grounds in its favor. However, it cannot assure that the outcome will be favourable to the Company. One of the files was assigned No. 1,280 and is pending before Chamber No. 1 of the Federal Administrative Court of Appeals, and the other one was assigned No. 1278 and is pending before Chamber No. 5 of the Federal Administrative Court of Appeals.

k) On January 13, 2012, the SECI issued Resolution No. 2/2012 granting the Company 24 hours to resume service to those subscribers who had duly paid their subscription fee in the amount established by the National Government. Under Section 6, the Resolution provides that if the company does not comply with its obligations thereunder, penalties may be imposed as provided by Law 20680.

On February 10, 2012, the Company received a fine of Ps. 1 million for alleged non-compliance with such Resolution. Such fine has been appealed but no decision has been rendered on the matter yet.

l) On May 31, 2012, the Company was served notice of Resolution No. 16819, dated May 23, 2012 whereby the CNV ordered the initiation of summary proceedings against the Company and its directors, members of the Supervisory Committee and the Head of Market Relations for an alleged failure to comply with the duty to inform. The CNV considers that the Company failed to comply with its duty to inform because the investor community was deprived of its right to become fully aware of the grounds of a decision rendered by the Federal Court of Mendoza and the scope of the powers granted by that court to the co-administrator appointed in re “Supercanal S.A. c/ Cablevisión S.A. s/amparo”, in addition to the fact that other self-regulated authorities were allegedly not notified of the information furnished by the Company. On June 25, 2012, the Company filed a response requesting that its defenses be sustained and all charges dismissed. On February 6, 2014 Cablevisión submitted the legal brief for the purpose of discussing the evidence submitted under File No. 171/2012. Now the CNV’s Board of Directors has to render its decision. The Company and its legal advisors believe that the company has strong arguments in its favor.

Nevertheless, Cablevisión cannot assure that the outcome of the said summary proceedings will be favourable to Cablevisión.

m) On March 16, 2012, CNV issued Resolution No. 16765 whereby it ordered the initiation of summary proceedings against the Company, its directors and members of the Supervisory Committee for an alleged failure to comply with the duty to inform. The CNV considers that the Company allegedly failed to comply with its duty to inform because the investor community was deprived of its right to become fully aware of the decision rendered by the Supreme Court of Argentina in re "Recurso de Hecho deducido por el Estado Nacional Ministerio de Economía y Producción en la causa Multicanal S.A. y otro c/ CONADECO Dto. 527-05" and others, and allegedly failed to disclose a series of issues relating to the information required by the CNV regarding the Extraordinary Meeting of Class 1 and 2 Noteholders held on April 23, 2010. On April 4, 2012, the Company filed a response requesting that its defenses be sustained and that all charges against it be dismissed. The discovery stage has been closed. The legal brief has already been submitted. The Company and its legal advisors believe that the Company has strong arguments in its favor. Nevertheless, the Company cannot assure that the outcome of the summary proceedings will be favorably.

n) On November 27, 2012 the National Administration of Domestic Trade served the Company with Resolution No. 308/2012, whereby it imposed a Ps. 5 million fine on that company alleging that it had failed to comply with Section No. 4 of the Consumer Defense Law (increase in the subscription price of cable tv services/wrongful information provided by Customer Service, which informed by mail that SCI Resolution No. 50/10 and the supplementing resolutions are suspended on grounds of unconstitutionality, when in fact they have been suspended by an injunction). On December 11, 2012 the Company appealed Resolution No. 308/2012. The administrative file No. S01:0312056/2011 was sent by the National Administration of Domestic Trade to the National Court of Appeals on Federal Administrative Matters. It is now pending before Chamber No. 1 in re "Cablevisión SA v. DNCI Res. 308/12 and Other" (File 140/13). A decision has not been rendered yet.

The Company and its legal advisors believe that the company has strong arguments in its favor. Nevertheless, the Company cannot assure that the revocation of the fine will be resolved in its favor.

o) On April 9, 2013, the Company was served notice of AFIP Resolution No. 45/13 dated April 3, 2013, whereby such agency decided to impose the penalties in a summary proceeding against the Company with respect to compliance with General Resolution No. 3260/12. The Company filed an appeal, which has staying effects on the execution of those penalties.

p) On May 30, 2013, the Company was served notice of a claim in re "TELEVISORA PRIVADA DEL OESTE S.A. c/ GRUPO CLARÍN S.A. Y OTROS s/ ORDINARIO" File No. 99078/2011, which is pending before the Federal Commercial Court No. 16 of First Instance, Clerk's Office No. 32. The claim seeks damages resulting from certain decisions made with respect to Televisora Privada del Oeste S.A. Cablevisión and Grupo Clarín, among others, are defendants in such lawsuit. Cablevisión was served with the claim, and filed a response in due time and form. Notice of the claim is being served on the other co-defendants. According to the Company's legal advisors, the chances of success of the claim are low because the damages claimed are clearly overstated, the actual damage invoked does not exist and the claim is procedurally inappropriate, both on a factual and on a legal basis. Pem S.A. filed a response and the proceeding is now in the discovery stage. In view of the level of conflict that has arisen among the parties and the length of time it is taking to reach a solution, the Company cannot ascertain the outcome of this claim.

q) On July 5, 2013, the National Administration of Domestic Trade served notice to the Company of Resolution No. 134/2013, whereby it imposed a fine of Ps. 500,000 for breach of Section 2 of Resolution No. 789/98 issued by the former Secretariat of Industry, Trade and Mining, which regulates the Business Loyalty Law No. 22802. The Company appealed that resolution on July 16, 2013. The administrative file was sent by the National Administration of Domestic Trade to the National Court of Appeals on Federal Administrative Matters. It is now pending before Chamber No. 3, in re "Cablevisión SA v. DNCI Res. 134/13 and Other" (File 36044/13). On May 20, 2014, Chamber No. 3 partially granted the appeal filed by Cablevisión and reduced the fine to Ps. 300,000 and ordered that each party shall bear its own legal costs.

On June 9, 2014, the Company filed an appeal with the Argentine Supreme Court. On September 18, 2014, the Company was served notice of the extraordinary appeal filed by the National Government, and on October 2, 2014 it filed a response. On October 9, 2014, the Chamber dismissed both appeals.

On October 8, 2010, the National Administration of Domestic Trade served notice to the Company of Resolution No. 697/2010, whereby it imposed a fine of Ps. 500,000 for breach of Section 21 of the Business Loyalty Law No. 22802. The Company appealed that resolution on October 26, 2010. The administrative file was sent by the National Administration of Domestic Trade to the National Court of Appeals on Federal Administrative Matters. It is now pending before Chamber No. 3 in re "Cablevisión SA v. DNCI Res. 697/2010 (File S01:80822/10) and Other" (File 1277/2011). On December 29, 2011, the Court of Appeals dismissed the appeal filed by the Company, and imposed court costs on the Company. On February 22, 2012, the Company filed an appeal with the Argentine Supreme Court. The appeal was dismissed by the Chamber on April 10, 2012. On April 26, 2012, the Company filed an appeal against the above-mentioned dismissal. The Supreme Court of Argentina granted the appeal and revoked the decision against which Cablevisión had filed the appeal with legal costs to be borne by the National Administration of Domestic Trade, and ordered that the case be sent back to the court of first instance for it to render a new decision based on the precedent indicated in its ruling.

r) As a result of a suspicious transaction report issued by the AFIP relating to transactions carried out between the controlling Company and some subsidiaries, the Financial Information Unit ("UIF" for its Spanish acronym) pressed criminal charges against the Company and officers in charge during the relevant fiscal year, for alleged money laundering in connection with intercompany movements between the Company and certain subsidiaries during fiscal period 2008. The claim is now pending before Federal Court No. 9, under Dr. Luis Rodriguez.

During the month of March 2014, the intervening prosecutor, Dr. Miguel Angel Osorio, broadened the request for evidence.

The Company and its legal advisors consider that there are strong arguments in the Company's favor, since the suspected movements were regular and had been duly recorded, and have gathered evidence that supports the lack of involvement of anyone in any such unlawful maneuvers. However, they cannot assure that the outcome of this claim will be favourable.

s) On August 28, 2015, Cablevisión was served notice of Resolution No. 17769 dated August 13, 2015 whereby the CNV ordered the initiation of summary proceedings against Cablevisión and its directors, members of the Supervisory Committee and the Head of Market Relations for an alleged delay in the submission of the required documentation. The CNV considers that Cablevisión failed to comply with effective regulations because it filed certain documentation outside the regulatory term set by CNV rules (as restated in 2013, as amended). Cablevisión, as well as its directors, members of the Supervisory Committee and Head of Market Relations filed a response in due time and form requesting that its defenses be sustained and all charges dismissed. The Company and its legal advisors believe that the company has strong arguments in its favor. Nevertheless, the Company cannot assure that the outcome of said summary proceedings will be favourable to the Company. On January 20, 2016, the preliminary hearing was held pursuant to Section 138 of Law No. 26831 and Article 8, Subsection b.1. of Section II, Chapter II, Title III of the Regulations (as restated in 2013).

t) The Company, together with its merged companies and ATVC, brought a claim requesting the Judicial Branch, through a final decision rendered in a contradictory trial, to declare: 1) that the National Government undertook the obligation to provide an alternative solution to the repeal of the regime established under Section 52 of Decree No. 1387/01 for companies that render supplementary broadcasting services and cable television services, which shall contemplate the reasons for excluding these companies from the repeal of Decree No. 1387/01 through Decree No. 746/03, and 2) that while the Government considers the situation of those companies to find such an alternative solution, it shall maintain the effectiveness of the regime established under Section 52 of Decree No. 1387/01 (cfr. fs.2/12).

On October 1, 2015, Chamber II of the Court of Appeals on Federal Administrative Matters, in a single joint decision in re “AEDBA y otros c/ Estado Nacional – Decreto 746/03 – AFIP s/ Acción Declarativa”, decided that, among other things, even though ATVC was not among the claimants that had been granted an injunction in the other two related cases, mentioned above, the situation was also applicable to the sector encompassed by that association, therefore, the decision shall also apply to this association. Under those conditions, the claims brought by the claimants shall be admitted - in the joinder of the three claims - and the claimants and the companies represented by them are entitled to have a differential VAT regime applicable to the sectors involved which shall be created, enforced and regulated by the authorities duly empowered by the Constitution to such end. This regime shall guarantee the full exercise of the rights recognized under Section 14 of the National Constitution, as well as the maintenance of the exception provided under Section 2 of Decree No. 746/03 from the repeal of Section 52 of Decree No. 1387/01. On December 3, 2015, the Supreme Court of Argentina dismissed the appeal filed by the Executive Branch. Therefore, the decision rendered by the Court of Appeals became firm and final.

As a result of the foregoing, Cablevisión and its subsidiaries started to calculate employer’s contributions as tax credit on VAT as from September 2015. The amount calculated by the Company as of December 31, 2016 and 2015 was approximately Ps. 741.3 and Ps. 237 million, respectively.

u) On September 8, 2009, Multicanal was served with CNDC Resolution No. 106/09, dated September 4, 2009, whereby the CNDC ordered an audit to articulate and harmonize the several aspects of Resolution No. 577/09 issued by the COMFER, with Resolution No. 257/07 issued by the Secretariat of Domestic Trade, whereby it had rejected the merger of the Company and Multicanal. Resolution No. 106/09 also sets forth that the notifying companies shall not be able to remove or replace physical and legal assets as, from the enactment of such resolution and until the end of the audit and/or resolution of the CNDC.

Notwithstanding the required filings made by the Company and its shareholders on December 7, 2007 (date on which the SCI granted authorization) to prove that they were complying with the commitment agreed with the CNDC, on September 23, 2009, the SCI issued Resolution No. 641, whereby it ordered the CNDC to verify compliance with the parties’ proposed commitment by visiting the parties’ premises, requesting reports, reviewing documents and information and carrying out hearings, among other things.

On December 11, 2009, the Company notified the CNDC of the completion and corresponding verification of the fulfillment of the voluntary undertakings made by the Company at the time of the enactment of SCI Resolution No. 257/07. On December 15, 2009, the Federal Court of Appeals on Civil and Commercial Matters, Chamber No. 2, issued a preliminary injunction in re “Grupo Clarín S.A. c/ Secretaría de Comercio Interior y otros s/ medidas cautelares” (case 10506/09), partially acknowledging the preliminary injunction requested by Grupo Clarín, and instructing the CNDC and the SCI to notify Grupo Clarín whenever their own verification of the Company’s fulfillment of its undertakings had been concluded, regardless of the result. Should such agencies have any observations, they should notify Grupo Clarín within a term of 10 days. On the same date, the CNDC issued Resolution No. 1011/09, whereby it deemed the Company’s voluntary undertakings unfulfilled and declared the rescission of the authorization granted under Resolution 257/07 dated December 7, 2007.

On December 17, 2009, the Federal Court of Appeals on Commercial-Criminal Matters Chamber A, decided to suspend the term to appeal Resolution No. 1011/09 until the main case was transferred back to the CNDC, considering it had been in such court since December 16, 2009.

On December 17, 2009, the CNDC notified the Company of the initiation of the motion for execution of Resolution No. 1011/09. On December 18, 2009, Chamber No. 2 of the Federal Court of Appeals on Civil and Commercial Matters, issued an injunction in re “Grupo Clarín S.A. c/ Secretaría de Comercio Interior y otros s/ medidas cautelares”, which suspended the effects of Resolution No. 1011/09 until the notice set forth in the preliminary injunction of December 15, 2009 was served. Accordingly, the CNDC served notice to the Company by means of Resolution No. 1101/09.

On December 30, 2009, Chamber No. 2 of the Federal Court of Appeals on Civil and Commercial Matters, issued a preliminary injunction in re “Grupo Clarín S.A. c/ Secretaría de Comercio Interior y otros s/ medidas

cautelares”, partially acknowledging Grupo Clarín’s request and suspending the term for Grupo Clarín to respond to Resolution No. 1101/09 until Grupo Clarín is granted access to the administrative proceedings related to the charges brought by the CNDC in its Opinion No. 770/09 (on which Resolution No. 1011/09 was based).

On February 19, 2010, the Company requested the nullification of the notice, and as a default argument, submitted the response requested under Resolution No. 1101/09. On February 26, 2010, the Federal Court of Appeals on Commercial-Criminal Matters approved the recusation filed by the Company and excluded the Secretary of Domestic Trade from the proceedings.

On March 3, 2010, the Argentine Ministry of Economy and Public Finance issued Resolution No. 113 (subscribed by the Minister of Economy, Dr. Amado Boudou) rejecting the request for the nullification of Resolution No. 1011/09, the requests for abstention and excusation of certain officials, and all the evidence produced in connection with such request for nullification. In addition, the undertakings made under Resolution No. 257/07 were deemed unfulfilled, thus declaring the rescission of the authorization granted under such resolution. The parties involved were ordered to take all necessary actions to comply with such rescission within a term of six months, and to inform the CNDC about the progress made in that respect on a monthly basis. Such resolution was appealed in due time and form. The appeal was granted without staying the execution of judgment.

On April 20, 2010, Chamber No. 2 of the Federal Court of Appeals on Civil and Commercial Matters, granted the appeal filed by Grupo Clarín S.A. in re “Grupo Clarín s/ retardo de la elevación de las actuaciones” and decided that the appeal granted by the CNDC to Grupo Clarín against Resolution No. 113/10 had the effect of staying such resolution. The National Government filed an appeal asking that the court of appeals revoke its own decision with respect to the effect granted to the April 20 decision and that it decline its jurisdiction. It also filed an extraordinary appeal. Both appeals were dismissed. Chamber No. 2 requested the administrative file to analyze the case.

On September 17, 2015, the Court rendered a decision in favor of the Company, revoking Resolution No. 113/10 in its entirety. Both parties were notified of the decision on the above date. The National Government - Ministry of Economy filed an appeal to have the case brought before the Supreme Court, which was substantiated in February 2016.

On March 21, 2016, the Company was served with the decision to dismiss the appeal that had been filed by the National Government - Ministry of Economy and Public Finance. Therefore, SCI Resolution No. 257/07 and the effects of the authorization are in full force and effect to date.

On 31 March 2016, the National Government - Ministry of Economy and Public Finance filed a direct appeal before the Supreme Court of Argentina.

Subsequently, the National Government abandoned the Direct Appeal and the Supreme Court deemed it abandoned on 7 June 2016. Therefore, MECON Resolution No. 113/10 is considered to be null and void.

29.2. Frequency reassignment in Uruguay

The Executive Branch of Uruguay issued Decree No. 73/012, published in the Official Gazette on March 16, 2012, whereby it expressly repealed Decree No. 231/11, which had revoked certain signals’ broadcast frequencies. However, the new decree ratified and repeated – virtually in identical terms – the decree that was being repealed, and added certain provisions that caused further detriment to the two affected companies with which a subsidiary of Cablevisión has contractual arrangements in place. Consequently, on March 23, 2012, the affected companies filed an appeal requesting that Decree No. 73/012 be revoked. The appeal is still pending resolution.

In May, 2012, the aforesaid companies brought a legal action with the Court on Administrative Litigation Matters requesting the nullification of the resolution and the suspension of its execution. This motion to suspend the execution of the challenged resolution was brought as a separate case, and progressed through the corresponding instances. The office of the Attorney General for Administrative Litigation Matters

in its opinion No. 412/013 advised the Court on Administrative Litigation Matters to grant the motion to suspend the execution of the challenged resolution for formal reasons, but the Court dismissed the motion of suspension. Notwithstanding the foregoing, as of the date of these financial statements, the government authority has not yet enforced the decree.

On September 30, 2014, the Court on Administrative Litigation Matters rendered decisions No. 416/2014 and No. 446/2014 whereby it annulled Decrees No. 73/012 and No. 231/011, respectively, for formal reasons.

On March 9, 2015, Decree No. 82/015 was published in the Official Gazette, whereby the Executive Branch 1) repealed Decree No. 73/012; 2) awarded 16 stations to be held in common (the same stations) by BERSABEL S.A. and VISION SATELITAL S.A. for a term of 15 years: Two of the 16 stations are awarded on a secondary basis, which means that they may be exposed to interferences and they do not have the right to bring any claim in connection thereto; 3) ordered that use of existing stations cease within 18 months of their award to mobile service operators; 4) authorized both companies expressly to increase the number of TV signals (stations) included in their respective services making use of digitization techniques; 5) ordered both companies submit before the Communication Services Regulatory Agency (“URSEC”, for its Spanish acronym), within a fixed term of 60 calendar days as from the date of publication of the Decree, a technical plan for the migration and release of stations, which plan shall be assessed and approved by such agency (such plan was submitted on May 7, 2015); 6) provided that the Bidding Terms governing the bid for frequency bands that were owned by both companies shall include an economic compensation mechanism for both companies to cover the expenses incurred in adapting their systems to the new stations awarded to them, in the amount of USD 7,000,000.

Even though both companies’ request for the annulment of Decree No. 153/012 was granted for formal reasons (failure to serve prior notice) by the Court on Administrative Litigation Matters (decision 455 of June 11, 2015), it should be noted that this decision does not change prior considerations about the terms of Decree No. 82/015 with respect to both companies due to the fact that Decree No. 305/015 (which substituted Decree No. 153/012) confirmed the allocation of channels 21 through 36 (512 MHz - 608 MHz) and 38 through 41 (614 MHz – 638 MHz), of 6 MHz each, in the UHF band exclusively for rendering accessible, free, digital broadcast television services all over the country, except for channels 35 (596-602 MHz), 36 (602-608 MHz) and 38 through 41 (614-638 MHz) only in the geographic area for which BERSABEL S.A. and VISION SATELITAL S.A. had received authorization, which will be used solely for rendering television services to subscribers through the codified UHF system, as it had been previously and expressly stated in Section 5 of Decree No. 82/015 (which repealed and amended the language of Section 1 of the above-mentioned Decree No. 153/012)

NOTE 30 TAXES PAYABLE

	12.31.2016	12.31.2015
	Ps.	
Non-Current		
National taxes	3,776,292	10,123,846
	3,776,292	10,123,846
Current		
National taxes	1,534,374,200	769,484,561
Provincial taxes	28,345,208	24,727,433
Municipal taxes	57,398,365	28,535,960
	1,620,117,773	822,747,954

NOTE 31 OTHER PAYABLES

	12.31.2016	12.31.2015
	Ps.	
Non-current		
Revenues to accrue	109,397,233	110,990,675
Other	1,090,397	800
	110,487,630	110,991,475
Current		
Dividends payable	1,794,126	1,688,242
Fees to directors and syndics	1,073,030	11,708,261
Revenues to accrue	237,524,327	145,795,434
Other	6,122,630	1,262,569
	246,514,113	160,454,506

NOTE 32 ACCOUNTS PAYABLE AND OTHERS

	12.31.2016	12.31.2015
	Ps.	
Current		
Suppliers	1,559,529,835	968,586,248
Commercial accruals	1,290,124,791	707,428,082
Related parties (Note 33)	203,735,757	129,957,127
Social accruals	1,303,953,175	944,462,049
	4,357,343,558	2,750,433,506

During the last quarter of 2007, the Company, together with its subsidiaries, began to implement a long term savings plan for certain executives (directors and managers comprising the "executive payroll"), which became effective as from January 2008. Executives who adhere to such plan will undertake to contribute regularly a portion of their salary (variable within a certain range, at the employee's option) to a fund that will allow them to strengthen their savings capacity. Furthermore, each company where such executives render services will match the sum contributed by such executives, to which, only under certain conditions, the employees may access such funds upon retirement of the plan.

Additionally, the above mentioned plan provides for certain special conditions for managers who were on the "executive payroll" before January 1, 2007. Such conditions consist of supplementary contributions made by each company to the plan related to the executive's years of service with the Company. At

December 31, 2016, the total amount related to such supplementary contributions was of approximately Ps. 14.3 million and the charge to income will be deferred until the retirement of each executive.

During 2013, and in view of the current environment, certain changes were made to the savings system, though maintaining in its essence the operation mechanism and the main characteristics with regard to the obligations undertaken by the company.

Pursuant to IAS 19, the aforesaid savings plan qualifies as a Defined Contribution Plan, which means that the companies' contributions shall be charged to net income on a monthly basis as from the date the plan becomes effective.

NOTE 33 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The compensation paid to the Board of Directors and Senior Management of the Company for fiscal years ended December 31, 2016 and 2015 was of Ps. 75 million and Ps. 183 million respectively.

The fees paid to the Board of Directors for the year ended December 31, 2016 amounted to approximately Ps. 9.8 million, out of which as of year-end, Ps. 9 million have already been paid, and will be put to the consideration of the shareholders at the Shareholders' Meeting.

Also, the fees paid to the Board of Directors for the year ended December 31, 2015 amounted to approximately Ps. 137.3 million, which at the end of the year were paid in full, and were approved at the Shareholders' Meeting.

Below are the outstanding balances between the Company and related parties at December 31, 2016 and December 31, 2015:

	12.31.2016	
<u>Non-Current and Current Assets</u>	Ps.	
<u>Other receivables</u>		
Controlling companies	-	176,541
Associates	19,696,266	18,742,145
Other related parties	92,639	88,048
<u>Trade receivables</u>		
Controlling companies	-	6,121
Associates	131,273	-
Other related parties	49,942,817	50,991,996
<u>Investments</u>		
Controlling company	365,498,268	-
Other related parties	314,438,866	697,057,242
<u>Non-Current and Current liabilities</u>		
<u>Bank and financial debt</u>		
Associates	(8,588,329)	(22,708,887)
<u>Accounts payable and others</u>		
Controlling companies	(6,343,679)	(31)
Associates	(3,326,521)	(6,235,107)
Other related parties	(194,065,557)	(123,721,989)

The following table shows the transactions between the Company and related parties at December 31, 2016 and 2015:

<u>Company</u>	<u>Concept</u>	<u>12.31.2016</u>	<u>12.31.2015</u>
			Ps.
Direct and indirect shareholders of the control group	Sales of services	1,301,941	754,876
	Technical assistance services	(74,400,000)	(77,120,000)
	Other placements	357,535,000	-
	Interest on other placements	2,327,817	-
	Loans received	-	(117,882,661)
	Interest on debt	-	(1,980,648)
<u>Company</u>	<u>Concept</u>	<u>12.31.2016</u>	<u>12.31.2015</u>
Associates	Sales of services	7,219,633	8,892,123
	Other sales	27,907,252	16,032,875
	Loans received	(9,900,000)	(18,943,376)
	Interest on debt	(2,055,184)	(2,242,601)
	Other purchases	(6,809,554)	(10,396,346)
	Other receivables (1)	18,121,157	44,103,387
<u>Company</u>	<u>Concept</u>	<u>12.31.2016</u>	<u>12.31.2015</u>
Other related parties	Sales of advertising	1,534,785	766,187
	Other sales	33,216,760	39,626,653
	Interest on other placements	51,058,069	50,043,739
	Programming costs	(753,486,333)	(522,887,428)
	Publishing and distribution of magazines	(220,921,593)	(155,086,739)
	Consultancy services	(122,447,747)	(98,488,484)
	Purchase of advertising	(69,038,428)	(51,852,883)
	Other purchases	(23,552,770)	(10,113,045)

During year ended December 31, 2016, there were no transactions with related parties outside the ordinary course of business, or significant changes in balances, except for those detailed in Note 23.

Agreements with shareholders

On June 28, 2008, Cablevisión and Grupo Clarín executed a supplementary agreement to the technical assistance agreement, effective as of September 26, 2006, whereby they amended the volume of the services rendered by Grupo Clarín and the mechanism used to determine that company's annual fee.

On January 6, 2017 and January 5, 2016 respectively, the agreements were amended, setting Grupo Clarín's annual fees

NOTE 34 JOINT VENTURES – Prima AND UTE Ertach - Prima

The following amounts are included in the Company's financial statements as a result of the joint participation in the UTE Ertach – Prima:

	12.31.2016	12.31.2015
	<u>Ps.</u>	
Dividends received	-	-
Summarized financial information:		
Assets		
Non-Current Assets	18,786,896	8,173,162
Other current assets	153,380,178	108,081,551
Cash and cash equivalents	2,753,190	30,539,028
Current assets	<u>156,133,368</u>	<u>138,620,579</u>
	12.31.2016	12.31.2015
	<u>Ps.</u>	
Liabilities		
Non-current loans	7,104,189	6,056,756
Other non-current liabilities	-	-
Non-Current Liabilities	<u>7,104,189</u>	<u>6,056,756</u>
Current loans	125,048,784	73,259,048
Other current liabilities	-	-
Current Liabilities	<u>125,048,784</u>	<u>73,259,048</u>
	12.31.2016	12.31.2015
	<u>Ps.</u>	
Income	105,781,736	107,010,817
Depreciation and amortization	(843,196)	(11,377,049)
Interest expense	(203)	(1,499)
Income from continuing operations	(24,710,646)	7,330,010
Total comprehensive income	<u>(24,710,646)</u>	<u>7,330,010</u>

During April 2005, the Board of Directors of Prima approved the formation of a joint venture with Ertach S.A. in order to prepare an offer for the public bid launched by the Provincial Direction of Information Technology and Communications, under the jurisdiction of the General Secretary of the Government of the Province of Buenos Aires.

The purpose of the UTE Ertach – Prima is to provide data transmission services and order channels necessary to integrate the agencies of the provincial public administration and the municipalities into a single provincial data communications network.

In connection with the aforesaid, in June 2005 both companies executed a joint venture agreement, whereby the parties agreed that each partner's participation in results, expenses and revenues would be 50%.

On August 8, 2005, the Government of the Province of Buenos Aires issued Decree No. 1761, whereby it approved the public bidding process and awarded the above-mentioned service to the UTE Ertach – Prima for a term of four years, with the possibility of extending such term. On October 13, 2009, the Government of the Province of Buenos Aires (Bidder) issued Decree No. 2106/09, whereby it granted a 1-year extension, maintaining the effectiveness of the Agreement until December 31, 2011. The bidding terms also provide for a contractual period of up to 18 months, upon termination of the agreement, for the migration of the services, called the "uninstallation period", during which the terms and conditions of the service shall remain

in effect. In addition, the bidding terms provide that the UTE Ertach – Prima is obliged to continue rendering all services as may be required by and for the term that the Province may set until a new Awardee has concluded the “Initial Service Phase” or its equivalent under its new agreement or until the Province, deems the contractual relationship terminated with a two-month prior notice.

On October 17, 2011, the Provincial Direction of Communications, under the jurisdiction of the General Secretary of the Government of the Province of Buenos Aires, informed the continuation of the service for the period between January 1, 2012 and June 30, 2012 and the extension thereof for the period between July 1, 2012 and November 30, 2013. Additionally, on December 27, 2012 the Provincial Direction of Communications, under the jurisdiction of the General Secretary of the Government of the Province of Buenos Aires, informed the extension of the Single Provincial Data Network through April 30, 2015 pursuant to Decree 1613/2012.

On January 22, 2015, the Company was notified in the corresponding administrative file that on January 15, 2015, the Under Secretariat of Administrative Coordination submitted the report issued by the Provincial Prosecutor’s Office to the Provincial Communications Administration, in order to continue with the procedures to request an extension of the “Termination of the Single Provincial Data Network Services Phase” for the period ranging from May 1, 2015 to October 30, 2017 from the Government of the Province of Buenos Aires.

In view of the above-mentioned precedents and taking into consideration the experience of the legal advisors of the UTE in connection with public services of this size, the UTE’s Management believes that it is likely to continue to render its services until October 30, 2017 under the “Termination of Services Phase”.

The Province of Buenos Aires issued Decree No. 592/2016 which regulates Law No. 14,815 whereby it declared the administrative and technological emergency in the Province. Consequently and for grounded reasons, the Management of the UTE Ertach – Prima understands that the provision of the services fell within the framework of that decree and that it decided to continue providing the services rendered by the UTE Ertach – Prima under the modality provided in the public bid that gave raise to those services serving those regulations as a legal framework.

In addition, within the framework of the above-mentioned Decree and at the request of the Province, the UTE filed during February 2017 an economic-technical proposal for similar services to those currently provided for a term of twenty-four months as from the execution of the corresponding agreement, which to date is pending approval by the Telecommunications Administration of the Province. The approval of the administrative file for the execution of the respective agreement is also pending. The UTE’s Management believes that it will obtain the approval soon, which will allow the UTE to render services at least for a minimum period of two years with the possibility of obtaining new extensions.

NOTE 35 DERIVATIVE FINANCIAL INSTRUMENTS

	12.31.2016		12.31.2015	
	Assets	Liabilities	Assets	Liabilities
	Ps.			
Forward contracts to purchase foreign currency - fair value hedges	-	-	11,628,000	-
Total	-	-	11,628,000	-
Less non-current part				
Forward contracts to purchase foreign currency - fair value hedges	-	-	-	-
Total	-	-	-	-
Current part	-	-	11,628,000	-

There are no inefficiencies derived from fair value hedges that should be recognized.

NOTE 36 FINANCIAL RISK MANAGEMENT

The Company and its controlled companies engage in transactions involving financial instruments registered in equity accounts, which are used to cover their needs, and which entail exposure to market, currency and interest rate risks. Management of such risks is centralized on the Company's Executive Committee.

36.1. Financial risk factors

a) Capital risk

The Company manages its capital structure so as to have sufficient liquidity to continue investing in the updating of its networks, in order to increase revenues and operating cash flows, and to comply with all commitments assumed under its notes. The Company seeks to maintain an adequate level of net debt vis-à-vis its EBITDA. The net debt to EBITDA ratio, which is the quotient between net debt (loans set off by the balances of "Cash and banks" and "Current investments", cash equivalents - See Note 2.23) and EBITDA, was 0.63 and 0.61 as of December 31, 2016 and 2015 respectively. Pursuant to commitments undertaken by the Company, the ratio must not exceed 2.25.

b) Foreign exchange risk

The Company makes transactions in foreign currency and, therefore, it is exposed to fluctuations in the exchange rate. A portion of the Company's financial debt is denominated in U.S. dollars, whereas its revenues are generated in the currency of the country in which it operates.

Therefore, the Company has executed forward foreign exchange purchases.

Monetary assets and liabilities denominated in foreign currency (U.S. dollar) as of December 31, 2016 and 2015 are as follows:

	12.31.2016	12.31.2015
	Ps.	
ASSETS		
Other receivables	75,715,940	64,675,714
Trade receivables	713,554	519,714,898
Investments	2,028,930,770	697,057,242
Cash and banks	750,989,254	1,414,140,503
Total assets	2,856,349,518	2,695,588,357
LIABILITIES		
Bank and financial debt	9,536,177,835	6,091,496,173
Provisions and other charges	131,151	110,099
Other payables	1,653,069	61,380,751
Accounts payable and others	649,296,192	237,791,939
Total liabilities	10,187,258,247	6,390,778,962

Considering the balances as of December 31, 2016 and 2015 of financial assets and liabilities exposed to exchange rate fluctuations, Cablevisión estimates that an impact of a 20% favourable/unfavorable, fluctuation in the U.S. dollar would generate income/loss before taxes of Ps. 1,466.2 million and Ps. 739.0 million in 2016 and 2015, respectively. On the other hand, upon a 20% favourable/unfavorable fluctuation in the U.S. dollar exchange rate, the result of foreign currency derivative contracts would generate an income/loss before taxes of Ps. 23.2 million and Ps. 77.3 million in 2016 and 2015, respectively.

c) Fair value interest rate risk

At December 31, 2016, Cablevisión is not exposed to interest rate risk because it has only borrowed money at fixed interest rates.

The Company estimates that if interest rates at December 31, 2015 had been 100 points higher and all other variables had remained constant, the additional loss before taxes would have been of Ps. 5.8 million for the mentioned year.

d) Price risk

The Company is exposed to the risk of fluctuation in the market price of mutual funds, notes, bonds and foreign currency derivatives.

The Company's sensitivity to variations in the market price of these instruments is detailed below:

	12.31.2016	12.31.2015
	Ps.	
Investments valued at quoted prices at closing (1)	1,854,868,372	890,262,986
Other receivables valued at quoted prices at closing	-	11,628,000

(1) Consists primarily of mutual funds Ps. 1,517,011,570 and Ps. 734,764,736 at December 31, 2016 and 2015, respectively and securities and bonds Ps. 337,856,802 and Ps. 155,498,250 at December 31, 2016 and 2015, respectively.

Cablevisión estimates that the impact of a 10% favourable/unfavorable fluctuation of the quoted price of mutual funds, with all other variables remaining constant, would have generated an income/loss before taxes of Ps. 185.5 million and Ps. 89.0 million in 2016 and 2015, respectively. While income from foreign exchange agreements in case of a 20% favourable/unfavorable fluctuation in the U.S. dollar exchange rate would generate income/loss before taxes of Ps. 23.2 million and Ps. 77.3 million in 2016 and 2015, respectively.

e) Credit risk

Credit risk affects cash and cash equivalents, deposits held at banks and financial institutions, as well as credit exposure with customers, including other remaining credits and committed transactions. The Company actively monitors the creditworthiness of its treasury instruments and the counterparties related to derivatives in order to minimize credit risk. In addition, if invoices are not paid when due, several actions are initiated to provide for the collection thereof.

Bank deposits are held in first tier banks.

No significant credit risk concentration is observed concerning customers due to the atomization of the subscriber base.

As of December 31, 2016 and 2015, non-impaired past due trade receivables amounted to Ps. 577.5 million and Ps. 401.4 million respectively. They are predominantly credits of Cablevisión and the time lapsed since their maturity is in most cases up to 3 months. These receivables involve customers with no recent insolvency record.

As of the same dates, the allowances for bad debts were of Ps. 347.0 million and Ps. 195.7 million respectively. This allowance for trade receivables is sufficient to cover all past due bad debts.

f) Liquidity risk

The liquidity risk is the risk that the Company may not be able to fulfill its financial obligations when due. Cablevisión manages liquidity risk through the management of its capital structure and, if possible, access to different capital markets. It also manages liquidity risk through a constant review of estimated cash flows to ensure that it will have enough liquidity to fulfill its obligations.

The table below includes a breakdown of financial liabilities by relevant maturity groups based on the liabilities' remaining terms. Figures are expressed in millions of pesos and represent undiscounted cash flows (principal plus contractual interest).

The Company believes that the cash flows generated by its operations or the access to financing sources will allow it to meet its financial obligations.

Maturities	Other liabilities	Financial debt	Total 12.31.2016
Past due	515	-	515
With no term	275	-	275
First quarter 2017	2,891	357	3,248
Second quarter 2017	1,291	495	1,786
Third quarter 2017	-	215	215
Fourth quarter 2017	-	500	500
January 2018 onwards	5	10,401	10,406
	4,977	11,968	16,945

Maturities	Other liabilities	Financial debt	Total 12.31.2015
Past due	586	-	586
With no term	178	-	178

First quarter 2016	1,661	730	2,391
Second quarter 2016	117	372	489
Third quarter 2016	343	1,043	1,386
Fourth quarter 2016	4	1,158	1,162
January 2017 onwards	10	4,246	4,256
	<u>2,899</u>	<u>7,549</u>	<u>10,448</u>

36.2. Financial instruments by category

	<u>12.31.2016</u>	<u>12.31.2015</u>
	<u>Ps.</u>	
Financial assets		
Loans and receivables		
Credits and receivables (1) (2)	2,386,854,470	1,720,475,035
Cash and banks	1,246,653,024	1,765,860,661
Investments (3)	1,268,654,707	717,346,545
At fair value through profit or loss		
Current investments	1,854,868,372	890,262,986
Financial instruments	-	11,628,000
	<u>6,757,030,573</u>	<u>5,105,573,227</u>
Financial liabilities		
Amortized cost		
Loans	9,558,544,599	6,621,169,498
Accounts payable and other liabilities (4)	4,977,166,445	2,898,900,162
	<u>14,535,711,044</u>	<u>9,520,069,660</u>

(1) Net of Ps. 346,960,306 and Ps. 195,726,226 of provision for doubtful trade receivables, at December 31, 2016 and 2015, respectively.

(2) Includes Ps. 69,862,995 and Ps. 70,004,851 of credits with related parties, at December 31, 2016 and 2015, respectively.

(3) Includes Ps. 1,133,469,884 and Ps. 697,057,242 of investments to related parties at December 31, 2016 and 2015, respectively.

(4) Includes Ps. 203,735,757 and Ps. 129,957,127 of debt with related parties, at December 31, 2016 and 2015, respectively.

36.3. Financial instruments at fair value

The following table shows the Company's financial assets and liabilities valued at fair value as of the end of each year:

	<u>12.31.2016</u>	<u>Trading prices (Level 1)</u>	<u>Other significant observable items (Level 2)</u>
	<u>Ps.</u>		
Assets			
Current investments	1,854,868,372	1,854,868,372	-
Derivative financial instruments	-	-	-
	<u>12.31.2015</u>	<u>Trading prices (Level 1)</u>	<u>Other significant observable items (Level 2)</u>
	<u>Ps.</u>		
Assets			
Current investments	890,262,986	890,262,986	-
Derivative financial instruments	11,628,000	-	11,628,000

Financial assets are valued using quoted prices for identical assets and liabilities (Level 1), and the prices of similar instruments obtained from the information sources available in the market (Level 2). As of December 31, 2016 and 2015, the Company did not have any asset or liability that had not been compared against observable market data to determine its fair value (Level 3).

36.4. Fair value of financial instruments

The book value of cash, accounts receivable and current liabilities is similar to their fair value, due to the short-term maturities of these instruments. Non current financial credits were generated on a date close to the end of the year ended as of December 31, 2016 and 2015 and their amortized cost is similar to their fair value.

The fair value of non-current financial liabilities (level 2) is determined based on the future cash flows of the debt discounted at the market rate available to the Company for debt with similar terms (currency and remaining term), prevailing at the time of measurement.

The estimated fair value of non current financial liabilities is as follows (in thousands of pesos):

	12.31.2016		12.31.2015	
	Book value	Fair value	Book value	Fair value
Bank and financial debt - non-current	8,579,454	8,773,651	3,866,187	3,804,276

NOTE 37 AWARD UNDER THE PUBLIC BIDDING PROCESS CONDUCTED BY THE GOVERNMENT OF THE AUTONOMOUS CITY OF BUENOS AIRES

On June 7, 2011, the Government of the City of Buenos Aires issued Decree No. 316, whereby it approved a public bidding process to contract comprehensive digital services for educational purposes for elementary school students in the City of Buenos Aires. Such services include, but are not limited to, the delivery of one netbook per student and one notebook per teacher under a gratuitous bailment agreement, connectivity, first and second level support, content access control, and replacement in the event of theft or damage and new license, both with certain limitations. The bid was awarded to Prima for a five-year term, which will begin after certain requirements had been meet. As consideration, Prima would receive an amount per student, teacher and school. As of December 31, 2011 the initial requirements for the agreement to come into effect and for Prima to start billing thereunder had been met. The contract expired on November 28, 2016, however the parties agreed to one-year extention.

NOTE 38 SUBSEQUENT EVENTS

- a) Note 25 describes the main events that took place after December 31, 2016 in connection with the subscription and the cancellation of bank loans.
- b) Note 28 s describes the main events that took place after December 31, 2016 in connection with the Society's regulatory situation.
- c) Note 34 describes the main events that took place after December 31, 2016 in connection with the joint participation.

NOTE 39 APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the Company's Board of Directors and their issue has been authorized for March 9, 2017.

Independent auditor's report

To the Board of Directors and Shareholders of Cablevisión S.A.

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of Cablevisión S.A. (the Company) and its subsidiaries (together 'the Group') as at December 31, 2016, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Emphasis of matter

We draw attention to Note 29.1.i. to the consolidated financial statements, which describes the situation related to the resolution issued by the regulator to calculate the monthly fee payable by the users of cable television services, whose decision cannot be foreseen to date. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a

material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Price Waterhouse & Co. S.R.L.
Bouchar 557, Floor 8
Buenos Aires, Argentina
March 9, 2017

Price Waterhouse & Co. S.R.L.
Alejandro P. Frechou

Cablevisión S.A.

Consolidated Financial Statements

as of December 31, 2015 and 2014

presented on a comparative basis

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Cablevisión S.A.

Legal Address: Gral. Hornos 690 – Autonomous City of Buenos Aires,
Republic of Argentina

Main Company's business: Cable television networks operator – Communal antenna
– Telecommunication services – Investments in
companies

Consolidated Financial Statements

as of December 31, 2015
presented on a comparative basis

REGISTRATION DATE IN THE SUPERINTENDENCY OF CORPORATIONS:

Bylaws: August 29, 1979
Latest amendment of Bylaws: June 29, 2006

Registration number in the Superintendency of
Corporations: 172,061

Bylaws expiration date: August 29, 2078

Information about the parent company:
Denomination: Grupo Clarín S.A.
Legal address: Piedras 1,743 - Autonomous City of Buenos
Aires, Republic of Argentina

CAPITAL STRUCTURE (*)		
	Subscribed and paid-in	
	12. 31.15	12. 31.14
	Ps.	
Common book-entry Class "A" shares, with a nominal value of Ps. 1, and entitled to one vote per share.	157,862,000	157,862,000
Common book-entry Class "B" shares, with a nominal value of Ps. 1, and entitled to one vote per share.	39,742,267	39,742,267
	197,604,267	197,604,267

(*) Including treasury shares.

Cablevisión S.A.
Consolidated Statement of Comprehensive Income
December 31, 2015 and 2014

	Notes	12.31.2015	12.31.2014
		<u>Ps.</u>	
Continuing operations			
Revenues	6	20,125,357,239	14,226,131,448
Cost of sales (1)	7	(9,243,975,860)	(7,233,213,319)
Gross income		<u>10,881,381,379</u>	<u>6,992,918,129</u>
Selling expenses (1)	8	(2,524,906,935)	(1,802,896,026)
Administrative expenses (1)	8	(2,627,972,836)	(1,727,524,407)
Other income and expenses, net		1,685,031	8,425,440
Financial costs	9	(2,784,674,993)	(1,546,377,109)
Other financial income and expenses, net	10	(28,217,451)	(60,559,284)
Financial results		<u>(2,812,892,444)</u>	<u>(1,606,936,393)</u>
Equity in earnings from associates	11	504,747,128	57,731,847
Net income before income tax		3,422,041,321	1,921,718,590
Income tax	12	(909,187,780)	(596,955,823)
Net income for the year		<u><u>2,512,853,541</u></u>	<u><u>1,324,762,767</u></u>
Other comprehensive income			
Items that can be reclassified to earnings			
Variation in translation differences of foreign operations		146,568,999	355,352,649
Total comprehensive income for the year		<u><u>2,659,422,540</u></u>	<u><u>1,680,115,416</u></u>
Earnings from operations attributable to:			
Equity holders of the Company		2,473,366,772	1,287,185,928
Non-controlling interests		39,486,769	37,576,839
Total comprehensive income attributable to:			
Equity holders of the Company		2,646,458,050	1,603,828,509
Non-controlling interests		12,964,490	76,286,907

(1) Includes amortization of intangible assets and depreciation of property, plant and equipment of Ps. 1,566,174,439 and Ps. 1,231,220,143 at December 31, 2015 and 2014, respectively.

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

Cablevisión S.A.
Consolidated Statement of Financial Position
As of December 31, 2015 and 2014

	Note	12.31.15	12.31.14
		<u>Ps.</u>	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	8,450,192,402	5,852,111,830
Intangible assets	14	66,119,113	93,924,728
Goodwill	15	3,143,248,654	3,177,997,783
Investments in associates	17	1,370,204,458	110,322,719
Investments	16	697,057,242	585,321,308
Deferred tax asset	12	74,256,927	53,257,059
Other receivables	18	1,271,286,271	76,349,006
Trade receivables	20	-	88,892,564
Total non-current assets		<u>15,072,365,067</u>	<u>10,038,176,997</u>
CURRENT ASSETS			
Inventories	19	4,853,955	5,984,228
Other receivables	18	490,719,774	337,805,569
Trade receivables	20	1,263,859,164	1,001,671,984
Investments	16	911,123,423	1,051,394,900
Cash and banks	21	1,765,860,661	940,114,763
Total current assets		<u>4,436,416,977</u>	<u>3,336,971,444</u>
Total assets		<u>19,508,782,044</u>	<u>13,375,148,441</u>
SHAREHOLDERS' EQUITY (as per related statement)			
Attributable to equity holders of the Company			
Shareholders contributions	22	334,732,918	334,732,918
Reserves and accumulated results	23	8,095,562,585	5,885,104,535
Attributable to non-controlling interests	24	295,977,472	286,437,581
Total shareholders' equity		<u>8,726,272,975</u>	<u>6,506,275,034</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Bank and financial debt	25	3,866,186,846	2,818,771,931
Deferred tax liability	12	24,684,471	48,499,441
Provisions and other charges	29	281,903,813	201,586,678
Taxes payable	30	10,123,846	2,197,151
Other payables	31	110,991,475	105,947,918
Total non-current liabilities		<u>4,293,890,451</u>	<u>3,177,003,119</u>
CURRENT LIABILITIES			
Bank and financial debt	25	2,754,982,652	1,288,200,032
Taxes payable	30	822,747,954	677,801,624
Other payables	31	160,454,506	121,292,520
Accounts payable and others	32	2,750,433,506	1,604,576,112
Total current liabilities		<u>6,488,618,618</u>	<u>3,691,870,288</u>
Total liabilities		<u>10,782,509,069</u>	<u>6,868,873,407</u>
Total liabilities and shareholders' equity		<u>19,508,782,044</u>	<u>13,375,148,441</u>

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

Cablevisión S.A.
Consolidated Statement of Changes in Equity
As of December 31, 2015 and 2014

	EQUITY ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS												Non-controlling interests	Total equity
	SHAREHOLDERS' CONTRIBUTIONS						ACCUMULATED RESULTS					Total Company's equity holders		
	Number of common shares Ps. 1 par value	Share capital	Treasury shares	Additional paid-in capital	Merger premium	Sub-total	Legal Reserve	Optional reserve (2)	Special reserve - Application of IFRS	Accumulated results	Other Reserve			
Balances as of January 1, 2014	197,604,267	197,601,949	2,318,204,839	134,234,500	2,894,151	334,732,918	39,520,853	3,376,813,179	42,775,870	710,576,297	505,589,827	5,010,008,944	212,804,480	5,222,813,424
Transfer of treasury shares dated January 6, 2014	-	(204,839)	-	-	-	-	-	-	-	-	-	-	-	-
Constitution of optional reserve as decided at the Ordinary and Extraordinary Shareholders' Meeting held on April 28, 2014	-	-	-	-	-	-	-	316,576,297	-	(316,576,297)	-	-	-	-
Distribution of dividends as decided at the Ordinary and Extraordinary Shareholders' Meeting held on April 28, 2014 (1)	-	-	-	-	-	-	-	-	-	(394,000,000)	-	(394,000,000)	-	(394,000,000)
Net income for the year	-	-	-	-	-	-	-	-	-	1,287,185,928	-	1,287,185,928	37,576,839	1,324,762,767
Other comprehensive income:														
Change in currency translation of foreign operations	-	-	-	-	-	-	-	-	-	-	316,642,581	316,642,581	38,710,068	355,352,649
Sub-total comprehensive income for the year	-	-	-	-	-	-	-	-	-	1,287,185,928	316,642,581	1,603,828,509	76,286,907	1,680,115,416
Distribution of dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(2,495,408)	(2,495,408)
Decreasing of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(158,398)	(158,398)
Balances as of December 31, 2014	197,604,267	197,397,110	207,157	134,234,500	2,894,151	334,732,918	39,520,853	3,693,389,476	42,775,870	1,287,185,928	822,232,408	6,219,837,453	286,437,581	6,506,275,034
Balances as of January 1, 2015	197,604,267	197,397,110	207,157	134,234,500	2,894,151	334,732,918	39,520,853	3,693,389,476	42,775,870	1,287,185,928	822,232,408	6,219,837,453	286,437,581	6,506,275,034
Constitution of optional reserve as decided at the Ordinary and Extraordinary Shareholders' Meeting held on April 23, 2015	-	-	-	-	-	-	-	851,185,928	-	(851,185,928)	-	-	-	-
Distribution of dividends as decided at the Ordinary and Extraordinary Shareholders' Meeting held on April 23, 2015 (1)	-	-	-	-	-	-	-	-	-	(436,000,000)	-	(436,000,000)	-	(436,000,000)
Net income for the year	-	-	-	-	-	-	-	-	-	2,473,366,772	-	2,473,366,772	39,486,769	2,512,853,541
Other comprehensive income:														
Change in currency translation of foreign operations	-	-	-	-	-	-	-	-	-	-	173,091,278	173,091,278	(26,522,279)	146,568,999
Sub-total comprehensive income for the year	-	-	-	-	-	-	-	-	-	2,473,366,772	173,091,278	2,646,458,050	12,964,490	2,659,422,540
Distribution of dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(3,424,599)	(3,424,599)
Balances as of December 31, 2015	197,604,267	197,397,110	207,157	134,234,500	2,894,151	334,732,918	39,520,853	4,544,575,404	42,775,870	2,473,366,772	995,323,686	8,430,295,503	295,977,472	8,726,272,975

(1) Dividends distributed in 2015 were Ps. 436 million (Ps. 2.21 per share), of which Ps. 435.9 (Ps. 2.21 per share) were paid; and dividends distributed in 2014 were Ps. 394 million (Ps. 1.99 per share), of which Ps. 393.9 million (Ps. 1.99 per share) were paid, respectively.

(2) At December 31, 2015, includes Ps. 900 million optional reserve for future distributions of dividends and Ps. 3,644.6 million optional reserve to maintain the level of investments in fixed assets and the current level of solvency of the Company.

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

Cablevisión S.A.
Consolidated Statement of Cash Flows
As of December 31, 2015 and 2014

	12.31.2015	12.31.2014
	Ps.	
CASH FLOWS PROVIDED BY OPERATIONS		
Net income for the year	2,512,853,541	1,324,762,767
Accrued income tax	909,187,780	596,955,823
Adjustments to reconcile the net income for the period to net cash flows provided by operations:		
Equity in earnings from associated companies	(504,747,128)	(57,731,847)
Depreciation of property, plant and equipment	1,531,614,402	1,197,127,794
Amortization of intangible assets	34,560,037	34,092,349
Obsolescence of material	9,479,003	5,624,740
Allowances	303,106,602	222,493,819
Result for the sale of property, plant and equipment	(457,965)	(2,194,723)
Accrued interest, net	349,300,952	313,316,625
Financial results – sundry	1,426,170,841	1,008,067,473
Changes in assets and liabilities		
Trade receivables	(440,383,213)	(404,670,303)
Other receivables	(485,855,029)	76,328,810
Inventories	2,571,045	(1,890,474)
Accounts payable and others	1,149,389,554	239,141,971
Taxes payable	(48,891,277)	(37,735,067)
Other payables and provisions	22,044,289	(4,339,813)
Change in currency translation of foreign operations	45,606,597	156,311,359
Collection of interest	273,401,190	71,427,634
Income tax paid	(749,488,503)	(109,170,492)
Net cash flows provided by operations	6,339,462,718	4,627,918,445
CASH FLOWS USED IN INVESTMENT ACTIVITIES		
Acquisition of participations in companies	(799,231,498)	-
Net increase of intangible assets and goodwill	(6,777,958)	(8,044,237)
Acquisition of notes and bonds, net	154,406,226	(702,129,651)
Call option - Nextel	(849,919,134)	-
Collection of dividends	32,103,387	36,677,039
Collection of notes and bonds	222,874,183	2,442,552
Collection for the sale of property, plant and equipment	439,964	3,980,657
Net increase of property, plant and equipment	(4,172,548,088)	(2,370,672,307)
Net cash flows used in investment activities	(5,418,652,918)	(3,037,745,947)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Settlement of dividends	(435,858,858)	(393,868,866)
Collection / (Settlement) of financial instruments	47,307,700	4,242,112
Increase of loans	1,271,321,743	656,643,839
Partial advance settlement of investment for the purchase of notes of subsidiaries	-	-
Settlement of loans – interests	(587,392,721)	(446,258,410)
(Transfer) / Contribution to reserve account and others	-	(11,428,239)
Distribution of dividends to non-controlling interests	(3,424,599)	(2,495,408)
Settlement of loan principal and issuing expenses	(857,995,614)	(1,135,159,892)
Net cash flows used in financing activities	(566,042,349)	(1,328,324,864)
Net increase in cash	354,767,451	261,847,634
Cash at the beginning of year	1,333,264,395	1,013,205,809
Effect of exchange rate changes on cash and cash equivalents	488,645,358	58,210,952
Cash at the end of the year ⁽¹⁾ (See Note 2.23)	2,176,677,204	1,333,264,395
(1) Includes:		
Cash and banks	1,765,860,661	940,114,763
Investments with a maturity not exceeding three months	410,816,632	393,149,632

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

Cablevisión S.A.
Notes to the Consolidated Financial Statements
As of December 31, 2015 and 2014

NOTE 1 GENERAL INFORMATION

Cablevisión S.A. (“Cablevisión” or the “Company”) was organized on April 5, 1979, to engage in the business of installing, operating and developing supplementary broadcasting services.

The main business of the Company and certain of its subsidiaries consists in operating cable television networks in several locations in Argentina and Uruguay and in the provision of telecommunication services.

Cablevisión is the largest multiple system operator (“MSO”) in Argentina and one of the largest in Latin America. A MSO is a company that owns multiple cable systems in different locations under the control and management of a single, common organization.

The Company provides pay television services pursuant to of licenses issued by the Federal Broadcasting Committee (Comité Federal de Radiodifusión or “COMFER”) and telecommunication services pursuant to of licenses issued by the Secretary of Communications (“Secom”).

NOTE 2 BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of preparation

The Comisión Nacional de Valores (Argentine Securities Commission or “CNV”), by means of General Resolutions No. 562/09 and No. 576/10, has ordered the application of Technical Resolutions (“TR”) No. 26 and 29 of the Argentine Federation of Professional Councils of Economic Sciences (“Federación Argentina de Consejos Profesionales de Ciencias Económicas” or “FACPCE”). Such Resolutions adopt the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) for entities that are subject to the public offering regime of Law No. 26831, because they have either listed their shares or notes, or because they have requested authorization to be included under such regime. The FACPCE issues so-called Adoption Letters for the enforcement of IASB resolutions in Argentina.

These consolidated financial statements of the Company for the year ended December 31, 2015 presented on a comparative basis, have been prepared in accordance with IFRS. Some additional matters were included as required by the General Argentine companies Law and/or CNV regulations, including, the supplementary information set forth under the last paragraph of Section 1, Chapter III, Title IV of General Resolution No. 622/13. That information is included in the Notes to these consolidated financial statements, as provided under IFRS and CNV standards. The consolidated financial statements have been prepared in accordance with the accounting policies of the Company, that are based on the IFRS issued by the IASB and the interpretations issued by the Interpretations Committee of the International Financial Reporting Standards (“IFRIC”).

In preparing these consolidated financial statements for the year ending December 31, 2015, and for the purposes of presentation to the London Stock Exchange (LSE), the Company has followed accounting policies that are in accordance with IFRS.

These consolidated financial statements have been prepared on the basis of historical cost, except for the valuation of financial instruments. In general, historical cost is based on the fair value of the consideration given in exchange for the assets.

The attached consolidated information, approved by the Company’s Board of Directors in its meeting of March 8, 2016, is presented in pesos (Ps.), the currency of legal tender in Argentina, and has been prepared on the basis of the accounting records of Cablevisión and its controlled companies.

Certain figures reported in the financial statements for the year ended December 31, 2014 were reclassified for comparative purposes with this year.

2.2. Standards and Interpretations issued but not adopted to date

The Company has not adopted the IFRS or revisions of IFRS detailed below, since their application is not required for the year ended December 31, 2015:

- IFRS 9 Financial Instruments: Issued in November 2009 and amended in October 2010 and July 2014, IFRS 9 introduces new requirements for the classification and measurement of financial assets and liabilities and for their derecognition. Said standard is applicable to the years beginning on or after January 1, 2018.

- IFRS 15 “Revenue from ordinary activities under contracts with customers”: Issued in May 2014 and applicable to years beginning on or after January 1, 2018. It specifies how and when revenue will be recognized, as well as the additional information to be disclosed by the Company in the financial statements. The standard provides a single, principles-based five-step model to be applied to all contracts with customers.

2.3. Standards and Interpretations issued adopted to date

- IFRIC 21 Levies: The interpretation establishes how to account for liabilities to pay levies when those liabilities are within the scope of IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” and when they do not arise from income taxes (IAS 12) or from fines or other penalties imposed for breach of tax legislation.

The interpretation clarifies what is the obligating event that triggers the obligation to pay the levy and when an entity should recognize that obligation. Said standard is applicable to years beginning on or after January 1, 2014. This standard did not have an impact on the Company’s financial statements.

2.4. Basis of consolidation

These consolidated financial statements incorporate the financial statements of Cablevisión and the companies and joint ventures (“Interests in Joint Operations”, Note 2.7) controlled by the Company. Control is presumed to exist when the Company has a right to variable returns from its interest in a subsidiary and has the ability to affect those returns through its power over the subsidiary. This power is presumed to exist when it is evidenced by the voting rights, be it that the Company has the majority of voting rights or potential voting rights currently exercised.

The subsidiaries are consolidated from the date on which the Company assumes control over them and are excluded from consolidation on the date control ceases. Additionally, these financial statements incorporate the companies mentioned in 2.4.1.

For consolidation purposes, intercompany transactions and balances between the Company and its consolidated companies have been eliminated. Unrealised net income has also been eliminated. Below is a detail of the most significant consolidated subsidiaries, as well as the percentage of direct and indirect interest in the capital stock and votes of each of them as of the dates indicated:

Subsidiary	Country	Participation rate in the share capital and votes	
		12.31.2015	12.31.2014
Fintelco S.A.	Argentin a	100	100
Pem S.A.	Argentin a	100	100
CV Berazategui S.A.	Argentin a	70	70

Cable Imagen S.R.L. (3)	Argentina	100	100
Televisión Dirigida S.A. (2)	Paraguay	100	100
Wolves Televisión S.A.	Argentina	100	100
Adesol S.A. (1)	Uruguay	100	100
Ultima Milla S.A.	Argentina	100	100
Primera Red Interactiva de Medios Argentinos (PRIMA) S.A. ("Prima")	Argentina	100	100

(1) Includes interests in special purpose entities, to wit: Audomar, Bersabel, Dolfycor, Reiford, Space Energy, Tracel and Visión Satelital.

(2) On December 5, 2014, the activities and operations of Cable Visión Comunicaciones S.A., Producciones Unicanal S.A and Consorcio Multipunto Multicanal (CMM) S.A. were absorbed by Televisión Dirigida S.A. by way of merger.

(3) Data on the issuer arising from non-accounting information.

The financial statements of subsidiaries used for consolidation purposes bear the same closing date as these consolidated financial statements, cover the same periods, and have been prepared using exactly the same accounting policies as those used by the Company, which are described in the notes to the financial statements, or adjusted as applicable.

2.4.1. Consolidation of Structured Entities

The Company, through one of its subsidiaries, has executed certain agreements with other companies for the purpose of rendering, on behalf of and by order of such companies, certain installation services, collections, administration of subscribers, marketing and technical assistance, financial and general business advising with respect to cable television in Uruguay. In accordance with IFRS 10 "Consolidated financial statements", these consolidated financial statements include the assets, liabilities and results of these companies. Since the Company does not hold an interest in these companies, the offsetting entry of the net effect of the consolidation of the assets, liabilities and results of these companies is disclosed in the line-items "Equity attributable to non controlling interests" and "Net income attributable to non controlling interests".

2.5. Business combinations

The Company applies the acquisition method of accounting for business combinations. The consideration for each acquisition is measured at fair value (on the date of exchange) of the assets assigned, the liabilities incurred or assumed and the equity instruments issued by the Company in exchange for the control of the acquired company. The costs related to the acquisition are expensed as incurred.

Consideration for the acquisition includes any asset or liability arising from a contingent consideration arrangement, if any, measured at fair value at the acquisition date. Subsequent changes to such fair value, verified during the measurement period, are adjusted against the acquisition cost.

The identifiable assets, liabilities and contingent liabilities of the acquired company that meet the conditions for recognition under IFRS 3 (2008) are recognized at fair value at the acquisition date, except for certain particular cases provided by such standard.

Any excess of the acquisition cost over the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or associate measured at the acquisition date is recognized as goodwill. Any excess of the net fair value of the identifiable assets, liabilities and contingent liabilities over the acquisition cost, after measurement thereof at fair value, is immediately recognized in net income.

The acquisition cost comprises the consideration transferred, the amount of any non controlling interest and the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree, if any.

The Company initially recognizes any non controlling interest as per its share in the amounts recognized for the net identifiable assets of the acquiree.

2.6. Investments in associates

An associate is an entity over which the Company has significant influence, without exercising control, generally accompanied by a 20%-50% holding of the voting power.

The associate's net income, assets and liabilities are disclosed in these financial statements using the equity method. Under the equity method, the investment in an associate is to be initially recorded at cost, and the book value will be increased or decreased to recognize the investor's share in the comprehensive income for the year or in the other comprehensive income obtained by the associate after the acquisition date. Any distributions received from the associate will reduce the book value of the investment. The investment in the Company's associates includes the goodwill identified in the acquisition, net of any impairment losses.

Any excess of the acquisition cost over the Company's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities measured at the acquisition date is recognized as goodwill. Goodwill is included in the book value of the investment and tested for impairment as part of the investment. Any excess of the Company's share in the net fair value of identifiable assets, liabilities and contingent liabilities over the acquisition cost, after its measurement at fair value, is immediately recognized in net income.

Unrealised gains or losses on transactions between the Company (and its subsidiaries) and the associates are eliminated considering the Company's interest in the associates.

Where necessary, adjustments were made to the associates financial statements so that their accounting policies are in line with those used by the Company.

Investments in companies in which the Company does not have control or significant influence have been valued at cost, which does not differ significantly from their fair value.

Transactions with the non-controlling interest that do not result in a loss of control are registered as asset transactions, i.e. as transactions with the owners in their capacity as such. The difference between the fair value of the consideration paid and the part of such consideration that corresponds to the book value of the subsidiary's net assets that underlie the acquired shares, is registered in equity. Gains or losses on sales to non controlling interests are also registered in equity.

When the Company ceases to have control, any interest retained in the entity is once again measured at its fair value as of the date on which it loses control, and the change in book value is registered in results. The fair value is the initial value for the purpose of the later registration of the retained interest as an associated company, joint arrangements or financial asset. In addition, the amounts previously recognized as other comprehensive income in respect of such entity are registered as if the Company had directly transferred the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified as income.

2.7. Interests in joint operations

A joint operation is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control, i.e., when the financial strategy and operating decisions related to the company's activities require the unanimous consent of the parties sharing control.

In the case of joint business arrangements executed through *Uniones Transitorias de Empresas* ("UTE"), considered jointly controlled operations under IFRS 11, the Company recognizes in its financial statements on a line-by-line basis, the jointly controlled assets, liabilities and net income, subject to joint control in proportion to its share in such arrangements. Cablevisión indirectly holds a 50% interest in the UTE Ertach – Prima (See Note 34).

2.8. Goodwill

Goodwill arises from the acquisition of subsidiaries and refers to the excess of the cost of acquisition over the net fair value at the date of the acquisition of the identifiable assets acquired and liabilities assumed. The Company initially recognizes any non-controlling interest as per its interest percentage in the amounts recognized for the net identifiable assets of the acquired company.

Goodwill is tested for impairment annually or more often if there is any evidence of impairment. To test for impairment, goodwill is allocated to each of the Company's cash-generating units that are expected to provide benefits from the synergies of the respective combination. If the recoverable value of the cash-generating unit, i.e. the higher of the value in use or the fair value net of selling expenses, is lower than the value of the net assets allocated to that unit, including goodwill, the impairment loss is first allocated to reduce the goodwill allocated to the unit and then to the other assets of the unit, on a pro rata basis, based on the valuation of each asset in the unit. The impairment loss recognized against the valuation of goodwill is not reversed under any circumstance.

As mentioned under Note 28 – Regulatory Framework, the Company believes that the recoverability of goodwill could be affected by the final outcome of the circumstances described therein.

As of December 31, 2015, goodwill has not suffered any impairment.

2.9. Revenue recognition

Sales of cable or Internet services subscriptions are recognized as revenues for the period in which the services are rendered.

Revenues from the installation of these services are accrued over the average term during which clients maintain their subscription to the service. Advertising sales revenues are recognized in the period in which advertising is published or broadcast.

Revenues from transactions that include more than one item have been recognized separately to the extent they have commercial substance on their own. The amount of revenues allocated to each item is based on its fair value, which is assessed or estimated at market value (See Note 37.1).

Revenues from the sale of assets are recognized only when the risks and benefits arising from the use of the disposed assets have been transferred, the amount of revenues may be fairly estimated, and the Company is likely to obtain economic benefits.

Installment sales are recognized at the value of future income discounted at a market rate assessed at the beginning of the transaction.

2.10. Leases

A lease is classified as a financial lease when the terms of the lease transfer to the lessee substantially all the risks and benefits inherent to ownership. All other leases are classified as operating leases.

Assets held under financial leases are recognized at the lower of the fair value of the Company's leased assets at the beginning of the lease term, or the present value of the minimum lease payments. The liability held with the lessor is included in the financial statement as an obligation in line-item "Bank and financial debt".

Lease payments are allocated between the finance charge and the reduction of the liabilities under the lease so as to achieve a constant interest rate on the outstanding balance. Financial expenses are charged to results during the period of the lease.

Assets held under financial leases are depreciated over the shorter of the lease term or the useful life of the asset.

Operating leases are charged to income on a straight-line basis over the term of the lease.

2.11. Foreign currency and functional currency

The individual financial statements of each of the entities consolidated by the Company are prepared in the currency of the primary economic environment in which the entity operates (its functional currency). For the purposes of the preparation of consolidated financial statements, the net income and financial position of each entity are expressed in Argentine pesos (Argentina's legal tender for all companies domiciled in Argentina), which is the Company's functional currency and the reporting currency of the consolidated financial statements. The functional currencies of Uruguayan and Paraguayan companies are the Uruguayan peso and the Guaraní, respectively.

In preparing the financial statements of individual entities, transactions in currencies other than the entity's functional currency (foreign currency) are recorded at the exchange rates prevailing on the dates on which transactions are carried out. At the end of each reporting period, monetary items denominated in foreign currency are retranslated at the exchange rates prevailing on such dates. Exchange differences are charged to net income as incurred.

In preparing the Company's consolidated financial statements, asset and liability balances of the entities with functional currencies other than the Argentine peso, expressed in their own functional currency (Uruguayan peso and Guaraní), are translated into pesos at the exchange rate prevailing at the end of the period, while net income is translated at the exchange rate prevailing on the transaction date. Exchange differences are recognized in other comprehensive income as "Variation in translation differences of foreign operations", and in the Consolidated Statement of Changes in Equity they are presented under "Other reserve".

2.12. Current and deferred income tax

The income tax charge reflects the sum of the current and deferred income tax.

Current and deferred income tax is recognized as income or expense for the year, except where it relates to items credited or debited in other comprehensive income or equity, in which case the tax is also recognized in other comprehensive income or directly in equity, respectively. In the case of a business combination, the tax effect is taken into account in the calculation of goodwill or in the determination of the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

Current tax payable is based on the taxable income recorded during the year. Taxable income and net income reported in the consolidated statement of comprehensive income differ due to revenue or expense items that are taxable or deductible in other periods and items that are never taxable or deductible. The Company's current tax liability is calculated using the tax rate in effect as of the date of the financial statements. The current tax charge is calculated based on the tax rules effective in the countries where consolidated entities operate.

Deferred tax is recognized on temporary differences between the book value of the assets and liabilities included in the financial statements and the corresponding tax bases used to determine taxable income. Deferred tax liabilities are generally recognized for all temporary tax differences. Deferred tax assets are recognized, for all deductible temporary differences, to the extent that it is likely that future taxable income will be available against which to charge such deductible temporary differences. These assets and liabilities are not recognized if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that does not affect the taxable or accounting income.

The book value of a deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer likely that sufficient taxable income will be available in the future to allow for the recovery of all or part of the asset.

Deferred taxes are recognized on temporary differences arising from investments in subsidiaries and associated companies, except for those deferred tax liabilities for which the Company may control the date on which temporary differences will revert and which are not likely to revert in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applicable in the period in which the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the way in which the entity expects, at the end of the reporting period, to recover or settle the book value of its assets and liabilities.

Deferred tax assets are offset against deferred tax liabilities if effective regulations allow to offset, before the tax authorities, the amounts recognized in such items, and if deferred tax assets and liabilities arise from income taxes levied by the same tax authority and the Company intends to settle its assets and liabilities on a net basis.

Under IFRS, deferred tax assets and liabilities are classified as non current assets and liabilities, respectively.

2.12.1. Tax on assets

In Argentina, the tax on assets (“impuesto a la ganancia mínima presunta”) is complementary to income tax. The Company assesses this tax at the effective rate of 1% on the taxable assets at year-end. The Company’s tax liability for each year will be equal to the higher of the tax on assets assessments or the income tax liability assessed at the legally effective rate on the estimated taxable income for the year. However, if the tax on assets exceeds the income tax liability in any given fiscal year, such excess may be creditable against any excess of income tax liability over the tax on assets in any of the following ten fiscal years.

The balance of the tax on assets has been capitalized in the consolidated financial statements for the amount estimated to be recoverable within the terms provided under the applicable statute of limitations based on the current business plans of controlled companies.

2.13. Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and any accumulated impairment loss.

Depreciation of property, plant and equipment is recognized on a straight line basis over its estimated useful life.

The estimated useful life, the residual value and the depreciation method are reviewed at the end of each year, with the effect of any changes in estimates accounted for on a prospective basis. Land is not depreciated.

Works in progress are recorded at cost less any recognized impairment loss. Depreciation of these assets, as in the case of other property, begins when the assets are ready for their use.

Repair and maintenance expenses are expensed as incurred.

Borrowing costs that are directly attributable to the acquisition or construction of certain capital assets are capitalized as part of the cost of these assets until they are ready for their use or sale, according to IAS 23 (“Borrowing Costs”). The assets for which the borrowing costs are capitalized are those that require a substantial time before being ready for their use. In the years ended December 31, 2015 and 2014, the Company has not incurred these types of costs.

The gain or loss arising from the retirement or disposal of an asset is calculated as the difference between the income from the sale of the asset and the asset's book value, and recognized in line-item "Other income and expenses net" in the statement of comprehensive income.

The residual value of an asset is written down to its recoverable value if the residual value of the asset exceeds its estimated recoverable value (See Note 2.15).

The value of property, plant and equipment does not exceed its recoverable value at the end of the period. However, as set forth in Note 28 – Regulatory Framework, depending on the resolution of the circumstances indicated therein, this estimation could be affected.

2.14. Intangible assets

Intangible assets include trademarks and patents, exclusivity agreements, licenses, software and other rights, the purchase value of the subscriber portfolio, ongoing projects (mainly relating to software development) and other intangible assets. Accounting policies on the recognition and measurement of such intangible assets are described below.

2.14.1. Intangible assets acquired separately

Intangible assets acquired separately are valued at cost net of all accumulated amortization and impairment losses. Amortization is calculated on a straight-line basis over the estimated useful life of the intangible assets. The Company reviews the useful lives applied, residual values and the amortization method at the end of each year, and accounts the effect of any changes in estimates on a prospective basis.

2.14.2. Intangible assets acquired in a business combination

Intangible assets acquired in a business combination (subscriber portfolio) are identified and recognized separately with respect to goodwill when they meet the definition of intangible assets and their fair value can be measured reliably. Such intangible assets are recognized at fair value at the acquisition date.

After initial recognition, the intangible assets acquired in a business combination are valued at cost net of accumulated amortization and impairment losses, on the same basis as intangible assets acquired separately. Amortization is calculated using the straight-line method over their estimated useful lives and does not exceed 10 years.

2.14.3. Information systems projects

Costs relating to the development or maintenance of computer software are generally registered as expenses as incurred. However, costs directly relating to the development, acquisition and implementation of information systems are registered as intangible assets if certain conditions are met, including their technological feasibility, the Company's intention to complete the development of the intangible asset and its likely future benefits.

After initial recognition, internally developed intangible assets are valued at cost net of accumulated amortization and impairment losses, on the same basis as intangible assets acquired separately.

Such assets are included under the columns "ongoing projects" and "software" (See Note 14).

2.15. Impairment of non financial assets except goodwill

At the end of each financial statement, the Company tests for impairment the book value of its non financial assets with a finite useful life. If there is any sign of impairment, the recoverable value of the assets is assessed in order to determine the impairment loss (in the event the recoverable value is lower than the book value). When it is not possible to assess the recoverable value of an individual asset, the Company estimates the recoverable value of the cash generating unit ("CGU") to which such asset belongs. When a consistent and reasonable allocation basis may be identified, corporate assets are also allocated to an

individual cash generating unit, or otherwise, they are allocated to the smallest group of cash generating units for which a consistent allocation basis may be identified.

An asset's recoverable value is the higher of its fair value less its selling expenses or its value in use.

In the determination of the value in use, estimated future cash flows are discounted at their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and, if any, the risks specific to the asset for which estimated future cash flows have not been adjusted.

Assets with an indefinite useful life (e.g., non financial assets unavailable for use) are not amortized, but are tested for impairment on an annual basis.

No impairment losses have been registered during the year. However, as set forth in Note 28 – Regulatory Framework, depending on the resolution of the circumstances indicated therein, this estimation could be affected.

Non-financial assets, except for goodwill, for which an impairment loss was recorded, are tested at the end of each year for a possible reversal of such impairment.

2.16. Inventories

Inventories have been valued at acquisition cost, in the customary purchase conditions for the Company, net of the allowance for impairment. Such allowance is calculated based on the recoverability analysis done by the Company at the end of the year by comparing cost with net realization value, i.e. the estimated cash selling price in the ordinary course of business less the necessary cost to make such sale. The cost of inventories is determined using the weighted average price method. The value of inventories does not exceed their recoverable value at the end of the year.

2.17. Other assets

The assets included in this line-item have been valued at their acquisition cost.

Investments denominated in foreign currency subject to restrictions on disposition under financial covenants have been valued at face value plus interest accrued as of the end of each year.

2.18. Provisions and other charges

Provisions for lawsuits and contingencies and accrual for asset retirement are recognized when the Company has a present obligation (whether legal or constructive) as a result of a past event, the Company is likely to require an outflow of resources to settle such obligation, and when the amount of the obligation can be reliably estimated.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account relevant risks and uncertainties. Where a provision is measured using the estimated cash flow necessary to settle the present obligation, its book value represents the present value of such cash flow.

Where some, all or a portion of the resources required to settle a provisioned liability are expected to be recovered, an account receivable is recognized as an asset, if it is virtually certain that the disbursement will be received and the amount of the account receivable may be reliably measured.

In estimating its obligations, the Company takes into consideration the opinion of its legal advisors.

2.19. Financial instruments

2.19.1. Financial assets

Purchases and sales of financial assets are recognized at the transaction date when the Company undertakes to purchase or sell the asset, and are initially measured at fair value, plus transaction costs, except for those financial assets classified at fair value with changes in the statement of income, which are initially measured at fair value.

2.19.1.1. Classification of financial assets

Financial assets are classified within the following specific categories: “financial assets at fair value with changes in the net income” and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined upon initial recognition.

2.19.1.2. Recognition and measurement of financial assets

2.19.1.2.1. Financial assets at fair value with changes in net income

Financial assets at fair value with changes in net income (mainly mutual funds) are recorded at fair value, recognising any gain or loss arising from any re-measurement in the consolidated statement of comprehensive income. The net gain or loss recognized in net income includes any gain or loss generated by the financial asset and is included in the income or financial cost line-item, as appropriate, in the consolidated statement of comprehensive income.

The fair value of these assets is calculated based on the current quoted market price of these instruments.

2.19.1.2.2. Loans and receivables

Loans and trade receivables with fixed or determinable payments that are not traded in an active market are classified as “trade receivables and other receivables”. Trade receivables and other are initially measured at fair value plus transaction costs, and subsequently measured at amortized cost using the effective interest rate method, less any impairment, if applicable. Interest income is recognized using the effective interest rate method, except for short-term balances for which the recognition of interest is not significant.

2.19.1.3. Impairment of financial assets

The Company tests financial assets for impairment at each closing date to assess if there is any objective evidence of impairment. The value of a financial asset or group of assets is impaired, and impairment losses are recognized, only when there is objective evidence of the impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event or events have an impact on the estimated future cash flows of the financial asset or group of assets that can be measured reliably.

Objective evidence of impairment may include, among other things, material financial difficulties of the issuer or obligor, or breach of contractual terms, such as default or delinquency in interest or principal payments.

For certain categories of financial assets, such as loans and receivables, assets that are not impaired on an individual basis are tested for impairment on a collective basis. The objective evidence of impairment of a receivable portfolio includes the Company’s past collection record, an increase in delinquent payments, as well as changes in the local economic situation affecting the recoverability of receivables.

Where there is objective evidence of an impairment loss in the value of loans granted, receivables or held-to-maturity investments recorded at amortized cost, the loss amount is measured as the difference between the book value and the present value of estimated future cash flows (excluding future non-incurred

losses), discounted at the financial asset's original effective interest rate. The book value of the asset is written down under a contra-account. The loss amount is recorded in the result of the period.

If in subsequent periods the impairment loss amount decreases and such decrease may be objectively related to an event subsequent to the recognition of the impairment (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed. A loss reversal can only be recorded to the extent the financial asset's book value does not exceed the amortized cost that would have been determined if the impairment loss had not been recorded at the reversal date. The reversal amount is recognized in the net income for the year.

2.19.1.4. Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights over such asset's cash flows have expired or when it has transferred the financial asset and, therefore, all the risks and benefits inherent to the ownership of the asset have been transferred to another entity. If the Company retains substantially all the risks and benefits inherent to the ownership of a transferred asset, it shall continue to recognize it and it will recognize a liability for any amounts received.

2.19.2. Financial liabilities

Financial liabilities, except for derivatives, are valued at amortized cost using the effective interest rate method.

2.19.2.1. Bank and financial debt

Bank and financial debts are initially valued at their fair value net of any incurred transaction costs, and subsequently valued at amortized cost using the effective interest rate method. Any difference between the initial value net of transaction costs and the settlement value is recognized in results over the term of the loan using the effective interest rate method. Interest expense has been allocated to the line-item "Financial costs" in the consolidated statement of comprehensive income, except for the portion allocated to works in progress, which are recorded in line-item "Property, plant and equipment" in the consolidated financial statement.

2.19.2.2. Accounts payable and others

Accounts payables with fixed or determinable payments are classified as "accounts payable and others". Accounts payable are initially measured at fair value, and subsequently measured at amortized cost using the effective interest rate method. Interest expense is recognized using the effective interest rate method, except for short-term balances where interest recognition is not material.

2.19.2.3. Derecognition of financial liabilities

The Company shall derecognize a financial liability (or part of it) when it is extinguished, i.e. when the obligation specified in the relevant contract is either discharged, cancelled or expires.

2.19.3. Derivatives and hedge accounting

The Company executes certain financial instruments to hedge its exposure to exchange rate risks.

Derivatives are initially recognized at fair value at the date of execution of the related contract and subsequently re-measured at fair value at the end of the reporting period. The resulting gain or loss is immediately recognized in net income, unless the derivative is designated as a hedging instrument, in which case, the timing for its recognition will depend on the nature of the hedging relationship. The Company uses certain derivatives to hedge the fair value of its recognized liabilities (fair value hedge).

The Company documents at the beginning of the transaction the relationship existing between the hedging instruments and the hedged items, as well as its risk management objectives and the strategy to implement

hedge transactions. The Company also documents its assessment, both at the beginning and on an ongoing basis, of the high effectiveness of its hedging transactions to offset the changes in the fair value of the hedged items.

The fair value of a hedging derivative is classified as a non current asset or liability if the hedged item matures in more than 12 months, and as a current asset or liability if the hedged item matures within 12 months.

Fair value hedge

Changes in the fair value of derivatives designated and classified as fair value hedges are charged to net income, together with any change in the fair value of a hedged liability attributable to the hedged risk. The Company only applies fair value hedge accounting to cover exchange rate fluctuations of the liabilities it holds in foreign currency. The gain or loss relating to the effective portion of foreign currency forward contracts is charged to net income under financial costs. The gain or loss related to the ineffective portion, if any, is charged to net income as other income and expenses, net. Changes in the fair value of the Company's hedged liabilities denominated in foreign currency, attributable to the risk described above, are charged to net income under financial costs.

2.19.4. Debt refinancing - restructuring

Liabilities arising from the restructuring of Cablevisión's financial debt have been initially valued at their fair value and will be subsequently measured at the amortized cost using the effective interest rate method.

2.20. Other payables

Other payables have been valued at their nominal value.

2.21. Capital

Ordinary shares are classified as equity (See Note 22).

2.22. Other receivables

2.22.1 Call option

The call option included in the item Other Receivables has been valued at its acquisition cost.

2.23. Consolidated Statement of Cash Flows

For the purpose of preparing the statement of cash flows, "cash and cash equivalents" includes cash and bank balances, certain high liquidity short-term investments (with original maturity of less than 90 days), after deducting bank overdrafts payable on demand, to the extent they are an integral part of the Company's cash management.

Bank overdrafts are classified in line-item "Bank and financial debt" in the consolidated financial statement.

Cash and cash equivalents at the end of each year, as disclosed in the consolidated statement of cash flows, may be reconciled against the items related to the financial statement, as follows:

	12.31.2015	12.31.2014
	Ps.	
Cash and banks	1,765,860,661	940,114,763
Investments:		
Fixed-term deposit	20,289,303	14,677,829
Mutual funds (1)	390,527,240	378,471,803
Notes and bonds (2)	-	-
Cash and cash equivalents	2,176,677,204	1,333,264,395

(1) The mutual funds not considered as cash equivalents as of December 31, 2015 and 2014, amounted to Ps. 344.237.496 and Ps. 279,056,005, respectively.

(2) Notes and bonds not considered as cash equivalents as of December 31, 2015 and 2014, amounted to Ps. 156.069.384 and Ps. 379,189,263, respectively.

For the year ended December 31, 2015 and 2014, the following transactions were carried out and did not have an impact on cash and cash equivalents:

	12.31.2015	12.31.2014
	Ps.	
Settlement of dividends receivable by way of setoff against Debt with Related Parties	12,000,000	7,650,000
Interest settlement through reserve account	-	11,428,239
Settlement of derivative financial instruments with guarantee deposits	1,100,400	-
	13,100,400	19,078,239

2.24. Distribution of dividends

The distribution of dividends to the Company's shareholders is recognized as a liability in the financial statements for the year in which the dividend distribution is approved by the Meeting of Shareholders.

2.25. Segment information

The Board of Directors is the main operating decision maker of the Company. Management has defined operating segments considering the internal information regularly reviewed by the Board of Directors to allocate resources and assess their performance. On this basis, the geographical regions Argentina and Other Countries have been identified as segments. The Other Countries region does not meet the minimum levels required by standards for its separate presentation. For this reason, the Argentina and Other Countries segments have been combined in a single reportable segment.

The services and goods provided by the Company and its subsidiaries correspond to a single business segment, considering their nature, the risks involved in their provision, the distribution processes and the unified customer base.

The Company measures its performance using EBITDA, defined as earnings before income taxes, financial results, depreciation and amortization and the result of the Company's interests in other companies. The internal information reviewed by the Board of Directors is prepared pursuant to effective accounting standards, except for the recognition of the earnings relating to installations of the cable and internet service as sales, the recognition of transactions including separable elements, which are considered on the basis of their billing and the non consolidation of special purpose entities.

NOTE 3 ACCOUNTING ESTIMATES AND JUDGMENTS

In the application of the Company's accounting policies described in Note 2, the Company has to make judgments and prepare accounting estimates of the value of assets and liabilities that may not be obtained from other sources. The estimates and related assumptions are based on historical experience and other relevant factors. Actual results could differ from such estimates.

Underlying estimates and assumptions are continually reviewed. The effects of the review of accounting estimates are recognized for the period in which estimates are reviewed.

These estimates basically refer to:

Fair value measurement of certain financial instruments

The fair value of a financial instrument is the amount for which it could be purchased or sold between knowledgeable willing parties, in an arm's length transaction. If there is a quoted market price available for an instrument in an active market the fair value is calculated based on that price.

If there is no quoted market price available for a financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving the same or similar instruments, or, otherwise, on the basis of valuation techniques regularly used in financial markets. The Company uses its judgment to select a variety of methods and makes assumptions on the basis of market conditions at closing.

The methodology used for the measurement of the fair value of certain financial instruments is more fully described in Note 2.19.

Allowance for bad debts

The Company calculates the allowance for bad debts for debt instruments that are not valued at fair value taking into account the past uncollectibility record and other circumstances known at the time of calculation.

Impairment losses of certain assets other than receivables (including property, plant and equipment and intangible assets)

Certain assets, including property, plant and equipment and intangible assets are tested for impairment. The Company records impairment losses when it estimates that there is objective evidence thereof or when the cost of such losses will not be recovered through future cash flows. The evaluation of what constitutes impairment is a matter of significant judgment. Impairment of the value of non financial assets is more fully described in Note 2.15.

Recognition and measurement of deferred tax items

As set forth in Note 2.12, deferred tax assets are only recognized for temporary differences to the extent it is likely that each entity, on an individual basis, will have sufficient future taxable income against which to apply the deferred tax assets. Tax loss carryforwards from prior years are only recognized when it is likely that each entity shall have sufficient future taxable income against which they can be used.

Pursuant to effective regulations, the use of the subsidiaries' tax credits is based on a projection analysis of future income.

The Company examines the recoverable value of the deferred tax assets based on its business plans and books a valuation allowance, if applicable, so that the net position of the deferred tax asset will reflect its probable recoverable value.

Impairment of goodwill

The Company assesses goodwill for impairment on an annual basis. In determining if there is impairment of goodwill, the Company calculates the value in use of the cash generating units to which it has been allocated. The calculation of the value in use requires the entity to determine the future cash flows that should arise from the cash generating units and an appropriate discount rate to calculate the present value.

At the end of the year there were no impairment losses of goodwill.

Provisions for lawsuits and contingencies

The elements taken into consideration for the calculation of the provisions for lawsuits and contingencies are determined based on the present value of the estimated costs arising from the lawsuits brought against the Company.

In estimating its obligations, the Company takes into consideration the opinion of its legal advisors.

Determination of the useful lives of property, plant and equipment and intangible assets

The Company reviews the reasonableness of the estimated useful lives of property, plant and equipment and intangible assets at the end of each year.

Estimated useful lives this year do not differ from those estimated in prior years.

NOTE 4 ACQUISITION OF COMPANIES AND COMPANY'S REORGANIZATION PROCESSES

a) On September 26, 2006, through a series of related transactions, Grupo Clarín S.A. ("Grupo Clarín") and Fintech Media LLC ("Fintech") reached participations in the capital stock of Cablevisión of approximately 60% and 40%, respectively. On the same date, Cablevisión purchased 100% of the capital stock of Teledigital Cable S.A. ("Teledigital"), a cable television provider that operated in several Argentine provinces and 98.5% of the common shares of Multicanal S.A. ("Multicanal"). Immediately prior to the acquisition of Multicanal by Cablevisión, Multicanal had acquired from Grupo Clarín 100% of the capital stock of Prima. Such acquisitions were subject to applicable administrative approvals.

By means of Resolution No. 257, the Secretaría de Comercio Interior ("Secretary of Domestic Trade" or "SCI"), with a prior favourable opinion from the Comisión Nacional de Defensa de la Competencia (National Antitrust Commission or "CNDC") and after consulting the COMFER and the Secom, which did not raise any objections – approved the above-mentioned transactions and notified the Company thereof on December 7, 2007. The aforesaid resolution has been appealed by five entities. As of the date of these financial statements, the CNDC has denied the five appeals. Four of the entities filed appeals by right before the judicial branch, three of such appeals were dismissed and one is still pending resolution.

The Company believes that if the CNDC acts as it did in the case of the three dismissed appeals by right, this appeal is unlikely to be admitted.

On June 11, 2008 Cablevisión was served with a decision of the Federal Commercial and Civil Court of Appeals revoking a decision rendered by the CNDC on September 13, 2007, whereby such agency had dismissed a claim filed by Gigacable S.A. prior to the December 7, 2007 decision referred to above. The Court of Appeals upheld the revocation only in respect of the events occurred before authorization of the transaction, and ordered to investigate if Cablevisión's and Multicanal's actions prior to the resolution of December 7, 2007 of the CNDC are subject to a fine. As of the date of these financial statements, the Company has presented the relevant defenses, under the aforementioned agency analysis.

b) On December 15, 2008, Cablevisión's shareholders approved the merger of Cablevisión with Multicanal, Delta Cable S.A. Holding Teledigital Cable S.A. Teledigital, Televisora La Plata Sociedad Anónima, Pampa TV S.A. Construed S.A. and Cablepost S.A., on account of which effective as of October 1, 2008, Cablevisión, as surviving company, became the universal successor to all of the assets, rights, and obligations of the merged companies.

The final merger commitment was executed on February 12, 2009 and has been filed with the CNV pursuant to applicable regulations that require administrative approval. As of the date of these financial statements, such process had still to be approved by the CNV and registered with the Inspección General de Justicia ("Superintendency of Corporations" or "IGJ").

As a result of the merger, Cablevisión has increased its capital stock in the amount of Ps. 276,767, i.e. from Ps. 197,327,500 to Ps. 197,604,267, having delegated in the Company's Board of Directors the issue of 276,767 Class B book-entry ordinary shares of Ps. 1 nominal value each and entitled to 1 vote per share, which will be delivered to Multicanal's minority shareholders in exchange for the shares they held in that company.

c) Under Proceeding File No. 21,788/08 dated November 17, 2008, the Company informed the COMFER about the corporate business reorganization process effective as of October 1, 2008. In that same act, the Company informed the COMFER about: i) all the licenses to which it became universal successor under the corporate business reorganization process; ii) the exercise of an option for one of the licenses in each of the locations where it held multiple licenses, and iii) the relinquishment of original licenses and extensions so as to eliminate the multiple licenses accumulated in each of the locations where it held multiple licenses. As a result of such corporate business reorganization process, the Company became the universal successor of 158 licenses to exploit Supplementary Services in several locations (pursuant to section 44, subsection b) of Law No. 22285). To avoid having multiple licenses, the Company informed the COMFER

about its irrevocable intention to relinquish a total of 78 licenses (including original licenses and extensions) so as to eliminate all the supplementary service licenses that exceeded the limit set for supplementary services in each location (which was one license per designated area). Notwithstanding the foregoing, through Resolution No. 577/COMFER/09, the COMFER illegitimately decided to withhold approval of the merger requested by the Company, requesting the Company to submit a divestiture plan on the grounds that the license relinquishments spontaneously communicated by the Company were not sufficient (See Note 29.1.c) Res. N° 577/COMFER/09 and Note 28.1).

d) On September 10, 2015, the Board of Directors of the Company approved the assignment of the rights and obligations held by Grupo Clarín under an offer it had submitted to NII Mercosur Telecom, S.L.U. and NII Mercosur Móviles, S.L.U. (hereinafter, the "Sellers") for the acquisition of 49% of the capital stock of NEXTEL COMMUNICATIONS ARGENTINA S.R.L. (hereinafter, "Nextel") and an option to acquire, together with its subsidiary Televisión Dirigida S.A., subject to certain conditions -among them, the regulatory approvals- 51% of the remaining capital stock. The price of the transaction was USD 165 million (out of this amount, USD 80 million accounts for 49% and USD 85 million accounts for 51%) plus the right to collect an additional amount of up to USD 13 million subject to the fulfillment of certain conditions. The offer submitted by Grupo Clarín was subject to the acceptance of the Sellers. On September 11, 2015, the Sellers accepted the offer submitted by Grupo Clarín and, on the same date, the Sellers accepted the assignment of the rights under such offer in favor of Cablevisión, offering Cablevisión the acquisition of 49% of the capital stock of Nextel and the option to acquire the remaining 51%. In order to guarantee the rights and obligations under the offer, the capital stock owned by NII Mercosur Móviles, S.L.U. was pledged (subject to registration with the Public Registry of Commerce). The transaction was executed on September 14, 2015 with the aggregate payment by the Company and its subsidiary of USD 159 million. The companies undertook to create an USD 6 million guarantee fund with the balance of to cover any potential liabilities of Nextel (this fund was set up on October 7, 2015). In addition, upon the fulfillment of certain conditions precedent, on October 1, 2015, the Company paid to the Sellers the additional amount of USD 12.73 million. As of the date of these financial statements, the assignment of 49% of the capital stock of Nextel in favor of the Company has not yet been registered with the Public Registry of Commerce. Nextel will continue to be controlled and operated by the Sellers until the option to acquire the remaining 51% of the capital stock had been exercised. Subsequently, on January 27, 2016, the Company and its subsidiary Televisión Dirigida S.A. decided to exercise the option to acquire the remaining 51% of the capital stock and votes of Nextel, and, consequently, the Company became the holder of 51.4% of the capital stock and votes of Nextel and Televisión Dirigida S.A. became the holder of the remaining 48.6%. (See Note 28.4.7.).

The Company and its subsidiary Televisión Dirigida S.A. have one year as from the date of acquisition of 51% of the capital stock to allocate the cost of acquisition and calculate goodwill in proportion to their equity interest.

The Company concluded the process of allocating the purchase price of 49% of the capital stock of Nextel and calculated a gain from this acquisition of Ps. 316.7 million disclosed under the item "Equity in Earnings from Affiliates and Subsidiaries" of the Consolidated Statement of Comprehensive Income, mainly due to the fact that the valuation of its identifiable assets, liabilities and contingent liabilities in proportion to its equity interest exceeds the acquisition cost.

During the last quarter of 2015, the Company's investment in Nextel generated a total gain of Ps. 85.0 million, mainly as a result of Nextel operations.

According to the Special Financial Statements of Nextel for the three-month period ended December 31, 2015, sales, income after taxes from continuing operations and net assets amounted to Ps. 870.8 million, Ps. 173.6 million and Ps. 2,451.1 million, respectively.

NOTE 5 SEGMENT INFORMATION

Below is the information as of December 31, 2015 and 2014 for the business segment identified by the Company (amounts expressed in millions of pesos):

12.31.2015

12.31.2014

		Ps.	
Income (1)	20,013.7		14,213.5
EBITDA (1)	7,499.3		4,923.7

Reconciliation to the statement of comprehensive income:

	<u>12.31.2015</u>	<u>12.31.2014</u>
Income (1)	20,013.7	14,213.5
Difference in valuation criteria	111.7	12.6
Income according to statement of comprehensive	<u>20,125.4</u>	<u>14,226.1</u>

EBITDA (1)	7,499.3	4,923.7
Difference in valuation criteria applied	(204.6)	(229.9)
EBITDA according to statement of comprehensive income	7,294.7	4,693.8
Depreciation of property, plant and equipment	(1,531.6)	(1,197.1)
Amortization of intangible assets	(34.6)	(34.1)
Financial costs	(2,784.7)	(1,546.4)
Other financial income and expenses, net	(28.2)	(60.6)
Other income and expenses net	1.7	8.4
Result of long-term investments in associates	504.7	57.7
Income before income tax	3,422.0	1,921.7

(1) Source: internal information reviewed by the Board of Directors.

Geographical information:

	12.31.2015		
	Argentina	Other countries	Total
	Ps.		
Income	19,407.0	718.4	20,125.4
Non current assets except deferred tax and financial assets	12,100.7	616.6	12,717.3
	12.31.2014		
	Argentina	Other countries	Total
	Ps.		
Income	13,586.5	639.6	14,226.1
Non current assets except deferred tax and financial assets	8,632.4	653.8	9,286.2

NOTE 6 REVENUES

	12.31.2015	12.31.2014
	Ps.	
Subscriptions	14,430,045,995	10,776,791,214
Internet	4,818,011,021	2,755,560,808
Advertising	118,881,031	87,215,506
Other	758,419,192	606,563,920
Total	20,125,357,239	14,226,131,448

NOTE 7 COST OF SALES

	12.31.2015	12.31.2014
	Ps.	
Inventories at the beginning of the year	7,493,019	5,646,407
Purchases of the year	82,967,360	85,496,743
Cost of sales (Note 8)	9,158,437,455	7,149,592,182
Application of allowance for impairment of inventories	-	(28,994)
Inventories at the end of the year	(4,921,974)	(7,493,019)
Total cost of sales	9,243,975,860	7,233,213,319

NOTE 8 COST OF SALES, SELLING EXPENSES AND ADMINISTRATIVE EXPENSES

Item	Cost of sales	Selling expenses	Administrative expenses	Total 12.31.2015	Total 12.31.2014
	Ps.				
Payroll and social security charges and other personnel expenses	2,837,048,401	592,917,979	723,821,097	4,153,787,477	3,080,400,891
Programming costs	2,889,016,782	-	-	2,889,016,782	2,180,664,852
Severance costs (compensations to the personnel)	26,533,977	18,341,422	17,507,006	62,382,405	28,722,087
Public utilities and tax rates	383,790,983	923,899,248	19,174,705	1,326,864,936	892,595,461
Representation expenses	455,267	46,236,932	320,545	47,012,744	32,942,352
Maintenance of property, plant and equipment and network expenses	672,272,517	70,876,242	264,606,891	1,007,755,650	782,001,273
Leases	184,534,706	16,802,783	52,865,232	254,202,721	197,668,101
Depreciation of property, plant and equipment	1,417,864,405	80,506,672	33,243,325	1,531,614,402	1,197,127,794
Fees for services	27,712,002	47,062,605	763,587,034	838,361,641	642,647,748
Fees to directors and syndics	-	-	138,372,267	138,372,267	6,229,887
Advertising and promotion	-	434,129,622	-	434,129,622	323,869,187
Office expenses	83,700	1,694,741	28,476,600	30,255,041	25,251,435
Production of magazine	173,175,001	-	-	173,175,001	150,344,668
Data transfer costs	282,962,582	-	-	282,962,582	300,932,201
Bad debts	-	260,111,103	-	260,111,103	160,716,050
Collection expenses and commissions	-	-	553,039,809	553,039,809	383,212,365
Obsolescence of material	9,479,003	-	-	9,479,003	5,624,740
Lawsuits and contingencies	42,995,499	-	-	42,995,499	61,777,769
Amortization of intangible assets	34,560,037	-	-	34,560,037	34,092,349
Miscellaneous	175,952,593	32,327,586	32,958,327	241,238,506	193,191,405
Total at 12.31.2015	9,158,437,455	2,524,906,935	2,627,972,838	14,311,317,228	
Total at 12.31.2014	7,149,592,182	1,802,896,026	1,727,524,407		10,680,012,615

NOTE 9 FINANCIAL COSTS

	12.31.2015	12.31.2014
	Ps.	
Interests	(586,965,270)	(414,624,088)
Exchange differences	(2,139,296,741)	(1,107,000,225)
Financial debt discounts	(15,996,408)	(18,708,215)
Other financial costs	(42,416,574)	(6,044,581)
Total	(2,784,674,993)	(1,546,377,109)

NOTE 10 OTHER FINANCIAL INCOME AND EXPENSES, NET

	12.31.2015	12.31.2014
	Ps.	
Interests	237,664,318	101,307,463
Bank expenses	(6,417,696)	(9,960,122)
Taxes and expenses	(226,403,378)	(156,426,037)
Exchange differences on cash and cash equivalents	488,645,357	58,210,953
Exchange differences from the other items	289,637,140	119,657,188
Financial discounts on assets, debts and diverse	(6,066,943)	17,917,394
Results for operations with notes and bonds	(867,829,549)	(190,790,235)
Results for changes in fair value of financial instruments	62,553,300	(475,888)
Total	(28,217,451)	(60,559,284)

NOTE 11 EQUITY IN EARNINGS FROM ASSOCIATES

	12.31.2015	12.31.2014
	Ps.	
La Capital Cable S.A.	18,543,238	13,395,564
Tres Arroyos Televisora Color S.A.	331,785	(851,330)
Teledifusora San Miguel Arcángel S.A.	18,552,269	10,300,490
Ver TV S.A.	64,329,577	34,385,489
Nextel communications S.R.L.	85,064,384	-
Result from acquisition of associated companies (See Note 4)	316,726,916	-
Other	1,198,959	501,634
Total	504,747,128	57,731,847

NOTE 12 INCOME TAX

	12.31.2015	12.31.2014
	Ps.	
Income before income tax	3,422,041,321	1,921,718,590
Tax rate (35% income tax)	35%	35%
Income tax expense at current statutory tax rate on income before income tax	1,197,714,462	672,601,507
Permanent differences:		
Equity in earnings from associates	(176,661,495)	(20,206,146)
Differences in tax rates applicable to subsidiaries from foreign countries	(89,397,547)	(35,068,700)
Other income and expense, net	(22,466,082)	(20,494,609)
Sub-total	909,189,338	596,832,052
Allowance for doubtful deferred tax assets, net and tax loss carryforwards	(1,324,820)	123,771
Application of statutes of limitations on tax loss carryforwards	1,323,262	-
Total charge for income taxes recognized in the statement of comprehensive income	909,187,780	596,955,823
Deferred income tax	(44,814,838)	1,522,787
Current income tax	954,002,618	595,433,036
Total	909,187,780	596,955,823

The breakdown of net deferred tax is as follows:

	01.01.2015	Net Charge	Change in currency translation	12.31.2015
	Ps.			
Trade receivables and other receivables	(19,796,258)	69,926,911	(756,423)	49,374,230
Taxes payable	24,193,171	9,934,713	-	34,127,884
Provisions and other charges	62,175,876	28,857,336	-	91,033,212
Accounts payable and others	4,007,491	1,042,942	-	5,050,433
Tax loss carryforwards	1,899,042	(1,451,621)	-	447,421
Bank and financial debt	(12,764,578)	1,318,511	-	(11,446,067)
Other payables	76,019,225	13,386,793	(91,846)	89,314,172
Other temporary differences	1,163,566	(15,852,443)	(292,159)	(14,981,036)
Property, plant and equipment and intangible assets-net	(130,271,370)	(63,229,617)	696,921	(192,804,066)
Allowance for doubtful deferred tax assets, net	(1,868,547)	1,324,820	-	(543,727)
Total deferred tax liabilities, net	4,757,618	45,258,345	(443,507)	49,572,456

	01.01.2014	Net Charge	Change in currency translation	12.31.2014
	Ps.			
Trade receivables and other receivables	(43,101,950)	21,282,876	2,022,816	(19,796,258)
Taxes payable	19,823,860	4,369,311	-	24,193,171
Provisions and other charges	48,748,852	13,427,024	-	62,175,876
Accounts payable and others	3,126,274	881,217	-	4,007,491
Tax loss carryforwards	32,823,950	(30,924,908)	-	1,899,042
Bank and financial debt	(14,967,223)	2,202,645	-	(12,764,578)
Other payables	60,851,333	15,029,003	138,889	76,019,225
Other temporary differences	625,109	610,517	(72,060)	1,163,566
Property, plant and equipment and intangible assets-net	(99,905,024)	(27,302,487)	(3,063,859)	(130,271,370)
Allowance for doubtful deferred tax assets, net	(1,744,776)	(123,771)	-	(1,868,547)
Total deferred tax liabilities, net	6,280,405	(548,573)	(974,214)	4,757,618

As of December 31, 2015, the Company had accumulated tax loss carryforwards of approximately Ps. 1,278,346, which, calculated at the statutory tax rate represent a deferred tax asset of approximately Ps. 447,421. The Company estimates that unrecoverable accumulated tax loss carryforwards were of Ps. 999,700 as of that date.

Below is a breakdown of the estimated expiration date of tax loss carryforwards:

Year of origin	Tax loss carryforwards at 12.31.2015	Tax loss carryforwards at 12.31.2014	Expiration year
	Ps.		
2009	-	3,780,747	2014
2010	999,700	999,700	2015
2014	278,646	645,387	2019
	<u>1,278,346</u>	<u>5,425,834</u>	

NOTE 13 PROPERTY, PLANT AND EQUIPMENT

Cost or deemed cost and accumulated depreciation

	Buildings and lands	Improvements to leased buildings	Machinery and equipment	Furniture and fixtures	Vehicles	Tools	Cables, cable laying and assets under loan for use	Work in progress	Materials	Allowance for obsolescence of material	Total
Average useful life (years)	50	3	10	10	5	5	15-3	-	-	-	
Cost or deemed cost	230,330,617	25,919,436	584,777,402	48,252,540	189,951,299	85,086,054	4,755,979,052	478,130,199	754,893,583	(17,512,901)	7,135,807,281
Accumulated depreciation	(89,135,415)	(17,884,689)	(447,606,208)	(32,765,740)	(141,503,220)	(66,950,765)	(1,696,117,569)	-	-	255,842	(2,491,707,764)
Net book value at January 1, 2014	141,195,202	8,034,747	137,171,194	15,486,800	48,448,079	18,135,289	3,059,861,483	478,130,199	754,893,583	(17,257,059)	4,644,099,517
Variation due to translation differences (Cost)	233,335	-	2,405,403	4,232,916	1,723,776	687,676	105,173,876	4,906,122	4,904,016	(284,797)	123,982,323
Additions	1,336,591	90,079	72,195,099	1,879,500	17,202,954	976,593	973,712,509	197,755,506	1,390,743,543	-	2,655,892,374
Decreases	(1,089,402)	(527,264)	(228,813)	(106,030)	(525,375)	(63,216)	(745,967,649)	-	(290,128,022)	-	(1,038,635,771)
Transfers	4,487,630	1,402,704	77,710,141	75,336	-	24,972,224	821,329,902	(34,521,002)	(895,456,935)	-	-
Depreciation of decreases	477,742	527,264	228,813	106,030	416,245	63,216	745,802,705	-	-	-	747,622,015
Variation due to translation differences (Depreciation)	176,825	-	(2,284,634)	(3,243,560)	(1,513,668)	(422,730)	(76,433,067)	-	-	-	(83,720,834)
Depreciation	(5,424,184)	(5,105,427)	(54,385,578)	(3,139,361)	(19,478,090)	(19,363,526)	(1,090,231,628)	-	-	-	(1,197,127,794)
Subtotal	141,393,739	4,422,103	232,811,625	15,291,631	46,273,921	24,985,526	3,793,248,131	646,270,825	964,956,185	(17,541,856)	5,852,111,830
Total at December 31, 2014											
Cost or deemed cost	235,298,771	26,884,955	736,859,232	54,334,262	208,352,654	111,659,331	5,910,227,690	646,270,825	964,956,185	(17,797,698)	8,877,046,207
Accumulated depreciation	(93,905,032)	(22,462,852)	(504,047,607)	(39,042,631)	(162,078,733)	(86,673,805)	(2,116,979,559)	-	-	255,842	(3,024,934,377)
Net book value at December 31, 2014	141,393,739	4,422,103	232,811,625	15,291,631	46,273,921	24,985,526	3,793,248,131	646,270,825	964,956,185	(17,541,856)	5,852,111,830

NOTE 13 PROPERTY, PLANT AND EQUIPMENT (Cont.)

Cost or deemed cost and accumulated depreciation

	Buildings and lands	Improvements to leased buildings	Machinery and equipment	Furniture and fixtures	Vehicles	Tools	Cables, cable laying and assets under loan for use	Work in progress	Materials	Allowance for obsolescence of material	Total
Average useful life (years)	50	3	10	10	5	5	15-3	-	-	-	
Cost or deemed cost	235,298,771	26,884,955	736,859,232	54,334,262	208,352,654	111,659,331	5,910,227,690	646,270,825	964,956,185	(17,797,698)	8,877,046,207
Accumulated depreciation	(93,905,032)	(22,462,852)	(504,047,607)	(39,042,631)	(162,078,733)	(86,673,805)	(2,116,979,559)	-	-	255,842	(3,024,934,377)
Net book value at January 1, 2015	141,393,739	4,422,103	232,811,625	15,291,631	46,273,921	24,985,526	3,793,248,131	646,270,825	964,956,185	(17,541,856)	5,852,111,830
Variation due to translation differences (Cost)	(952,276)	-	(1,529,008)	(2,689,468)	(1,110,105)	(529,849)	(71,613,502)	(3,199,421)	(4,325,605)	178,871	(85,770,363)
Additions	844,980	536,664	153,514,268	3,527,219	143,827,675	1,841,558	1,330,432,007	416,444,282	2,286,060,198	(5,338,639)	4,331,690,212
Decreases	(14,723,913)	-	(78,608,483)	(2,080,535)	(40,987,761)	(404,971)	(878,842,497)	-	(169,389,977)	255,842	(1,184,782,295)
Transfers	10,685,208	835,645	98,564,787	356,197	-	31,570,255	1,115,470,524	203,954,237	(1,461,436,853)	-	-
Depreciation of decreases	14,717,920	-	78,601,000	2,011,632	40,986,712	188,051	878,470,923	-	-	(255,842)	1,014,720,396
Variation due to translation differences (Depreciation)	640,182	-	1,458,724	2,124,008	982,390	315,059	48,316,661	-	-	-	53,837,024
Depreciation	(5,264,184)	(2,417,912)	(102,500,432)	(2,799,820)	(35,311,112)	(25,758,318)	(1,357,562,624)	-	-	-	(1,531,614,402)
Subtotal	147,341,656	3,376,500	382,312,481	15,740,864	154,661,720	32,207,311	4,857,919,623	1,263,469,923	1,615,863,948	(22,701,624)	8,450,192,402
Total at December 31, 2015											
Cost or deemed cost	231,152,770	28,257,264	908,800,796	53,447,675	310,082,463	144,136,324	7,405,674,222	1,263,469,923	1,615,863,948	(22,701,624)	11,938,183,761
Accumulated depreciation	(83,811,114)	(24,880,764)	(526,488,315)	(37,706,811)	(155,420,743)	(111,929,013)	(2,547,754,599)	-	-	-	(3,487,991,359)
Net book value at December 31, 2015	147,341,656	3,376,500	382,312,481	15,740,864	154,661,720	32,207,311	4,857,919,623	1,263,469,923	1,615,863,948	(22,701,624)	8,450,192,402

13.1. Impairment losses recognized in the year

During this year, the Company made a review of the recoverable amount of its property, plant and equipment regarding the obsolescence of materials. As result of such review, it was necessary to recognize an additional loss for impairment of Ps. 5,338,639.

13.2. Evolution of the allowance for obsolescence of material

Variations in the allowance for obsolescence of material were as follows:

	<u>12.31.2015</u>	Ps.	<u>12.31.2014</u>
Balance at beginning of period	17,541,856		17,257,059
Currency translation of foreign operations	(178,871)		284,797
Addition	5,338,639		-
Balance at period end	<u>22,701,624</u>		<u>17,541,856</u>

NOTE 14 INTANGIBLE ASSETS

Cost or attributed cost, accumulated amortization

	Subscriber's portfolio purchase	Work in progress	Trademarks	Software	Other	Total
	Ps.					
Average useful life (years)	7	-	50	5	-	
Cost or deemed cost	-	4,290,132	22,438,834	140,935,537	43,992,732	211,657,235
Accumulated depreciation	-	-	(6,162,804)	(42,218,844)	(43,318,932)	(91,700,580)
Net book value at January 1, 2014	-	4,290,132	16,276,030	98,716,693	673,800	119,956,655
Variation due to translation differences (Cost)	-	-	-	-	16,185	16,185
Additions	-	137,660	-	7,906,577	-	8,044,237
Transfers	-	(4,427,792)	-	4,427,792	-	-
Depreciation	-	-	(447,964)	(33,348,954)	(295,431)	(34,092,349)
Subtotal	-	-	15,828,066	77,702,108	394,554	93,924,728
Total at December 31, 2014						
Cost or deemed cost	-	-	22,438,834	153,269,906	44,036,705	219,745,445
Accumulated amortization	-	-	(6,610,768)	(75,567,798)	(43,642,151)	(125,820,717)
Net book value at December 31, 2014	-	-	15,828,066	77,702,108	394,554	93,924,728

Average useful life (years)	Subscriber's portfolio purchase	Work in progress	Trademarks	Software	Other	Total
	7	-	50	5	-	
	Ps.					
Cost or attributed cost	-	-	22,438,834	153,269,906	44,036,705	219,745,445
Accumulated amortization	-	-	(6,610,768)	(75,567,798)	(43,642,151)	(125,820,717)
Net book value at January 1, 2015	-	-	15,828,066	77,702,108	394,554	93,924,728
Variation due to translation differences	-	-	-	-	(23,536)	(23,536)
Additions / (decreases)	7,053,073	-	-	(562,535)	287,420	6,777,958
Transfers	4,000	-	-	-	(4,000)	-
Amortization	(3,528,537)	-	(447,964)	(30,355,231)	(228,305)	(34,560,037)
Sub-total	3,528,536	-	15,380,102	46,784,342	426,133	66,119,113
At December 31, 2015						
Cost or attributed cost	7,057,073	-	22,438,834	152,707,371	44,265,817	226,469,095
Accumulated amortization	(3,528,537)	-	(7,058,732)	(105,923,029)	(43,839,684)	(160,349,982)
Net book value at December 31, 2015	3,528,536	-	15,380,102	46,784,342	426,133	66,119,113

NOTE 15 GOODWILL

	12.31.2015		12.31.2014
<u>Cost</u>		Ps.	
Prima	39,507,456		39,507,456
Telemas S.A.	274,311,009		309,060,138
Cablevisión Business	2,829,430,189		2,829,430,189
Total	3,143,248,654		3,177,997,783

	12.31.2015		12.31.2014
<u>Cost - Evolution</u>		Ps.	
Balance at beginning of period	3,177,997,78		3,122,995,26
	3		3
Decreases	-		-
Change in currency translation of foreign operations	(34,749,129)		55,002,520
Balance at december 31	3,143,248,65		3,177,997,78
	4		3

Allocation of goodwill to cash generating units

For the purpose of prove its impairment, goodwill was allocated to the following groups of cash generating units ("CGU"):

	12.31.2015	12.31.2014
		Ps.
Uruguay operation	289,889,828	324,638,957
Argentina operation	2,853,358,826	2,853,358,826
	3,143,248,654	3,177,997,783

The Company assesses the recoverability of goodwill considering each country where the Company has a subsidiary for which it records goodwill as a different group of CGU.

Cablevisión determined that the group of CGU with a significant goodwill amount, as compared to the total goodwill amount as of December 31, 2015 and 2014 was Argentina, which accounts for 91% and 90% of the total goodwill, respectively.

The recoverable amount of each group of CGU has been determined on the basis of its value in use, calculated based on operating cash flows estimated in the financial budgets approved by the Company's Management, which cover the period of one year. Cash flows beyond such period are projected using a growth rate assessed based on statistical data and historical indicators of the country, which does not exceed the long term average growth of each business.

The discount rate used in each case for the calculation of the value in use allocated to each group of CGU considers the risk free rate, the premium for country risk and the specific risks of each business and each group of CGU's own indebtedness structure. In particular, the discount rate applied to cash flow projections for the operation of Cablevision Argentina is approximately 9% per annum.

Cablevisión's main sources of revenues are subscribers. The main indicators are the evolution in subscription prices and subscribers. In order to determine key assumptions, Cablevisión uses external sources of information and Management's opinions based on past experience.

NOTE 16 INVESTMENTS

	<u>12.31.2015</u>	P	<u>12.31.2014</u>
		s.	
Non-Current			
Notes and bonds			-
Other placements (See Note 33)	697,057,242		585,321,308
	<u>697,057,242</u>		<u>585,321,308</u>
Current			
Mutual funds	734,764,736		657,527,808
Notes and bonds	156,069,384		379,189,263
Fixed-term deposit	20,289,303		14,677,829
	<u>911,123,423</u>		<u>1,051,394,900</u>

Movements of fixed-term deposits and other placements were as follows:

	<u>12.31.2015</u>	Ps.	<u>12.31.2014</u>
Balance at beginning of period	599,999,137		373,727,773
Increases	228,912,326		192,687,808
Currency translation of foreign operations	167,668,409		83,621,175
Decreases	(279,233,327)		(50,037,619)
Balance at period end	<u>717,346,545</u>		<u>599,999,137</u>

NOTE 17 INVESTMENTS IN ASSOCIATES

Companies	Main activity	Country	% participation in capital and votes	Valuation at 12.31.2015	Valuation at 12.31.2014
La Capital Cable S.A.	Closed circuit television	Argentina	49.00	20,523,128	14,954,214
Tres Arroyos Televisora Color S.A.	Cable TV station	Argentina	49.99	1,835,217	1,503,432
Ver T.V. S.A. (1)	Cable TV station	Argentina	49.00	102,895,887	62,124,867
Teledifusora San Miguel Arcángel S.A. (1)	Cable TV station	Argentina	49.10	31,760,343	20,778,579
Televisora Privada del Oeste S.A.	Closed circuit television	Argentina	47.00	5,592,798	5,592,798
AVC Continente Audiovisual S.A.	Closed circuit television	Argentina	40.00	2,648,384	1,449,070
Nextel	Telecommunications service	Argentina	49.00	1,201,022,798	-
Other investments valued at equity method				53,600	47,456
Goodwill				3,872,303	3,872,303
				1,370,204,458	110,322,719

(1) Data on the issuer arising from non-accounting information.

The evolution of investments in associates are summarized below:

	12.31.2015	12.31.2014
	Ps.	
Balance at beginning of period	110,322,719	96,917,911
Equity in earnings from associates	504,747,128	57,731,847
Additions / (decreases) of investments	799,237,998	-
Dividend distributions	(44,103,387)	(44,327,039)
Balance at period end	1,370,204,458	110,322,719

Certain supplementary information required by IFRS about investments in associates is detailed below.

	12.31.2015	12.31.2014
	Ps.	
Dividends received	44,103,387	44,327,039
<u>Summarized financial information:</u>		
Non-current assets	1,222,984,219	271,634,177
Current assets	3,002,923,446	121,972,537
Non-current liabilities	(111,454,055)	(8,031,890)
Current liabilities	(1,312,837,166)	(155,780,185)
Sales	1,897,960,311	726,480,882
Income from continuing operations	387,056,535	130,661,560
Total comprehensive income	387,056,535	130,661,560

NOTE 18 OTHER RECEIVABLES

	<u>12.31.2015</u>	<u>12.31.2014</u>
Non-Current	Ps.	
National tax credits	4,180,605	798,560
Advances to suppliers	109,643,206	40,000,429
Prepaid expenses	38,080,166	19,504,515
Call option – Nextel ((Notes 4.d) and (25.2.b))	1,103,673,966	-
Other debtors	14,139,007	11,771,312
Other	1,569,321	4,274,190
	<u>1,271,286,271</u>	<u>76,349,006</u>
	<u>12.31.2015</u>	<u>12.31.2014</u>
Current	Ps.	
National tax credits	45,804,889	73,217,333
Provincial tax credits	3,386,929	19,570,838
Prepaid expenses	152,501,150	140,445,741
Judicial deposits	8,180,553	5,693,376
Related parties (Note 33)	19,006,734	17,243,714
Advances to suppliers	85,589,912	25,747,196
Financial instruments	11,628,000	-
Other debtors	30,587,812	18,728,874
Advances to employees	5,458,718	4,903,769
Other	128,575,077	32,254,728
	<u>490,719,774</u>	<u>337,805,569</u>

The evolution of the allowance for other doubtful receivables is as follows:

	<u>12.31.2015</u>	<u>12.31.2014</u>
	Ps.	
Balance at beginning of period	-	429,031
Decreases	-	(429,031)
Balance at period end	<u>-</u>	<u>-</u>

NOTE 19 INVENTORIES

	<u>12.31.2015</u>	<u>12.31.2014</u>
	Ps.	
Resale goods	3,669,046	2,253,166
Computer equipment held by third parties	1,252,928	5,239,853
Allowance for impairment of inventories	(68,019)	(1,508,791)
	<u>4,853,955</u>	<u>5,984,228</u>

NOTE 20 - TRADE RECEIVABLES

	<u>12.31.2015</u>	<u>12.31.2014</u>
	<u>Ps.</u>	
Non-Current		
Ordinary	-	88,892,564
	<u>-</u>	<u>88,892,564</u>
Current		
Ordinary	1,406,044,189	1,066,163,367
Related parties (Note 33)	50,998,117	53,302,485
Other	2,543,084	1,857,545
	(195,726,226)	(119,651,413)
Allowance for bad debts)
	<u>1,263,859,164</u>	<u>1,001,671,984</u>

The above described trade receivables are classified as financial assets measured at amortized cost. All amounts are classified as current and non current assets, respectively.

Changes in the allowance for doubtful recoverability were:

	<u>12.31.2015</u>	<u>12.31.2014</u>
	<u>Ps.</u>	
Balance at beginning of period	119,651,413	92,641,610
Increases	260,111,103	160,716,050
Decreases (1)	(184,036,290)	(133,706,247)
Balance at period end	<u>195,726,226</u>	<u>119,651,413</u>

(1) It includes currency conversion for business conducted abroad

NOTE 21 CASH AND BANKS

	<u>12.31.2015</u>	<u>12.31.2014</u>
	<u>Ps.</u>	
Cash	1,314,312	1,191,707
Cash in foreign currency	12,422,400	10,141,200
Banks in local currency	340,247,475	178,260,519
Banks in foreign currency	1,401,718,103	729,540,066
To be deposited	10,158,371	20,981,271
	<u>1,765,860,661</u>	<u>940,114,763</u>

NOTE 22 SHARE CAPITAL

	<u>12.31.2015</u>	<u>12.31.2014</u>
	<u>Ps.</u>	
Share capital	197,397,110	197,397,110
Treasury shares	207,157	207,157
Additional paid - in capital	134,234,500	134,234,500
Merger premium	2,894,151	2,894,151
	<u>334,732,918</u>	<u>334,732,918</u>
The issued share capital consists of:		
	<u>12.31.2015</u>	<u>12.31.2014</u>
	<u>Ps.</u>	
Fully paid-in common shares	<u>197,604,267</u>	<u>197,604,267</u>

197,604,267 197,604,267

The following table shows the Company's shareholders. The principal shareholders of the Company do not have different or preferred voting rights with respect to the shares owned by them.

Shareholders	Number of Shares	% of Share Capital
Southtel Holdings S.A. (1).	56,609,313	28,7
VLG Argentina, LLC (2)	101,252,687	51,2
Fintech Media LLC (3)	28,304,317	14,3
Vistone S.A. (4)	3,277,197	1,7
CV B Holding S.A. (4)	7,883,139	4,0
Other (3)	70,457	-
Treasury Shares – Section 220, paragraph 3) of the General Business Companies Law		
	207,157	0,1
Total	<u>197,604,267</u>	<u>100,0</u>

(1) Class A Shares, controlled by Grupo Clarín.

(2) Class A Shares, controlled by Grupo Clarín and Fintech.

(3) Class B Shares.

(4) Class B Shares, controlled by Grupo Clarín.

On January 12, 2016, the Shareholders of the Company at the General Extraordinary Shareholders' Meeting unanimously decided to: i) cancel the treasury stock in the amount of 207,157 "Class B" common book-entry shares with a nominal value of Ps. 1 representing 0.1% of the capital stock, (ii) reduce the capital stock by Ps. 207,157, (iii) ratify the amendment of Section 4 of the Bylaws approved by the shareholders at the Extraordinary Shareholders' Meeting held on June 30, 2014, (iv) delegate on the Board of Directors the power to determine and establish the time, form and conditions of the shares representing the new capital stock to be issued, as well as the payment in cash of the fractions, if any.

NOTE 23 RESERVES, ACCUMULATED RESULTS AND DIVIDENDS

	12.31.2015	12.31.2014
	Ps.	
Balance at January 1		
Legal Reserve and other reserves	4,597,918,607	3,964,699,729
Accumulated results	1,287,185,928	710,576,297
Total balance at the beginning of the year	5,885,104,535	4,675,276,026
Net income attributable to equity holders of the Company	2,473,366,772	1,287,185,928
Net increase in other reserves	173,091,278	316,642,581
Distribution of dividends	(436,000,000)	(394,000,000)
Balance at December 31	<u>8,095,562,585</u>	<u>5,885,104,535</u>

1. Cablevisión.

On April 23, 2015, at the Company's Annual General Ordinary and Extraordinary Shareholders' Meeting, its shareholders decided to appropriate the net income for the year ended December 31, 2014, of Ps. 1,287,185,928, according to the following detail: (i) Ps. 436,000,000 to the distribution of cash dividends payable to shareholders in proportion to their shareholdings, in pesos or dollars within thirty days of the Shareholders' Meeting, delegating on the board the time and form of payment, (ii) Ps. 851,185,928 to the Optional Reserve to maintain the Company's level of capital expenditures and its current solvency level. As

of the date of issuance of these financial statements the Company has paid Ps. 435,844,379 of its distributed dividends.

2. Collection of dividends of associates

During August 2015, certain associates of the Company decided to pay dividends in the amount of Ps. 63.5 million out of which Ps. 31.1 million belong to the Company based on its equity interests. The Company collected Ps. 31.1 million in September 2015.

NOTE 24 NON-CONTROLLING INTERESTS

	12.31.2015	12.31.2014
	Ps.	
Balance at the beginning of the year	286,437,581	212,804,480
Participation in Company's in earnings for the period	39,486,769	37,576,839
Variation due to translation differences	(26,522,279)	38,710,068
Distribution of dividends to non-controlling interests	(3,424,599)	(2,495,408)
Decrease in non-controlling interest	-	(158,398)
Balance at year end	295,977,472	286,437,581

Non-controlling interests in income are detailed below:

Company name	Address	Country	Non-controlling interests in capital and votes	Earnings of the year attributable to non-controlling interests at 12.31.2015	Earnings of the year attributable to non-controlling interests at 12.31.2014
Audomar S.A.	Ituzaingo 1169 - Paysandú	Uruguay	100%	2,584,321	3,987,012
Bersabel S.A.	Av. Italia 4070 - Montevideo	Uruguay	100%	20,425,689	18,356,155
Dolfycor S.A.	Pte. Berreta 663 - Artigas	Uruguay	100%	647,313	893,698
Reiford S.A.	Treinta y tres 318 - Tacuarembó	Uruguay	100%	47,348	130,080
Space Energy Tech S.A.	Ituzaingo 946 - Rivera 18 de Julio 587 - Paso	Uruguay	100%	2,978,673	4,185,302
Tracel S.A.	de los Toros	Uruguay	100%	1,376,968	1,769,250
Visión Satelital S.A.	Av. Italia 4070 - Montevideo	Uruguay	100%	6,527,693	4,816,097
CV Berzategui S.A.	Gral. Hornos 690 - CABA	Argentina	30%	4,898,764	3,424,600
Airevisión Internacional S.A. (1)	Av. Valparaíso 2938 - Córdoba	Argentina	40%	-	14,645
				39,486,769	37,576,839

(1) Company dissolved dated October 20, 2015.

The following amounts are included in the financial statements of the Company corresponds to the non-controlling interest:

	12.31.2015	12.31.2014
	Ps.	
Non-current assets	307,013,422	614,590,737
Current assets	86,332,351	345,724,130
Non-current liabilities	150,173	313,978,847
Current liabilities	83,510,886	349,041,644
Revenues	806,550,587	698,321,597
Cash and cash equivalents	4,853,408	5,092,811
Dividends paid	3,424,599	2,495,408

NOTE 25 BANK AND FINANCIAL DEBT

The evolution of loans and financing between January 1, 2015 and December 31, 2015 and for the same period of the preceding year is shown below:

	12.31.2015	12.31.2014
	Ps.	
Balance as of January 1	4,106,971,963	3,555,208,643
New loans and financing (1)	1,271,321,743	656,643,839
Interest	586,630,317	412,906,623
Permanence fees	5,518,817	6,116,721

Effects of exchange rate variation	2,075,799,997	1,042,356,771
Advanced collection of investment for the purchase of notes	-	-
Payment of interests	(571,074,133)	(442,158,957)
Payment of principal and issuance expenses	(869,995,614)	(1,142,809,892)
Measurement of financial debt at present value	15,996,408	18,708,215
Balance as of December 31	6,621,169,498	4,106,971,963

(1) Mainly loans to pay debt with upcoming maturity and to purchase capital assets and inventories.

The following is a breakdown of the Company's loans and indebtedness:

	<u>12.31.2015</u>	<u>12.31.2014</u>
	<u>Ps.</u>	
Non-current		
Cablevisión Notes - principal	3,321,722,710	1,881,220,000
Multicanal Notes - principal	-	686,859,074
Measurement of financial debt at present value	(38,535,875)	(54,973,243)
For purchase of equipment - principal	583,000,011	305,666,100
	<u>3,866,186,846</u>	<u>2,818,771,931</u>
Current		
Debt with related companies - principal (1) (Note 33)	21,031,267	14,087,889
For purchase of equipment - principal	386,967,757	165,872,111
Accrued interest	194,384,944	122,068,466
Cablevisión Notes - principal	614,039,099	752,488,000
Multicanal Notes - principal	1,047,438,000	-
Measurement of financial debt at present value	5,832,827	18,503,021
Current account overdraft	15,288,758	15,180,545
Bank loans - principal	470,000,000	200,000,000
	<u>2,754,982,652</u>	<u>1,288,200,032</u>

(1) At December 31, 2015 for a principal amount of Ps. 21,031,267 an average rate of 20.75% is applied. At December 31, 2014 for a principal amount of Ps. 14,087,889 an average rate of 18.88% is applied.

The breakdown of maturities of bank and financial debt is as follows:

At December 31, 2015	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	Total
	Ps.					
Bank loans	470,000,000	-	-	-	-	470,000,000
Notes - principal	1,661,477,099	2,214,477,931	1,107,244,779	-	-	4,983,199,809
For purchase of equipment	386,967,757	406,550,467	172,740,201	3,709,343	-	969,967,768
Accrued interest	194,384,944	-	-	-	-	194,384,944
Debt with related companies	21,031,267	-	-	-	-	21,031,267
Measurement of financial debt at present value	5,832,827	(15,482,382)	(23,053,493)	-	-	(32,703,048)
Current account overdraft	15,288,758	-	-	-	-	15,288,758
	2,754,982,652	2,605,546,016	1,256,931,487	3,709,343	-	6,621,169,498

At December 31, 2014	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	Total
Bank loans	215,180,545	-	-	-	-	215,180,545
Notes - principal	752,488,000	1,439,343,201	752,490,574	376,245,299	-	3,320,567,074
For purchase of equipment	165,872,111	195,351,437	110,314,663	-	-	471,538,211
Accrued interest	122,068,466	-	-	-	-	122,068,466
Debt with related companies	14,087,889	-	-	-	-	14,087,889
Measurement of financial debt at present value	18,503,021	(9,906,963)	(45,066,280)	-	-	(36,470,222)
	1,288,200,032	1,624,787,675	817,738,957	376,245,299	-	4,106,971,963

The most significant bank and financial debt are as follows:

Date of issuance	Borrower	Original amount	Balance 12.31.2015	Balance 12.31.2014	Final maturity	Interest rate
In millions of U.S. dollars						
December 2003	Multicanal	80.3	80.3	80.3	July 2016	3.5% a 4.5% (5)
February 2011	Cablevisión (1)	88.2	4.52	67.9	February 2018	8.75% (5)
February 2011	Cablevisión (1)	71.3	2.75	54.9	February 2018	9.375% (5)
February 2011	Cablevisión (1)	223.3	8.62	172	February 2018	9.625% (5)
February 2011	Cablevisión (2)	17.2	0.67	13.3	February 2018	9.375% (5)
January 2015	Cablevisión (3)	80.9 (4)	32.2 (4)	-	August 2016	Badlar corregida + 4.85%
February 2015	Cablevisión (3)	286.3	286.3	-	February 2018	9.375% (5)

(1) Use of proceeds: Note refinancing.

(2) Use of proceeds: Acquisition of non financial assets and import financing.

(3) Destination: Prepayment of loans and financing working capital and capital investments.

(4) Corresponds to loan in pesos converted to US exchange rate of January 31, 2015 and December 2015, respectively.

(5) Fixed rate.

On January 30, 2015, the Company entered into a syndicated loan agreement with the Industrial and Commercial Bank of China (Argentina) S.A. ("ICBC"), Banco Itaú Argentina S.A. ("Itaú"), Banco de la Ciudad de Buenos Aires ("Banco Ciudad"), Banco Santander Río S.A. ("Santander") and Banco Macro S.A. ("Macro") for Ps. 700 million, at a variable rate of adjusted BADLAR + 4.85%, with final maturity in July 2016, for the purpose of making a prepayment of principal and interest owed to ICBC, Itaú and Banco Ciudad under the syndicated loan agreement executed on January 31, 2014, and in order to finance working capital and capital investments.

As a result of the execution of the syndicated loan agreement, the Company has undertaken certain covenants, including: (i) limitation on the issuance of guarantees by subsidiaries and encumbrances; (ii) reorganization, change of control, and sale of assets under certain conditions, (iii) limitation on indebtedness above certain approved ratios, (iv) limitation on capital expenditure exceeding certain amount, and (v) limitation on transactions with shareholders and affiliates under certain conditions.

On April 28, 2014, at the Company's Annual General Ordinary and Extraordinary Shareholders' Meeting, the shareholders of the Company approved, among other matters: i) the creation of a Global Program (the "Program") for the issuance of simple, non-convertible, medium or long-term notes, to be authorized by CNV, to be issued in one or more classes and/or series for an aggregate principal amount, including of all classes and/or series outstanding under the Program, of up to USD 500,000,000, pursuant to the provisions of Law No. 23576, as amended (the "Notes Law"). The Shareholders delegated on the Board of Directors the power to determine and establish all the other terms of each class and/or series of notes to be issued under the Program. They also delegated the approval of the agreements related to the issuance and placement of the notes to be issued under the Program. The Board of Directors may sub delegate all or some powers interchangeably to one or more directors or managers of the Company; and ii) the creation of a global program for the issuance of Short-Term Debt Securities of up to USD 100,000,000 (or its equivalent in other currencies, as determined by the Board of Directors) (Valores Representativos de Deuda de Corto Plazo, "VCPs", for its Spanish acronym), and the corresponding registration of the Company before the special registry created by the CNV for such purpose. The VCPs shall have maturities of up to one year and are to be issued in one or more classes and/or series, under the form of promissory notes, subject to Notes Law, as amended. The Shareholders delegated on the Board of Directors the power to determine and establish all the other terms of the VCP Program and the classes and/or series of VCPs to be issued within the amount authorized at this Shareholders' Meeting. They also delegated the power to request CNV to register Cablevisión in the Special Registry for VCP Programs and to authorize the VCP Program. The Board of Directors may sub delegate all or some powers interchangeably to one or more directors or managers of the Company. As of the date of these financial statements, the Company has not initiated any proceedings before the CNV to make such placement.

On January 13, 2015, the Company executed a financial loan agreement with Nuevo Banco de Santa Fe S.A. for Ps. 30 million at an annual fixed nominal interest rate of 29% with final maturity in July 2015, for the purpose of increasing its working capital to finance the development of its core business. As of December 31, 2015 this loan had been paid.

On July 16, 2015, the Company executed a financial loan agreement with Nuevo Banco de Santa Fe S.A. for Ps. 50 million at an annual fixed nominal interest rate of 28% with final maturity in January 2016, for the purpose of increasing its working capital to finance the development of its core business. At the date of issuance of these financial statements this loan has been canceled.

On January 18, 2016, the Company executed a financial loan agreement with Nuevo Banco de Santa Fe S.A. for Ps. 50 million at a annual fixed nominal interest rate of 34% with final maturity in April 2016, for the purpose of increasing its working capital to finance the development of its core business.

On January 5, 2015, the Board of Directors of Cablevisión decided to call an Ordinary Shareholders' Meeting to be held on January 23, 2015. At said Shareholders' Meeting, the shareholders approved the issuance of non-convertible notes for an aggregate nominal value of up to USD 400,000,000 to be placed

privately (without public offering) and to be issued in one or more series pursuant to the provisions of the Notes Law. The notes will be used both to offer them in exchange for the currently outstanding Notes and to receive funds in cash. The shareholders of the Company delegated on the Board of Directors the power to establish all the terms governing the issuance of the above-mentioned notes within the authorized maximum amount, including, without limitation, time and price of the issuance, form, payment terms, use of proceeds, applicable law.

On February 9, 2015, pursuant to its delegated powers, the Board of Directors of Cablevisión approved the issuance of Class V notes for a nominal value of USD 286,377,785.96 (the "Class V Notes"), at a fixed annual nominal rate of 9.375%, payable semiannually as from August 2016, with final maturity in February 2018. Such Notes have been used in the refinancing of a portion of the debt represented by the outstanding Notes, which have been refinanced pursuant to the Trust Agreement executed between Cablevisión, as issuer, and Deutsche Bank Trust Company Americas as trustee, co-registrar and paying agent.

In connection with the issue of Notes, the Company has undertaken certain covenants, including: (i) limitation on the issuance of guarantees by subsidiaries, (ii) consolidations, mergers and sales of assets under certain conditions, (iii) limitation on indebtedness above certain approved ratios, (iv) limitation on capital expenditures exceeding certain amounts, (v) limitation on transactions with shareholders and affiliates under certain conditions, and (vi) limitation on the issuance and sale of shares of significant subsidiaries with certain exceptions, among others.

During the period covered by these consolidated financial statements, it has met the commitments.

NOTE 26 ALLOWANCES

	<u>For doubtful trade receivables</u>	<u>For impairment of inventories</u>	<u>For obsolescence of material</u>
Deducted from assets			
Balance at January 1, 2015	119,651,413	1,508,791	17,541,856
Increases / reclassifications	(1) 260,111,103	-	(2) 5,338,639
Decreases	(3) (184,036,290)	(1,440,772)	(3) (178,871)
Balance at December 31, 2015	<u>195,726,226</u>	<u>68,019</u>	<u>22,701,624</u>

- (1) Included under "Doubtful accounts" in Note 8.
(2) Included under "Obsolescence of material" in note 8.
(3) Includes the currency translation of foreign operations.

	<u>For doubtful deferred tax assets, net and tax loss carry forwards</u>	<u>For lawsuits and contingencies</u>	<u>Accrual for Asset retirement</u>
Included in liabilities			
Balance at at January 1, 2015	1,868,547	192,071,075	9,515,603
Increases / reclassification	3,305	(1) 107,048,750	998,684
Decreases	(1,328,125)	(2) (27,730,299)	-
Balance at December 31, 2015	<u>543,727</u>	<u>271,389,526</u>	<u>10,514,287</u>

- (1) Comprised of Ps. 42,995,499 charged to "Lawsuits and Contingencies" under Note 6 and Ps. 64,053,251 of tax interest charged to "Other financial income and expenses, net".
(2) Corresponds to payments, currency translation of foreign operations and allocations made during the year.

NOTE 27 OPERATING LEASE AGREEMENTS

27.1. The Company as lessee

27.1.1. Lease agreements

Operating leases include the lease of business premises, warehouses, network use and machinery, the terms of which range between 1 and 18 years. All operating lease agreements for more than 5 years contain clauses that provide for market reviews every 5 years. The Company does not have the option to purchase the land leased upon expiration of lease terms.

27.1.2. Operating lease commitments that may not be terminated

The amounts shown on the table are expressed in millions of pesos:

	<u>12.31.2015</u>	<u>12.31.2014</u>
1 year	218	115
Between 1 and 5 years	359	66
More than 5 years	30	18
	<u>607</u>	<u>199</u>

NOTE 28 REGULATORY FRAMEWORK

28.1. Legal Status of Audiovisual Communication Services

28.1.1. Law No. 22285

The Company is the holder of licenses for the exploitation of subscription television services that were originally awarded under the regime established by Law No. 22285. The COMFER was the enforcement authority established by that law. Under Law No. 22285, subscription television companies in Argentina required a non-exclusive license from the COMFER in order to operate. Other approvals were also required, including, for some services, authorization by municipal agencies.

The license authorized the holder to exploit the service in a given area that could be extended through an area extension request.

The multiple license regime established under Law No. 22285 did not set any limits to the ownership of subscription television services located in different area. Compliance with the multiple license regime was controlled with a focus on the individual or legal entity that hold licenses at the local level.

Licenses were granted for an initial period of 15 years, allowing for a one-time extension of 10 years. The extension of the license was subject to the approval of the COMFER, which would determine whether or not the licensee had met the terms and conditions under which the license had been granted. The Company and its subsidiaries that render cable television services hold licenses granted by COMFER under such Law. Some of the Company's licenses, including its original license (with an extended term that originally expired on 31 March 2006), have already been extended for the above-mentioned 10-year term.

On May 24, 2005, Decree No. 527/05 provided for a 10-year suspension of the terms then effective of broadcasting licenses or their extensions. Calculation of the terms was automatically resumed upon expiration of the suspension term, subject to certain conditions. The Decree required that companies seeking to benefit from the extension submit to the COMFER's approval, within 2 years from the date of the Decree, programming proposals that would contribute to the preservation of the national culture and the education of the population and a technology investment project to be implemented during the suspension term. COMFER's Resolution No. 214/07 regulated the obligations established by Decree No. 527/05 in order to benefit from such suspension. The proposals then submitted by the Company were approved and, accordingly, the terms of the licenses originally awarded to the Company, as well as the terms of the licenses to which the Company became the universal successor were suspended for 10 years.

COMFER Resolution No. 275/09 lifted a suspension of license grants that had been ordered by COMFER Resolution No. 726/00, approved the Rules governing the licensing of Broadcasting and Supplementary Services by means of a physical link, and set a term to apply for licenses under an abbreviated procedure. Therefore, the Company and certain subsidiaries purchased bidding forms to apply for new licenses through this option in such locations where they had not obtained the suspension of the term ordered by Decree No. 527/05, since the terms of those licenses had expired.

The Company duly requested the COMFER's approval of several transactions, including several company reorganizations and share transfers corresponding to licensee companies. The approvals of said reorganization processes, except for the merger of Cablevisión and its subsidiaries (See Note 28.4.2) are still pending. However, by declaring the Proposal submitted by the Company formally admissible through Resolution No. 193/AFSCA/2014, the Enforcement Authority recognized the direct and indirect ownership of the subscription television services mentioned in the Proposal. (See Note 28.4.1.).

28.1.2. Law No. 26522

The Audiovisual communication services Law (Law No. 26522, LSCA, for its Spanish acronym) was passed and enacted on October 10, 2009, subject to strong concerns over its content and enactment procedure. Even though the new Law became effective on October 19, 2009, not all of the implementing regulations

provided by the law have been issued. Therefore, Law No. 22285 still applies with respect to those matters that to date have not been regulated, until all terms and procedures for the regulation of the new law are defined.

The law provided for the replacement of the COMFER with the Audiovisual Communication Services Law Federal Enforcement Authority (“AFSCA”, for its Spanish acronym) as a decentralized and autarchic agency under the jurisdiction of the National Executive Branch, and vests the new agency with authority to enforce the law.

The new law introduced, among other things:

- A license award and review scheme that granted wide discretion to the National Executive Branch,
- A 10-year limitation to the terms of licenses, with a one-time non-renewable extension,
- The non-transferability of authorizations and licenses,
- A regulatory framework and registration requirements for signals, production companies and advertising agencies,
- A multiple license scheme that: i) restricted to 10 the number of Audiovisual Communication Service licenses, plus a single broadcasting signal for radio, broadcast TV and subscription cable TV services that made use of the radio spectrum; ii) restricted the licensing of subscription broadcasting services rendered by means of a physical link (cable), limiting the number of licenses to 24; iii) set forth a further restriction on these services, which could not be provided to more than 35% of all inhabitants or subscribers nationwide; iv) established that a broadcast TV signal and a cable TV signal could not be simultaneously exploited in the same location, and v) established that broadcast TV networks could only own one cable TV signal. The same applied to cable TV networks, which could only own the so-called “local channel”, which was mandatory for every license, and
- Mandatory quotas for certain types of content.

Also controversially, the law imposed retroactive effects by requiring holders of current broadcasting licenses

– which had been legitimately, acquired rights under Law No. 22285 as amended - to conform to the new law within the term of one year counted as from the time certain mechanisms required for implementation were set in place.

The National Executive Branch regulated most sections of the LSCA by means of Decree No. 1225/2010. The most notably arbitrary provision of this decree is the highly discretionary mandatory divestiture system provided by the regulation of Section 50 of the LSCA, with evident confiscatory effects.

Several concerns were expressed about this law, which was understood to have defects that rendered it unconstitutional; to damage seriously the development of the audiovisual industry and to restrict fundamental freedoms. Some industry players, including Grupo Clarín and its main subsidiaries such as the Company, made court filings on that basis that led to the provisional suspension of Section 161 of the LSCA with respect to Grupo Clarín, the Company and other subsidiaries, until a final decision was rendered. On October 29, 2013, the Company was served with a decision rendered by the Supreme Court of Argentina whereby it dismissed the unconstitutionality claim brought by the Company and its controlling company, among others, confirming the constitutionality of the challenged sections, and rejected the claim for damages as brought under the case file.

This Note should be read in conjunction with Note 28.3 “Decree No. 267/15”.

28.2. Telecommunication services

The regulatory framework of the Argentine telecommunications sector is undergoing a process of change. In December 2014, the Argentine Congress passed Law No. 27078, known as the “Digital Argentina Act”, which partially repealed National Telecommunications Law No. 19798. The new law subjects the effectiveness of Decree No. 764/00, which deregulated the telecommunications market, to the enactment of four new sets of rules that will govern the License, Interconnection, Universal Service and Radio-electric Spectrum regimes.

The new law maintains the single country-wide license scheme and the individual registration of the services to be rendered, but replaces the name telecommunication services with Information and Communications Technology Services (“TIC Services”, for their Spanish acronym). Notwithstanding this, the scope of the licenses originally granted to Cablevisión, its merged companies and/or subsidiaries and related companies that exploit telecommunication licenses and their respective registrations of services, remain unaltered.

The license is called “*Licencia Única Argentina Digital*” and allows licensees to render any telecommunication services to the public, be they fixed or mobile, wired or wireless, national or international, with or without the licensee’s own infrastructure.

The TIC Services registered with the SECOM under the name of Cablevisión, its merged companies and/or subsidiaries and related companies that exploit telecommunication licenses are the following: Data Transmission, Paging, Videoconference, Community Retransmission, Transport of Broadcast Signals, Value-Added, Radio-Electric Trunking, Internet Access, Public Telephony, Local Telephony and National and International Long-Distance Telephony. (See Note N° 28.4.6.).

The law created a new enforcement and oversight Authority as a decentralized agency under the jurisdiction of the Executive Branch, the Information and Communications Technology Federal Enforcement Authority (“AFTIC”, for its Spanish acronym).

The new law maintained the obligation to contribute 1% of telecommunication service revenues, net of taxes and charges, to be used for Universal Service investments (this obligation had been imposed by Decree No. 764/00 on all service providers as from January 1, 2001), but the Universal Service Trust Fund was placed under State control. Until August 2015, the manager of such trust fund was Banco Itaú Argentina S.A., which received the requests from Cablevisión and its merged companies and/or subsidiaries and related companies that exploit telecommunication licenses to join the Trust Agreement.

The Argentine Secretariat of Communications has yet to decide on the approval of the Project submitted by Cablevisión on June 21, 2011, within the framework of SECOM Resolution No. 9/2011 which created the program “Infrastructure and Equipment”, whereby telecommunication service providers were allowed to submit projects aimed at developing new infrastructure, updating existing infrastructure and/or acquiring equipment for areas without coverage or with unmet needs, in order to meet the obligation to make contributions to the Universal Service Trust Fund for the amounts accrued as from January 2001 until the entry into force of Decree No. 558/08.

Another innovation of Law No. 27078 is the creation of a new public service under the name “Public and Strategic Infrastructure Access and Use Service for and among Providers”. The right of access includes “providers having to make available to other providers their network elements, associated facilities or services to render TIC services, even when such elements are used to render audiovisual content services.” Under this scheme, the government seeks to make private companies that were created and developed in competition share their networks with other companies that have not made any investments.

The foregoing applies to any provider that has its own infrastructure or networks, because the term “Associated facilities” is defined as physical infrastructures, systems, devices, associated services or other facilities or elements associated with a telecommunications network or with TIC Services that enable or support the provision of services using that network or service, or that have the potential to do so; and will

include, inter alia, buildings or building entrances, building wiring, antennas, towers and other supporting constructions, ducts, masts, manholes, and cabinets.

Implementing regulations for Law No. 27078 are still pending. Therefore, the economic and operational impact that the creation of this public service may have on Cablevisión, its merged companies and/or subsidiaries and related companies cannot be ascertained.

Decree No. 677/2015 established the mechanisms to set up the Enforcement Authority and some of the directors were appointed.

This Note should be read in conjunction with Note 28.3. "Decree No. N° 267/15".

28.3. Emergency Decree No. 267/15. Convergence

Emergency Decree No. 267/15 (the "Emergency Decree"), issued on December 29, 2015 and published in the Official Gazette on January 4, 2016, creates the National Communications Agency (ENACOM, for its Spanish acronym) as a decentralized and autarchic agency under the jurisdiction of the Ministry of Communications and vests the new agency with authority to enforce Laws Nos. 26522 and 27078, as amended and regulated. The ENACOM has all the same powers and competences as those that had been vested in AFSCA and AFTIC by Laws Nos. 26522 and 27078, respectively.

Among the main amendments introduced by the Emergency Decree with respect to both laws, the most remarkable is the repeal of Section 161 of Law No. 26522, which set forth the obligation to conform to the provisions of this law with respect to ownership conditions and the number of licenses. Section 45 of Law No. 26522, which establishes the multiple license regime, has been significantly amended. As a result, the Company and its subsidiaries that are licensees and/or owners of audiovisual communication services already conform to the new regulatory framework.

Under the new regulatory framework, the licenses for physical link subscription television services and for radio-electric link subscription television services held by the Company and its subsidiaries that had been granted under Laws Nos. 22285 and 26522 are now called "Registrations" for the exploitation of physical link subscription television services and radio-electric link subscription television services of a *Licencia Única Argentina Digital*.

Pursuant to this amendment (Section 7 of the Emergency Decree, which amends, among others, Section 10 of Law No. 27078), all the services exploited by the Company and some of its subsidiaries and related companies are now governed by the Digital Argentina Act. The only license held by the Company that could be considered to be still subject to the LSCA is the registered title of the signal METRO, since this signal is broadcasted through other services that acquire it for that purpose, and, therefore, it has a registration number issued by AFSCA which must be renewed on an annual basis.

As far as the Company, its controlling company and its subsidiaries are concerned, the Emergency Decree eliminates:

- (vii) The incompatibility to provide in the same location broadcast television services and subscription television services. When subscription television services are exploited through physical or radio-electric link, they will be subject to the Digital Argentina Act pursuant to Section 7 of the Emergency Decree which amends, among others, Section 10 of Law No. 27078;
- (viii) The limit of 10 licenses for radio-electric link subscription television services and 24 licenses for physical link subscription television services, which are considered to be TIC services as from January 4, 2016, date on which the Emergency Decree became effective; and
- (ix) The limit that provided that physical link and radio-electric link subscription television services may not reach more than 35% of all subscribers.

Due to the fact that physical link and radio-electric link subscription television services are now subject to the Digital Argentina Act:

- (x) These services no longer fall within the scope of Section 45 of the LSCA, which sets forth the new multiple license regime for Audiovisual Communication Services;
- (xi) The registration of physical link subscription television services is no longer limited to a specific territorial area. The same is not the case with radio-electric link subscription television services because of the portion of the spectrum allocated to render these services;
- (xii) Both registrations, for physical link subscription television services and for radio-electric link subscription television services, are no longer subject to expiration terms. However, the portions of the spectrum allocated to render radio-electric link subscription television services do have expiration terms. In this sense, the last subsection of Section 7 of the Emergency Decree which amends Section 10 of Law No. 27078 provides that *“the term for the use of radio electric spectrum frequencies by the holders of subscription television licenses allocated under Laws Nos. 22285 and 26522 shall be the one established in their original title or TEN (10) years counted as from January 1, 2016, whichever is longer in the case of licensees that had an effective license as of this date”*.

However, it should be noted that pursuant to Section 21 of the Emergency Decree and until the enactment of a law that shall unify the fee regime provided under Laws Nos. 26522 and 27078, the physical link and radio-electric link subscription television services exploited by the Company and/or its Subsidiaries will continue to be solely subject to the fee regime provided under Law No. 26522. They shall not be subject to a 1% contribution of their revenues or to the payment of the Control, Oversight and Verification Fee provided under Sections 22 and 49 of Law No. 27078.

Pursuant to the Emergency Decree, the providers of the Basic Telephone Service whose licenses were granted under the terms of Decree No. 62/90 and paragraphs 1 and 2 of Section 5 of Decree No. 264/98, as well as Mobile Telephone Service providers with a license granted pursuant to the list of bidding conditions approved by Resolution No. 575/93 of the then Ministry of Economy and Public Works and Services and ratified by Decree No. 1461/93, shall only be able to provide subscription broadcasting services by means of physical or radio-electric link after a term of two years counted as from January 1, 2016. That term may be extended for one more year.

As of the date of these financial statements, the Bicameral Standing Committee has reviewed and declared the validity of the Emergency Decree and submitted its opinion to the plenary session of each Chamber of Congress for its expedited treatment. Both chambers shall render a decision on the approval or rejection of the Emergency Decree. Pursuant to Section 17 of Law No. 26122, the Emergency Decree has full force and effect until a decision has been rendered by both chambers. This Emergency Decree may only be repealed through the express rejection by both chambers of the Congress. The rights acquired during its effectiveness shall not be forfeited.

To date there are no judicial claims regarding the constitutionality of the Emergency Decree to which the Company and/or its subsidiaries is a party.

This Note should be read in conjunction with Note 28.2. “Telecommunications Services”.

28.4. Matters related to the regulatory situation of the Company

28.4.1. Proposal to conform to the provisions of Law No. 26522

On October 31, 2013, even before the deadline to enforce the decision rendered by the Supreme Court of Argentina in re “Grupo Clarín S.A. y Otros c/ Poder Ejecutivo Nacional s/ Acción meramente declarativa” (File No. 119/10), the Company and its controlling company were again served with AFSCA Resolution No. 2276/2012 issued by the president of AFSCA on December 17, 2012 within the framework of File No. 1395-AFSCA/2012. Resolution No. 2276/2012 ordered an ex-officio proceeding to conform Company and its controlling company to the provisions of the LSCA. The Company and its legal advisors believe that this resolution was absolutely null and void and have filed an appeal to have it revoked.

Faced with the de-facto proceedings that sought to dispossess the Company and Grupo Clarín of its licenses and assets through an ex-officio procedure, on November 4, 2013 the Company and Grupo Clarín

submitted to AFSCA and to the Supreme Court of Argentina a voluntary proposal to conform to the LSCA pursuant to section 161 of the LSCA, approved by the Company's Board of Directors on November 3, 2013, in an attempt to avoid the forced divestiture of its assets by AFSCA.

In connection with the voluntary proposal, AFSCA issued Resolution No. 1471/2013 whereby it suspended the Ex-Officio Transfer Procedure commenced through AFSCA Resolution No. 2276/2012 and stated that it would refrain from pursuing any administrative proceedings in that regard.

The voluntary proposal -which did not interrupt any of the judicial actions brought by Grupo Clarín S.A. and the Company, among others, to defend their rights- was submitted together with a request that the decision rendered by the Supreme Court of Argentina be complied with in full. That is, requesting the involvement of an independent unbiased enforcement authority with technical expertise, which could ensure a transparent and egalitarian treatment in the enforcement of the law.

The voluntary proposal that had been submitted by the Company provided for the spinoff of two important business units, including licenses, operations, assets, liabilities, customer portfolios and personnel. Each of the resulting business units would have different shareholders and conformed individually to the provisions of sections 45 and 46 of the LSCA and its regulations. As a result of the voluntary conforming proposal: (a) the Company identified in the proposal as Business Unit 2, would continue with its business activities and operations as the successor to all of the assets, rights and obligations that are not spun off; (b) certain assets, liabilities, rights and obligations identified as Spun Off Company 1 and allocated in the proposal to Business Unit 1 would be used to set up a new company, including 24 local licenses for physical link subscription television services and 2 licenses for radio-electric link subscription television services, in cities where there is no incompatibility with broadcast TV; and (c) certain assets, liabilities, rights and obligations identified as Spun Off Company 2 and allocated in the proposal to Business Unit 3 would be used to set up a new company, including 22 licenses for physical link subscription television services and 10 licenses for radio-electric link subscription television services. The assets of Business Unit 3 would include, on the one hand, the licenses to which the Company was now the lawful successor pursuant to a merger with a former licensee and, on the other hand, all direct and indirect interests through which the Company holds participations in other licensees of audiovisual media services.

The three units that will result from the Company's adjustment to conform to the LSCA would each have a market share lower than the limit established by the law. The Company would carry out the divestiture at an individual and/or group level by transferring to each unit the respective assets of certain licenses detailed in the proposal.

In order to safeguard the rights of the Company, the above mentioned proposal contemplated the following reservations of rights : the reservation of the right to bring the judicial actions that may correspond in connection with the claim for economic damages caused to Grupo Clarín S.A., the Company and its subsidiaries as a consequence of their adjustment to conform to the law; the reservation of the right to challenge the conformity of Sections 41, 45, 48 and 161 of the LSCA to international conventions before the Inter-American Commission on Human Rights, the Inter-American Court of Human Rights and other competent International Courts; the reservation of the right to challenge judicially the composition of AFSCA for the period during which that agency did not conform to the provisions of the LSCA and for not being a technical and independent agency protected against undue interferences from the State.

In order to consolidate the number of subscription television licenses for the purpose of conforming Cablevision to the LSCA, the Company used the coverage area extension mechanism provided under section 45 of Decree No. 1225/2010, adopting the criterion approved in the Minutes of Meeting No. 32/2012 of the Board of Directors of that agency.

The Company and its subsidiaries have always abided by the laws and respected the decisions of the judiciary: all of the judicial claims brought by the Company since the enactment of the LSCA had the purpose of preserving the assets of the Company and of its shareholders. The proposal submitted by the company was the alternative that most mitigated the damages caused by having had to comply with the

Supreme Court decision, taking into consideration the multiple license regime and the admissibility conditions provided by the LSCA.

On February 18, 2014, the Company was served with AFSCA Resolution No. 193/2014 whereby AFSCA's Board of Directors declared that the proposal submitted by Grupo Clarín, Arte Radiotelevisivo Argentino S.A. ("ARTEAR"), Radio Mitre S.A. ("Radio Mitre") and the Company was formally admissible. Pursuant to the same Resolution AFSCA provided that the term of one hundred eighty (180) calendar days set forth under section 8 of the Rules for the Management and Procedures Relating to Voluntary Proposals established by AFSCA Resolution No. 2205/12, would be counted as from the moment the parties were served notice of that Resolution. On that same date, the Company's Board of Directors took notice of AFSCA Resolution No. 193/2014.

In the recitals of AFSCA Resolution No. 193/2014, which declared that the proposal submitted by the Company was formally admissible, AFSCA stated that the withdrawal of claims made under Proceeding File No. 21,788/08, as well as those made under the proposal submitted by the Company, were embedded in the process provided under Section 161 of the LSCA. Accordingly, they were deemed to be approved within the framework of the proposal that was declared formally admissible.

On May 15, 2014, the Company made a filing before AFSCA in order to: i) Prove before such Agency that on May 14, 2014 it had made a filing before the CNV requesting the administrative approval of the spinoff process required for the implementation of the Proposal; and ii) request AFSCA's authorization for the amendment of the Company's Bylaws, pursuant to Section 25 of Law No. 26522.

Also on May 15, 2014, Grupo Clarín notified AFSCA that on May 14, 2014 it had requested from the CNV the administrative approval of the spinoff process to be implemented by Grupo Clarín.

On May 16, 2014 and on June 15, 2014, and pursuant to Section 27 of the Audiovisual Communication Services Law, Grupo Clarín made a filing before AFSCA in order to notify that agency of the new shareholder structure of: i) Grupo Clarín, ii) its controlling company, GC Dominio S.A., iii) Cablevisión Holding S.A., the company that was to be spun off from Grupo Clarín S.A. and iv) the controlling company of the latter and indirect controlling company of the Company, CV Dominio S.A., which would have resulted if the spinoff informed on May 15, 2014 had occurred.

On May 28, 2014, Grupo Clarín made a filing before AFSCA in order to notify that agency that it had received an Irrevocable Offer from Messrs. Gerardo Martí Casadevall and Christophe DiFalco for the acquisition of a given number of shares of the Company such that, upon consummation of the spin-off of the Company, the offerors would be entitled to receive sixty percent (60%) of the shares that were to be issued by Spun off Company 2 of Cablevision (Unit III under the Proposal).

On June 25, 2014, Grupo Clarín, ARTEAR, Radio Mitre and the Company were served with a Note from AFSCA communicating a series of considerations about: a) the administrative approval requested from the CNV of the spinoff process of Grupo Clarín and the Company, and b) the authorization requested for the amendment of the Company's Bylaws. In such note, AFSCA: i) informed that it had taken notice of the request for administrative approval filed with the CNV of both spinoff processes; ii) made certain observations regarding the proposal to amend the Company's Bylaws; iii) stated that it understood that the Company would be liable for any and all acts and any contingency arising from those acts until the date of the approval to be granted by AFSCA for the transfers in favor of the spun-off companies and not as from the date of consummation of those transfers; iv) stated that it would review the bylaws of the spun-off companies; v) stated that it would consider the requested approval once Grupo Clarín and the Company had informed: v.1.) whether the Shareholders, had approved the proposed spinoffs and v.2.) the names of the final shareholders of those companies, as well as those of the spun-off companies. It also stated that at such time, it would also analyze the filings made in connection with the possible composition of the proposed Audiovisual Communication Service Units; and vi) mentioned that Grupo Clarín, the Company, and the companies to be created under the spinoff must be absolutely independent and unrelated among each other, without any common shareholders.

On June 30, 2014, Grupo Clarín and the Company, made a filing before AFSCA in order to respond to the Note dated June 25, 2014. The companies informed AFSCA that: i) the Company would comply with the observations made on some of the proposed changes to the Company's Bylaws, and that it would reformulate the proposed bylaws subject to the approval of the shareholders; ii) once approved by the shareholders of the Company, it would file the proposed bylaws for each of the companies to be spun off the Company, which had to be necessarily identical to the Company's own bylaws; iii) once the companies that were to be spun off, which would have new shareholders subject to AFSCA's prior approval, as appropriate, had been registered, the Company could not continue to be held liable for the acts of the spun off companies and/or related contingencies, because the Company had undertaken before AFSCA to comply with the requirement of absolute independence among Cablevisión and the spun-off companies; iv) Grupo Clarín and the Company had undertaken to inform as promptly as possible the decisions rendered by their shareholders at Shareholders' Meetings; and v) compliance with approval conditions to be met by Grupo Clarín had been acknowledged by that Agency. The companies also stated that they had reaffirmed their commitment undertaken under the Proposal in connection with the independence between Grupo Clarín and its spun-off company and among the Company and its spun-off companies, except with respect to Grupo Clarín's minority holders of Class B shares that are listed and traded on the Buenos Aires Stock Exchange (BCBA, for its Spanish acronym) and on the London Stock Exchange (LSE) in the understanding that the shares that trade freely on stock exchanges were outside the scope of the restrictions that had been imposed under the new legal framework.

Once the proposal was declared formally admissible by AFSCA, which occurred on February 18, 2014, its implementation required the intervention of other governmental and oversight agencies and the approval of the shareholders at the respective Shareholders' Meetings in order to carry out the reorganization and the transfer of licenses, assets, liabilities and operations to third parties, which should then receive final approval from AFSCA by means of an act that declared that the process had been duly completed.

For that reason, several filings were made before the different entities/governmental agencies that had to intervene in the implementation of the proposal, according to the following detail:

- Ministry of Economy;
- Secretariat of Trade;
- National Antitrust Commission;
- Argentine Securities Commission;
- Secretary of Communications;
- Before AFSCA, informing the above-mentioned filings.

The Company made new filings requesting AFSCA to grant service authorizations for subscription television services that, as a result of the reorganization, would not change their conformation.

Cablevisión made filings before AFSCA in which it reserved its rights and made statements in connection with the interpretation of certain recitals of AFSCA Resolution No. 193/2014 regarding the decisions rendered on:

- The radio-electric link subscription television services that would be discontinued as a result of the reorganization;
- The portion of radio-electric spectrum that would be accumulated provisionally to the radio-electric services selected in certain locations.
- The statement about the maintenance of the registration of the signal METRO by the Company.

- Rectification of the proposal originally submitted regarding the services that would be rendered in Necochea, La Dulce, Lobería, Monte de los Gauchos, Godoy and Rawson.

Pursuant to Note No. 263/AFSCA/DGAJyR/SGAJ/2014, AFSCA informed the Company that AFSCA's Board had approved the amendments proposed by the company to the Proposal with respect to Necochea, La Dulce, Lobería, Monte de los Gauchos, Godoy and Rawson.

The Company obtained from its subsidiaries a confirmation of the proposal filed by the Company, and provided evidence of such circumstance to AFSCA pursuant to AFSCA Resolution No. 193/2014. The confirmations that were filed as of the closing date of these financial statements corresponded to the following companies:

- Tres Arroyos Televisora Color S.A.;
- Indio Rico Cable Color S.A.;
- Copetonas Video Cable S.A.;
- Cable Video Sur S.A.(under reorganization);
- Dorrego Televisión S.A.;
- Wolves Televisión S.A.

The proposal submitted by the Company was approved by La Capital Cable S.A. and Otamendi Cable Color S.A. No filing was made in connection with these approvals before AFSCA. The Company carried out all necessary proceedings in order to obtain the approval of the Proposal from Teledifusora San Miguel Arcángel S.A. and Ver TV S.A.

On June 30, 2014, the shareholders of Grupo Clarín, controlling shareholder of the Company, decided at an Extraordinary Shareholders' Meeting to approve the partial spinoff of Grupo Clarín and the creation of a new company under the name Cablevisión Holding S.A.

The Board of Directors of the Company moved forward with the tasks for the implementation of the Proposal submitted by the Company and decided on May 13, 2014 to approve the spinoff proposal and formally request the CNV's administrative approval of its spinoff into three different independent companies with the consequent reduction of its equity and the amendment of its bylaws. The Board of Directors also approved the special spinoff balance sheet and the spinoff prospectus prepared for such purpose. The spinoff was subject to the prior Regulatory Authorizations, as defined in the spinoff prospectus. On June 30, 2014, the shareholders of the Company approved its partial spinoff under the terms described in the spinoff prospectus submitted by the Company before the CNV in compliance with applicable legislation for (i) the creation of two companies whose corporate names would be Compañía Argentina de Cable S.A. and Compañía Inversora de Redes S.A.; (ii) the merger of a part of the spun-off equity with La Capital Cable S.A. and (iii) the merger of a part of the spun-off equity with Tres Arroyos Televisora Color S.A.

On July 24, 2014, the Company made a filing before AFSCA in order to notify that agency that on June 30, 2014, the shareholders of the Company, at the Extraordinary Shareholders' Meeting, had unanimously approved: i) the proposal for the partial spinoff that had been duly informed to AFSCA; ii) the partial amendment of Cablevisión's bylaws, which contemplated the observations made by AFSCA; iii) the creation of two new companies with a portion of the equity subject to the spinoff; iv) the merger of a portion of the equity subject to the spinoff with Tres Arroyos Televisora Color S.A., Indio Rico Cable Color S.A., Copetonas Video Cable S.A., Dorrego Televisión S.A., Cable Video Sur S.A. (under reorganization), and v) the merger of a portion of the equity subject to the spinoff with La Capital Cable S.A. and Otamendi Cable Color S.A.. In the same filing, the Company attached the Bylaws of the companies to be spun off.

Also on July 24, 2014, Grupo Clarín made a filing before AFSCA in order to notify that agency that the shareholders of Grupo Clarín, in connection with the implementation of the Proposal declared formally admissible under AFSCA Resolution No. 193/2014, had approved: i) the proposal for the partial spinoff of Grupo Clarín and the consequent creation of a new company; ii) the irrevocable offer received by Grupo Clarín for the acquisition of a number of shares of the Company such that -once the process to conform to

the Audiovisual Communication Services Law has concluded- its acquirer will become holder of Cablevisión Spinoff 2, i.e., Unit III under the Proposal; iii) the transfer in favor of Inversora de Eventos S.A. ("IESA") of the assets owned by ARTEAR allocated to Unit IV; iv) the irrevocable offer to transfer the equity interests owned by Grupo Clarín and GC Minor S.A. in IESA in favor of a trust to be created; v) the irrevocable offers received by Radio Mitre for the sale of the assets that make up Unit V; and v) the irrevocable offers received by ARTEAR and Diario Los Andes Hermanos Calle S.A. for the sale of the assets that make up Unit VI.

On July 25, 2014, Grupo Clarín made a filing before AFSCA in order to notify that agency that, at the Extraordinary Shareholders' Meeting held on June 30, 2014, its shareholders had approved the irrevocable offer received from Messrs. Martí Casadevall and Christophe DiFalco for the acquisition of a number of shares of the Company such that, upon consummation of the spin-off of Cablevisión, the offerors would be entitled to receive sixty percent (60%) of the shares to be issued by Cablevisión Spinoff 2 (Unit III under the Proposal).

On August 11, 2014, the Company requested the SECOM to register the telecommunications licenses directly or indirectly owned by the Company under the name of the surviving company in accordance with the procedure to conform the Company to the Audiovisual Communication Services Law No. 26522.

On August 13, 2014, AFSCA notified Grupo Clarín of AFSCA Resolution No. 902/2014. The Resolution rejected a request for the partial amendment of the proposal filed by Grupo Clarín and ARTEAR, relating to the divestment of assets owned directly by the latter. The Resolution also compelled a Grupo Clarín, ARTEAR, Radio Mitre and the Company to ratify their intention to fulfill, with no changes, the Proposal that was declared formally admissible pursuant to AFSCA Resolution No. 193/2014 in the terms in which it was admitted. That agency also stated that failure to do so would be sanctioned pursuant to Section 21 of Law No. 19549.

On August 19, 2014, the Board of Directors of the Company took note of AFSCA Resolution No. 902/2014, highlighting the threat contained in that Resolution to apply the ex officio implementation of the Proposal even though the term granted by AFSCA Resolution No. 193/2014 for its execution had not yet expired, in addition to being legally inapplicable.

On August 19, 2014, the Company made a filing with AFSCA together with Grupo Clarín, ARTEAR and Radio Mitre in order to inform and certify that they had duly completed all actions required of those companies and necessary to implement the Proposal in the terms in which it had been approved pursuant to AFSCA Resolution No. 193/2014, in the same terms of its approval. The Company requested AFSCA (i) to order and decide on the prior acts that were necessary to complete the process, and that were requested in each of the filings made by the Company, including an extension of the term granted for the implementation of the Proposal for as long as it took that Agency to analyze and instrument such prior acts, and (ii) to compel the other government agencies that must necessarily intervene in that procedure, to issue the corresponding authorizations that were required prior to its final implementation to enable the final completion of the process.

On September 2, 2014 the term for the Company's creditors to exercise their rights to object to the spinoff expired. Notwithstanding the above, as of the date of these financial statements, the Company has not yet issued the public deeds relating to the spinoff and to the creation of the spun-off companies, as decided by the shareholders at the General Extraordinary Shareholders' Meeting held on January 12, 2016, because the prior regulatory authorizations have not been granted as provided under its spinoff prospectus.

On September 19, 2014, the Company, Grupo Clarín, ARTEAR and Radio Mitre were served with Note No. 640 AFSCA/DGAJyR/SGAJ/DyT/14, which stated that the analysis of the Company's filing yielded "*prima facie*" evidence of the existence of corporate relationships between Audiovisual Communication Service Units No. 1 and No. 2 due to the fact that some of the proposed trustees were individuals who were related to each other through companies, thus verifying relationships among them that could generate undue concentration practices, which would lead to a joint management of Units No. 1 and No. 2. Therefore, AFSCA granted the Company and the other companies a term of 10 (ten) days to allege and provide evidence of the factual and legal circumstances that might disprove the existence of the above-mentioned

relationships, the joint management of the trusts and, therefore, the breach of the antitrust and deconcentration principles provided under Law No. 26522.

On October 6, 2014, the Company made a filing with AFSCA in response to the request made by that agency. The Company requested that agency to dismiss without further formalities Notes No. 640/AFSCA/DGAJyR/SGAJ/DAYT/2014 and DAEYP No. 92 for being premature and manifestly inappropriate and therefore absolutely null and void. The Company also requested that AFSCA consider the explanations provided in response to its observations and compel the other intervening authorities to carry out the necessary administrative acts to enable the final completion of the procedure to conform those companies to the Audiovisual Communication Services Law. The Company also informed that agency of the decision of the controlling shareholders to change the proposed trustees who had been challenged by that agency, reiterating, that in the Company's understanding the trustees proposed in the event that the spinoff of Grupo Clarín would have been finally approved and implemented, would have largely complied with the LSCA.

On October 9, 2014, AFSCA notified Grupo Clarín, ARTEAR, Radio Mitre and the Company of AFSCA Resolution No. 1121/2014 whereby it decided to (i) reject the spinoff project of Grupo Clarín, the spinoff project of the Company, the formation of the foreign trusts and the transfers proposed by Grupo Clarín, ARTEAR, Radio Mitre and the Company, (ii) initiate the Ex-Officio Transfer procedure pursuant to Section 1, subsection a) of Annex I of AFSCA Resolution No. 2206/2012, (iii) compel Grupo Clarín, ARTEAR, Radio Mitre and the Company expressly to inform, in the form of an affidavit -attaching the corresponding supporting and evidentiary documentation- within a term of fifteen (15) days whether all of the services and registrations detailed in the list disclosed under Annex III of Action No. 22253 AFSCA/13 were owned and/or exploited by said companies, indicating, where appropriate, which of those services and registrations were not owned by them and/or were not exploited by them; failure to do so would be sanctioned pursuant to Section 5 of Annex I of AFSCA Resolution No 2206/2012; (iv) compel Grupo Clarín, ARTEAR, Radio Mitre and the Company expressly to inform, in the form of an affidavit -attaching the supporting and evidentiary documentation- within a term of fifteen (15) days the detail of any licenses owned or exploited by such companies that may not have been included under Annex III of Action No. 22253-AFSCA/13: failure to do so would be sanctioned pursuant to Section 5 of Annex I of AFSCA Resolution No. 2206/2012; (v) compel Grupo Clarín, ARTEAR, Radio Mitre and the Company expressly inform, in the form of an affidavit within a term of fifteen (15) days the assets related to each license and/or services that did not appear on the list identified as "list of assets related to the service", also indicating whether or not the inclusion of any such assets may not be appropriate; failure to do so would be sanctioned pursuant to Section 5 of Annex I of AFSCA Resolution No. 2206/2012 and (vi) request in due time the intervention of the Court of Appraisals of Argentina submitting to that Agency the information related to the services, detailed registrations and the essential assets related to them, and especially the agreements and assets contributed by Grupo Clarín, for the purposes provided under Section 3, Subsection c), Annex I of AFSCA Resolution No. 2206/2012.

The company believed that AFSCA Resolution No. 1121/2014 was absolutely null and void because it had been issued in manifest and public violation of the due process of law and *inaudita parte*, without notifying the Company, ARTEAR, Grupo Clarín and Radio Mitre of the alleged facts and/or non-compliances that had grounded such resolution.

AFSCA sought to ground its Resolution No. 1121/2014 in two alleged failures to comply with the Proposal: i) the corporate relationship and/or joint management of the business units to be created and ii) the alleged failure to comply with the committed divestitures. The companies mentioned by AFSCA as companies whose ownership and/or management would generate, in the Enforcement Authority's judgment, corporate relationships with the companies that submitted the proposal, i.e. Grupo Clarín, ARTEAR, Radio Mitre and the Company, (a) do not have any corporate relationship with any of those companies and, pursuant to Section 27 of the Audiovisual Communication Services Law, do not control and are not controlled by any of those companies, (b) therefore, neither Grupo Clarín, nor ARTEAR, Radio Mitre or the Company were ever required to disclose those companies in the Proposal. No such obligation arises from the application of the law or from the application of the regulations issued by AFSCA itself. Moreover, the companies mentioned by AFSCA do not result in the creation vertical or horizontal integration processes with any of the companies involved in the proposal, and do not infringe the multiple license regime provided under

Section 45 of the Audiovisual Communication Services Law. Under the application of the Audiovisual Communication Services Law or its regulations Grupo Clarín, ARTEAR, Radio Mitre and the Company were not required to identify and/or disclose information about any other company and/or venture that was not directly or indirectly related to the exploitation of audiovisual communication services identified at the time the Proposal was submitted. The AFSCA also stated in its Resolution that the transactions proposed to divest of certain assets in Units 3, 4, 5 and 6 included provisions that would allow Grupo Clarín to “recover its companies” and would prevent the prospective buyers from exercising their full ownership rights over such companies. AFSCA has allowed in other precedents identical rights, without considering them as events of non-compliance with the Audiovisual Communication Services Law. The transfer of the full ownership over the transferred assets may not be doubted, because the transfer agreement specifically provides for the acquisition of those assets by a third party in exchange for the payment of a sum of money, and in addition to the transfer of the equity interests, the Company loses its exposure, or right, over the variable returns generated by those assets as well as the ability to affect those returns.

Given the evident infringement of the guarantees of due process and defense in court, Grupo Clarín, ARTEAR, Radio Mitre and the Company requested the recusation of the AFSCA Directors who, without having read the internal opinions issued in this regard and even when this was not an item of the agenda, approved AFSCA Resolution No. 1121/2014, as well as the public officials who were actively involved in the process

By means of Decree No. 1942/2014, the National Executive Branch decided to dismiss the recusation requested by the Company.

Subsequently, on October 28, 2014, the Company, Grupo Clarín, ARTEAR and Radio Mitre made a filing with AFSCA in order to request that agency to dismiss all the decisions rendered by the intervening Areas and to declare the nullity of AFSCA Resolution No. 1121/2014

On October 31, 2014, Federal Civil and Commercial Court No. 1 granted an interim injunction (*medida precautelara*) in re “GRUPO CLARÍN c/ ESTADO NACIONAL s/ Acción Declarativa”, whereby the court ordered the National Government and AFSCA “to abstain from performing, directly or through third parties, any action in connection with the ex officio transfer procedure until a decision is rendered with respect to the injunction requested by the Company”. Such decision was informed to AFSCA through a Notarial Certificate on the very same date, October 31, 2014. Therefore, the Company was not under an obligation to respond to the requests provided under Sections 3, 4 and 5 of AFSCA Resolution No. 1121/2014 as long as the interim injunction is in effect. After being served with AFSCA Resolution No. 2276/2012, the claimants had requested an injunction in re “GRUPO CLARÍN c/ ESTADO NACIONAL s/ Acción Declarativa”, the ordering the suspension of the application of point b), Subsection 3, Section 161 of Decree No. 1225/2010, of Section C “Ex officio transfer”, of Chapter III, Annex I, of AFSCA Resolution No. 297/2010 and of the ex officio transfer procedure provided under Annex I, of AFSCA Resolution No. 2206/2012, and ordering AFSCA to abstain from: i) transferring ex-officio the broadcasting licenses exploited by the claimants, ii) declaring the expiration of their licenses as a consequence of the failure to transfer such licenses ex-officio and/or the breach of the challenged laws and iii) ordering the intervention and/or any other measure that might prevent the Company’s normal management and the rendering of the audiovisual and internet access services until a final decision was rendered in the case. The purpose of the incidental procedure relating to appeal was to request the declaration of unconstitutionality of: 1) point b), Subsection 3, Section 161 of Decree No. 1225/2010; 2) point 1 of Chapter 1 of AFSCA Resolution No. 297/2010 which provides for a term of thirty days to submit a proposal to conform the Company to the Audiovisual Communication Services Law; 3) Section C “Ex officio transfer”, of Chapter III, Annex I, of AFSCA Resolution No. 297/2010; 4) the first paragraph of Section 43 of Decree No. 1225/2010; and 5) AFSCA Resolution No. 2206/2012 to the extent it amends and regulates in its Annex I the ex officio transfer procedure for licenses and the essential assets related thereto. Given the fact that AFSCA Resolution No. 2276/2012, which had also ordered the ex-officio forced divestiture procedure, was revoked by AFSCA after the Proposal had been submitted, the injunction was granted only after claimants were served notice of AFSCA resolution No. 1121/2014.

In view of the serious irregularities mentioned above, upon a request made by Grupo Clarín, ARTEAR and Radio Mitre in re “GRUPO CLARÍN S.A. and Other v. National Government and Other on Merely Declarative Action on Motion for appeal” (File 7263/2012), on December 9, 2014, the National Court of First Instance on Federal Civil and Commercial Matters No. 1, Clerk’s Office No. 1, granted an injunction that suspended the effects of AFSCA Resolution No. 1121/2014 for a term of six months. This injunction has the same purpose as the above-mentioned interim injunction.

Both AFSCA and the National Government were served with this decision and they both filed an appeal. The appeals were substantiated and the file was submitted to Chamber No. 1 of the National Court of Appeals on Federal Civil and Commercial Matters, which had to render a decision on the appeals.

On February 20, 2015, Grupo Clarín was served notice of the decision rendered by the National Court of Appeals on Federal Civil and Commercial Matters, Chamber No. 1, whereby, on February 19, 2015, it confirmed the decision rendered by the Court of Federal Civil and Commercial Matters No. 1 in re “GRUPO CLARÍN v. NATIONAL GOVERNMENT re Incidental Procedure.”

Both The National Government and AFSCA filed an appeal against that decision to have the case brought before The Supreme Court, which – once substantiated – was partially granted on April 16, 2015. Therefore, the case was submitted to The Supreme Court of Argentina, which shall render a decision thereon.

Grupo Clarín, ARTEAR, Radio Mitre and the Company believe that they have executed the Proposal that was declared formally admissible pursuant to AFSCA Resolution No. 193/2014, fully in accordance with the commitment undertaken by them and in compliance with the applicable regulatory framework, and consider that AFSCA Resolution No. 1121/2014 is evidently arbitrary and inappropriate and infringes the constitutional guarantees of due process and defense in court. The procedure to approve such Resolution had serious irregularities and gross and malicious errors relating to the interpretation and application of effective legislation, inevitably rendering such Resolution null and void. For these reasons, the affected companies requested the Resolution’s nullification before an administrative court.

Therefore—and given AFSCA’s arbitrary and discriminatory decisions and Grupo Clarín’s understanding that AFSCA made an unconstitutional application of Sections 45, 48 and 161 of Law No. 26522, of Decree No. 1225/10 and of the implementing regulations issued pursuant to AFSCA Resolutions Nos. 297/2010 and 2206/2012—on March 5, 2015, the claimants broadened the scope of the claim filed in re “GRUPO CLARÍN v. NATIONAL GOVERNMENT on Incidental Procedure” (File 7,263/2012), and requested the judge to: (i) declare that AFSCA’s enforcement of Sections 45, 48 and 161 of the LSCA on the claimants through AFSCA Resolution No. 1121/14 is unconstitutional and infringes the right to freedom of the press, property, equality before the law, due process, defense in court and the principle of reasonableness with which those powers must necessarily be exercised, (ii) declare, if necessary, that each and every resolution related to this unconstitutional enforcement, in particular AFSCA Resolution No. 1121/14, is illegitimate and null and void; (iii) order claimants to comply with the legitimate legal obligation to conform to the LSCA, voluntarily applying the criteria adopted by AFSCA on other proposals and to order AFSCA to refrain from discriminating against the actors and its subsidiaries in the consideration of their proposal to conform to the license regime provided under Section 45 of Law No. 26522 and to comply with the conditions established in Recital 74 of the Supreme Court’s decision in re “Grupo Clarín and Other v. National Government on Incidental Procedure” for the application of Law No. 26522; and, (iv) order the National Government to carry out each and every act required to implement the proposal submitted by the claimants that were identified in the Proposal.

The defendants filed an appeal requesting that the Judge revoke his decision that had extended the scope of the claim. The appeal was dismissed by the Judge and became final.

On May 18, 2015, Grupo Clarín, ARTEAR and Radio Mitre requested an extension of the effects of the interim injunction. Notice of such request was served on the defendants, which filed a response in due time and form objecting to such request.

On July 15, 2015 the extension was granted for a term of six months, counted as from the date on which notice of the decision was served, that is to say, on July 15.

The claimants requested a new extension of the effects of the interim injunction. On December 18, 2015, the Judge granted a preliminary injunction maintaining the effectiveness of the injunction, until a decision is rendered on the extension of the effects of the injunction.

The defendants filed an appeal against the extension of the effects of the interim injunction. On November 5, 2015, Grupo Clarín was served with the decision rendered by Chamber No. 1 of the National Court of Appeals on Federal Civil and Commercial Matters, which on November 3, 2015 decided to confirm the extension of the effects of the interim injunction that suspends the effects of AFSCA Resolution No. 1121/2014 and the "Ex-Officio Transfer Procedure".

Within the framework of the claims brought by the Company in view of the imminent dispossession of its assets and licenses as a result of the decisions rendered by AFSCA since the enactment of Law No. 26522, on November 27, 2012, the Company requested a preliminary injunction against AFSCA and the Executive Branch providing, among other things, that neither the National Government nor the Provincial Government nor their agencies may intervene, confiscate, dispossess, divest, reallocate, or make a public and/or private offering of any medium, license, brand, signal, equipment, facilities and/or content owned by Cablevisión based on reasons of public interest or for any other reason. After several judicial instances, and pursuant to a decision rendered by the Supreme Court of Argentina, the Company amended the original injunction request and asked the Judge to provide: (i) that neither the National Government nor the Provincial Government nor their agencies may intervene, confiscate, dispossess, divest, reallocate, or make a public and/or private offering of any medium, license, brand, signal, equipment, facilities and/or contents owned by Cablevisión S.A. based on reasons of public interest or for any other reason; (ii) that neither the National Government nor any of its autarchic agencies may intervene or participate, directly or indirectly, in the management and administration of the Company; (iii) the maintenance with full legal and temporal effects of the factual and legal situation existing as of that date with respect to the audiovisual communication and telecommunication service licenses, broadcast signals and other assets owned by the Company that are necessary for the Company to exercise its rights to freedom of the press, freedom of speech, and freedom of information and opinion guaranteed by the constitution; and (iv) that neither the National Government nor any of its autarchic agencies may censor, review, intervene, interfere, change or alter the contents broadcasted by Cablevisión S.A.

The Company provided sufficient evidence of the plausibility of its claim and of the danger of incurring any delays. Therefore, on July 10, 2015, the Federal Court of Appeals of Mar del Plata decided to grant partially the Company's request, by maintaining the factual and legal situation prevailing in this case for a maximum term of three (3) months counted as from the date on which notice of its decision had been served on the enforcement authority. In addition, the Court ordered that notice of the decision should be served on the intervening administrative agency (AFSCA), provided that such notice shall in no case be deemed as an attempt to interfere with the progress of the procedure to conform to the provisions of the LSCA, which shall continue through the pertinent legal proceedings to the extent that it does not contradict the decisions rendered by the Court of Appeals. The Court also ordered AFSCA to notify the Court of Appeals of any decision that - during the effectiveness of the injunction - may seek to change such status in any way.

On July 16, 2015 AFSCA and the National Government were served notice of the decision rendered by the Court of Appeals. As of the date of these financial statements, an appeal may be filed against this decision.

The term of the injunction expired and the Company requested an extension, which is pending before the Federal Court of Appeals of Mar del Plata.

On June 4, 2015, AFSCA requested a preliminary injunction ordering Cablevisión to refrain from entering into agreements, selling and/or accepting new subscribers on the grounds that the company exceeded the limit set forth under Law No. 26522. Once the corresponding responses were filed, such request was dismissed by the Judge on July 15, 2015. To date, that decision is not yet final. This claim is pending before Civil and Commercial Court No. 1, Clerk's Office No. 1. The Court of Appeals confirmed the dismissal of the Court of First Instance.

On January 12, 2016, at the General Extraordinary Shareholders Meeting, the shareholders of the Company considered the possibility of amending the Proposal that had been submitted pursuant to Law No. 26522 and to the decision rendered by the Supreme Court of Argentina in re “Grupo Clarín and others v. Executive Branch and other re: Merely Declarative Action” (File 119/2010). To such end, the shareholders stated that upon submission of the Proposal, the Company made an explicit and unequivocal reservation of rights to (i) amend the proposal submitted in the event that the Agency were to allow and/or authorize the application of a more favourable interpretation of the law with respect to any other licensee and/or holder of a registered title and (ii) challenge judicially any infringement of the guarantees of due process, equality before the law and defense in court that may take place in the process to conform to the provisions of the LSCA. The foregoing contemplated that the Company and its subsidiaries should have had and should continue to have access to all of the same mechanisms to conform to the provisions of the LSCA as the other licensees. The filing of this Proposal -which did not entail the waiver of the rights of the filing companies- was based, for that reason, on a key pillar: equal treatment under the terms of Section 16 of the Argentine National Constitution and strict compliance with the implementing regulations detailed by the Supreme Court of Argentina in the obiter dicta of the decision rendered in the above-mentioned case, in which it states that the enforcement authority shall abide strictly by the principles of the National Constitution, the international treaties incorporated into it and the law itself, respecting equal treatment, without discriminating on the basis of dissenting opinions and guaranteeing the citizens’ right to have access to plural information. Therefore, taking into consideration: (i) that AFSCA violated Section 16 of the National Constitution because it applied certain criteria in the consideration of other proposals that were different from those applied to the Proposal submitted by the Company, discriminating against Grupo Clarín S.A. and the Company; and (ii) that the new regulatory framework introduced by the Emergency Decree changes the legal situation of the Company and its subsidiaries with respect to regulatory matters, the shareholders of the Company at the General Extraordinary Shareholders’ Meeting held on January 12, 2016 decided: (a) To render without effect the Proposal and, therefore, to render without effect, the partial spinoff of the Company and the decisions of the shareholders at the shareholders’ meetings of March 20, 2014, of June 30, 2014- in all relevant aspects-, (b) to instruct the Board of Directors to appear before the various regulatory agencies involved and to render without effect all pending requests for authorization and/or registrations relating to the Proposal and, (c) to instruct the Board of Directors of the Company to analyze and recommend the course of action that the Company should follow in order to comply with the applicable legal framework, with special consideration of recent developments.

Finally, pursuant to Resolution No. 17/ENACOM/2016 dated February 1, 2016, the new enforcement authority recognized that all the files and/or administrative proceedings pending resolution containing requests made under the regime approved by Section 161 of Law No. 26522 and its regulations, among which is the proposal submitted by the Company and its controlling company, comply with the limits relating to multiplicity of licenses set forth under Section 45 of Law No. 26522 amended by the Emergency Decree. Therefore, they shall be deemed concluded and filed. In the same administrative act, ENACOM revoked Resolution No. 1121/AFSCA/2014.

28.4.2. Resolution No. 577/COMFER/09

Under Proceeding File No. 21788/08 dated November 17, 2008, the Company informed the COMFER about the corporate business reorganization process effective as of October 1, 2008. In that same act, the Company informed the COMFER about: i) all the licenses to which it became universal successor under the corporate business reorganization process; ii) the exercise of an option for one of the licenses in each of the locations where it held multiple licenses, and iii) the relinquishment of original licenses and extensions so as to eliminate the multiple licenses accumulated in each of the locations where it held multiple licenses. As a result of such corporate business reorganization process, the Company became the universal successor of 158 licenses to exploit Supplementary Services in several locations (pursuant to section 44, subsection b) of Law No. 22285). To avoid having multiple licenses, the Company informed the COMFER about its irrevocable intention to relinquish a total of 78 licenses (including original licenses and extensions) so as to eliminate all the supplementary service licenses that exceeded the limit set for supplementary services in each location (which was one license per designated area). Notwithstanding the foregoing, through Resolution No. 577/COMFER/09, the COMFER illegitimately decided to withhold approval of the

merger requested by the Company, requesting the Company to submit a divestiture plan on the grounds that the license relinquishments spontaneously communicated by the Company were not sufficient.

On March 3, 2010, Grupo Clarín brought a claim seeking to nullify COMFER Resolution No. 577/09. Upon being served with this claim, the COMFER filed an exception, which was responded by the Company. On September 4, 2012 the Judge decided to dismiss the exception filed by the COMFER, which shall bear the legal costs incurred. On December 13, 2012 the draft notice of such decision was submitted to the Court, which then issued the official notice on December 26, 2012. Together with the draft notice, a request was submitted to set the preliminary hearing (before the discovery proceedings). Such dismissal was appealed by the COMFER and ratified by the Court of Appeals. Subsequently, the judge ordered discovery proceedings. As of the date of these financial statements, the proceeding was at the discovery stage. The COMFER (subsequently AFSCA) reported a new fact (AFSCA Resolution No. 193/2014). Cablevisión filed a response and the Court granted COMFER's request. In its decision, the Court held that the parties have different criteria about the interpretation of such resolution.

The ENACOM issued Resolution No. 17/ENACOM/2016, which revoked Resolution No. 577/COMFER/09. In this respect, the Company will report the new development in the case file.

28.4.3. Bidding terms for the award of a physical link subscription television services.

Pursuant to Resolution No. 432/2011, AFSCA approved new bidding terms and conditions for the granting of licenses for physical link subscription television services.

Pursuant to AFSCA Resolution No. 193/2014, the Company purchased Bidding Forms to apply for certain licenses, in cases in which, as a consequence of the license consolidation process that was implemented, locations that used to be authorized as area extensions had to become license heads as a result of the reorganization, and also in the cases in which the original term had fully expired. Notwithstanding the foregoing, the Company understands that the filings made by the company became moot as a result of the application of the Emergency Decree.

28.4.4. Other charges brought by the AFSCA, today ENACOM

Between September and October 2011, AFSCA brought 46 charges of delegation of the exploitation of several licenses of which the Company is currently the legal successor. The charges were brought within the framework of COMFER file No. 2,005/08, relating to the registration of the corporate reorganization whereby Multicanal and Teledigital, among other subsidiaries, merged into Cablevisión and in which through Resolution No. 577/COMFER/09, the merger process had been rejected. Even though the Company submitted the appropriate responses on behalf of the merged licensees that had been charged, no decision was ever rendered in that respect. Subsequently, the ENACOM issued Resolution No. 17/ENACOM/16, whereby it revoked COMFER Resolution No. 577/09. Therefore, the Company understands that the charges have become moot and, therefore, it will request the ENACOM to file the proceedings.

28.4.5. Programming Grid

AFSCA Resolution No. 296/2010, as amended and/or supplemented, provided guidelines for the organization of the programming grids that had to be followed by the owners of subscription television audiovisual services. This resolution regulated section 65, subsections a) and b) of the LSCA and supplemented the provisions of the regulations to the same section of Decree No. 1225/2010.

In spite of Cablevisión's efforts to organize its programming grids in accordance with the provisions of section 65 of the LSCA, the AFSCA initiated multiple summary proceedings in connection with the cable television licenses of which Cablevisión is the lawful successor. AFSCA contended that Cablevisión had failed to comply with the regulations set forth by AFSCA Resolution No. 296/2010. Cablevisión submitted the responses set forth under section 1, Exhibit II of AFSCA Resolution No. 224/2010 in connection with such accusations. A decision has been rendered on some of the summary proceedings and, as a result, a fine was imposed on the Company, while other proceedings are pending resolution. The Company has

appealed these decisions. Some of the appeals filed by Cablevisión have been decided against it and have again been appealed.

Insofar as the Company is concerned, as of the date of these financial statements, an injunction issued in re “CABLEVISIÓN S.A. C. ESTADO NACIONAL Y OTRO S. AMPARO” by the Federal Court of Appeals of the City of Mar del Plata, whereby that Court revoked the decision rendered in the First Instance, remains in full force and effect. The decision rendered in the First Instance had ordered the dismissal of Cablevisión’s request. The Court of Appeals ordered AFSCA to suspend – until a final decision was rendered on the matter – the application of the penalties derived from the alleged non-compliance with section 65 of LSCA and Decree No. 1225/2010. Therefore, it also suspended the application of section 6 of AFSCA Resolution No. 296/2010 on the grounds that Cablevisión’s alleged serious non-compliance was not contemplated in the Law or in the Decree. The National Government filed an appeal to have the case brought before the Supreme Court. Such appeal was dismissed. Consequently, AFSCA filed a direct appeal with the Supreme Court, which is still pending resolution.

In re “AFSCA c/ CABLEVISION SA DTO. 1,225/10 – RES. 296/10 s/ PROCESO DE CONOCIMIENTO”, currently pending before the Federal Court of First Instance on Administrative Matters No. 9, on May 16, 2012 the Court granted an injunction that had been requested by AFSCA, ordering Cablevisión and/or the pay television audiovisual services it exploits, to conform to Section 65, paragraph 3 b), of Decree No. 1225/2010 and Sections 1, 2, 3, 4 and 5 of AFSCA Resolution No. 296/2010 until a final judgment is rendered on the merits of the case. The Company has appealed such injunction.

On August 6, 2012, the Company was served notice of a decision rendered by the Federal Court of First Instance on Administrative Matters No. 9 of the Autonomous City of Buenos Aires, whereby that court imposed a fine on Cablevisión of Ps. 20,000 per day for each day of delay in complying with the injunction that ordered the Company to comply with Section 65 of Decree No. 1225/2010 and AFSCA Resolution No. 296/2010. The Company filed an appeal against that decision in due time and form. However, the Court of Appeals ignored the strong grounds asserted by the Company, partially confirmed the decision rendered in the first instance, and reduced the fine to Ps. 2,000 per day for each day of delay, to be calculated as from the date the decision is deemed final. The Company filed an extraordinary appeal to have the case heard by the Supreme Court, but the appeal was rejected by the Court of Appeals. The Company filed a direct appeal before the Supreme Court, which was rejected.

On October 21, 2013 the Company was served with new charges brought for alleged noncompliance with AFSCA Resolution No. 296/2010, clearly violating the preliminary injunction mentioned above. Accordingly, the Company filed an appeal, but no decision has been rendered on the matter as of the date of these financial statements.

On December 23, 2013, the Company informed AFSCA of its new programming grid in digital and analogue systems, expressly maintaining the Company’s reservation of its right to continue challenging the legality and constitutionality of section 65 of Decree No. 1225/2010 and AFSCA Resolution No. 296/2010, as amended.

Section 7 of the Emergency Decree, which amends, among other things, Section 10 of Law No. 27078 provides that all the physical link and radio electric link subscription television services shall be governed by the Digital Argentina Act. Therefore, the Company is no longer subject to Section 65 and its implementing regulations.

28.4.6. Fibertel license

On August 5, 2010 the Company was served with CNC Resolution No. 2936/2010 within the framework of Administrative Proceeding EXPCNC No. 2,940/2010, pursuant to which the Company and/or any other individual or entity through which the services relating to the licenses and registrations granted to FIBERTEL S.A. Fibertel may be rendered, shall refrain from adding new subscribers and from altering the conditions under which the services are currently rendered.

To decide as it did, the CNC disregarded the corporate reorganization that was completed and registered before the IGJ, whereby Fibertel merged into the Company effective as of April 1, 2003. By virtue of that merger process, the Company became the universal successor to all of the assets, rights and obligations of Fibertel, as the merged company, including the Exclusive License awarded through SECOM Resolutions Nos. 100/96, 2,375/97, 168/02 and 83/03. Therefore, Fibertel did not transfer or divest of its rights and obligations to third parties – among them, those derived from the abovementioned Exclusive License. Fibertel continued to carry out its activities through Cablevisión as surviving company. In order to implement the above-mentioned corporate business reorganization, on March 5, 2003, the CNC and through the CNC, the Secom were notified of the corporate business reorganization so that they may acknowledge it. The technical and legal areas of the CNC issued favourable decisions with respect to compliance with current regulatory requirements to register Fibertel's license under the name of the Company as surviving company. The Secom had a term of 60 days to decide on the corporate business reorganization. However, such agency failed to render a decision as required by the applicable regulations. Not until August 19, 2010, did Secom issue Resolution No. 100/10 revoking Fibertel's license.

The Company believed that the Resolution was arbitrary and that it flagrantly violated due process and the Company's defense right. Therefore, the Company has appealed such Resolution before the administration.

On August 19, 2010 the SECOM issued Resolution No. 100/10, whereby it revoked the license that had been granted to Fibertel. The Company believed that this resolution was an absolutely null and void administrative act. Its language contradicted express provisions of the National Constitution, of Law No. 19550, as amended, Decrees No. 1185/90 and No. 764/00 and Law No. 19549 of Administrative Procedures, among others. The resolution disregarded the several filings made by the Company with the SECOM requesting such agency to issue an administrative act evidencing that Cablevisión, pursuant to section 82 of the General Argentine Associations Law, is the successor of Fibertel and, therefore, the holder of the exclusive telecommunication service license and of the registrations that had been previously granted to Fibertel. More than eight years after that request, in spite of the existence of a draft of a favourable decision in the case file, with a completely arbitrary attitude that contradicts other precedents of the same agency, and without prior notice that would have allowed the Company to exercise its defense right, the SECOM ordered that the license be revoked and that the users migrate within 90 days of the resolution's notification. On August 26, 2010, the Company filed an appeal requesting the reversal of the resolutions, and if such appeal is rejected, a Subsidiary Appeal against that resolution before the highest administrative authority. The appeal was dismissed pursuant to SECOM resolution No. 132/10 dated October 7, 2010. However, since the Company had filed a subsidiary appeal to have the case heard by the highest administrative authority; the file was submitted to the Ministry of Federal Planning, Public Investment and Services ("MINPLAN", for its Spanish acronym).

On February 24, 2011, Chamber No. 3 of the Federal Court of Appeals on Civil and Commercial Matters of the Autonomous City of Buenos Aires, in re "ASOCIACIÓN PARA LA DEFENSA DE LA COMPETENCIA c/ ESTADO NACIONAL SECRETARÍA DE COMUNICACIONES s/ AMPARO" confirmed the decision rendered in the first instance, stating that the National Government, SECOM, shall refrain from disrupting or limiting in any way the Internet access services offered by Cablevisión. It also partially amended the above decision by broadening its effects, ordering the National Government to refrain from enforcing Resolution No. 100/10, thus allowing new customers to subscribe to the Internet access services offered by Cablevisión.

On December 16, 2011, Federal Civil and Commercial Court No. 3, Clerk's Office No. 5, issued a related injunction in re "CABLEVISION S.A. c/ESTADO NACIONAL s/AMPARO", ordering the suspension of the effects of SECOM Resolution No. 100/10 and also guaranteeing new subscribers the possibility to subscribe to the Internet access services offered by the Company.

On December 20, 2011, at the request of the Company, a new preliminary injunction was issued in re "CABLEVISION S.A. c/ Estado Nacional – Secretaría de Comunicaciones s/ Amparo". On the basis of the abovementioned precedent and on the existing connection between the subject matters of both cases, as alleged by the Company, the injunction ordered the suspension of the effects of Secom Resolution

No. 100/10. The National Government filed an appeal with Chamber No. 3 of the National Court of Appeals on Federal Civil and Commercial Matters. On October 23, 2014 the preliminary injunction was ratified by the National Court of Appeals. The National Government filed an appeal against the decision rendered by the National Court of Appeals to have the case brought before the Supreme Court. Such appeal was dismissed by the Court of Appeals and the National Government filed a direct appeal with the Supreme Court.

Due to the imminent possibility that the application of Law No. 26522 would affect the assets used to provide Internet access services, within the framework of this same file, the Company requested the extension of the scope of the effective injunction, which was granted on December 6, 2012.

Such extension entailed notifying AFSCA of the injunction that prevents it from affecting in any way the Internet access services offered by the Company. That decision was subsequently revoked by Chamber No. 3 of the National Court of Appeals on Federal Civil and Commercial Matters.

Based on the decisions rendered by Chamber No. 3 on the above-mentioned preliminary injunction, Cablevision is authorized to continue to render the telecommunication services originally granted to Fibertel.

The Ministry of Communications, as the highest government agency, replacing the MINPLAN with respect to this specific competence, issued Resolution No. 5/2016, which was notified on February 29, 2016, whereby it revoked SECOM Resolution No. 100/2010 for legitimacy reasons. This Resolution, which had been issued by the former Secretariat of Communications, had revoked the exclusive telecommunication service license held by Fibertel S.A., which was merged into Cablevisión S.A.

28.4.7. Nextel

On September 10, 2015, the Board of Directors of the Company approved the assignment of the rights and obligations held by Grupo Clarín under an offer it had submitted to NII Mercosur Telecom, S.L.U. and NII Mercosur Móviles, S.L.U. (hereinafter, the "Sellers") for the acquisition of 49% of the capital stock of NEXTEL COMMUNICATIONS ARGENTINA S.R.L. (hereinafter, "Nextel") and an option to acquire, together with its subsidiary Televisión Dirigida S.A., subject to certain conditions -among them, the regulatory approvals- 51% of the remaining capital stock. The price of the transaction was USD 165 million (out of this amount, USD 80 million accounts for 49% and USD 85 million accounts for 51%) plus the right to collect an additional amount of up to USD 13 million subject to the fulfillment of certain conditions. The offer submitted by Grupo Clarín was subject to the acceptance of the Sellers. On September 11, 2015, the Sellers accepted the offer submitted by Grupo Clarín and, on the same date, the Sellers accepted the assignment of the rights under such offer in favor of Cablevisión, offering Cablevisión the acquisition of 49% of the capital stock of Nextel and the option to acquire the remaining 51%. In order to guarantee the rights and obligations under the offer, the capital stock owned by NII Mercosur Móviles, S.L.U. was pledged (subject to registration with the Public Registry of Commerce). The transaction was executed on September 14, 2015 with the aggregate payment by the Company and its subsidiary of USD 159 million. The companies undertook to create an USD 6 million guarantee fund with the balance to cover any potential liabilities of Nextel (this fund was set up on October 7, 2015). In addition, upon the fulfillment of certain conditions precedent, on October 1, 2015, the Company paid to the Sellers the additional amount of USD 12.73 million. As of the date of these financial statements, the assignment of 49% of the capital stock of Nextel in favor of the Company has not yet been registered with the Public Registry of Commerce. Nextel will continue to be controlled and operated by the Sellers until the option to acquire the remaining 51% of the capital stock had been exercised. Subsequently, on January 27, 2016, the Company and its subsidiary Televisión Dirigida S.A. decided to exercise the option to acquire the remaining 51% of the capital stock and votes of Nextel, and, consequently, the Company became the holder of 51.4% of the capital stock and votes of Nextel and Televisión Dirigida S.A. became the holder of the remaining 48.6%.

Since the implementing regulations for Law No. 27078 had not yet been issued, Decree No. 764/00 continued to apply, pursuant to Section 13 of the Digital Argentina Act. In full compliance with current regulations, before exercising the above-mentioned call option, a request would be filed before AFTIC to obtain the prior approval required under the regulatory framework

The Company and its controlling company, together with Nextel, notified AFTIC of the transaction and in that same act they requested the recusation for cause of the Directors Norberto Carlos Berner and Nicolás Ernesto Karavaski.

Through Decree No. 1950/15, the National Executive Branch dismissed the requested recusations.

Subsequently, through Resolution No. 326/2015, AFTIC rendered a decision whereby it considered that the transaction executed between Grupo Clarín, NII Mercosur Telecom, S.L.U. and NII Mercosur Móviles, S.L.U. infringed current regulations in the understanding that there was a change of control of the licensee. In that same act, AFTIC held that Grupo Clarín and the Company were not to be considered parties to the administrative proceeding since they did not have a legitimate interest and ordered Nextel, subject of the transfer of 49% of its capital stock, to cancel the above-mentioned transfer.

Through Resolution No. 325/2015, AFTIC decided, abruptly and without prior notice of its decision to dismiss the requests for extensions of certain frequencies allocated to Nextel, revoking Nextel's licenses over such frequencies in that same act.

After both administrative acts became public, the Company and its controlling company, which had not been served with Resolution No. 326/2015, made a filing before AFTIC requesting access to the administrative file. The request was dismissed by the Enforcement Authority through Resolution No. 2472/2015 on the grounds that the Company and its controlling company are not considered to be parties to the proceeding.

On October 9, 2015, Grupo Clarín and the Company filed an appeal against both administrative acts (Resolutions No. 325/2015 and 326/2015) grounding their legitimate interest on their acquisition of 49% of the licensee. Regarding Resolution No. 326/2015, Grupo Clarín and the Company stated that a transfer of control had not taken place as alleged by AFTIC. With regard to the requests for extension of certain frequencies, which had been timely requested, Grupo Clarín and the Company believe that their dismissal infringes applicable law and the most essential principles of administration of the radio electric spectrum.

Nextel first requested the suspension of the effects of Resolutions No. 325/2015 and 326/2015, respectively, and then filed an appeal against both acts.

Therefore, on January 29, 2016, the Company and Nextel made a filing before the ENACOM as established under Section 8 of Decree No. 267/15 which amends Section 13 of Law No. 27078 in order to request authorization for the change of control in full compliance with the new legal framework.

The ENACOM issued Resolution No. 133/2016, whereby it decided to grant partially the appeals that had been filed by the Company against AFTIC Resolution No. 326/2015 to reconsider the request for approval of the transfer of control.

The ENACOM issued Resolution No. 134/2016, whereby it decided to grant partially the appeal filed by NEXTEL COMMUNICATIONS ARGENTINA S.R.L. against Resolution No. 325/AFTIC/2015. Even though this Resolution does not entail the automatic extension of the frequencies involved, the ENACOM ordered the corresponding areas to analyze each file to verify compliance with the requirements of the effective regulatory framework to be eligible to obtain the requested extensions.

This transaction is subject to the corresponding administrative approval of the CNDC.

Through ENACOM Resolution No. 280/2016, served on the Company on March 8, 2016, the Enforcement Authority authorized the changes in the equity interests of NEXTEL COMMUNICATIONS ARGENTINA S.R.L. in favor of Cablevisión S.A.

28.5. Audiovisual Communications Law of the Republic of Uruguay

Law No. 19307 was published in the Official Gazette of the Republic of Uruguay on January 14, 2015. This Law governs radio, television, and other audiovisual communication services (hereinafter, the "Audiovisual

Communications Law”). Section 202 of this law provides that the Executive Branch shall issue the implementing regulations for this law within a 120-day term as from the day following the publication of this law in the Official Gazette. As of the date of the financial statements, only Decree No. 45/015 has been issued, but the implementing regulations for most of the sections of this law are still pending. Such Decree provides that the concession for the use and allocation of the radio-electric spectrum for non-satellite audiovisual communication services shall be granted for a term of 15 years.

Section 54 of the Audiovisual Communications Law provides that an individual or legal entity cannot be allocated the full or partial ownership of more than six authorizations or licenses to render television services to subscribers throughout the national territory of Uruguay. Such limit is reduced to three if one of the authorizations or licenses includes the department of Montevideo. Section 189 of this law provides that in the cases where such limits were exceeded as of the entry into force of the Law, the owners of those audiovisual communication services shall transfer the necessary authorizations or licenses so as not to exceed the limits mentioned above within a term of 4 years as from the date of entry into force of the Audiovisual Communications Law.

Adesol S.A. is analyzing the possible impact on its business that could be derived from the change in the regulatory framework and the eventual legal actions it may bring to safeguard its rights and those of its shareholders. That company is also monitoring the different unconstitutionality claims filed by other companies against certain sections of the above-mentioned law to consider whether the decisions to be rendered by the Supreme Court in those proceedings may be favourable to the position of Adesol S.A. in the future. As of the date of these financial statements, the Supreme Court of Uruguay has not yet issued any decision on those proceedings. However, the Prosecutor’s Office has issued four opinions in this respect, which are not binding on the Ministers of the Supreme Court.

The decisions to be made based on these consolidated financial statements should contemplate the eventual impact that these changes in the regulatory framework may have on the Company and its subsidiaries in the Republic of Uruguay. The Company’s consolidated financial statements should be read in the light of this uncertain environment.

NOTE 29 PROVISIONS AND OTHER CHARGES

<u>Non-Current</u>	<u>12.31.2015</u>	<u>12.31.2014</u>
	<u>Ps.</u>	
Accrual for asset retirement	10,514,287	9,515,603
Provisions for lawsuits and contingencies	271,389,526	192,071,075
	<u>281,903,813</u>	<u>201,586,678</u>

Movements of the provisions and other charges

	<u>Accrual for asset retirement</u>	<u>Provisions for lawsuits and contingencies</u>	<u>Total</u>
	<u>Ps.</u>		
Balance at 1 January, 2014	8,882,952	157,567,793	166,450,745
Increases / reclassifications	632,651	61,777,769	62,410,420
Accrual of interest	-	1,793,885	1,793,885
Uses	-	(29,093,174)	(29,093,174)
Currency translation of foreign operations	-	24,802	24,802
Balances at December 31, 2014	<u>9,515,603</u>	<u>192,071,075</u>	<u>201,586,678</u>
Increases / reclassifications	998,684	42,995,499	43,994,183
Accrual of interest	-	64,053,251	64,053,251
Uses	-	(27,741,569)	(27,741,569)
Currency translation of foreign operations	-	11,270	11,270
Balances at December 31, 2015	<u>10,514,287</u>	<u>271,389,526</u>	<u>281,903,813</u>

29.1. Legal and administrative processes and other commitments

a) As from November 1, 2002 and until December 31, 2014, the COMFER and the AFSCA have initiated summary administrative proceedings against the Company and Multicanal (merged into Cablevisión) for infringements of regulations relating to programming content. Accordingly, a provision has been set up in this regard.

b) The CNDC initiated three legal actions following complaints filed by other cable television companies under Law No. 25156 alleging an improper refusal by Dayco Holdings Ltd. ("Dayco"), a subsidiary of Fintelco S.A., to sell rights to broadcast South American qualifying football matches of the Korea/Japan 2002 World Cup. On February 14, 2003, the CNDC served the Company notice of the complaint in one of the legal actions to provide explanations.

The Technical Coordination Head of the Ministry of Economy and Production resolved that the proceedings related to one of the actions above should be closed. Although Dayco submitted the required responses and the Company did the same on March 10, 2003, decision by the CNDC is still pending.

The Company and Multicanal are a party to several administrative proceedings within the framework of the Antitrust Law, facing charges of restrictive behavior, including the territorial division of markets, price discrimination, abuse of a dominant position, refusal to deal and predatory pricing. They are also party to a proceeding filed by the Cámara de Cableoperadores Independientes (Chamber of Independent Cable Operators), objecting the transactions effected on September 26, 2006 described in Note 4.a).

On July 16, 2010, the SCI notified Cablevisión and Multicanal of the content of Resolution No. 219/2010, whereby the Secretary of Domestic Trade decided to declare both companies responsible for having agreed to divide among themselves the pay television market of the City of Santa Fe. Consequently, it imposed a joint and several fine of Ps. 2.5 million to each company. On July 26, 2010, both companies appealed the resolution, presenting new arguments in connection with the application of statutes of limitation, which had already been alleged prior to the issuance of the resolution.

On June 4, 2012, the Federal Court of Appeals of Rosario partially confirmed SCI Resolution No. 219/2010, whereby the Secretary of Domestic Trade found that Cablevisión and Multicanal had engaged in market sharing practices in connection with the paid-television service in the City of Santa Fe and reduced the fine imposed on each of the companies involved from Ps. 2.5 million to Ps. 2 million. However, this decision is not yet final, because Cablevisión and Multicanal and the Ministry of Economy filed appeals which are still pending before that Court of Appeals. On October 21, 2014, the Argentine Supreme Court dismissed the appeals; therefore, Resolution No. 219/2010 became final. The case is currently pending with the Court of Appeals of Rosario, which shall order its referral to the SCI. The SCI, in turn, shall serve notice to the companies involved in order for them to pay the fine.

On March 1, 2011, the SCI served notice to Multicanal and Cablevisión of the content of Resolution No. 19/11, whereby the Secretary of Domestic Trade found that both companies had engaged in market sharing practices in connection with the paid television service in the City of Paraná, and imposed a fine of Ps. 2.5 million on each of them. The Company filed an appeal in due time and form. This appeal was dismissed by the Federal Court of Appeals of Paraná. Therefore, the Company filed an appeal with the Argentine Supreme Court. On November 4, 2011, the appeal to the Supreme Court of Argentina filed by the Company in connection with SCI Resolution No. 19/11 was partially granted by the Federal Court of Appeals of Paraná.

On August 30, 2012, the Argentine Supreme Court dismissed the appeal filed by the Company; therefore, Resolution No. 19/11 became final. The case is currently pending with the Court of Appeals of Paraná, which shall order its referral to the SCI. The SCI, in turn, shall serve notice to the companies involved in order for them to pay the fine.

The investigations carried out by the CNDC and SCI may lead to the imposition of more fines pursuant to Law No. 25156, which would be appealable. The eventual fines would be graduated based on: (i) the loss incurred by the persons affected by the allegedly prohibited activity; (ii) the benefit obtained by all the persons involved in the prohibited activity and (iii) the value of the assets involved owned by the persons indicated in item (ii) above at the time the alleged violation was committed. To date, there is not any standard criterion on the application of the above-mentioned parameters.

While Cablevisión believes that its conduct and that of Multicanal have always been within the bounds of the Argentina antitrust law and regulations, and that their positions in each of these proceedings are reasonably grounded, it can give no assurance that any of these cases will be resolved in its favor.

c) In 2003, ELP Investments filed a criminal complaint in Argentina against certain individuals related to the Hicks Muse Tate & Furst Group (“HMTF”), including some who were Directors of the Company. The criminal complaint, which was filed by a person that is not a shareholder or creditor of Cablevisión, challenged certain operations undertaken by the Company. Although the Company believes that the party filing the complaint was not entitled to do so, and that the allegations by ELP Investments were false or wrongly presented, the court handling this case ordered searches at the Company’s offices, as well as the seizure of certain of the Company’s corporate books. On June 27, 2003, the criminal court appointed an agent to gather information regarding the case at the Company’s offices for a forty five-day period. On September 16, 2003, this period was extended for forty five additional days. The Company and the Directors affected by the complaint have each denied the allegations and have offered supporting evidence and the Company appealed the court’s appointment of the agent. On October 21, 2003, Chamber IV of the Criminal Court of Appeals declared the nullity of all the decisions made and actions taken by the lower court judges. The litigation, however, continued through the filing of remedies before the Court of Cassation on Criminal Matters (the highest criminal court) and the Argentine Supreme Court. The Court of Cassation on Criminal Matters has resolved to revoke partially the decision of Chamber IV, although the majority of the court upheld the principles and grounds of Chamber IV’s decision. Notwithstanding the aforesaid, the Court of Cassation on Criminal Matters decided that certain motions relating to pending injunctions be resolved prior to any further action in the proceeding. It should be noted that after the share transfers made in 2006, the companies represented by the parties involved in the above mentioned case have ceased to be shareholders of the Company. Cablevisión has never been a party to the case. On July 3, 2009 Chamber IV of the Criminal Court held that since the court appointed agent was no longer gathering Company information, the petitions filed against such appointment were moot.

On May 11, 2010, the Court of First Instance on Preliminary Criminal Matters declared the criminal action extinguished pursuant to applicable statutes of limitations and therefore finally acquitted the accused from all the crimes denounced by ELP Investments. Such resolution was appealed by the intervening prosecutor, and Chamber IV of the Court of Appeals on Criminal and Correctional Matters must now render a decision on the matter. Such Chamber has suspended the proceedings dealing with the incidental demand dealing with the application of statutes of limitation to the criminal action. This suspension results from a new plea filed by the former plaintiff, ELP Investments that wishes to be a party to the incidental demand. To date, Chamber IV has not allowed former plaintiff, ELP Investments, to be a party to the incidental demand. This demand has given rise to claims by ELP Investments and to an appeal before the Court of Cassation on Criminal Matters, which is still pending.

d) The Government of the City of Mar del Plata enacted Ordinance No. 9,163, governing the installation of cable television networks. Such ordinance was amended and restated by Ordinance No. 15,981 dated February 26, 2004, giving cable companies until December 31, 2007 to adapt their cable networks to the new municipal requirements. The ordinance provides that in those areas where street lighting has underground wiring, cable television networks are to be placed underground. The Executive Department of the Municipality of General Pueyrredón has submitted to the Municipal Council a proposed ordinance extending the term provided until December 31, 2015. The bill is no longer valid because the Municipal Council did not discuss it during the legislative period in which it

was submitted. Even though the ordinance provides for certain penalties that may be imposed, the city has not imposed such penalties to cable systems that are not in compliance with such ordinance.

e) Multicanal has initiated several legal actions seeking the nullity of: i) all the ordinary shareholders' meetings held by Supercanal Holding S.A. from the year 2000 to the date hereof and ii) the sureties granted by Supercanal S.A. securing bank loans granted exclusively for the benefit of the controlling group of Supercanal Holding S.A. (Grupo Uno S.A. and its affiliates). In addition, a legal action was filed seeking the dissolution and liquidation of Supercanal Holding S.A. together with a legal action seeking the removal of all the members of the Board of Directors and the Supervisory Commission and the dissolution of Supercanal Capital N.V. Supercanal Holding S.A. On March 29, 2000 Supercanal filed for concurso preventivo (judicial restructuring proceedings) with the National Court of First Instance on Commercial Matters Court No. 20, Clerk's office No. 40, and the proceedings began on March 27, 2001. On December 26, 2007 the court dismissed the objections filed against such proceedings, and confirmed the restructuring proposal. Such ratification was appealed by secured creditors. On October 30, 2009, the Court of Appeals revoked the confirmation of the restructuring proposal and requested the company under reorganization to provide certain explanations and clarifications on the proposal filed and to grant a guarantee to creditors that had been secured with a pledge on the shares of the original shareholders. Supercanal filed a document stating that it had complied with both requirements and providing a guarantee in the amount of Ps. 2 million for the benefit of such secured creditors. On March 3, 2011, the first instance judge again confirmed the restructuring proposal. Such judgment was again appealed by the secured creditors. On December 28, 2011, Chamber A of the Court of Appeals partially revoked the decision of the first instance judge, maintaining the confirmation of the proposal filed by Supercanal Holding S.A. but providing that the guarantee for the creditors secured with pledges on shares should be US\$ 30 million.

On April 23, 2012, a decision was rendered on one of the claims brought by Multicanal against Supercanal ordering the nullification of the decisions made at Supercanal's Shareholders' Meeting held on January 25, 2000 in considering points 2, 4, 5 and 6 relating to: i) the capital reduction to Ps. 12,000; ii) the cancellation of the shares corresponding to the reduced capital; iii) the capital increase to Ps. 83,012,000; iv) the delegation to the Board of Directors of the fixing of the term for the subscription and payment of the increase and the cancellation and registration of outstanding shares; and v) the amendment of the by-laws in connection with the changes in the capital stock in a new shareholders' meeting.

Such decision was appealed by both parties and the appeal is pending before the Court of Appeals.

On December 12, 2001, Supercanal Holding S.A. filed a claim against Multicanal for damages as a result of the enforcement of a preliminary injunction brought by Multicanal in re: "Multicanal S.A. c/Supercanal Holding S.A. s/sumario". The injunction, which was later reversed, sought to nullify the January 25, 2000 Extraordinary Shareholders' Meeting of Supercanal Holding S.A. At that meeting, the shareholders of Supercanal Holding S.A. reduced the capital stock of Supercanal Holding S.A. to Ps. 12,000 and subsequently increased it to Ps. 83,012,000. Supercanal Holding S.A. claims that the suspension of the effects of the January 25, 2000 shareholders' meeting caused that company's inability to meet its ordinary course payments when due. Multicanal responded to such claim denying any liability on the grounds that Supercanal Holding S.A.'s inability to pay its obligations when due had begun before the date of the suspension of the shareholders meeting according to documentation provided by the plaintiff itself. Furthermore, the suspension of the meeting did not prevent capitalization of Supercanal Holding S.A. through other means. Based on the records of the case, Cablevisión, as Multicanal's continuing company considers that the claim should be rejected in its entirety, and the legal costs should be borne by the plaintiff. The case is in the discovery period. The court of First Instance has dismissed Supercanal Holding S.A.'s request that it be allowed to sue without paying court fees or costs and that decision has been confirmed by the National Court of Appeals.

No assurance can be provided that Multicanal will obtain an economic or financial gain as a result of these actions. At present, as a result of the ancillary jurisdiction of the "concurso preventivo"

("bankruptcy proceedings") proceedings of Supercanal Holding S.A., all the claims are brought in the abovementioned Court.

f) The litigation brought before the Civil, Commercial, Mining and Labor Court of the City of Concarán, Province of San Luis, in early 2007 in re "Grupo Radio Noticias SRL c/ CableVisión y otros" is still pending before the Federal Court on Administrative Matters No. 2. The purpose of that claim was to challenge the share transfers mentioned in Note 1.2.a) and to request the revocation of Cablevisión's broadcasting licenses. The Company has responded to such claim and believes it is very unlikely that it will be admitted. The claimant has abandoned the claim it had brought, and the claimant's attorney must provide evidence of his attorney powers.

g) Multicanal has become aware of a legal action (the contents of which have not yet been notified to it as of the date of these financial statements) brought against it by an entity representing consumers and alleged financial victims (and by six other individuals), claiming damages suffered by noteholders – individuals who are not professional investors or consumers – derived from Multicanal's Acuerdo Preventivo Extrajudicial ("Out-of-court Reorganization Proceeding" or "APE"). Since neither Multicanal nor the Company, as Multicanal's continuing company, have been served notice of the claim, we cannot ascertain its outcome for the Company.

h) On January 22, 2010, the Company was served notice of CNDC Resolution No. 8/10 issued within the framework of File No. 0021390/2010 entitled "Investigación de Oficio de los Abonos del Televisión Paga (C1321)". Pursuant to this Resolution, the Company and among other companies was ordered to refrain from conducting collusive practices and, particularly, from increasing the price of cable television subscriptions for a term of 60 days, counted as from the date all required notices are certified on the court record as completed. According to said Resolution, companies that have already increased the price of their subscriptions shall return to the price applicable in November 2009 and maintain such price for the abovementioned term.

On February 2, 2010, by means of Resolution No. 13/10, the CNDC ordered the Company to refund to its subscribers in the March 2010 invoices the amount of any price increase made after the date of CNDC Resolution No. 8/10.

The company appealed both resolutions in due time and form and their effects were suspended by an injunction granted by Chamber No. 2 of the Federal Civil and Commercial Court of Appeals at the request of the Company. The National Government filed an appeal with the Supreme Court against this decision, and the appeal has been dismissed.

On October 4, 2011, Chamber No. 2 of the National Court of Appeals on Federal Civil and Commercial Matters granted the appeal filed against both decisions in re "Cablevisión and Other on Appeal against the Decision rendered by the National Antitrust Commission" (File 1,473/2010), declaring Resolution No. 8/10 moot and nullifying Resolution No. 13/10.

The National Government filed an appeal with the Supreme Court of Argentina against the decision rendered by Chamber No. 2, which was granted and is now pending before the Supreme Court of Argentina.

i) SCI Resolution No. 50/10 approved certain rules for the sale of pay television services. These rules provide that cable television operators must apply a formula to estimate their monthly subscription prices. The price arising from the application of the formula was to be informed to the Office of Business Loyalty (Dirección de Lealtad Comercial) between March 8 and March 22, 2010. Cable television operators must adjust such amount semi-annually and inform the result of such adjustment to said Office.

Even though as of the date of these financial statements, the Company cannot assure the actual impact of the application of this formula, given the vagueness of the variables provided by the Resolution to calculate the monthly subscription prices, the Company believes that Resolution No. 50/10 is arbitrary and bluntly disregards its freedom to contract, which is part of the right to freedom of industry and trade. Therefore, the

Company has filed the pertinent administrative claims and has brought the necessary legal actions requesting the suspension of the Resolution's effects and ultimately requesting its nullification.

Even though the Company and/or some of its subsidiaries, like other companies in the industry, have strong constitutional arguments to support their position, it cannot be assured that the final outcome of this issue will be favourable. Therefore, the Company may be forced to modify the price of its pay television subscription, a situation that could significantly affect the revenues of its core business. This creates a general framework of uncertainty over the Company's business that could significantly affect the recoverability of its relevant assets. Notwithstanding the foregoing, as of the date of these financial statements, in accordance with the decision rendered on August 1, 2011 in re "LA CAPITAL CABLE S.A. c/ Ministerio de Economía-Secretaría de Comercio Interior de la Nación", the Federal Court of Appeals of the City of Mar del Plata has ordered the SCI to suspend the application of Resolution No. 50/10 with respect to all cable television licensees represented by the Argentine Cable Television Association ("ATVC", for its Spanish acronym). Upon being served on the SCI and the Ministry of Economy on September 12, 2011 such decision became fully effective and may not be disregarded by the SCI. The National Government filed an appeal against the decision rendered by the Federal Court of Appeals of Mar del Plata to have the case brought before the Supreme Court. Such appeal was dismissed and so the National Government filed a direct appeal with the Supreme Court.

On June 1, 2010, the SCI imposed a Ps. 5 million fine on the Company alleging that it had failed to comply with the information regime set forth by Resolution No. 50/10 and invoking the Consumer Defense Law to impose such penalty. The fine was appealed and submitted to the Federal Court of Appeals on Administrative Matters, Chamber No. 5 which decided to reduce the fine to Ps. 300,000. The Company appealed this decision by filing an extraordinary appeal with the Supreme Court of Argentina.

On March 10, 2011 SCI Resolution No. 36/11 was published in the Official Gazette. This resolution falls within the framework of SCI Resolution 50/10. Resolution No. 36/11 sets forth the parameters to be applied to the services rendered by Cablevisión to its subscribers from January through April 2011. These parameters are as follows: 1) the monthly basic subscription price shall be of Ps. 109 for that period; 2) the price of other services rendered by Cablevisión should remain unchanged as of the date of publication of the resolution; and 3) the promotional benefits, existing rebates and/or discounts already granted as of that same date shall be maintained. The resolution also provides that Cablevisión shall reimburse users for any amount collected above the price set for that period.

The Company believes that Resolution No. 36/11 is illegal and arbitrary, since it is grounded on Resolution 50/10, which is absolutely null and void. Since the application of Resolution No. 50/10 has been suspended, the application of Resolution No. 36/11, which falls within the framework of the former, is also suspended.

The claim filed by the Company seeking the nullification of Resolution No. 50/10 is currently pending before the Federal Administrative Court of First Instance No. 7 of the City of Buenos Aires. This claim was dismissed in view of the claim pending in the City of Mar del Plata.

Subsequently, the SCI issued Resolutions Nos. 65/11, 92/11, 123/11, 141/11, 10/11, 25/12, 97/12, 161/12, 29/13, 61/13, 104/13, 1/14, 43/14 and 93/14 pursuant to which the SCI extended the effectiveness of Resolution No. 36/11 up to and including September 2014, and adjusted the cable television subscription price to Ps. 152. The Company believes, however, that given the terms under which the Federal Court of the City of Mar del Plata granted the preliminary injunction, that is, ordering the SCI to suspend the application of Resolution No. 50/10 with respect to all cable television licensees represented by ATVC (among them, the Company and its subsidiaries), and also given the fact that Resolutions No. 36/11, 65/11, 92/11, 123/11, 141/11, 10/11, 25/12, 97/12, 161/12, 29/13, 61/13, 104/13, 1/14, 43/14 and 93/14 merely extend the effectiveness of Resolution No. 50/10, the Company continues to be protected by said preliminary injunction, and therefore, the ordinary course of its business will not be affected.

On April 23, 2013, the Company was served notice of a decision rendered in re "Defensor del Pueblo de Buenos Aires c/Cablevisión S.A. s/Amparo Ley 16,986 (Incidente de Medida Cautelar)" pending before Federal Court No. 2, Civil Clerk's Office No. 4 of the City of La Plata, in connection with the price of cable

television subscriptions, whereby the court imposed a cumulative fine of Ps. 100,000 per day on the Company.

The Company appealed the fine on the grounds that, Resolution No. 50/10 issued by Mr. Moreno, as well as its extensions and/or amendments, were suspended, as mentioned above, by an injunction with respect to the Company and its branches and subsidiaries prior to the imposition of the fine, pursuant to the collective injunction issued by the Federal Court of the City of Mar del Plata on August 1, 2011 in re “La Capital Cable y Otros c/ Estado Nacional y Otros s/ Medida Precautoria”. That injunction suspended the application of all the criteria set by the Secretariat of Domestic Trade under Mr. Guillermo Moreno.

The Federal Court of Appeals of the City of La Plata reduced the fine to Ps. 10,000 per day. The Company filed an appeal against that decision in due time and form. On October 16, 2013, the Court of Appeals dismissed the appeal filed by the Company. On that same date, the Company settled the fine in the amount of Ps. 1,260,000 and compliance was recorded in the file.

On June 11, 2013, the Company was served notice of a resolution rendered in the abovementioned case, whereby the court ordered the appointment of an expert overseer (perito interventor) specialized in economic sciences to: (i) verify whether or not the invoices corresponding to the basic cable television subscription issued by the Company to subscribers domiciled in the Province of Buenos Aires, are actually prepared at the headquarters located at Gral. Hornos 690, and/or at the Company's branch offices, precisely detailing that process, (ii) identify the individuals responsible for that area, (iii) determine whether or not the administrative actions tending towards the effective compliance with the injunction issued on that case are underway, and (iv) identify the senior staff of the Company that must order the invoice issuance area to prepare the invoices as decided under that injunction.

The Company timely appealed the appointment of said expert on the same grounds stated above. This appeal is also pending before the Federal Court of Appeals of the City of La Plata.

For the purposes of enforcing the injunction, the court issued letters rogatory to the competent judge of the City of Buenos Aires. Upon the initiation of that proceeding, both the Federal Court on Administrative Matters and the Federal Court on Civil and Commercial Matters declined jurisdiction to enforce the injunction ordered by the Federal Judge of La Plata. The Company has appealed the decision in connection with the lack of jurisdiction in due time and form. Chamber No. 1 of the Federal Court of Appeals on Civil and Commercial Matters confirmed the appealed decision. Accordingly, the Company will file an extraordinary appeal in due time and form to have the case decided by the Supreme Court of Argentina.

It should be noted that, in light of the corporate reorganization, both parties requested the suspension of the procedural terms for 180 days. The judge granted such request. Therefore, the procedural terms were suspended until December 11, 2014. Given the decision rendered by the Supreme Court of Argentina in re “Municipality of Berazategui v. Cablevisión” mentioned below, the procedural periods remain suspended until the Federal Court of Mar del Plata renders a decision thereon.

After the Federal Court of the City of Mar del Plata issued its injunction, several Municipal Offices of Consumer Information (“OMIC”, for its Spanish acronym) and several individuals filed claims requesting that the Company comply with Resolution No. 50/10 and the subsequent resolutions that extended its effectiveness. In some cases, preliminary injunctions were granted. In each case, the Company appealed such preliminary injunctions alleging that Resolution No. 50/10, as amended, and/or the subsequent resolutions that extended its effectiveness, had been suspended with respect of the Company, its branches and subsidiaries prior to the issuance of such preliminary injunctions.

On September 23, 2014, the Court rendered a decision in re “Municipalidad de Berazategui c/ Cablevisión” ordering that the cases related to these resolutions continue under the jurisdiction of the Federal Court of Mar del Plata that had issued the decision on the collective action in favor of ATVC.

Decisions made on the basis of these consolidated financial statements should consider the eventual impact that the above-mentioned resolutions might have on the Company and its subsidiaries, and the Company's consolidated financial statements should be read in light of such uncertainty.

j) On October 21, 2010, the National Administration of Domestic Trade served notice to the Company of (i) a fine of Ps. 5 million for failing to comply with the duty to inform (Section 4 of Law 24240) concerning one of its promotions and (ii) a fine of Ps. 500,000 for infringing Section 2, subsection c) of Decree 1153/95 of the regulations to Section 10 of Law 22802. The Company appealed the fine because it believed it had strong arguments in its favor. The file was assigned No. 1,281 and submitted to Chamber No. 2 of the Federal Court of Appeals on Administrative Matters. On October 4, 2011, the court of appeals partially affirmed Resolution 739/10 and reduced the fine to Ps. 2.2 million, imposing 75% of the legal costs on the Company. On October 13, 2011, the Company filed a federal ordinary appeal with the Supreme Court of Argentina and on October 20, 2011, it filed a federal extraordinary appeal with that same court in the event that the ordinary appeal may be dismissed.

On October 21, 2011, Chamber No. 2 of the Federal Court of Appeals on Administrative Matters granted the ordinary appeal and the legal brief was submitted in due time and form.

On August 7, 2012 the Supreme Court of Argentina decided that the Ordinary Appeal had been wrongly granted.

On December 13, 2012 the Chamber dismissed the appeal filed by the Company, which shall bear the costs incurred.

On December 20, 2012 the Company filed an appeal against the above-mentioned dismissal since it believed it had sufficient grounds to have the fine revoked. However, the Company cannot assure that the outcome of the appeal will be favourable.

On July 29, 2013 the amount of the fine of Ps. 2,200.00 million was canceled and such compliance was recorded in the file.

k) On October 28, 2010, the Company was served notice of the National Administration of Domestic Trade's resolutions imposing two fines of Ps. 5 million each, for allegedly failing to observe the typographic character requirements under applicable regulations (Resolution No. 906/98) when informing its subscribers of the increase in the price of their cable television subscriptions. On November 12, 2010, the Company appealed those fines because it believes it has strong grounds in its favor. However, it cannot assure that the outcome will be favourable to the Company. One of the files was assigned No. 1,280 and is pending before Chamber No. 1 of the Federal Administrative Court of Appeals, and the other one was assigned No. 1278 and is pending before Chamber No. 5 of the Federal Administrative Court of Appeals.

l) On January 13, 2012, the SECI issued Resolution No. 2/2012 granting the Company 24 hours to resume service to those subscribers who had duly paid their subscription fee in the amount established by the National Government. In its sixth section, the Resolution provides that if the company does not comply with its obligations thereunder, penalties may be imposed as provided by Law 20680.

On February 10, 2012, the Company received a fine of Ps. 1 million for alleged non-compliance with such Resolution. Such fine has been appealed but no decision has been rendered on the matter yet.

m) On May 31, 2012, the Company was served notice of Resolution No. 16819, dated May 23, 2012 whereby the CNV ordered the initiation of summary proceedings against the Company and its directors, members of the Supervisory Committee and the Head of Market Relations for an alleged failure to comply with the duty to inform. The CNV considers that the Company failed to comply with its duty to inform because the investor community was deprived of its right to become fully aware of the grounds of a decision rendered by the Federal Court of Mendoza and the scope of the powers granted by that court to the co-administrator appointed in re "Supercanal S.A. c/ Cablevisión S.A. s/amparo", in addition to the fact that other self-regulated authorities were allegedly not notified of the information furnished by the Company. On June 25, 2012, the Company filed a response requesting that its defenses be sustained and all charges dismissed. On February 6, 2014 Cablevisión submitted the legal brief for the purpose of discussing the evidence submitted under File No. 171/2012. Now the CNV's Board of Directors has to render its decision. The Company and its legal advisors believe that the company has strong arguments in its favor.

Nevertheless, Cablevisión cannot assure that the outcome of the said summary proceedings will be favourable to Cablevisión.

n) On March 16, 2012, CNV issued Resolution No. 16765 whereby it ordered the initiation of summary proceedings against the Company, its directors and members of the Supervisory Committee for an alleged failure to comply with the duty to inform. The CNV considers that the Company allegedly failed to comply with its duty to inform because the investor community was deprived of its right to become fully aware of the decision rendered by the Supreme Court of Argentina in re “Recurso de Hecho deducido por el Estado Nacional Ministerio de Economía y Producción en la causa Multicanal S.A. y otro c/ CONADECO Dto. 527-05” and others, and allegedly failed to disclose a series of issues relating to the information required by the CNV regarding the Extraordinary Meeting of Class 1 and 2 Noteholders held on April 23, 2010. On April 4, 2012, the Company filed a response requesting that its defenses be sustained and that all charges against it be dismissed. The discovery stage has been closed. The legal brief has already been submitted. The Company and its legal advisors believe that the Company has strong arguments in its favor. Nevertheless, the Company cannot assure that the outcome of the summary proceedings will be favorably.

o) On November 27, 2012 the National Administration of Domestic Trade served the Company with Resolution No. 308/2012, whereby it imposed a Ps. 5 million fine on that company alleging that it had failed to comply with Section No. 4 of the Consumer Defense Law (increase in the subscription price of cable tv services/wrongful information provided by Customer Service, which informed by mail that SCI Resolution No. 50/10 and the supplementing resolutions are suspended on grounds of unconstitutionality, when in fact they have been suspended by an injunction). On December 11, 2012 the Company appealed Resolution No. 308/2012. The administrative file No. S01:0312056/2011 was sent by the National Administration of Domestic Trade to the National Court of Appeals on Federal Administrative Matters. It is now pending before Chamber No. 1 in re “Cablevisión SA v. DNCI Res. 308/12 and Other” (File 140/13). A decision has not been rendered yet.

The Company and its legal advisors believe that the company has strong arguments in its favor. Nevertheless, the Company cannot assure that the revocation of the fine will be resolved in its favor.

p) On April 9, 2013, the Company was served notice of AFIP Resolution No. 45/13 dated April 3, 2013, whereby such agency decided to impose the penalties in a summary proceeding against the Company with respect to compliance with General Resolution No. 3260/12. The Company filed an appeal, which has staying effects on the execution of those penalties.

q) On May 30, 2013, the Company was served notice of a claim in re “TELEVISORA PRIVADA DEL OESTE S.A. c/ GRUPO CLARÍN S.A. Y OTROS s/ ORDINARIO” File No. 99078/2011, which is pending before the Federal Commercial Court No. 16 of First Instance, Clerk’s Office No. 32. The claim seeks damages resulting from certain decisions made with respect to Televisora Privada del Oeste S.A. Cablevisión and Grupo Clarín, among others, are defendants in such lawsuit. Cablevisión was served with the claim, and filed a response in due time and form. Notice of the claim is being served on the other co-defendants. According to the Company’s legal advisors, the chances of success of the claim are low because the damages claimed are clearly overstated, the actual damage invoked does not exist and the claim is procedurally inappropriate, both on a factual and on a legal basis. Pem S.A. filed a response and, to date, the judge has not ordered discovery proceedings yet because the claim has not been served on the other defendants.

r) On July 5, 2013, the National Administration of Domestic Trade served notice to the Company of Resolution No. 134/2013, whereby it imposed a fine of Ps. 500,000 for breach of Section 2 of Resolution No. 789/98 issued by the former Secretariat of Industry, Trade and Mining, which regulates the Business Loyalty Law No. 22802. The Company appealed that resolution on July 16, 2013. The administrative file was sent by the National Administration of Domestic Trade to the National Court of Appeals on Federal Administrative Matters. It is now pending before Chamber No. 3, in re “Cablevisión SA v. DNCI Res. 134/13 and Other” (File 36044/13). On May 20, 2014, Chamber No. 3 partially granted the appeal filed by Cablevisión and reduced the fine to Ps. 300,000 and ordered that each party shall bear its own legal costs. On June 9, 2014, the Company filed an appeal with the Argentine Supreme Court. On September 18, 2014,

the Company was served notice of the extraordinary appeal filed by the National Government, and on October 2, 2014 it filed a response. On October 9, 2014, the Chamber dismissed both appeals.

On October 8, 2010, the National Administration of Domestic Trade served notice to the Company of Resolution No. 697/2010, whereby it imposed a fine of Ps. 500,000 for breach of Section 21 of the Business Loyalty Law No. 22802. The Company appealed that resolution on October 26, 2010. The administrative file was sent by the National Administration of Domestic Trade to the National Court of Appeals on Federal Administrative Matters. It is now pending before Chamber No. 3 in re "Cablevisión SA v. DNCI Res. 697/2010 (File S01:80822/10) and Other" (File 1277/2011). On December 29, 2011, the Court of Appeals dismissed the appeal filed by the Company, and imposed court costs on the Company. On February 22, 2012, the Company filed an appeal with the Argentine Supreme Court. The appeal was dismissed by the Chamber on April 10, 2012. On April 26, 2012, the Company filed an appeal against the above-mentioned dismissal. The Supreme Court of Argentina granted the appeal and revoked the decision against which Cablevisión had filed the appeal with legal costs to be borne by the National Administration of Domestic Trade, and ordered that the case be sent back to the court of first instance for it to render a new decision based on the precedent indicated in its ruling.

s) As a result of a suspicious transaction report issued by the AFIP relating to transactions carried out between the controlling Company and some subsidiaries, the Financial Information Unit ("UIF" for its Spanish acronym) pressed criminal charges against the Company and officers in charge during the relevant fiscal year, for alleged money laundering in connection with intercompany movements between the Company and certain subsidiaries during fiscal period 2008. The claim is now pending before Federal Court No. 9, under Dr. Luis Rodriguez.

During the month of March 2014, the intervening prosecutor, Dr. Miguel Angel Osorio, broadened the request for evidence.

The Company and its legal advisors consider that there are strong arguments in the Company's favor, since the suspected movements were regular and had been duly recorded, and have gathered evidence that supports the lack of involvement of anyone in any such unlawful maneuvers. However, they cannot assure that the outcome of this claim will be favourable.

t) On August 28, 2015, Cablevisión was served notice of Resolution No. 17769 dated August 13, 2015 whereby the CNV ordered the initiation of summary proceedings against Cablevisión and its directors, members of the Supervisory Committee and the Head of Market Relations for an alleged delay in the submission of the required documentation. The CNV considers that Cablevisión failed to comply with effective regulations because it filed certain documentation outside the regulatory term set by CNV rules (as restated in 2013, as amended). Cablevisión, as well as its directors, members of the Supervisory Committee and Head of Market Relations filed a response in due time and form requesting that its defenses be sustained and all charges dismissed. The Company and its legal advisors believe that the company has strong arguments in its favor. Nevertheless, the Company cannot assure that the outcome of said summary proceedings will be favourable to the Company. On January 20, 2016, the preliminary hearing was held pursuant to Section 138 of Law No. 26831 and Article 8, Subsection b.1. of Section II, Chapter II, Title III of the Regulations (as restated in 2013).

u) The Company, together with its merged companies and ATVC, brought a claim requesting the Judicial Branch, through a final decision rendered in a contradictory trial, to declare: 1) that the National Government undertook the obligation to provide an alternative solution to the repeal of the regime established under Section 52 of Decree No. 1387/01 for companies that render supplementary broadcasting services and cable television services, which shall contemplate the reasons for excluding these companies from the repeal of Decree No. 1387/01 through Decree No. 746/03, and 2) that while the Government considers the situation of those companies to find such an alternative solution, it shall maintain the effectiveness of the regime established under Section 52 of Decree No. 1387/01 (cfr. fs.2/12).

On October 1, 2015, Chamber II of the Court of Appeals on Federal Administrative Matters, in a single joint decision in re "AEDBA y otros c/ Estado Nacional – Decreto 746/03 – AFIP s/ Acción Declarativa", decided

that, among other things, even though ATVC was not among the claimants that had been granted an injunction in the other two related cases, mentioned above, the situation was also applicable to the sector encompassed by that association, therefore, the decision shall also apply to this association. Under those conditions, the claims brought by the claimants shall be admitted - in the joinder of the three claims - and the claimants and the companies represented by them are entitled to have a differential VAT regime applicable to the sectors involved which shall be created, enforced and regulated by the authorities duly empowered by the Constitution to such end. This regime shall guarantee the full exercise of the rights recognized under Section 14 of the National Constitution, as well as the maintenance of the exception provided under Section 2 of Decree No. 746/03 from the repeal of Section 52 of Decree No. 1387/01. On December 3, 2015, the Supreme Court of Argentina dismissed the appeal filed by the Executive Branch. Therefore, the decision rendered by the Court of Appeals became firm and final.

As a result of the foregoing, Cablevisión and its subsidiaries started to calculate employer's contributions as tax credit on VAT as from September 2015. The amount calculated by the Company was approximately Ps. 237 million.

v) On September 8, 2009, Multicanal was served with CNDC Resolution No. 106/09, dated September 4, 2009, whereby the CNDC ordered an audit to articulate and harmonize the several aspects of Resolution No. 577/09 issued by the COMFER, with Resolution No. 257/07 issued by the Secretariat of Domestic Trade, whereby it had rejected the merger of the Company and Multicanal. Resolution No. 106/09 also sets forth that the notifying companies shall not be able to remove or replace physical and legal assets as, from the enactment of such resolution and until the end of the audit and/or resolution of the CNDC.

On September 17, 2009, Judge Dr. Esteban Furnari of the National Court on Federal Administrative Matters No. 2, in re "Multicanal y Otro c/ Conadeco- Dto. 527/05 y otro s/ Proceso de Conocimiento", ordered the suspension of the effects of COMFER Resolution No. 577/09, of CNDC Resolution No. 106/09 and any other act resulting therefrom, until a final decision was rendered in the case.

On December 16, 2009, the Chamber No.3 of the Court of Appeals on Federal Administrative Matters, in re "Multicanal y Otro c/ Conadeco Dto. No. 527/05 y otro s/ Proceso de Conocimiento", file No. 14024/08, granted the Extraordinary Appeal filed by Multicanal and Grupo Clarín against the decision rendered by that same court on October 23, 2009. With the granting of that appeal, the Company's preliminary injunction regained full force and effect. Accordingly, on January 8, 2010, the Company notified such circumstance to the COMFER.

Subsequently, on March 9, 2011 the Supreme Court of Argentina in re "Multicanal y Otro c/ Conadeco - Dto. 527/05 y otro s/ Proceso de Conocimiento", granted the appeal by right and the Extraordinary Appeal filed by the National Government and revoked the decision rendered by Chamber No. 3 of the Court of Appeals on Federal Administrative Matters, which had confirmed the injunction requested by the Company in the first instance. Notwithstanding the foregoing, the Company believes that this matter does not have a material impact on the merits of the case.

Notwithstanding the required filings made by the Company and its shareholders to prove that they were complying with the commitment agreed with the CNDC on December 7, 2007 (date on which the SCI granted authorization), on September 23, 2009, the SCI issued Resolution No. 641, whereby it ordered the CNDC to verify compliance with the parties' proposed commitment by visiting the parties' premises, requesting reports, reviewing documents and information and carrying out hearings, among other things.

On December 11, 2009, the Company notified the CNDC of the completion and corresponding verification of the fulfillment of the voluntary undertakings made by the Company at the time of the enactment of SCI Resolution No. 257/07. On December 15, 2009, the Federal Court of Appeals on Civil and Commercial Matters, Chamber No. 2, issued a preliminary injunction in re "Grupo Clarín S.A. c/ Secretaría de Comercio Interior y otros s/ medida cautelares" (case 10506/09), partially acknowledging the preliminary injunction requested by Grupo Clarín, and instructing the CNDC and the SCI to notify Grupo Clarín whenever their

own verification of the Company's fulfillment of its undertakings had been concluded, regardless of the result. Should such agencies have any observations, they should notify Grupo Clarín within a term of 10 days. On the same date, the CNDC issued Resolution No. 1011/09, whereby it deemed the Company's voluntary undertakings unfulfilled and declared the rescission of the authorization granted under Resolution 257/07 dated December 7, 2007.

On December 17, 2009, the Federal Court of Appeals on Commercial-Criminal Matters Chamber A, decided to suspend the term to appeal Resolution No. 1011/09 until the main case was transferred back to the CNDC, considering it had been in such court since December 16, 2009.

On December 17, 2009, the CNDC notified the Company of the initiation of the motion for execution of Resolution No. 1011/09. On December 18, 2009, Chamber No. 2 of the Federal Court of Appeals on Civil and Commercial Matters, issued an injunction in re "Grupo Clarín S.A. c/ Secretaría de Comercio Interior y otros s/ medidas cautelares", which suspended the effects of Resolution No. 1011/09 until the notice set forth in the preliminary injunction of December 15, 2009 was served. Accordingly, the CNDC served notice to the Company by means of Resolution No. 1101/09.

On December 30, 2009, Chamber No. 2 of the Federal Court of Appeals on Civil and Commercial Matters, issued a preliminary injunction in re "Grupo Clarín S.A. c/ Secretaría de Comercio Interior y otros s/ medidas cautelares", partially acknowledging Grupo Clarín's request and suspending the term for Grupo Clarín to respond to Resolution No. 1101/09 until Grupo Clarín is granted access to the administrative proceedings related to the charges brought by the CNDC in its Opinion No. 770/09 (on which Resolution No. 1011/09 was based).

On February 19, 2010, the Company requested the nullification of the notice, and as a default argument, submitted the response requested under Resolution No. 1101/09. On February 26, 2010, the Federal Court of Appeals on Commercial-Criminal Matters approved the recusation filed by the Company and excluded the Secretary of Domestic Trade from the proceedings.

On March 3, 2010, the Argentine Ministry of Economy and Public Finance issued Resolution No. 113 (subscribed by the Minister of Economy, Dr. Amado Boudou) rejecting the request for the nullification of Resolution No. 1011/09, the requests for abstention and excusation of certain officials, and all the evidence produced in connection with such request for nullification. In addition, the undertakings made under Resolution No. 257/07 were deemed unfulfilled, thus declaring the rescission of the authorization granted under such resolution. The parties involved were ordered to take all necessary actions to comply with such rescission within a term of six months, and to inform the CNDC about the progress made in that respect on a monthly basis. Such resolution was appealed in due time and form. The appeal was granted without staying the execution of judgment.

The appeal is currently pending before Chamber No. 2 of the Federal Court of Appeals on Civil and Commercial Matters, in re "AMI CABLE HOLDING y otros s/ Apelación Resolución Comisión Nacional de Defensa de la Competencia", file number 2054/2010.

On April 20, 2010, Chamber No. 2 of the Federal Court of Appeals on Civil and Commercial Matters, granted the appeal filed by Grupo Clarín S.A. in re "Grupo Clarín s/ retardo de la elevación de las actuaciones" and decided that the appeal granted by the CNDC to Grupo Clarín against Resolution No. 113/10 had the effect of staying such resolution.

The National Government filed an appeal asking that the court of appeals revoke its own decision with respect to the effect granted to the April 20 decision and that it decline its jurisdiction. It also filed an extraordinary appeal. Both appeals were dismissed. Chamber No. 2 requested the administrative file to analyze the case.

On September 17, 2015, the Court rendered a decision in favor of the Company, revoking Resolution No. 113/10 in its entirety. Both parties were notified of the decision on the above date.

The National Government - Ministry of Economy filed an appeal to have the case brought before the Supreme Court, which was substantiated in February 2016. Chamber No. 2 shall decide on the admissibility of that appeal and decide whether it will or will not submit the case to the Supreme Court of Argentina.

The Company believes that it has strong arguments in its favor to have the decision revoked. However, it cannot assure that the outcome will be favourable.

Decisions made on the basis of these consolidated financial statements should consider the eventual impact that the above-mentioned resolutions might have on the Company and its subsidiaries, and the Company's consolidated financial statements should be read in light of such uncertainty.

29.2. Frequency reassignment in Uruguay

The Executive Branch of Uruguay issued Decree No. 73/012, published in the Official Gazette on March 16, 2012, whereby it expressly repealed Decree No. 231/11, which had revoked certain signals' broadcast frequencies. However, the new decree ratified and repeated – virtually in identical terms – the decree that was being repealed, and added certain provisions that caused further detriment to the two affected companies with which a subsidiary of Cablevisión has contractual arrangements in place. Consequently, on March 23, 2012, the affected companies filed an appeal requesting that Decree No. 73/012 be revoked. The appeal is still pending resolution.

In May, 2012, the aforesaid companies brought a legal action with the Court on Administrative Litigation Matters requesting the nullification of the resolution and the suspension of its execution. This motion to suspend the execution of the challenged resolution was brought as a separate case, and progressed through the corresponding instances. The office of the Attorney General for Administrative Litigation Matters in its opinion No. 412/013 advised the Court on Administrative Litigation Matters to grant the motion to suspend the execution of the challenged resolution for formal reasons, but the Court dismissed the motion of suspension. Notwithstanding the foregoing, as of the date of these financial statements, the government authority has not yet enforced the decree.

On September 30, 2014, the Court on Administrative Litigation Matters rendered decisions No. 416/2014 and No. 446/2014 whereby it annulled Decrees No. 73/012 and No. 231/011, respectively, for formal reasons.

On March 9, 2015, Decree No. 82/015 was published in the Official Gazette, whereby the Executive Branch 1) repealed Decree No. 73/012; 2) awarded 16 stations to be held in common (the same stations) by BERSABEL S.A. and VISION SATELITAL S.A. for a term of 15 years: Two of the 16 stations are awarded on a secondary basis, which means that they may be exposed to interferences and they do not have the right to bring any claim in connection thereto; 3) ordered that use of existing stations cease within 18 months of their award to mobile service operators; 4) authorized both companies expressly to increase the number of TV signals (stations) included in their respective services making use of digitization techniques; 5) ordered both companies submit before the Communication Services Regulatory Agency ("URSEC", for its Spanish acronym), within a fixed term of 60 calendar days as from the date of publication of the Decree, a technical plan for the migration and release of stations, which plan shall be assessed and approved by such agency (such plan was submitted on May 7, 2015); 6) provided that the Bidding Terms governing the bid for frequency bands that were owned by both companies shall include an economic compensation mechanism for both companies to cover the expenses incurred in adapting their systems to the new stations awarded to them, in the amount of USD 7,000,000.

Even though both companies' request for the annulment of Decree No. 153/012 was granted for formal reasons (failure to serve prior notice) by the Court on Administrative Litigation Matters (decision 455 of June 11, 2015), it should be noted that this decision does not change prior considerations about the terms of Decree No. 82/015 with respect to both companies due to the fact that Decree No. 305/015 (which substituted Decree No. 153/012) confirmed the allocation of channels 21 through 36 (512 MHz - 608 MHz) and 38 through 41 (614 MHz – 638 MHz), of 6 MHz each, in the UHF band exclusively for rendering accessible, free, digital broadcast television services all over the country, except for channels 35 (596-602

MHz), 36 (602-608 MHz) and 38 through 41 (614-638 MHz) only in the geographic area for which BERSABEL S.A. and VISION SATELITAL S.A. had received authorization, which will be used solely for rendering television services to subscribers through the codified UHF system, as it had been previously and expressly stated in Section 5 of Decree No. 82/015 (which repealed and amended the language of Section 1 of the above-mentioned Decree No. 153/012).

NOTE 30 TAXES PAYABLE

	12.31.2015	12.31.2014
	Ps.	
Non-Current		
National taxes	10,123,846	2,197,151
	10,123,846	2,197,151
Current		
National taxes	769,484,561	631,528,957
Provincial taxes	24,727,433	15,268,391
Municipal taxes	28,535,960	31,004,276
	822,747,954	677,801,624

NOTE 31 OTHER PAYABLES

	12.31.2015	12.31.2014
	Ps.	
Non-current		
Revenues to accrue	110,990,675	105,947,118
Other	800	800
	110,991,475	105,947,918
Current		
Dividends payable – Related parties (Note 33)	1,688,242	1,547,100
Fees to directors and syndics	11,708,261	749,366
Revenues to accrue	145,795,434	111,799,818
Financial instruments	-	4,718,000
Other	1,262,569	2,478,236
	160,454,506	121,292,520

NOTE 32 ACCOUNTS PAYABLE AND OTHERS

	12.31.2015	12.31.2014
	Ps.	
Current		
Suppliers	968,586,248	519,602,649
Commercial accruals	707,428,082	353,802,448
Related parties (Note 33)	129,957,127	90,495,709
Social accruals	944,462,049	640,675,306
	2,750,433,506	1,604,576,112

During the last quarter of 2007, the Company, together with its subsidiaries, began to implement a long term savings plan for certain executives (directors and managers comprising the “executive payroll”), which became effective as from January 2008. Executives who adhere to such plan will undertake to contribute regularly a portion of their salary (variable within a certain range, at the employee’s option) to a fund that will allow them to strengthen their savings capacity. Furthermore, each company where such executives render services will match the sum contributed by such executives, to which, only under certain conditions, the employees may access such funds upon retirement of the plan.

Additionally, the above mentioned plan provides for certain special conditions for managers who were on the “executive payroll” before January 1, 2007. Such conditions consist of supplementary contributions

made by each company to the plan related to the executive's years of service with the Company. At December 31, 2015, the total amount related to such supplementary contributions was of approximately Ps. 13.0 million and the charge to income will be deferred until the retirement of each executive.

During 2013, and in view of the current environment, certain changes were made to the savings system, though maintaining in its essence the operation mechanism and the main characteristics with regard to the obligations undertaken by the company.

Pursuant to IAS 19, the aforesaid savings plan qualifies as a Defined Contribution Plan, which means that the companies' contributions shall be charged to net income on a monthly basis as from the date the plan becomes effective.

NOTE 33 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The compensation paid to the Board of Directors and Senior Management of the Company for fiscal years ended December 31, 2015 and 2014 was of Ps. 183 million and Ps. 40 million respectively.

The fees paid to the Board of Directors for the year ended December 31, 2015 amounted to approximately Ps. 137.3 million, out of which as of year-end, Ps. 125.9 million have already been paid, and will be put to the consideration of the shareholders at the Shareholders' Meeting.

Below are the outstanding balances between the Company and related parties at December 31, 2015 and 2014:

	12.31.2015	12.31.2014
	Ps.	
<u>Non-Current and Current Assets</u>		
<u>Other receivables</u>		
Controlling companies	176,541	494,458
Associates	18,742,145	16,667,866
Other related parties	88,048	81,390
<u>Trade receivables</u>		
Controlling companies	6,121	3,379
Other related parties	50,991,996	53,299,106
<u>Investments</u>		
Other related parties	697,057,242	585,321,308
<u>Non-Current and Current liabilities</u>		
<u>Bank and financial debt</u>		
Associates	(22,708,887)	(16,701,268)
<u>Other payables</u>		
Other shareholders	(1,688,242)	(1,547,100)
<u>Accounts payable and others</u>		
Controlling companies	(31)	(31)
Associates	(6,235,107)	(3,291,874)
Other related parties	(123,721,989)	(87,203,804)

The following table shows the transactions between the Company and related companies at December 31, 2015 and 2014:

Company	Concept	12.31.2015	12.31.2014
		Ps.	
Controlling companies or companies that exercise significant influence	Technical assistance services	(77,120,000)	(40,800,000)
	Other sales	754,876	651,211
	Loans received	(117,882,661)	-

Interest on debt	(1,980,648)	-
Other payables	(436,000,000)	(394,000,000)

<u>Company</u>	<u>Concept</u>	<u>12.31.2015</u>	<u>12.31.2014</u>
Associates	Sales of services	8,892,123	6,184,132
	Other sales	16,032,875	8,164,395
	Loans received	(18,943,376)	(16,203,809)
	Interest on debt	(2,242,601)	(1,355,276)
	Other purchases	(10,396,346)	(3,176,375)
	Other receivables (1)	44,103,387	44,327,039

<u>Company</u>	<u>Concept</u>	<u>12.31.2015</u>	<u>12.31.2014</u>
Other related parties	Sales of advertising	15,000	170,600
	Other sales	40,392,841	27,389,252
	Other placements	-	67,824,176
	Interest on other placements	50,043,739	47,043,600
	Programming costs	(522,887,428)	(389,197,708)
	Publishing and distribution of magazines	(155,086,739)	(133,072,712)
	Consultancy services	(98,488,484)	(69,537,038)
	Purchase of advertising	(51,867,883)	(39,229,387)
	Other purchases	(10,113,045)	(5,732,141)

(1) Includes the items detailed in Note 23.2.

During year ended December 31, 2015, there were no transactions with related parties outside the ordinary course of business, or significant changes in balances, except for those detailed in Note 23.

Agreements with shareholders

On June 28, 2008, Cablevisión and Grupo Clarín executed a supplementary agreement to the technical assistance agreement, effective as of September 26, 2006, whereby they amended the volume of the services rendered by Grupo Clarín and the mechanism used to determine that company's annual fee.

On January 5, 2016 and January 3, 2015 respectively, the agreements were amended, setting Grupo Clarín's annual fees.

NOTE 34 JOINT VENTURES – Prima AND UTE Ertach - Prima

The following amounts are included in the Company's financial statements as a result of the joint participation in the UTE Ertach – Prima:

	12.31.2015	12.31.2014
	Ps.	
Dividends received	-	-
Summarized financial information:		
Assets		
Non-Current Assets	8,173,162	14,379,672
Other current assets	108,081,551	110,891,237
Cash and cash equivalents	30,539,028	1,124,122
Current assets	138,620,579	112,015,359
Liabilities		
Non-current loans	6,056,756	4,059,389
Other non-current liabilities	-	-
Non-Current Liabilities	6,056,756	4,059,389
Current loans	73,259,048	58,606,741
Other current liabilities	-	-
Current Liabilities	73,259,048	58,606,741
Income	107,010,817	85,685,384
Depreciation and amortization	(11,377,049)	(1,679,798)
Interest expense	(1,499)	(1,933,716)
Income from continuing operations	7,330,010	(255,273)
Total comprehensive income	7,330,010	(255,273)

During April 2005, the Board of Directors of Prima approved the formation of a joint venture with Ertach S.A. in order to prepare an offer for the public bid launched by the Provincial Direction of Information Technology and Communications, under the jurisdiction of the General Secretary of the Government of the Province of Buenos Aires.

The purpose of the UTE Ertach – Prima is to provide data transmission services and order channels necessary to integrate the agencies of the provincial public administration and the municipalities into a single provincial data communications network.

In connection with the aforesaid, in June 2005 both companies executed a joint venture agreement, whereby the parties agreed that each partner's participation in results, expenses and revenues would be 50%.

On August 8, 2005, the Government of the Province of Buenos Aires issued Decree No. 1761, whereby it approved the public bidding process and awarded the above-mentioned service to the UTE Ertach – Prima for a term of four years, with the possibility of extending such term. On October 13, 2009, the Government of the Province of Buenos Aires (Bidder) issued Decree No. 2106/09, whereby it granted a 1-year extension, maintaining the effectiveness of the Agreement until December 31, 2011. The bidding terms also provide for a contractual period of up to 18 months, upon termination of the agreement, for the migration of the services, called the "uninstallation period", during which the terms and conditions of the service shall remain in effect. In addition, the bidding terms provide that the UTE Ertach – Prima is obliged to continue rendering all services as may be required by and for the term that the Province may set until a new Awardee has concluded the "Initial Service Phase" or its equivalent under its new agreement or until the Province, deems the contractual relationship terminated with a two-month prior notice.

On October 17, 2011, the Provincial Direction of Communications, under the jurisdiction of the General Secretary of the Government of the Province of Buenos Aires, informed the continuation of the service for

the period between January 1, 2012 and June 30, 2012 and the extension thereof for the period between July 1, 2012 and November 30, 2013. Additionally, on December 27, 2012 the Provincial Direction of Communications, under the jurisdiction of the General Secretary of the Government of the Province of Buenos Aires, informed the extension of the Single Provincial Data Network through April 30, 2015 pursuant to Decree 1613/2012.

On January 22, 2015, the Company was notified in the corresponding administrative file that on January 15, 2015, the Under Secretariat of Administrative Coordination submitted the report issued by the Provincial Prosecutor's Office to the Provincial Communications Administration, in order to continue with the procedures to request an extension of the "Termination of the Single Provincial Data Network Services Phase" for the period ranging from May 1, 2015 to October 30, 2017 from the Government of the Province of Buenos Aires.

In view of the above-mentioned precedents and taking into consideration the experience of the legal advisors of the UTE in connection with public services of this size, the UTE's Management believes that it is likely to continue to render its services until October 30, 2017 under the "Termination of Services Phase".

NOTE 35 - DERIVATIVE FINANCIAL INSTRUMENTS

	12.31.2015		12.31.2014	
	Assets	Liabilities	Assets	Liabilities
	Ps.			
Forward contracts to purchase foreign currency - fair value hedges	11,628,000	-	-	4,718,000
Total	11,628,000	-	-	4,718,000
Less non-current part				
Forward contracts to purchase foreign currency - fair value hedges	-	-	-	-
Total	-	-	-	-
Current part	11,628,000	-	-	4,718,000

There are no inefficiencies derived from fair value hedges that should be recognized.

NOTE 36 FINANCIAL RISK MANAGEMENT

The Company and its controlled companies engage in transactions involving financial instruments registered in equity accounts, which are used to cover their needs, and which entail exposure to market, currency and interest rate risks. Management of such risks is centralized on the Company's Executive Committee.

36.1. Financial risk factors

a) Capital risk

The Company manages its capital structure so as to have sufficient liquidity to continue investing in the updating of its networks, in order to increase revenues and operating cash flows, and to comply with all commitments assumed under its notes. The Company seeks to maintain an adequate level of net debt vis-à-vis its EBITDA. The net debt to EBITDA ratio, which is the quotient between net debt (loans set off by the balances of "Cash and banks" and "Current investments", cash equivalents - See Note 2.23) and EBITDA, was 0.61 and 0.59 as of December 31, 2015 and 2014 respectively. Pursuant to commitments undertaken by the Company, the ratio must not exceed 2.25.

b) Foreign exchange risk

The Company makes transactions in foreign currency and, therefore, it is exposed to fluctuations in the exchange rate. A portion of the Company's financial debt is denominated in U.S. dollars, whereas its revenues are generated in the currency of the country in which it operates.

Therefore, the Company has executed forward foreign exchange purchases.

Monetary assets and liabilities denominated in foreign currency (U.S. dollar) at the end of the reporting year are as follows:

	12.31.2015	12.31.2014
	Ps.	
ASSETS		
Other receivables	64,675,714	62,629,412
Trade receivables	519,714,898	492,492,588
Investments	697,057,242	824,594,926
Cash and banks	1,414,140,503	739,681,266
Total assets	2,695,588,357	2,119,398,192
LIABILITIES		
Bank and financial debt	6,091,496,173	3,845,362,434
Provisions and other charges	110,099	98,829
Other payables	61,380,751	37,243,699
Accounts payable and others	237,791,939	82,118,448
Total liabilities	6,390,778,962	3,964,823,410

Considering the balances as of December 31, 2015 and 2014 of financial assets and liabilities exposed to exchange rate fluctuations, Cablevisión estimates that an impact of a 20% favourable/unfavourable, fluctuation in the U.S. dollar would generate income/loss before taxes of Ps. 739.0 million and Ps. 369.1 million in 2015 and 2014, respectively. On the other hand, upon a 20% favourable/unfavourable fluctuation in the U.S. dollar exchange rate, the result of foreign currency derivative contracts would generate an income/loss before taxes of Ps. 77.3 million and Ps. 21.1 million in 2015 and 2014, respectively.

c) Fair value interest rate risk

Cablevisión is exposed to interest rate risk because it has borrowed money at fixed and variable interest rates. No hedge agreements have been executed to mitigate the risk of interest rate fluctuation (See interest rates on loans in Note 25).

The Company estimates that if interest rates had been 100 points higher and all other variables had remained constant, the additional loss before taxes would have been of Ps. 5.8 million and Ps. 2.4 million in 2015 and 2014 respectively.

d) Price risk

The Company is exposed to the risk of fluctuation in the market price of mutual funds, notes, bonds and foreign currency derivatives.

The Company's sensitivity to variations in the market price of these instruments is detailed below:

	12.31.2015	12.31.2014
	Ps.	
Investments valued at quoted prices at closing (1)	890,262,986	1,030,494,360
Other receivables valued at quoted prices at closing	11,628,000	-
Other liabilities valued at quoted prices at closing	-	4,718,000

(1) Consists primarily of mutual funds Ps. 734,764,736 and Ps. 657,527,808 at December 31, 2015 and 2014 respectively and securities and bonds Ps. 155.498.250 and Ps. 372.966.552 at December 31, 2015 and 2014, respectively

Cablevisión estimates that the impact of a 10% favourable/unfavourable fluctuation of the quoted price of mutual funds, with all other variables remaining constant, would have generated an income/loss before taxes of Ps. 89.0 million and Ps. 103.0 million in 2015 and 2014, respectively. While income from foreign exchange agreements in case of a 20% favourable/unfavourable fluctuation in the U.S. dollar exchange rate would generate income/loss before taxes of Ps. 77.3 million and Ps. 21.1 million in 2015 and 2014, respectively.

e) Credit risk

Credit risk affects cash and cash equivalents, deposits held at banks and financial institutions, as well as credit exposure with customers, including other remaining credits and committed transactions. The Company actively monitors the creditworthiness of its treasury instruments and the counterparties related to derivatives in order to minimize credit risk. In addition, if invoices are not paid when due, several actions are initiated to provide for the collection thereof.

Bank deposits are held in first tier banks.

No significant credit risk concentration is observed concerning customers due to the atomization of the subscriber base.

As of December 31, 2015 and 2014, non-impaired past due trade receivables amounted to Ps. 401.4 million and Ps. 398.5 million respectively. They are predominantly credits of Cablevisión and the time lapsed since their maturity is in most cases up to 3 months. These receivables involve customers with no recent insolvency record.

As of the same dates, the allowances for bad debts were of Ps. 195.7 million and Ps. 119.7 million respectively. This allowance for trade receivables is sufficient to cover all past due bad debts.

f) Liquidity risk

The liquidity risk is the risk that the Company may not be able to fulfill its financial obligations when due. Cablevisión manages liquidity risk through the management of its capital structure and, if possible, access to different capital markets. It also manages liquidity risk through a constant review of estimated cash flows to ensure that it will have enough liquidity to fulfill its obligations.

The table below includes a breakdown of financial liabilities by relevant maturity groups based on the liabilities' remaining terms. Figures are expressed in millions of pesos and represent undiscounted cash flows (principal plus contractual interest).

Maturities	Other liabilities	Financial debt	Total 12.31.2015
Past due	586	-	586
With no term	178	-	178
First quarter 2016	1,661	730	2,391
Second quarter 2016	117	372	489
Third quarter 2016	343	1,043	1,386
Fourth quarter 2016	4	1,158	1,162
January 2017 onwards	10	4,246	4,256
	2,899	7,549	10,448

Maturities	Other liabilities	Financial debt	Total 12.31.2014
Past due	248	-	248
With no term	92	-	92

First quarter 2015	1,057	424	1,481
Second quarter 2015	51	503	554
Third quarter 2015	350	575	925
Fourth quarter 2015	4	51	55
January 2016 onwards	2	3,107	3,109
	1,804	4,660	6,464

36.2. Financial instruments by category

	12.31.2015	12.31.2014
	Ps.	
Financial assets		
Loans and receivables		
Credits and receivables (1) (2)	1,720,475,035	1,398,672,655
Cash and banks	1,765,860,661	940,114,763
Investments (3)	717,346,545	599,999,137
At fair value through profit or loss		
Current investments	890,262,986	1,030,494,360
Financial instruments	11,628,000	-
	5,105,573,227	3,969,280,915
Financial liabilities		
Amortized cost		
Loans	6,621,169,498	4,106,971,963
Accounts payable and other liabilities (4)	2,898,900,162	1,799,721,998
At fair value through profit or loss		
Financial instruments	-	4,718,000
	9,520,069,660	5,911,411,961

(1) Net of Ps. 195,726,226 and Ps. 119,651,413 of provision for doubtful trade receivables, at December 31, 2015 and 2014, respectively.

(2) Includes Ps. 70,004,851 and Ps. 70,546,199 of credits with related parties, at December 31, 2015 and 2014, respectively.

(3) Includes Ps. 697,057,242 and Ps. 585,321,308 of investments to related parties at December 31, 2015 and 2014, respectively.

(4) Includes Ps. 129,957,127 and Ps. 90,495,709 of debt with related parties, at December 31, 2015 and 2014, respectively.

36.3. Financial instruments at fair value

The following table shows the Company's financial assets and liabilities valued at fair value as of the end of each year:

	12.31.2015	Trading prices (Level 1)	Other significant observable items (Level 2)
	Ps.		
Assets			
Current investments	890,262,986	890,262,986	-
Derivative financial instruments	11,628,000		11,628,000
	12.31.2014	Trading prices (Level 1)	Other significant observable items (Level 2)
	Ps.		
Assets			
Current investments	1,030,494,360	1,030,494,360	-

Liabilities

Derivative financial instruments	4,718,000	-	4,718,000
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Financial assets are valued using quoted prices for identical assets and liabilities (Level 1), and the prices of similar instruments obtained from the information sources available in the market (Level 2). As of December 31, 2015 and 2014, the Company did not have any asset or liability that had not been compared against observable market data to determine its fair value (Level 3).

36.4. Fair value of financial instruments

The book value of cash, accounts receivable and current liabilities is similar to their fair value, due to the short-term maturities of these instruments. Non current financial credits were generated on a date close to the end of the year ended as of December 31, 2015 and 2014 and their amortized cost is similar to their fair value.

The fair value of non-current financial liabilities (level 2) is determined based on the future cash flows of the debt discounted at the market rate available to the Company for debt with similar terms (currency and remaining term), prevailing at the time of measurement.

The estimated fair value of non current financial liabilities is as follows (in thousands of pesos):

	12.31.2015		12.31.2014	
	Book value	Fair value	Book value	Fair value
Bank and financial debt - non-current	3,866,187	3,804,276	2,818,772	2,610,181

NOTE 37 SUBSIDIARY OPERATIONS

37.1. Award under the public bidding process conducted by the government of the Autonomous City of Buenos Aires

On June 7, 2011, the Government of the City of Buenos Aires issued Decree No. 316, whereby it approved a public bidding process to contract comprehensive digital services for educational purposes for elementary school students in the City of Buenos Aires. Such services include, but are not limited to, the delivery of one netbook per student and one notebook per teacher under a gratuitous bailment agreement, connectivity, first and second level support, content access control, and replacement in the event of theft or damage and new license, both with certain limitations. The bid was awarded to Prima for a five-year term, which will begin after certain requirements had been met. As consideration, Prima would receive an amount per student, teacher and school. As of December 31, 2011 the initial requirements for the agreement to come into effect and for Prima to start billing thereunder had been met.

NOTE 38 – CAPITAL MARKETS LAW No. 26831

On December 28, 2012, Capital Markets Law No. 26831 (the “Law”), passed on November 29, 2012 and enacted on December 27, 2012, was published in the Official Gazette. The Law provides for a comprehensive amendment of the public offering regime, previously governed by Law No. 17811. The Law enhances, among other things, the National Government’s oversight powers. It also changes the authorization, control and oversight mechanisms of all stages of the public offering process and the role of all the entities and individuals involved. The Law became effective on January 28, 2013. On July 29, 2013, the National Government issued Decree No. 1023/2013 (the “Decree”) to regulate partially the Capital Markets Law that had been passed in November 2012. Among other provisions, the Decree regulates Section 20 of said Law, pursuant to which the CNV may appoint an overseer with veto rights over the decisions made by the boards of directors of entities subject to the public offering regime, or otherwise

separate the boards from such entities for up to one hundred eighty days until all deficiencies found by the CNV are solved. Said Decree amends the Law it seeks to regulate and, therefore, constitutes a regulatory abuse. Thus, whereas the Law vests with the CNV the power to appoint an overseer or to separate the board of directors from the entity, the Decree allows the CNV to exercise that power if the shareholders and/or noteholders with a two per cent (2%) interest in the company's capital stock or outstanding debt securities claim that they have suffered actual and certain damages or if they believe their rights may be seriously jeopardized in the future. The Decree also vests with the CNV the power to appoint the administrators or co-administrators that will hold office due to the separation of the boards of directors. Thus, the Decree amends the Law by granting the CNV powers that were not provided therein. By doing so, the Executive Branch is assuming strictly legislative functions in breach of constitutional provisions. On September 5, 2013 within the framework of the Law and its Decree, the CNV issued Resolution No. 622/2013 (the "Rules") whereby it approved the applicable Rules that repeal the Rules that had been effective until that date (as restated in 2001). The new Rules have introduced several changes in connection with the CNV's powers over the companies under this agency's oversight, and also in connection with the information that these companies must disclose.

NOTE 39 – SUBSEQUENT EVENTS

- a) Note 22 describes the main events that took place after December 31, 2015 in connection with the decisions of the shareholders at the General Extraordinary Shareholders' Meeting held on January 12, 2016.
- b) Note 28.4.1 describes the main events that took place after December 31, 2015 in connection with the development of the issues related to the process required to conform to the provisions of Law No. 26522.
- c) Note 28.4.2 describes the main events that took place after December 31, 2015 in connection with the development of the issues related to COMFER Resolution No. 577/2009.
- d) Note 28.4.4 describes the main events that took place after December 31, 2015 in connection with the development of the issues related to other acts carried out by AFSCA.
- e) Note 28.4.6 describes the main events that took place after December 31, 2015 in connection with the development of the issues related to SECOM Resolution No. 100/2010.
- f) Note 28.4.7 describes the main events that took place after December 31, 2015 in connection with the development of the issues related to the acquisition of Nextel.
- g) Note 29 t) describes the main events that took place after December 31, 2015 in connection with the development of the issues related to CNV Resolution No. 17769.

NOTE 40 – APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the Company's Board of Directors and their issue has been authorized for March 8, 2016.

Independent auditor's report

To the Board of Directors and Shareholders of Cablevisión S.A.

We have audited the accompanying consolidated financial statements of Cablevisión S.A. and its subsidiaries, which comprise the consolidated statement of financial position at December 31, 2015 and 2014 and the related consolidated statements of comprehensive income, changes in equity and of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Cablevisión S.A. and its subsidiaries as at December 31, 2015 and 2014, and their consolidated financial performance and their consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Notes 4.a), 4.b), 29.1.v), 28.2, 28.3, 29.1.i) and 28.5 to the consolidated financial statements, which describe these situations: (i) matters related to the acquisition of Cablevisión S.A. and other companies and their subsequent merge with Multicanal S.A. and other companies; (ii) the establishment of a new regulatory framework for the country's telecommunications services after the government passed the Digital Argentina Act, which regulation is still pending as of the date of this report; (iii) the issuance of Emergency Decree No. 267/15 which introduced changes to the regulatory framework of the Audiovisual Communication Services and Telecommunications Services, and through which the ENACOM was created to act as authority to enforce Laws 26,522 and 27,078; (iv) the resolution issued by the regulator to determine the monthly fee payable by the users of cable television services, which final outcome cannot be foreseen to the date of this report; and (v) the enactment of Law No. 19307 in the Republic of Uruguay regulating the main activities of Adesol S.A., a Cablevisión S.A. subsidiary, which regulation is pending as of the date of this report. Our opinion is not qualified in respect of these matters.

City of Buenos Aires, Argentina

March 8, 2016

Price Waterhouse & Co. S.R.L.

Gustavo Ariel Vidan

ANNEX C – INDEX TO THE FINANCIAL STATEMENT OF TELECOM

1. Telecom Argentina S.A.'s Unaudited Consolidated Financial Statements as of 30 September 2017 on Form 6-K, as filed with the SEC on 1 December 2017.
2. Telecom Argentina S.A.'s 2016 Annual Report on Form 20-F, as filed with the SEC on 26 April 2017.

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

(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

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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).

	Variation			
	9M17	9M16	\$	%
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:				
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.

Services	Variation			
	9M17	9M16	\$	%
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
Equipment				
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

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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).

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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		
			\$	%	Fixed Serv.	Personal M. Serv.	Núcleo 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)
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

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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

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).

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)

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	
			\$	%
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

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	Variation			
	3Q17	3Q16	\$	%
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.

	Variation			
	3Q17	3Q16	\$	%
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
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.

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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)

❖ **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.

❖ **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	12
"Abono fijo" plans (i)	4,370	71	4,278	(22)	4,092	82	3,915	62	3,749	106
Prepaid subscribers (ii)	12,530	(485)	13,384	(38)	13,164	(49)	13,451	44	13,374	469
Dongles (iii)	83	(5)	107	(6)	119	(13)	191	(22)	282	(39)
Total subscribers	19,030	(499)	19,901	(56)	19,444	26	19,767	(9)	19,855	548
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.

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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.

Analyzing the evolution of our business service by service, we expect that fixed telephony evolution will continue in line with recent year's global trend, influenced by market maturity. Relating to the fixed access Internet service, in order to continue with home Internet improving, Ultra Broad Band (high bandwidth or UBB) will continue to be developed through technologies based on fiber optic in different network points, what will allow our customers in the near future to access to speeds over 100 Mgs.

Personal will continue working focusing on service quality and the nationwide deployment of the 4G LTE network, improving coverage and network speed. Mobile Broadband services will also be expanded with new frequencies and more investments, continuing with technological reconversion and the expansion of the network capacity, obtaining LTE capacity in over than 80% of our sites.

For the high value mobile segment, we continue improving the user experience, working in simplifying customers' management and attention, through more flexible and differential processes.

For prepaid subscribers, we will continue working on a social network-oriented offer, coupled with real-time campaigns that promote prepaid subscribers base and improve ARPU of such subscribers.

TELECOM ARGENTINA S.A.

Also, convergent offers will continue to be developed by providing our customers with Internet services, fixed and mobile calls, with differential benefits for a joint services subscription. According to this, the convergent operator status and the market positioning in each country region will be enhanced.

For the corporate segment, efforts will continue to focus on the provision of converged solutions, with a portfolio that will provide customers with next-generation Datacenter services as well as value-added services associated with cloud computing and security solutions.

As disclosed in the consolidated financial statements, it is expected that the Regulatory Authority provides soon the necessary authorizations to implement the corporate integration of Telecom Argentina, and thereby facilitate the services convergence and the improvement of the relating commercial processes.

We will continue working on our goal of promoting operational excellence, looking for a better use of the Company's physical, human and technological resources, so as to continue meeting the profitability expectations of our investors. In order to achieve this goal, we have developed an ambitious multi-year business plan that foresees the implementation of an investment plan in last generation fixed and mobile network targeted to a convergent ICT market.

Finally, on August 31, 2017 the Shareholders' Meeting of Telecom Argentina and Cablevisión S.A. have approved the Preliminary Merger Agreement subscribed on June 30, 2017 to merge their corporate and operational structures in order to become a convergent telecommunication supplier and participate in the sector opening, provided by the Argentine regulation for January 2018. In line with these actions, on October 31, 2017 the Chairmen of both companies signed the Final Merger Agreement, ad referendum of the ENACOM authorizations that may correspond under Decree No. 267/15.

The proposed transaction is part of a convergence global process in the provision of fixed and mobile telecommunications services, video and Internet distribution known as "*cuádruple play*". This operation will allow the merged company to become a leader in convergent solutions to fulfill the digital people life and to facilitate the digital companies operations. The combination of the two companies will boost investment in the latest infrastructure of mobile technologies as well as the deployment of a high-speed fiber optic network.

The strategy implemented by the Company's Management outlines the necessary basis for the Telecom Group to pursue its continuous goals of improving service quality, strengthening its market positioning and adequately reward the invested capital of those who finance our businesses. Our strategy and the important plan of investments in capital assets are based on this vision of future and on the commitment of the Telecom Group with our country and its people.

Mariano Ibáñez
Chairman of the Board of
Directors

TELECOM ARGENTINA S.A.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of Argentine pesos)

	Note	September 30, 2017	December 31, 2016
ASSETS			
Current Assets			
Cash and cash equivalents	2	6,197	3,945
Investments	2	1,941	1,751
Trade receivables	2	7,824	7,577
Other receivables	2	1,212	1,011
Inventories	2	1,951	1,278
Total current assets		19,125	15,562
Non-Current Assets			
Trade receivables	2	16	208
Other receivables	2	408	360
Income tax assets	2	823	680
Investments	2	4,136	347
Property, plant and equipment ("PP&E")	2	26,333	23,165
Intangible assets	2	7,194	7,592
Total non-current assets		38,910	32,352
TOTAL ASSETS		58,035	47,914
LIABILITIES			
Current Liabilities			
Trade payables	2	10,660	8,979
Deferred revenues	2	818	443
Financial debt	2	2,816	3,266
Salaries and social security payables	2	2,071	1,610
Income tax payables	2	2,491	724
Other taxes payables	2	1,169	1,149
Dividends payable	2	20	-
Other liabilities	2	88	69
Provisions	6	382	271
Total current liabilities		20,515	16,511
Non-Current Liabilities			
Trade payables	2	169	152
Deferred revenues	2	409	445
Financial debt	2	8,995	8,646
Salaries and social security payables	2	180	184
Deferred income tax liabilities	2	188	569
Income tax payables	2	3	7
Other liabilities	2	212	170
Provisions	6	1,615	1,352
Total non-current liabilities		11,771	11,525
TOTAL LIABILITIES		32,286	28,036
EQUITY			
Equity attributable to Telecom Argentina (Controlling Company)		25,063	19,336
Equity attributable to non-controlling interest		686	542
TOTAL EQUITY (see Unaudited Condensed Consolidated Statement of Changes in Equity)	7	25,749	19,878
TOTAL LIABILITIES AND EQUITY		58,035	47,914

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

Mariano Ibáñez
Chairman of the Board of Directors

TELECOM ARGENTINA S.A.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

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

	Note	Three-month periods ended September 30,		Nine-month periods ended September 30,	
		2017	2016	2017	2016
Revenues	2	16,719	13,412	47,263	38,818
Other income	2	22	7	61	36
Total revenues and other income		16,741	13,419	47,324	38,854
Employee benefit expenses and severance payments	2	(3,280)	(2,778)	(9,158)	(7,213)
Interconnection costs and other telecommunication charges	2	(763)	(624)	(2,295)	(1,954)
Fees for services, maintenance, materials and supplies	2	(1,797)	(1,245)	(4,756)	(3,580)
Taxes and fees with the Regulatory Authority	2	(1,546)	(1,305)	(4,416)	(3,799)
Commissions	2	(882)	(945)	(2,685)	(2,795)
Cost of equipment and handsets	2	(1,869)	(1,548)	(4,638)	(4,631)
Advertising	2	(290)	(177)	(769)	(548)
Cost of VAS	2	(224)	(350)	(690)	(1,142)
Provisions	6	(98)	(25)	(357)	(106)
Bad debt expenses	2	(245)	(326)	(920)	(844)
Other operating expenses	2	(845)	(650)	(2,394)	(2,032)
Depreciation and amortization	2	(1,741)	(1,591)	(5,133)	(4,485)
Disposal and impairment of PP&E	2	6	(53)	(95)	(202)
Operating income		3,167	1,802	9,018	5,523
Finance income	2	757	129	1,773	601
Finance expenses	2	(773)	(765)	(2,049)	(2,283)
Income before income tax expense		3,151	1,166	8,742	3,841
Income tax expense	2	(1,095)	(408)	(3,047)	(1,346)
Net income for the period		2,056	758	5,695	2,495
Attributable to:					
Telecom Argentina (Controlling Company)		2,026	746	5,641	2,471
Non-controlling interest		30	12	54	24
		2,056	758	5,695	2,495
Earnings per share attributable to Telecom Argentina – basic and diluted	1.d	2.09	0.77	5.82	2.55

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

Mariano Ibáñez
Chairman of the Board of Directors

TELECOM ARGENTINA S.A.**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(In millions of Argentine pesos)

	<u>Three-month periods</u> <u>ended September 30,</u>		<u>Nine-month periods</u> <u>ended September 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Net income for the period	2,056	758	5,695	2,495
Other components of the Statements of Comprehensive Income				
Will be reclassified subsequently to profit or loss				
Currency translation adjustments (no effect on Income Tax)	47	34	181	282
Subsidiaries' NDF effects classified as hedges	8	-	(29)	(8)
Other components of the comprehensive income, net of tax	55	34	152	274
Total comprehensive income for the period	2,111	792	5,847	2,769
Attributable to:				
Telecom Argentina (Controlling Company)	2,064	769	5,730	2,649
Non-controlling interest	47	23	117	120
	2,111	792	5,847	2,769

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

Mariano Ibáñez
Chairman of the Board of Directors

TELECOM ARGENTINA S.A.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Argentine pesos)

	Owners Contribution				Equity attributable to Telecom Argentina (Controlling Company)										Equity attributable to non-controlling interest	Total Equity
	Outstanding shares		Treasury shares		Reserves					For future cash dividends payments	Other comprehensive income	Cost of equity interest increase in controlled companies	Retained earnings	Total		
	Capital nominal value (1)	Inflation adjustment	Capital nominal value (1) (2)	Inflation adjustment (2)	Treasury shares acquisition cost(2)	Legal	Special for IFRS implementation	Voluntary for capital investments (2)	Voluntary for future investments							
Balances as of January 1, 2016	969	2,646	15	42	(461)	734	351	3,191	2,904	2,869	531	-	3,403	17,194	416	17,610
Reserve for future cash dividends payments (3)	-	-	-	-	-	-	-	-	-	3,403	-	-	(3,403)	-	-	-
Dividends (4)	-	-	-	-	-	-	-	-	-	(2,000)	-	-	-	(2,000)	-	(2,000)
Comprehensive income:																
Net income for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	2,471	24	2,495
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	178	-	-	178	96	274
Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	178	-	-	2,471	120	2,769
Balances as of September 30, 2016	969	2,646	15	42	(461)	734	351	3,191	2,904	4,272	709	-	2,471	17,843	536	18,379
Balances as of January 1, 2017	969	2,646	15	42	(461)	734	351	3,191	2,904	4,272	698	-	3,975	19,336	542	19,878
Reserve for future cash dividends payments (5)	-	-	-	-	-	-	-	(2,730)	(2,904)	9,609	-	-	(3,975)	-	-	-
Dividends from Núcleo (6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(35)	(35)
Increase of equity interest in Personal (7)	-	-	-	-	-	-	-	-	-	-	-	(3)	-	(3)	(1)	(4)
Tuves Paraguay acquisition (8)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	63	63
Comprehensive income:																
Net income for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	5,641	54	5,695
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	89	-	-	89	63	152
Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	89	-	-	5,641	117	5,847
Balances as of September 30, 2017	969	2,646	15	42	(461)	734	351	461	-	13,881	787	(3)	5,641	25,063	686	25,749

(1) As of September 30, 2017 and 2016, total shares (984,380,978), of \$1 Argentine peso of nominal value each, were issued and fully paid. As of the same dates, 15,221,373 were treasury shares.

(2) Corresponds to 15,221,373 shares of \$1 Argentine peso of nominal value each, equivalent to 1.55% of total capital. The treasury shares acquisition costs amounted to 461. See Note 7 – Equity to the consolidated financial statements.

(3) As approved by the Ordinary Shareholders' Meeting held on April 29, 2016.

(4) As approved by the Board of Directors' Meeting of the Company held on April 29, 2016.

(5) As approved by the Ordinary and Extraordinary Shareholders' Meeting of the Company held on April 27, 2017.

(6) As approved by the Ordinary Shareholders' Meeting of Núcleo held on March 28, 2017.

(7) See note 1.

(8) See note 12.j

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

Mariano Ibáñez
Chairman of the Board of Directors

TELECOM ARGENTINA S.A.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of Argentine pesos)

	Note	Nine-month periods ended September 30,	
		2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period		5,695	2,495
Adjustments to reconcile net income to net cash flows provided by operating activities			
Bad debt expenses	2	920	844
Allowance for obsolescence of inventories, materials and other deducted from assets	2	78	54
Depreciation of PP&E	2	3,702	3,087
Amortization of intangible assets	2	1,431	1,398
Consumption of materials	2	631	346
Disposal and impairment of PP&E		76	200
Net book value of disposal of PP&E		32	11
Provisions	6	357	106
Other financial losses		804	1,155
Income tax expense	2	3,047	1,346
Income tax paid	3	(1,840)	(1,280)
Net increase in assets	3	(1,975)	(2,724)
Net increase (decrease) in liabilities	3	2,610	(679)
Total cash flows provided by operating activities	3	15,568	6,359
CASH FLOWS FROM INVESTING ACTIVITIES			
PP&E acquisitions	3	(7,825)	(6,808)
Intangible assets acquisitions	3	(723)	(1,317)
Increase of equity interest in Personal	12	(4)	-
Proceeds on the sale of PP&E		23	13
Cash flows related to the acquisition of Tuves Paraguay		2	-
Investments not considered as cash and cash equivalents	3	(3,271)	1,139
Total cash flows used in investing activities		(11,798)	(6,973)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from financial debt	3	2,262	4,478
Payment of financial debt	3	(3,019)	(1,231)
Payment of interest and related costs	3	(753)	(1,189)
Payment of cash dividends and related tax withholdings	3	(18)	(2,000)
Total cash flows (used in)/provided by financing activities		(1,528)	58
NET FOREIGN EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS		10	55
INCREASE IN CASH AND CASH EQUIVALENTS		2,252	(501)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		3,945	870
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		6,197	369

See Note 3 for additional information on the consolidated statements of cash flows.
The accompanying notes are an integral part of these consolidated financial statements.

Mariano Ibáñez
Chairman of the Board of Directors

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF
SEPTEMBER 30, 2017 AND 2016**

(In millions of Argentine pesos, except as otherwise indicated)

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TELECOM ARGENTINA S.A.

GLOSSARY OF TERMS

The following explanations are not intended as technical definitions, but to assist the general reader to understand certain terms as used in these unaudited consolidated financial statements.

ADS: Telecom Argentina's American Depositary Share, listed on the New York Stock Exchange, each representing 5 Class B Shares.

ADSL (*Asymmetric Digital Subscriber Line*): A type of digital subscriber line technology (DSL); a data communications technology that enables faster data transmission over copper lines than a conventional voiceband modem can provide.

BYMA (*Bolsa de Comercio de Buenos Aires*): The Buenos Aires Stock Exchange.

BCRA (*Banco Central de la República Argentina*): The Central Bank of Argentina.

CAPEX: Capital Expenditures Investments.

CNV (*Comisión Nacional de Valores*): The Argentine National Securities Commission.

Company or Telecom Argentina: Telecom Argentina S.A.

CONATEL (*Comisión Nacional de Telecomunicaciones del Paraguay*): The Regulatory Authority of Paraguay.

CPCECABA (*Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires*): The Professional Council of Economic Sciences of the City of Buenos Aires.

CPP: Calling Party Pays, These are the charges related to fixed telephony customer's calls to mobile subscribers.

"Abono fijo": Under the "Abono fijo" plans, a subscriber pays a set monthly bill and, once the contract minutes per month have been used, the subscriber can obtain additional credit by recharging the phone card through the prepaid system.

D&A: Depreciation and amortization.

DLD: Domestic long-distance.

ENACOM: The National Communications Agency.

ENARD (*Ente Nacional de Alto Rendimiento Deportivo*): National High Sport Performance Organization.

ENTel (*Empresa Nacional de Telecomunicaciones*): Argentine State Telecommunication Company, which was privatized in November, 1990.

FACPCE (*Federación Argentina de Consejos Profesionales en Ciencias Económicas*): Argentine Federation of Professional Councils of Economic Sciences.

FFSU or SU Fund (*Fondo Fiduciario del Servicio Universal*): Universal Service Fiduciary Fund.

Fintech: Fintech Telecom LLC, the parent company of Sofora.

IAS: International Accounting Standards.

IASB: International Accounting Standards Board.

ICT: Information and Communication Technologies.

IDC (*Impuesto a los débitos y créditos bancarios*): Tax on deposits to and withdrawals from bank accounts.

IFRS: International Financial Reporting Standards, as issued by the International Accounting Standards Board.

IGJ (*Inspección General de Justicia*): General Board of Corporations.

LAD (*Ley Argentina Digital*): Argentine Digital Law No. 27,078.

Lebacs: Notes issued by the BCRA.

TELECOM ARGENTINA S.A.

LGS (Ley General de Sociedades): Argentine Corporations Law No. 19,550 as amended. Since the enforcement of the new Civil and Commercial Code its name was changed to “General Corporations Law”.

Micro Sistemas: Micro Sistemas S.A.

NDF: Non-Deliverable Forward.

Nortel: Nortel Inversora S.A., the parent company of the Company.

Núcleo: Núcleo S.A.

NYSE: New York Stock Exchange.

PCS (Personal Communications Service): A mobile communications service with systems that operate in a similar manner to cellular systems.

PEN (Poder Ejecutivo Nacional): The executive branch of the Argentine government.

Personal: Telecom Personal S.A.

Personal Envíos: Personal Envíos S.A.

PP&E: Property, plant and equipment.

Regulatory Authority: Previously, the SC, the CNC and the AFTIC. Since the issuance of the Decree of Need and Urgency No.267/15, the Regulatory Authority is the National Communications Agency (ENACOM).

Regulatory Bodies: Collectively, the SC and the CNC.

Roaming: a function that enables mobile subscribers to use the service on networks of operators other than the one with which they signed their initial contract. The roaming service is active when a mobile device is used in a foreign country (included in the GSM network).

RT: Technical resolutions issued by the FACPCE.

RT 26: Technical resolution No. 26 issued by the FACPCE, amended by RT 29 and RT 43.

SAC: Subscriber Acquisition Costs.

SC (Secretaría de Comunicaciones): The Argentine Secretary of Communications.

SEC: Securities and Exchange Commission of the United States of America.

SMS: Short message systems.

Sofora: Sofora Telecomunicaciones S.A. Nortel's controlling company.

SU: The availability of Basic telephone service, or access to the public telephone network via different alternatives, at an affordable price to all persons within a country or specified area.

Telecom Group/Group: Telecom Argentina and its consolidated subsidiaries.

Telecom Italia Group: Telecom Italia S.p.A and its consolidated subsidiaries, except where referring to the Telecom Italia Group as Telecom Argentina's operator in which case it means Telecom Italia S.p.A and Telecom Italia International, N.V.

Telecom USA: Telecom Argentina USA Inc.

TLRD (Terminación Llamada Red Destino): Termination charges from third parties' wireless networks.

Tuves Paraguay: Tuves Paraguay S.A.

US GAAP: United States of America Generally Accepted Accounting Principles.

VAS (Value-Added Services): Services that provide additional functionality to the basic transmission services offered by a telecommunications network such as SMS, Video streaming, Personal Video, Personal Cloud, M2M (Communication Machine to Machine), Social networks, Personal Messenger, Contents and Entertainment (content and text subscriptions, games, music ringtones, wallpaper, screensavers, etc), MMS (Mobile Multimedia Services) and Voice Mail, among others.

WAI: W de Argentina – Inversiones S.A.

NOTE 1 – BASIS OF PREPARATION OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation and significant accounting policies

As required by the CNV for most of public companies, these consolidated financial statements have been prepared in accordance with RT 26 of FACPCE (as amended by RT 29 and RT 43) and in accordance with IFRS as issued by the IASB, as adopted by the CPCECABA.

For the preparation of these consolidated financial statements, the Company has elected to make use of the option provided by IAS 34, so, these consolidated financial statements do not include all the information required in an annual financial statement, and must be read jointly with the 2016 annual consolidated financial statements which can be consulted at the Company's website (www.telecom.com.ar/inversores).

As of September 30, 2017, entities included in the consolidation process and the respective equity interest owned by Telecom Argentina is presented as follows:

Subsidiaries	Percentage of capital stock owned and voting rights (i)	Indirect control through	Date of acquisition	Segment that consolidates (Note 4)
Telecom USA	100.00%		09.12.00	Fixed Services
Micro Sistemas (ii)	99.99%		12.31.97	Fixed Services
Personal	100.00%		07.06.94	Personal Mobile Services
Núcleo (iii)	67.50%	Personal	02.03.98	Núcleo Mobile Services
Personal Envíos (iii)	67.50%	Núcleo	07.24.14	Núcleo Mobile Services
Tuves Paraguay (iv)	47.25%	Núcleo	06.30.17	Núcleo Mobile Services

(i) Percentage of equity interest owned has been rounded.

(ii) Dormant entity as of September 30, 2017 and December 31, 2016 and for the six-month periods ended September 30, 2017 and 2016.

(iii) Non-controlling interest of 32.50% is owned by the Paraguayan company ABC Telecomunicaciones S.A.

(iv) Non-controlling interest of 22.75% is owned by the Paraguayan company ABC Telecomunicaciones S.A. and non-controlling interest of 30.00% is owned by TU VES S.A. Chile (See Note 12.j).

For the preparation of these consolidated financial statements, the Company followed the same accounting policies applied in the most recent annual consolidated financial statements, except for:

- (i) the accounting of the acquisition of the whole remaining shares of its subsidiary Telecom Personal (0.008%, see Note 12.c). By means of this transaction, the minority interest was adjusted in \$1 and the difference between the purchase value (amounting to \$4) and the minority interest was recorded into the account "Cost of equity interest increase in controlled companies" within the Consolidated Statement of Changes in Equity – Controlling Company as of September 30, 2017 in accordance with the provisions of IFRS 10.
- (ii) the accounting of the controlling interest acquisition of Tuves Paraguay, as of June 30, 2017. For this controlling interest acquisition, the provisions of IFRS 3 "Business Combination" have been followed (See Note 12.j).

These unaudited condensed interim financial statements for the nine-month period ended September 30, 2017 have not been audited. The Company's management estimates they include all the necessary adjustments to present fairly the results of operations for each period. The results for the nine-month period ended September 30, 2017, does not necessarily reflect in proportion the Company's results for the complete year.

The preparation of these consolidated financial statements in conformity with IFRS requires the Company's Management to use certain critical accounting estimates. Actual results could differ from those estimates.

These consolidated financial statements (except for cash flow information) are prepared on an accrual basis of accounting. Under this basis, the effects of transactions and other events are recognized when they occur. Therefore income and expenses are recognized at fair value on an accrual basis regardless of when they are perceived or paid. When significant, the difference between the fair value and the nominal amount of income and expenses is recognized as finance income or expense using the effective interest method over the relevant period.

These consolidated financial statements have also been prepared on a going concern basis, as there is a reasonable expectation that Telecom Argentina and its subsidiaries will continue its operational activities in the foreseeable future (and in any event with a time horizon of more than twelve months).

Publication of these consolidated financial statements for the period ended September 30, 2017 was approved by resolution of the Board of Directors' meeting held on November 10, 2017.

b) Financial statement formats

The financial statement formats adopted are consistent with IAS 1, In particular:

- the consolidated statements of financial position have been prepared by classifying assets and liabilities according to “current and non-current” criterion. Current assets and liabilities are those that are expected to be realized within twelve months after the period-end;
- the consolidated income statements have been prepared by classifying operating expenses by nature of expense as this form of presentation is considered more appropriate and representative of the specific business of the Telecom Group as evaluated by the Management, and are in line with the industrial sector of telecommunications;
- the consolidated statements of comprehensive income include the profit or (loss) for the period as shown in the consolidated income statement and all components of other comprehensive income;
- the consolidated statements of changes in equity have been prepared showing separately (i) profit (loss) for the period, (ii) other comprehensive income (loss) for the period, and (iii) transactions with shareholders (controlling and non-controlling);
- the consolidated statements of cash flows have been prepared by presenting cash flows from operating activities according to the “indirect method”, as permitted by IAS 7.

These consolidated financial statements contain all material disclosures required under IAS 34. Some additional disclosures required by the LGS and/or by the CNV have been also included, among them, complementary information required in the last paragraph of Article 1 Chapter III Title IV of the CNV General Resolution No. 622/13. Such information is disclosed in Notes 2 and 6 to these consolidated financial statements, as admitted by IFRS.

In addition, certain non-material reclassifications have been included in the comparative figures for the nine-month period ended September 30, 2016 of the consolidated income statements under Other Income and Disposal and impairment of PP&E with the purpose of improving the comparability of information with that elaborated for the nine-month period ended September 30, 2017.

c) Segment reporting

An operating segment is defined as a component of an entity that engages in business activities from which it may earn revenues and incur expenses, and whose financial information is available, held separately, and evaluated regularly by the Telecom Group’s Chief Executive Officer (“CEO”).

Operating segments are reported in a consistent manner with the internal reporting provided to the CEO, who is responsible for allocating resources and assessing performance of the operating segments at the net income (loss) level and under the accounting principles effective (IFRS as issued by the IASB) at each time for reporting to the Regulatory Bodies. The accounting policies applied for segment information are the same for all operating segments.

Information regarding segment reporting is included in Note 4.

d) Net income per share

The Company computes net income per common share by dividing net income for the period attributable to Telecom Argentina (Controlling Company) by the weighted average number of common shares outstanding during the period. Diluted net income per share is computed by dividing the net income for the period by the weighted average number of common and dilutive potential common shares then outstanding during the period. Since the Company has no dilutive potential common stock outstanding, there are no dilutive earnings per share amounts.

For the nine and three month periods ended September 30, 2017 and 2016, the weighted average number of shares outstanding totaled 969,159,605 shares, respectively, due to the changes caused by the Treasury Shares Acquisition Process that began in May 2013, as described in Note 7.b) to these consolidated financial statements.

e) Application of IAS 29 (Financial reporting in hyperinflationary economies)

IAS 29 establishes the conditions under which an entity shall restate its financial statements if it is located in an economic environment considered “hyperinflationary”. It should be mentioned that if the qualitative and / or quantitative characteristics to consider an economy as a “hyperinflationary” economy set out in paragraph 3 of IAS 29 occur, the restatement of financial statements must be made retroactively from the date of the revaluation used as deemed cost (in the case of Group companies located in Argentina, since February 2003) or from the acquisition date for assets acquired after that date.

The Company’s Management periodically verifies the evolution of official statistics as well as the general factors of the economic environment in the countries in which the Telecom Group operates. The

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Company's Management also considers the opinion of other organizations interested in this matter: the national and international accounting profession, domestic and foreign audit firms, national and the United States' capital market regulators, and, in particular, the International Practices Task Force ("IPTF"), aware that the conclusions to which a financial statement issuer arrives must be consistent with the vision of those organizations for an uniform application of IAS 29.

Although the standard does not establish an absolute rate at which hyperinflation is deemed to arise, usually – and in accordance with the guideline of IAS 29- a cumulative inflation rate over three years approaching or exceeding 100% is used as reference considering additionally other qualitative factors related to the macroeconomic environment.

The Company analyzes the economic environment as required by the provisions of IAS 29, based on the inflation rates published by the National Institute of Statistics and Census (INDEC), following the same criteria adopted by the accounting profession in the Argentine Republic.

After declaring a state of statistical emergency in January 2016 and due to the reorganization of the INDEC structure, that agency was impelled to publish the Internal Wholesale Price Index for November and December 2015 and the Consumer Price Index for the period November 2015- April 2016. Under these circumstances, the INDEC suggested the alternative utilization of Price Indexes published by the Province of San Luis and the City of Buenos Aires, which are integral part of the National Statistic System until the INDEC publishes Price Indexes in compliance with international standards of quality. Finally, in May 2016 the INDEC published the Internal Wholesale Price Index ("IPIM") retroactively from January 2016 while the Consumer Price Index ("IPC") was published from May 2016. It's worth mentioning that, as of the date of issuance of these consolidated financial statements, the INDEC has not completed the IPIM and IPC's statistical series, despite the requirements of domestic accounting profession organizations.

Therefore, for years 2015 and 2016 the Company analysis was performed according to Consumer Price Index and Internal Wholesale Price Index published by the INDEC until October 2015 and it was complemented applying November and December 2015 Price Index published by the Province of San Luis and the City of Buenos Aires, as the INDEC suggested. Also, the company applied Price Index of the period January-April 2016 published by the Province of San Luis and the City of Buenos Aires for the calculation of the Consumer Price Index for the year 2016. It is worth mentioning that these simplified procedures as provided in paragraph 17 of IAS 29 were performed due to the unavailability of official statistics at national level.

The tables below show the evolution of these indexes in the last three years according to official statistics (INDEC), with the exceptions explained above regarding the use of alternative indexes for November and December 2015 for Consumer Price and Internal Wholesale Price and, additionally, the Consumer Price Index for the period January-April 2016:

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Consumer Price Index		(*)	(**)
Consumer Price Index (annual)	23.9%	20.6%	36.3%
Consumer Price Index (3 years accumulated)	52.4%	65.8%	103.7%
Internal Wholesale Price Index			
Internal Wholesale Price Index (annual)	28.3%	19.2%	34.6%
Internal Wholesale Price Index (3 years accumulated)	66.5%	75.4%	105.8%

(*) Consumer Price Index and Internal Wholesale Price Index published by INDEC until October 2015 were 11.9% and 10.6% respectively. These rates (which contain ten months accumulated), were updated with November and December 2015 Consumer Price Index average rates for this two months (7.8%) published by the Province of San Luis and the City of Buenos Aires.

(**) Due to the unavailability of Consumer Price Index published by the INDEC, the Company estimated 16.6% for the period January-April 2016; this estimation is an average of the indexes published by the Province of San Luis and the City of Buenos Aires for that period. The Consumer Price Index at national level published by the INDEC for the period May-December 2016 was 16.9%.

The Annual Price Index for the last year (Consumer Price Index: 36.3%, Internal Wholesale Price: 34.6%) and three years accumulated (Consumer Price Index: 103.7%, Internal Wholesale Price: 105.8%) show high levels of inflation rates that, for the first time, exceed 100% accumulated and highlight, between other matters, the effect in the internal prices of the Argentine peso devaluation since December 2015, the elimination of certain exchange restrictions, and the increase in the public services tariffs approved by the Government after been frozen for more than a decade.

According to the high inflation levels in Argentina registered in the last years, the Company's Management has further assessed the characteristics set out in paragraph 3 of IAS 29, including (i) the quantitative condition provided in section (e) "the cumulative inflation rate over three years is approaching, or exceeds, 100%", as well as (ii) the qualitative characteristics contained in paragraphs a) to d) of that paragraph.

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From the analysis assessed as of December 31, 2016, the Company's Management considered that the quantitative condition provided in section e) of IAS 29 has been met, while the qualitative conditions of the Argentine economy are mixed (some of them would recommend the existence of a high inflation environment and others have not substantially changed respect to previous years, when it was concluded that financial statements should not be restated). Under these circumstances, and in order to objectify the analysis, the Company's Management gave priority to the conclusions reached by some international auditing firms to which the Company's Management had access, which considered that, to such date, there was insufficient evidence to consider the Argentine economy as "hyperinflationary" under IAS 29 terms. Similar conclusions for US GAAP were reached by the IPTF, according to its memo issued on November 17, 2016.

An extract of the mentioned memo stated in point III.A.3(a) related to countries with projected inflation rates above 100% (accumulated over the last three years): *"The Task Force is aware that in late December 2016, certain US accounting firms submitted a white paper to the SEC staff from the Office of the Chief Accountant that asserted that the firms would not require a registrant to consider Argentina's economy as highly inflationary under US GAAP for the reporting period from October 1, 2016 to December 31, 2016. The SEC staff from the Office of the Chief Accountant, after reviewing the white paper submitted by the firms, stated that the staff would not object to a calendar year-end registrant's determination that Argentina's economy would not be considered highly inflationary under US GAAP for the reporting period from October 1, 2016 to December 31, 2016"*. In addition, the Task Force suggests registrants to continue monitoring inflation information and other Argentine economy conditions in order to assess whether it is necessary to consider it as highly inflationary during 2017.

While there are differences in the definition of a "hyperinflationary" and "highly inflationary" environments between IFRS and US GAAP, respectively, the Company believed that the assessment of the macroeconomic situation of a country should be substantially similar under both accounting frameworks and, on this condition, considered consistent the conclusions arrived by the IPTF with those provided in the analysis assessed by international audit firms according to IFRS and US GAAP.

Additionally, while the CNV required public companies the full implementation of IFRS-as issued by the IASB- from periods beginning on January 1, 2012, Decree No.664/03 continues to be in force as of the date of issuance of these consolidated financial statements. Through this Decree, the PEN instructed the control authorities –including the CNV- not to accept filings of restated financial statements. This legal restriction is foreseen in the current Regulations of the CNV (Title IV - Chapter III Article 3 - paragraph 1

Developments of the nine-month period of 2017

The publication of the INDEC inflation index for the current year has shown a decrease in inflation levels during the first nine months of 2017 as compared to 2016 (the cumulative coefficient of the CPI in the first nine months of 2017 amounts to 17.5% and IPIM to 13.5%, while the accumulated CPI coefficient for the last 36 months amounts to approximately 99.6% and the IPIM rate is approximately 87.9%). Based on the deceleration in inflation rates during the first nine months of 2017 and in the analysis performed as of December 31, 2016 described above, the Company's Management has concluded that no new evidence has been verified during the current period which leads to qualify the economy as highly inflationary.

Similar conclusions for US GAAP were reached by the IPTF, according to its memo issued on May 16, 2017.

An extract of the mentioned memo stated that: *"Considering the guidance in ASC 830, it does not appear that Argentina would be required to be considered highly-inflationary for the reporting periods from January 1, 2017 to June 30, 2017 for calendar year-end registrants. Registrants would be expected to have appropriate controls in place to monitor Argentina's reported inflation data throughout 2017 and consider other pertinent economic indicators to determine if and when Argentina should be considered highly-inflationary"*.

For these reasons, these financial statements have not been adjusted for inflation in accordance with IAS 29. Although the above described, the Company's Management will continue monitoring the characteristics and the evolution of the inflation rates in Argentina in order to comply properly with IAS 29 provisions, with special consideration of the pronouncements of argentine regulators – which as of the date are forbidden to accept the filing of financial statements restated for inflation according to Decree No. 664/03 and its supplementary standards. The Company's Management will also monitor the pronouncements of foreign regulators, as well as the evaluation that the domestic and international accounting profession will perform with regards to the uniform application of IAS 29 together with other issuers that apply IFRS in the Argentine Republic.

NOTE 2 – BREAKDOWN OF THE MAIN ACCOUNTS

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
CURRENT ASSETS**

	<u>September 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
a) Cash and cash equivalents		
Cash	36	56
Banks	300	878
Time deposits	2,221	898
Lebacks at fair value	3,605	-
Lebacks at amortized cost	-	604
Other short-term investments	35	1,509
	6,197	3,945
b) Investments		
Government bonds at fair value	346	1,456
Government bonds at amortized cost in foreign currency	350	3
Provincial government bonds at amortized cost in foreign currency	45	-
Government bonds at amortized cost – US dollar linked	281	-
Provincial and Municipal government bonds at amortized cost– US dollar linked	33	12
Provincial and Municipal government bonds at amortized cost	8	10
Other short-term investments	878	270
	1,941	1,751
c) Trade receivables		
Fixed Services	1,913	1,949
Personal Mobile Services – Services sales	4,236	3,733
Personal Mobile Services – Equipment sales	1,992	2,257
Núcleo Mobile Services	213	271
	Subtotal	8,210
Allowance for doubtful accounts	(530)	(633)
	7,824	7,577

Movements in the allowance for current doubtful accounts are as follows:

	<u>Nine-month periods ended</u> <u>September 30,</u>	
	<u>2017</u>	<u>2016</u>
At the beginning of the year	(633)	(386)
Additions – bad debt expenses	(920)	(844)
Uses	1,025	631
Currency translation adjustments	(2)	(2)
At the end of the period	(530)	(601)

	<u>September 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
d) Other receivables		
Prepaid expenses	651	620
Expenses reimbursement	137	126
Tax credits	173	46
Restricted funds	46	33
Receivables for return of handsets under warranty	17	29
Guarantee deposits	10	10
PP&E disposal receivables	8	18
Tax on personal property – on behalf of shareholders	-	8
NDF (*)	45	2
Companies under Section 33 – Law No. 19,550 (Note 5.c)	5	-
Other	142	140
	Subtotal	1,032
Allowance for other receivables	(22)	(21)
	1,212	1,011

(*) Include 41 of financial NDF as of September 30, 2017.

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Movements in the allowance for other receivables are as follows:

	<u>Nine-month periods ended</u> <u>September 30,</u>	
	2017	2016
At the beginning of the year	(21)	(25)
Additions	(1)	(1)
Uses	-	2
At the end of the period	<u>(22)</u>	<u>(24)</u>

	<u>September 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
e) Inventories		
Mobile handsets and others	1,723	1,321
Equipment for construction projects	261	-
Fixed telephones and equipment	13	11
Subtotal	1,997	1,332
Allowance for obsolescence of inventories	(46)	(54)
	<u>1,951</u>	<u>1,278</u>

Movements in the allowance for obsolescence of inventories are as follows:

	<u>Nine-month periods ended</u> <u>September 30,</u>	
	2017	2016
At the beginning of the year	(54)	(86)
Additions – Fees for services, maintenance and materials	(10)	(36)
Uses	18	42
At the end of the period	<u>(46)</u>	<u>(80)</u>

Sale and direct cost of equipment and handsets by business segment is as follows:

	<u>Three-month periods</u> <u>ended</u> <u>September 30,</u>		<u>Nine-month</u> <u>periods ended</u> <u>September 30,</u>	
	2017	2016	2017	2016
Sales of equipment and handsets - Fixed Services	269	13	294	78
Cost of equipment and handsets – Fixed Services	(202)	(39)	(233)	(126)
Total equipment income (loss) – Fixed Services	67	(26)	61	(48)
Sales of equipment and handsets – Personal Mobile Services	1,871	1,711	5,250	5,649
Cost of equipment and handsets – Personal Mobile Services	(1,641)	(1,411)	(4,319)	(4,252)
Total equipment income – Personal Mobile Services	230	300	931	1,397
Sales of equipment and handsets – Núcleo Mobile Services	23	91	73	217
Cost of equipment and handsets – Núcleo Mobile Services	(26)	(98)	(86)	(253)
Total equipment loss – Núcleo Mobile Services	(3)	(7)	(13)	(36)
Total equipment and handsets sale	2,163	1,815	5,617	5,944
Total cost of equipment and handsets (net of SAC capitalization)	(1,869)	(1,548)	(4,638)	(4,631)
Total income for sale of equipment and handsets	294	267	979	1,313

	<u>September 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
NON-CURRENT ASSETS		
f) Trade receivables		
Fixed Services	3	14
Núcleo Mobile Services – Equipment sales	13	194
	<u>16</u>	<u>208</u>
g) Other receivables		
Prepaid expenses	271	258
Credit on SC Resolution No. 41/07 and IDC	56	57
Restricted funds	43	33
Regulatory receivables (Paraguay)	37	27
Indemnity receivables relating Tuves Paraguay acquisition	27	-
Tax on personal property – on behalf of shareholders	18	18
Tax credits	12	11
Guarantee deposits	13	12
Other	11	19
Subtotal	488	435
Allowance for regulatory matters	(56)	(57)
Allowance for tax on personal property	(18)	(18)
Allowance for regulatory credits (Paraguay) (i)	(6)	-
	<u>408</u>	<u>360</u>

(i) Included in regulatory receivables.

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Movements in the allowance for regulatory matters are as follows:

	Nine-month periods ended	
	September 30,	
	2017	2016
At the beginning of the year	(57)	(84)
Uses	1	-
At the end of the period	(56)	(84)

Movements in the allowance for tax on personal property are as follows:

	Nine-month periods ended	
	September 30,	
	2017	2016
At the beginning of the year	(18)	(18)
Additions	-	-
At the end of the period	(18)	(18)

	September 30,	December 31,
	2017	2016
h) Investments		
National government bonds at amortized cost in foreign currency	3,755	255
Provincial and municipal government bonds at amortized cost in foreign currency	344	-
Provincial and municipal government bonds at amortized cost – US dollar linked	36	61
Provincial and municipal government bonds at amortized cost	-	8
Tuves Paraguay shares purchase option	-	22
2003 Telecommunications Fund	1	1
	4,136	347
i) PP&E		
Land, buildings and facilities	1,502	1,310
Computer equipment and software	2,093	2,265
Switching and transmission equipment (i)	6,023	5,614
Mobile network access and external wiring	10,350	9,078
Construction in progress	3,466	2,915
Other tangible assets	780	704
Subtotal PP&E	24,214	21,886
Materials	2,608	1,629
Valuation allowance and impairment for materials	(136)	(68)
Impairment of PP&E	(353)	(282)
Total PP&E	26,333	23,165

(i) Includes tower and pole, transmission equipment, switching equipment, power equipment, equipment lent to customers at no cost and handsets lent at no cost.

Movements in PP&E (without allowance and impairment for materials and impairment of PP&E) are as follows:

	Nine-month periods ended	
	September 30,	
	2017	2016
At the beginning of the year	23,515	18,218
CAPEX	5,745	6,403
Materials	1,531	893
Total PP&E additions	7,276	7,296
Tuves Paraguay acquisition	160	-
Currency translation adjustments	236	406
Consumption of materials	(631)	(346)
Decreases	(32)	(30)
Depreciation of the period	(3,702)	(3,088)
At the end of the period	26,822	22,456

Movements in the valuation allowance and impairment for materials are as follows:

	Nine-month periods ended	
	September 30,	
	2017	2016
At the beginning of the year	(68)	(52)
Additions - Fees for services, maintenance, and materials	(68)	(13)
At the end of the period	(136)	(65)

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Movements in the impairment of PP&E are as follows:

	Nine-month periods ended	
	September 30,	
	2017	2016
At the beginning of the year	(282)	(203)
Additions – Impairment of PP&E	(71)	(195)
At the end of the period	(353)	(398)

	September 30,	December 31,
	2017	2016
j) Intangible assets		
SAC – fixed services	59	96
SAC – mobile services	1,190	1,427
Service connection or habilitation costs	127	119
3G/4G licenses	4,861	5,105
PCS license	588	588
Rights of use and exclusivity	226	256
Customer relationship	128	1
Tuves Paraguay goodwill (Note 12.j)	2	-
Other intangible assets	13	-
	7,194	7,592

Movements in Intangible assets are as follows:

	Nine-month periods ended	
	September 30,	
	2017	2016
At the beginning of the year	7,592	7,659
CAPEX	893	1,296
Tuves Paraguay acquisition	141	-
Currency translation adjustments	11	19
Decreases	(12)	-
Amortization of the period	(1,431)	(1,398)
At the end of the period	7,194	7,576

CURRENT LIABILITIES

	September 30,	December 31,
	2017	2016
k) Trade payables		
For the acquisition of PP&E	3,292	4,496
For the acquisition of other assets and services	3,981	3,422
For the acquisition of inventory	3,166	676
Companies under Section 33-Law No.19,550 (note 5.c)	2	-
Subtotal suppliers	10,441	8,594
Agent commissions	219	385
	10,660	8,979
l) Deferred revenues		
On construction projects	347	-
On prepaid calling cards – Fixed and Mobile services	268	261
On connection fees – Fixed Services	34	35
On international capacity rental	52	41
On mobile customer loyalty programs	108	87
From CONATEL – Núcleo Mobile Services	-	4
Other	9	15
	818	443
m) Financial debt		
Bank overdrafts – principal (Personal)	49	1,666
Bank overdrafts – principal (Telecom Argentina)	561	41
Bank loans – principal (Núcleo)	107	219
Bank loans – others – principal (Personal)	-	620
Notes – principal (Personal)	718	566
NDF	26	2
Accrued interests (Personal)	1,352	145
Accrued interests (Telecom Argentina)	2	-
Accrued interests (Núcleo)	1	7
	2,816	3,266
n) Salaries and social security payables		
Annual complementary salaries, vacation and bonuses	1,552	1,102
Social security payables	372	383
Termination benefits	147	125
	2,071	1,610

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	September 30, 2017	December 31, 2016
o) Income tax payables		
Income tax payables 2016	-	2,091
Income tax payables 2017	3,615	-
Income tax withholdings and payments in advance	(1,129)	(1,372)
Law No. 26,476 Tax Regularization Regime	5	5
	2,491	724
p) Other taxes payables		
VAT, net	418	360
Tax withholdings	214	319
Internal taxes	144	138
Tax on SU	118	110
Turnover tax	104	75
Regulatory fees	80	60
Municipal taxes	63	53
Perception Decree No.583/10 ENARD	28	26
Tax on personal property – on behalf of shareholders	-	8
	1,169	1,149
q) Dividends payable		
Related parties (Note 5.c)	20	-
	20	-
r) Other liabilities		
Compensation for directors and members of the Supervisory Committee	42	44
Guarantees received	18	15
Other	28	10
	88	69
NON-CURRENT LIABILITIES		
s) Trade payables		
For the acquisition of PP&E	169	152
	169	152
t) Deferred revenues		
On international capacity rental – Fixed Services	202	252
On connection fees – Fixed Services	82	87
On mobile customer loyalty programs	125	106
	409	445
u) Financial debt		
Notes – principal (Personal)	741	2,084
Bank loans – IFC loan – principal (Personal)	7,963	6,234
Bank loans – principal (Núcleo)	258	328
NDF	33	-
	8,995	8,646
v) Salaries and social security payables		
Termination benefits	142	144
Bonuses	38	40
	180	184
w) Income tax payables		
Law No. 26,476 Tax Regularization Regime	3	7
	3	7
x) Other liabilities		
Pension benefits	205	164
Legal fees	4	4
Other	3	2
	212	170

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y) Income tax assets and deferred income tax assets and liabilities

Telecom Group's deferred income tax assets and liabilities and the actions for recourse tax receivables consist of the following:

As of September 30, 2017	Income tax assets			Deferred tax liabilities		
	Telecom Argentina	Telecom USA	Total	Personal	Núcleo	Total
Allowance for doubtful accounts	141	4	145	413	16	429
Provisions	367	-	367	212	-	212
PP&E	-	2	2	-	18	18
Inventory	-	-	-	77	-	77
Termination benefits	87	-	87	-	-	-
Deferred revenues	82	-	82	-	-	-
Pension benefits	72	-	72	-	-	-
Other deferred tax assets, net	97	-	97	-	1	1
Total deferred tax assets	846	6	852	702	35	737
PP&E	(423)	-	(423)	(141)	-	(141)
Intangible assets	(72)	-	(72)	(500)	-	(500)
Cash dividends from foreign companies	-	-	-	(a) (156)	(52)	(208)
Mobile handsets financed sales	-	-	-	(48)	-	(48)
Tuves Paraguay's deferred tax liabilities, net	-	-	-	-	(d) (25)	(25)
Other deferred tax liabilities, net	-	-	-	(3)	-	(3)
Total deferred tax liabilities	(495)	-	(495)	(848)	(77)	(925)
Total deferred tax assets (liabilities), net	(b) 351	6	357	(c) (146)	(e) (42)	(188)
Actions for recourse tax receivable	466	-	466	-	-	-
Total Income tax assets	817	6	823			

- (a) Include 1 recorded in Other comprehensive income for the nine-month period ended on September 30, 2017.
(b) Include (3) of temporary differences withdrawals related to the filing of the affidavit for the year 2016.
(c) Include (11) of temporary differences withdrawals related to the filing of the affidavit for the year 2016.
(d) Originated in Tuves Paraguay acquisition.
(e) Include (4) related to Currency translation adjustments on initial balances.

As of December 31, 2016	Income tax assets			Deferred tax liabilities		
	Telecom Argentina	Telecom USA	Total	Personal	Núcleo	Total
Allowance for doubtful accounts	86	2	88	271	16	287
Provisions	341	-	341	149	-	149
PP&E	-	1	1	-	13	13
Inventory	-	-	-	120	-	120
Termination benefits	82	-	82	-	-	-
Deferred revenues	85	-	85	-	-	-
Pension benefits	57	-	57	-	-	-
Other deferred tax assets, net	120	-	120	-	1	1
Total deferred tax assets	771	3	774	540	30	570
PP&E	(477)	-	(477)	(205)	-	(205)
Intangible assets	(83)	-	(83)	(584)	-	(584)
Cash dividends from foreign companies	-	-	-	(150)	(44)	(194)
Mobile handsets financed sales	-	-	-	(84)	-	(84)
Investments	-	-	-	(4)	-	(4)
Other deferred tax liabilities, net	-	-	-	(68)	-	(68)
Total deferred tax liabilities	(560)	-	(560)	(1,095)	(44)	(1,139)
Total deferred tax asset (liability), net	211	3	214	(555)	(14)	(569)
Actions for recourse tax receivable	466	-	466	-	-	-
Total Income tax assets	677	3	680			

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z) Aging of assets and liabilities as of September 30, 2017

Date due	Cash and cash equivalents	Investments	Trade receivables	Income tax assets	Other receivables
Total due	-	-	1,566	-	-
Not due					
Fourth quarter 2017	6,197	1,333	5,055	-	760
First quarter 2018	-	337	620	-	198
Second quarter 2018	-	105	417	-	149
Third quarter 2018	-	166	166	-	105
October 2018 thru September 2019	-	373	16	-	195
October 2019 thru September 2020	-	474	-	-	99
October 2020 and thereafter	-	3,288	-	-	56
Not date due established	-	1	-	823	58
Total not due	6,197	6,077	6,274	823	1,620
Total	6,197	6,077	7,840	823	1,620
Balances bearing interest	5,861	6,076	1,534	-	-
Balances not bearing interest	336	1	6,306	823	1,620
Total	6,197	6,077	7,840	823	1,620
Average annual interest rate (%)	(a)	(b)	(c) (d)	-	-

- (a) 2,221 are assets in foreign currency bearing interests between 0.27% and 0.42% and 3,640 are assets in Argentine pesos bearing interests between 19.41% and 27.28%.
 (b) 358 are assets in Argentine pesos (8 bearing interests between 15% and 20.81% and 350 are US dollar linked bonds bearing interests between 1.95% and 2.40%), 5,718 are assets in foreign currency bearing interests between 3.25% and 10.88%.
 (c) From due trade receivables 144 bear 50% over the Banco de la Nación Argentina 30-day interest rate paid by banks, 489 bear 50% over the Banco de la Nación Argentina notes payable discount rate 759 bear 35.90 and 100 bear 36%.
 (d) From not due trade receivables 18 bear 36%, 23 bear 8.3% and 1 bear 34.2%.

Date due	Trade payables	Deferred revenues	Financial debt	Salaries and social security payables	Income tax payables	Deferred income tax liabilities	Other taxes payables	Dividends payable	Other liabilities
Total due	331	-	-	-	-	-	-	-	-
Not due									
Fourth quarter 2017	10,234	671	694	912	3	-	1,169	20	43
First quarter 2018	95	51	338	786	1	-	-	-	1
Second quarter 2018	-	49	739	289	2,486	-	-	-	43
Third quarter 2018	-	47	1,045	84	1	-	-	-	1
October 2018 thru September 2019	94	155	3,231	109	3	-	-	-	25
October 2019 thru September 2020	42	46	2,223	41	-	-	-	-	10
October 2020 and thereafter	33	208	3,541	30	-	-	-	-	177
Not date due established	-	-	-	-	-	188	-	-	-
Total not due	10,498	1,227	11,811	2,251	2,494	188	1,169	20	300
Total	10,829	1,227	11,811	2,251	2,494	188	1,169	20	300
Balances bearing interest	21	-	11,709	-	6	-	-	-	-
Balances not bearing interest	10,808	1,227	102	2,251	2,488	188	1,169	20	300
Total	10,829	1,227	11,811	2,251	2,494	188	1,169	20	300
Average annual interest rate (%)	6%	-	(e)	-	9%	-	-	-	-

- (e) 1,402 are liabilities in Argentine pesos bearing interests between 26.38% and 28.64%, 9,941 are liabilities in foreign currency bearing contractual interests between 2.20% and 5.53% and 366 are liabilities in guaraníes bearing interests between 8.75% and 9%.

aa) Foreign currency assets and liabilities

NET POSITION IN FOREIGN CURRENCY
Net assets (liabilities)

09.30.17		
Amount of foreign currency (i)	Exchange rate	Amount in local currency (ii)
Assets		
US\$ 501	17.210	(iii) 8,779
G 149,898	0.003	456
EURO 3	20.294	61
Total assets		9,296
Liabilities		
US\$ (955)	17.310	(16,607)
G (229,848)	0.003	(698)
EURO (12)	20.455	(239)
Total liabilities		(17,544)
Net liabilities		(8,248)

- (i) US\$ = United States dollar; G= Guaraníes.
 (ii) As foreign currency figures and their amount in Argentine pesos are in millions, the calculation of the amount of the foreign currency by its exchange rate could not be exact.
 (iii) Includes 346 corresponding to Government bonds valued at fair value (equivalent to US\$ 12 million).

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The Telecom Group, as of September 30, 2017, holds dollar linked investments by \$350 that reduce its net liability position in foreign currency to \$7,898 as of September 30, 2017, equivalent to approximately to US\$ 461 million. Additionally, the Group entered into several NDF contracts as of September 30, 2017 amounting to US\$ 60 million therefore, the portion of the net liability position in foreign currency not covered by these instruments amounted to US\$ 401 million as of September 30, 2017.

12.31.16		
Amount of foreign currency (i)	Exchange rate	Amount in local currency (ii)
Assets		
US\$ 241	15.790	(iii) 4,067
G 250,865	0.003	684
EURO 7	16.625	124
Total assets		4,875
Liabilities		
US\$ (859)	15.890	(13,648)
G (311,279)	0.003	(848)
EURO (9)	16.770	(158)
Total liabilities		(14,654)
Net liabilities		(9,779)

(i) US\$ = United States dollar; G= Guaraníes.

(ii) As foreign currency figures and their amount in Argentine pesos are in millions, the calculation of the amount of the foreign currency by its exchange rate could not be exact.

(iii) Includes 735 corresponding to Government bonds valued at fair value (equivalent to US\$ 45 million).

The Telecom Group, as of December 31, 2016, held dollar linked investments by \$73 that reduced its net liability position in foreign currency to \$9,706, equivalent to approximately US\$ 611 million. Additionally, the Group entered into several NDF contracts as of December 31, 2016 amounting to US\$ 16 million, so, the portion of the net liability position in foreign currency not covered by these instruments amounted to US\$ 595 million as of December 31, 2016.

ab) Information on the fair value of financial instruments valued at amortized cost

Below are disclosed the investments in Government bonds valued at amortized cost and their respective fair value as of September 30, 2017 and December 31, 2016:

Investments	As of September 30, 2017		As of December 31, 2016	
	Book value	Fair value (*)	Book value	Fair value (*)
Government bonds in foreign currency	4,105	4,167	258	264
Provincial and municipal government bonds in foreign currency	389	389	-	-
Provincial and municipal government bonds in pesos	8	8	18	18
Government bonds (U.S. dollar linked)	281	275	-	-
Provincial and municipal government bonds (US dollar linked)	69	53	73	70
Total	4,852	4,892	349	352

(*) According to IFRS selling costs are not deducted.

In addition, for the rest of the financial instruments valued at amortized cost, it is considered that their book amounts are similar to their fair values.

ac) Offsetting of financial assets and financial liabilities

The information required by the amendment to IFRS 7 as of September 30, 2017 and December 31, 2016 is as follows:

	As of September 30, 2017			
	Trade receivables	Other receivables (1)	Trade payables	Other liabilities (1)
Current and non-current assets (liabilities) - Gross value	9,246	382	(12,235)	(111)
Offsetting	(1,406)	(16)	1,406	16
Current and non-current assets (liabilities) – Book value	7,840	366	(10,829)	(95)
	As of December 31, 2016			
	Trade receivables	Other receivables (1)	Trade payables	Other liabilities (1)
Current and non-current assets (liabilities) - Gross value	9,196	357	(10,542)	(97)
Offsetting	(1,411)	(22)	1,411	22
Current and non-current assets (liabilities) – Book value	7,785	335	(9,131)	(75)

(1) Only includes financial assets and financial liabilities according to IFRS 7.

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CONSOLIDATED INCOME STATEMENTS	Three-month periods ended		Nine-month periods	
	September 30,		ended September 30,	
	2017	2016	2017	2016
ad) Total revenues and other income	Profit (loss)			
Services				
Voice	2,143	1,577	6,119	4,328
Internet	1,952	1,513	5,621	4,351
Data	909	731	2,595	2,133
Subtotal Fixed Services	5,004	3,821	14,335	10,812
Outbound				
Postpaid	2,158	1,696	6,282	5,033
Monthly basic charges	3,454	2,581	9,659	7,496
Prepaid	2,106	1,978	6,177	5,514
Total outbound	7,718	6,255	22,118	18,043
Inbound				
From Fixed Services – CPP	240	203	776	494
From Mobile Services – TLRD	386	240	1,173	674
Total inbound	626	443	1,949	1,168
Other	428	441	1,197	1,086
Subtotal Personal Mobile Services	8,772	7,139	25,264	20,297
Outbound				
Postpaid	22	14	58	44
Monthly basic charges	285	198	710	560
Prepaid	382	298	1,021	822
Total outbound	689	510	1,789	1,426
Inbound				
From Fixed Services – Interconnection	1	2	5	7
From Mobile Services – TLRD	36	31	96	88
Total inbound	37	33	101	95
Other	54	94	157	244
Subtotal Núcleo Mobile Services	780	637	2,047	1,765
Total service revenues (a)	14,556	11,597	41,646	32,874
Equipment				
Fixed Services	269	13	294	78
Personal Mobile Services	1,871	1,711	5,250	5,649
Núcleo Mobile Services	23	91	73	217
Total equipment revenues (b)	2,163	1,815	5,617	5,944
Total revenues (a) + (b)	16,719	13,412	47,263	38,818
Other income				
Fixed Services	17	14	49	35
Personal Mobile Services	5	(7)	12	1
Total other income (c)	22	7	61	36
Total revenues and other income (a)+(b)+(c)	16,741	13,419	47,324	38,854

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ae) Operating costs

Operating expenses disclosed by nature of expense amounted to \$38,306 and \$33,331 for the nine-month periods ended September 30, 2017 and 2016, respectively. The main components of the operating expenses are the following:

	Three-month periods ended		Nine-month periods ended	
	September 30,		September 30,	
	2017	2016	2017	2016
	Profit (loss)			
Employee benefit expenses and severance payments				
Salaries	(2,277)	(1,976)	(6,397)	(5,145)
Social security expenses	(728)	(566)	(2,102)	(1,605)
Severance indemnities and termination benefits	(222)	(183)	(514)	(339)
Other employee benefits	(53)	(53)	(145)	(124)
	(3,280)	(2,778)	(9,158)	(7,213)
Interconnection costs and other telecommunication charges				
Fixed telephony interconnection costs	(96)	(90)	(365)	(329)
Cost of international outbound calls	(61)	(82)	(207)	(205)
Lease of circuits and use of public network	(130)	(120)	(348)	(353)
Mobile services - charges for roaming	(87)	(96)	(287)	(354)
Mobile services - charges for TLRD	(389)	(236)	(1,088)	(713)
	(763)	(624)	(2,295)	(1,954)
Fees for services, maintenance, materials and supplies				
Maintenance of hardware and software	(169)	(138)	(499)	(376)
Technical maintenance	(361)	(311)	(1,024)	(964)
Service connection fees for fixed lines and Internet lines	(183)	(73)	(396)	(189)
Service connection fees capitalized as SAC	6	3	10	10
Service connection fees capitalized as Intangible assets	11	12	31	31
Other maintenance costs	(198)	(126)	(480)	(367)
Obsolescence of inventories	(4)	(15)	(10)	(36)
Call center fees	(554)	(370)	(1,443)	(1,034)
Other fees for services	(328)	(214)	(896)	(618)
Compensation for Directors and Supervisory Committee members	(17)	(13)	(49)	(37)
	(1,797)	(1,245)	(4,756)	(3,580)
Taxes and fees with the Regulatory Authority				
Turnover tax	(891)	(702)	(2,543)	(2,054)
Taxes with the Regulatory Authority	(265)	(289)	(784)	(836)
Tax on deposits to and withdrawals from bank accounts	(157)	(142)	(440)	(401)
Municipal taxes	(130)	(98)	(365)	(288)
Other taxes	(103)	(74)	(284)	(220)
	(1,546)	(1,305)	(4,416)	(3,799)
Commissions				
Agent commissions	(613)	(780)	(1,953)	(2,263)
Agent commissions capitalized as SAC	216	372	731	1,046
Distribution of prepaid cards commissions	(217)	(200)	(621)	(558)
Collection, CPP and other commissions	(268)	(337)	(842)	(1,020)
	(882)	(945)	(2,685)	(2,795)
Cost of equipment and handsets				
Inventory balance at the beginning of the period/year	(1,299)	(2,552)	(1,332)	(2,279)
Plus:				
Purchases	(2,600)	(1,390)	(5,401)	(4,863)
Deferred costs from SAC	21	38	58	94
Decreases from allowance for obsolescence	6	17	18	42
Mobile handsets lent to customers at no cost	6	15	22	42
Decreases not charged to material cost	-	1	-	10
Less:				
Inventory balance at period end	1,997	2,323	1,997	2,323
	(1,869)	(1,548)	(4,638)	(4,631)
Advertising				
Media advertising	(211)	(112)	(518)	(333)
Fairs and exhibitions	(49)	(33)	(133)	(105)
Other advertising costs	(30)	(32)	(118)	(110)
	(290)	(177)	(769)	(548)
Cost of VAS				
Cost of mobile VAS	(207)	(336)	(637)	(1,101)
Cost of fixed VAS	(17)	(14)	(53)	(41)
	(224)	(350)	(690)	(1,142)

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	<u>Three-month periods ended</u> <u>September 30,</u>		<u>Nine-month periods</u> <u>ended</u> <u>September 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	Profit (loss)			
Other operating costs				
Transportation, freight and travel expenses	(243)	(231)	(676)	(777)
Delivery costs capitalized as SAC	19	17	53	115
Rent of buildings and cell sites	(289)	(185)	(767)	(560)
Energy, water and others	(270)	(202)	(821)	(649)
International and satellite connectivity	(62)	(49)	(183)	(161)
	(845)	(650)	(2,394)	(2,032)
D&A				
Depreciation of PP&E	(1,267)	(1,105)	(3,702)	(3,087)
Amortization of SAC and service connection charges	(381)	(381)	(1,160)	(1,087)
Amortization of 3G/4G licenses	(80)	(96)	(244)	(289)
Amortization of other intangible assets	(13)	(9)	(27)	(22)
	(1,741)	(1,591)	(5,133)	(4,485)
Disposal and impairment of PP&E				
Impairment of PP&E – Fixed Services	10	(5)	(16)	4
Impairment of PP&E – Mobile Services	(1)	(54)	(55)	(199)
Disposal of PP&E – Fixed Services	-	(1)	(13)	(1)
Disposal of PP&E – Mobile Services	(3)	7	(11)	(6)
	6	(53)	(95)	(202)

The operating expenses disclosed by function are as follows:

Operating costs	(8,378)	(7,024)	(23,275)	(20,467)
Administration costs	(843)	(777)	(2,366)	(1,907)
Commercialization costs	(4,261)	(3,738)	(12,213)	(10,649)
Other expenses – provisions	(98)	(25)	(357)	(106)
Disposal and impairment of PP&E	6	(53)	(95)	(202)
	(13,574)	(11,617)	(38,306)	(33,331)

af) Financial results

Finance income

Gains on investments	302	18	616	224
Gains on other short-term investments	19	4	92	30
Interest on receivables	207	101	546	252
Tuves Paraguay acquisition rights	-	18	-	7
Foreign currency exchange gains	213	(12)	498	88
Other	16	-	21	-
Total finance income	757	129	1,773	601

Finance expenses

Interest on loans	(209)	(499)	(659)	(1,200)
Interest on salaries and social security payable, other taxes payables and accounts payable	(12)	(11)	(38)	(25)
Interest on provisions	(73)	(49)	(237)	(166)
Present value effect of salaries and social security payable and other taxes payables	(1)	(15)	(2)	(17)
Foreign currency exchange losses (*)	(466)	(177)	(1,053)	(836)
Pension benefits financial cost	(12)	(9)	(35)	(28)
Tuves Paraguay acquisition rights	-	-	(21)	-
Other	-	(5)	(4)	(11)
Total finance expenses	(773)	(765)	(2,049)	(2,283)
	(16)	(636)	(276)	(1,682)

(*) Net of 14 and 4 of gains generated by the NDF in the nine-month periods ended September 30, 2017 and 2016, respectively. Net of 8 and (21) of foreign currency exchange gains (losses) generated by the NDF in the three-month periods ended September 30, 2017 and 2016, respectively.

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ag) Income taxes

Income tax expense for the nine-month periods ended September 30, 2017 and 2016 consists of the following:

	The Company	Telecom USA	Profit (loss)			Total
			Personal	Núcleo		
Current tax expense	(573)	(11)	(2,995)	(27)		(3,606)
Deferred tax benefit (expense)	143	3	419	(6)		559
Income tax expense as of September 30, 2017	(430)	(8)	(2,576)	(33)		(3,047)
Current tax expense	(300)	(8)	(1,209)	(22)		(1,539)
Deferred tax benefit (expense)	65	2	127	(1)		193
Income tax expense as of September 30, 2016	(235)	(6)	(1,082)	(23)		(1,346)

Income tax expense for the periods differed from the amounts computed by applying the Company's statutory income tax rate to pre-tax income as a result of the following:

	In Argentina	Abroad Profit (loss)	Total
Non - taxable items – Income from investments	(4,935)	(4)	(4,939)
Non - taxable items – Other	1	18	19
Subtotal	8,512	249	8,761
Weighted statutory income tax rate	35%	(*)	
Income tax expense at weighted statutory tax rate	(2,980)	(41)	(3,021)
Income tax on dividends from foreign companies – Núcleo	(26)	-	(26)
Other changes in tax assets and liabilities	-	-	-
Income tax expense as of September 30, 2017	(3,006)	(41)	(3,047)
Pre-tax income on a separate return basis (*)	5,801	114	5,915
Non - taxable items – Income from investments	(2,072)	9	(2,063)
Non - taxable items – Other	6	46	52
Subtotal	3,735	169	3,904
Weighted statutory income tax rate	35%	(*)	
Income tax expense at weighted statutory tax rate	(1,307)	(29)	(1,336)
Income tax on dividends from foreign companies – Núcleo	(12)	-	(12)
Other changes in tax assets and liabilities	2	-	2
Income tax expense as of September 30, 2016	(1,317)	(29)	(1,346)

(*) Effective income tax rate based on weighted statutory income tax rate in the different countries where the Telecom Group has operations. For the period presented, the statutory tax rate in Argentina was 35%, in Paraguay was 10% plus an additional rate of 5% in case of payment of dividends and in the USA the effective tax rate was 39.5%.

NOTE 3 – SUPPLEMENTARY CASH FLOW INFORMATION

For purposes of the statements of cash flows, cash and cash equivalents comprise cash, bank current accounts and short-term highly liquid investments (with a maturity of three months or less from the date of acquisition) and bank overdrafts, which integrate the Telecom Group's cash management and whose balances fluctuate according to the Group's operating needs. Bank overdrafts are disclosed in the statement of financial position as current financial debts. During the nine-month periods ended September 30, 2017 and 2016 bank overdrafts have been part of the permanent short-term financing structure of the Telecom Group, so, net funds requests under that method (with maturities less than three months) are included in financing activities.

Additional information on the breakdown of the net cash flow provided by operating activities is given below:

Collections	Nine-month periods ended September 30,	
	2017	2016
Collections from customers	52,648	40,195
Interests from customers	548	252
Interests from time deposits and gains on other short-term investments	415	30
Mobile operators collections	692	376
Subtotal	54,303	40,853

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Payments	Nine-month periods ended September 30.	
	2017	2016
For the acquisition of goods and services and others	(13,802)	(12,506)
For the acquisition of inventories	(3,325)	(4,757)
Salaries and social security payables and severance payments	(8,345)	(6,751)
CPP payments	(581)	(270)
Income taxes (includes tax returns and payments in advance)	(1,840)	(1,280)
Other taxes and taxes and fees with the Regulatory Authority	(10,258)	(7,859)
Foreign currency exchange differences related to the payments to suppliers	(584)	(1,071)
<i>Inventory suppliers</i>	(198)	(269)
<i>PP&E suppliers</i>	(310)	(1,189)
<i>Other suppliers</i>	(71)	(107)
<i>NDF liquidation</i>	(5)	494
Subtotal	(38,735)	(34,494)
Net cash flow provided by operating activities	15,568	6,359

Changes in assets/liabilities components consist on the following:

	Nine-month periods ended September 30.	
	2017	2016
Net decrease (increase) in assets		
Trade receivables	(1,095)	(2,842)
Other receivables	(179)	219
Inventories	(701)	(101)
	(1,975)	(2,724)
Net increase (decrease) in liabilities		
Trade payables	1,967	(707)
Deferred revenues	368	(48)
Salaries and social security payables	454	353
Other taxes payables	14	(227)
Other liabilities	54	42
Provisions	(247)	(92)
	2,610	(679)

a) Main non-cash operating transactions:

Compensation of capitalized trade receivables on the basis of Tuves Paraguay acquisition	149	-
SAC acquisitions offset with trade receivables	233	229
VAT and internal taxes offset with income tax payments	-	54
PP&E disposal receivables offset with trade receivables	-	25

b) Most significant investing activities:

PP&E acquisitions include:

PP&E additions (Note 2.i)	(7,276)	(7,296)
Plus:		
Payments of trade payables originated in prior periods acquisitions	(3,306)	(1,426)
Less:		
Acquisition of PP&E through incurrence of trade payables	2,735	1,826
Mobile handsets lent to customers at no cost (i)	22	42
Asset retirement obligations	-	46
	(7,825)	(6,808)

(i) Under certain circumstances, Personal and Núcleo lend handsets to customers at no cost pursuant to term agreements. Handsets remain the property of the companies and customers are generally obligated to return them at the end of the respective agreements.

Intangible assets acquisitions include:

Intangible assets additions (Note 2.j)	(893)	(1,296)
Plus:		
Payments of trade payables originated in prior periods acquisitions	(103)	(199)
SAC acquisitions offset with trade receivables	(233)	(229)
Less:		
Acquisition of intangible assets through incurrence of trade payables	506	407
	(723)	(1,317)

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The following table presents the cash flows from purchases, sales and maturities of securities which were not considered cash equivalents in the statement of cash flows:

	Nine-month periods ended September 30,	
	2017	2016
Other short-term investments which underlying maturity exceeds 90 days and time deposits maturing over 90 days	(526)	-
Government bonds acquisition	(2,900)	-
Government bonds sale	-	1,051
Government bonds collection	155	88
	(3,271)	1,139

c) Financing activities components:

The following table presents the financing activities components of the consolidated statements of cash flows:

Bank overdrafts – Personal	-	3,774
Bank overdrafts – Telecom Argentina	520	16
Bank overdrafts – Núcleo	-	343
Bank loans – Personal	1,742	-
Bank loans – Núcleo	-	345
Total financial debt proceeds	2,262	4,478
Bank overdrafts – Personal	(1,617)	(600)
Bank overdrafts – Núcleo	-	(438)
Notes - Personal	(565)	-
Bank loans – Personal	(607)	-
Bank loans – Núcleo	(230)	(193)
Total payment of financial debt	(3,019)	(1,231)
Bank overdrafts – Personal	(15)	(813)
Bank overdrafts – Telecom Argentina	(7)	(116)
Interests from Notes - Personal	(270)	(158)
NDF (Personal)	(32)	-
Interests on bank loans – Personal	(391)	(56)
Interests on bank loans – Núcleo	(38)	(46)
Total payment of interest and related costs	(753)	(1,189)

Cash dividends from Telecom Argentina

Fiscal year 2016

The Company's Board of Directors' Meeting held on April 29, 2016, resolved to allocate \$2,000 of the "Reserve for future cash dividends" to a cash dividend distribution in two installments: \$700 that was available to shareholders as from May 13, 2016 and \$1,300 that was available to shareholders on August 26, 2016.

Cash dividends from Núcleo

Fiscal year 2017

The Ordinary Shareholders' Meeting of Núcleo held on March 28, 2017, approved the distribution of cash dividends for an amount of \$109 (that correspond to 40,000 million of Guaraníes translated to Argentine pesos at the exchange rate of the approval day), with the following schedule of payments:

Month of dividends payment	Dividends corresponding to Personal	Dividends corresponding to non- controlling shareholders	Total
May 2017 (*)	37	17	54
October 2017 (**)	37	18	55
Total	74	35	109

(*) As of the payment date, the amounts were 39 and 18, respectively.

(**) Second installment was paid on October 10, 2017.

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d) Additional information required by IAS 7

Reconciliation between the opening and closing balances of liabilities generated by financing activities is disclosed below as required by IAS 7.

	<u>Balances as of December 31, 2016</u>	<u>Transfers</u>	<u>Cash Flows</u>	<u>Accrued interests</u>	<u>Exchange differences and other comprehensive income</u>	<u>Balances as of September 30, 2017</u>
Bank overdrafts – Personal	1,666	-	(1,617)	-	-	49
Bank overdrafts – Telecom Argentina	41	-	520	-	-	561
Bank loans – principal (Personal)	620	-	(620)	-	-	-
Bank loans – principal (Núcleo)	219	100	(230)	-	18	107
Notes – principal (Personal)	566	717	(565)	-	-	718
NDF	2	-	(32)	22	34	26
Accrued interests	152	1,271	(721)	637	16	1,355
Total current financial debt (Note 2.m)	3,266	2,088	(3,265)	659	68	2,816
Notes – principal (Personal)	2,084	(1,460)	-	-	117	741
Bank loans – IFC Loan - principal (Personal)	6,234	(528)	1,755	-	502	7,963
Bank loans – principal (Núcleo)	328	(100)	-	-	30	258
NDF	-	-	-	-	33	33
Total non-current financial debt (Note 2.u)	8,646	(2,088)	1,755	-	682	8,995
Total financial debt	11,912	-	(a) (1,510)	659	750	11,811

(a) Correspond to \$2,262 of debt proceeds, \$3,019 of principal payments and \$753 of interest payments.

NOTE 4 – SEGMENT INFORMATION

Until September 30, 2016, the Telecom Group carried out its activities through six companies grouped in operating segments. As a consequence of the acquisition of an equity interest in Tuves Paraguay on June 30, 2017 (see Note 12.j), since July 2017, the Telecom Group carries out its activities through seven companies as described in Note 1.a).

Segment information for the nine-month period ended September 30, 2017, includes Tuves Paraguay's operations for 3Q17; which were included in the "Núcleo Mobile Services".

The Telecom Group has combined the operating segments into three reportable segments: "Fixed Services", "Personal Mobile Services" and "Núcleo Mobile Services" based on the nature of products provided by the entities and taking into account the regulatory and economic framework in which each entity operates.

Segment financial information for the nine-month periods ended September 30, 2017 and 2016 was as follows:

For the nine-month period ended September 30, 2017

□ **Income statement**

	Fixed Services	Mobile Services			Eliminations	Total
		Personal	Núcleo (*)	Subtotal		
Total revenues and other income (1)	16,507	30,782	2,125	32,907	(2,090)	47,324
Employee benefit expenses and severance payments	(6,869)	(2,127)	(162)	(2,289)	-	(9,158)
Interconnection costs and other telecommunication charges	(883)	(2,585)	(158)	(2,743)	1,331	(2,295)
Fees for services, maintenance, materials and supplies	(2,503)	(2,545)	(204)	(2,749)	496	(4,756)
Taxes and fees with the Regulatory Authority	(1,076)	(3,256)	(84)	(3,340)	-	(4,416)
Commissions	(303)	(2,209)	(246)	(2,455)	73	(2,685)
Cost of equipment and handsets	(233)	(4,319)	(86)	(4,405)	-	(4,638)
Advertising	(138)	(552)	(79)	(631)	-	(769)
Cost of VAS	(53)	(497)	(140)	(637)	-	(690)
Provisions	(87)	(269)	(1)	(270)	-	(357)
Bad debt expenses	(151)	(704)	(65)	(769)	-	(920)
Other operating expenses	(1,182)	(1,268)	(134)	(1,402)	190	(2,394)
Operating income before D&A	3,029	10,451	766	11,217	-	14,246
Depreciation of PP&E	(1,506)	(1,715)	(481)	(2,196)	-	(3,702)
Amortization of intangible assets	(128)	(1,237)	(66)	(1,303)	-	(1,431)
Disposal and impairment of PP&E	(29)	(66)	-	(66)	-	(95)
Operating income	1,366	7,433	219	7,652	-	9,018
Financial results, net	(112)	(148)	(16)	(164)	-	(276)
Income before income tax expense	1,254	7,285	203	7,488	-	8,742
Income tax expense	(438)	(2,576)	(33)	(2,609)	-	(3,047)
Net income	816	4,709	170	4,879	-	5,695
Net income attributable to Telecom Argentina	816	4,709	116	4,825	-	5,641
Net income attributable to non-controlling interest	-	-	54	54	-	54
	816	4,709	170	4,879	-	5,695

(*) Includes non-material operations of Personal Envíos (Revenues 28, Operating income before D&A 0, Operating loss (2) and Net Loss (2)). It also includes non-material operations of Tuves Paraguay (Revenues 65, Operating income before D&A 22, Operating income 11, Net Income 9 and the effect of the reversal of the increased value recognized at the moment of the acquisition of Tuves Paraguay. These operations are net of intersegment eliminations.

(1)

Service revenues	14,335	25,264	2,047	27,311	-	41,646
Equipment revenues	294	5,250	73	5,323	-	5,617
Other income	49	12	-	12	-	61
Subtotal third party revenues	14,678	30,526	2,120	32,646	-	47,324
Intersegment revenues	1,829	256	5	261	(2,090)	-
Total revenues and other income	16,507	30,782	2,125	32,907	(2,090)	47,324

□ **Statement of financial position information**

PP&E	13,947	10,062	2,324	12,386	-	26,333
Intangible assets, net	375	6,618	202	6,820	(1)	7,194
Capital expenditures on PP&E (a)	3,120	2,376	249	2,625	-	5,745
Capital expenditures on intangible assets (b)	86	769	38	807	-	893
Total capital expenditures in PP&E and intangible assets (a)+ (b)	3,206	3,145	287	3,432	-	6,638
Total additions on PP&E and intangible assets	4,721	3,155	293	3,448	-	8,169
Net financial asset (debt)	66	661	(224)	437	-	503

□ **Geographic information**

	Total revenues and other income		Total non-current assets
	Breakdown by location of operations	Breakdown by location of the Group's customers	Breakdown by location of operations
Argentina	44,981	44,761	36,285
Abroad	2,343	2,563	2,625
Total	47,324	47,324	38,910

For the nine-month period ended September 30, 2016

□ **Income statement**

	Fixed Services	Mobile Services			Eliminations	Total
		Personal	Núcleo (*)	Subtotal		
Total revenues and other income (1)	12,347	26,059	1,987	28,046	(1,539)	38,854
Employee benefit expenses and severance payments	(5,335)	(1,727)	(151)	(1,878)	-	(7,213)
Interconnection costs and other telecommunication charges	(712)	(2,033)	(168)	(2,201)	959	(1,954)
Fees for services, maintenance, materials and supplies	(1,657)	(2,141)	(159)	(2,300)	377	(3,580)
Taxes and fees with the Regulatory Authority	(824)	(2,914)	(61)	(2,975)	-	(3,799)
Commissions	(241)	(2,375)	(217)	(2,592)	38	(2,795)
Cost of equipment and handsets	(126)	(4,252)	(253)	(4,505)	-	(4,631)
Advertising	(61)	(406)	(81)	(487)	-	(548)
Cost of VAS	(41)	(1,009)	(92)	(1,101)	-	(1,142)
Provisions	(39)	(67)	-	(67)	-	(106)
Bad debt expenses	(98)	(662)	(84)	(746)	-	(844)
Other operating expenses	(1,008)	(1,076)	(113)	(1,189)	165	(2,032)
Operating income before D&A	2,205	7,397	608	8,005	-	10,210
Depreciation of PP&E	(1,220)	(1,442)	(425)	(1,867)	-	(3,087)
Amortization of intangible assets	(159)	(1,160)	(79)	(1,239)	-	(1,398)
Disposal and impairment of PP&E	3	(206)	1	(205)	-	(202)
Operating income	829	4,589	105	4,694	-	5,523
Financial results, net	(142)	(1,531)	(9)	(1,540)	-	(1,682)
Income before income tax expense	687	3,058	96	3,154	-	3,841
Income tax expense	(241)	(1,082)	(23)	(1,105)	-	(1,346)
Net income	446	1,976	73	2,049	-	2,495

Net income attributable to Telecom Argentina (Controlling Company)	446	1,976	49	2,025	-	2,471
Net income attributable to non-controlling interest	-	-	24	24	-	24
	446	1,976	73	2,049	-	2,495

(*) Includes non-material operations of Personal Envíos, (Revenues 16, Operating loss before D&A (7), Operating loss (9) and Net loss (9)).

(1)

Service revenues	10,812	20,297	1,765	22,062	-	32,874
Equipment revenues	78	5,649	217	5,866	-	5,944
Other income	35	1	-	1	-	36
Subtotal third party revenues	10,925	25,947	1,982	27,929	-	38,854
Intersegment revenues	1,422	112	5	117	(1,539)	-
Total revenues and other income	12,347	26,059	1,987	28,046	(1,539)	38,854

□ **Statement of financial position information**

PP&E	10,860	8,951	2,182	11,133	-	21,993
Intangible assets, net	426	7,066	85	7,151	(1)	7,576
Capital expenditures on PP&E (a)	2,518	3,469	416	3,885	-	6,403
Capital expenditures on other intangible assets (b)	142	1,095	59	1,154	-	1,296
Total capital expenditures in PP&E and intangible assets (a)+ (b)	2,660	4,564	475	5,039	-	7,699
Total additions on PP&E and intangible assets	3,269	4,845	478	5,323	-	8,592
Net financial asset (debt)	363	(6,928)	(592)	(7,520)	-	(7,157)

□ **Geographic information**

	Total revenues and other income		Total non-current assets
	Breakdown by location of operations	Breakdown by location of the Group's customers	Breakdown by location of operations
Argentina	36,672	36,323	28,012
Abroad	2,182	2,531	2,585
Total	38,854	38,854	30,597

NOTE 5 –BALANCES AND TRANSACTIONS WITH COMPANIES UNDER SECT. 33 OF LAW No. 19,550 AND RELATED PARTIES

a) Controlling group

As of September 30, 2017, Nortel, residing in A. Moreau de Justo 50 - 13th floor –Ciudad Autónoma de Buenos Aires, holds 54.74% stake in the Company, meaning that it exercises control of the Company in the terms of Section 33 of Law No. 19,550. Nortel owns all of the Class “A” Preferred shares (51% of total shares of the Company) and 7.64% of the Class “B” Preferred shares (3.74% of total shares of the Company).

As a result of the Company’s Treasury Shares Acquisition Process described in Note 7.b), as of September 30, 2017, Nortel’s equity interest in Telecom Argentina amounts to 55.60% of the outstanding shares. Pursuant to Section 221 of the LGS, the rights of treasury shares shall be suspended until such shares are sold, and shall not be taken into account to determine the quorum or the majority of votes at the Shareholders’ Meetings.

All shares of common stock of Nortel belong to Sofora. As of September 30, 2017 these shares represent 78.38% of Nortel’s capital stock.

Sofora’s capital stock consists of common stock shares, with a par value of \$1 Argentine peso each and one vote per share. As of September 30, 2017, Sofora’s total shares are held by Fintech, as a result of the total amortization of the Sofora’s shares held by WAI during the nine-month period ended September 30, 2017 (see Note 10.1).

Additionally, Fintech holds 58,173,522 Telecom Argentina’s Class B shares, which represent 5.91% of Telecom Argentina’s total capital stock.

Fintech, a Delaware (United States) limited liability company, is a wholly-owned direct subsidiary of Fintech Advisory Inc. and its primary purpose is to hold, directly and indirectly, the securities of Telecom Argentina. Fintech Advisory Inc., a Delaware (United States) company, is directly controlled by Mr. David Martínez. Fintech Advisory Inc. is an investor and investment manager in equity and debt securities of sovereign and private entities primarily in emerging markets.

In connection with the Shareholders’ Agreement entered into by the Telecom Italia Group and WAI, through which Fintech acquired all the rights and obligations of the Telecom Italia Group, it was no longer into effect with respect to: i) the political rights therein provided, on May 23, 2017, when 17% of Sofora’s shares were amortized; and (ii) the rest of its provisions, on June 22, 2017, when 15% of Sofora’s shares were amortized (see Note 10.1).

b) Related parties

For the purposes of these consolidated financial statements, related parties are those individuals or legal entities which are related (in terms of IAS 24) to Fintech, ABC Telecomunicaciones S.A. (non-controlling shareholder of Núcleo) and TU VES S.A –Chile (non-controlling shareholder of Tuves Paraguay), except Nortel and companies under sect. 33 of the LGS.

For the periods presented, the Telecom Group has not conducted any transactions with Key Managers and/or persons related to them, except the mentioned in e) below.

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c) Balances with companies under sect. 33 of Law No. 19,550 and related parties

• Companies under Section 33 – Law No. 19,550

	<u>Type of company</u>	<u>September 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
CURRENT ASSETS			
Other receivables			
Nortel	Parent company	4	-
Sofora	Parent company	1	-
		<u>5</u>	<u>-</u>
CURRENT LIABILITIES			
Trade payables			
Sofora	Parent company	2	-
		<u>2</u>	<u>-</u>
Related parties			
CURRENT ASSETS			
Cash and cash equivalents			
Banco Atlas S.A. (a)		1	2
		<u>1</u>	<u>2</u>
Trade receivables			
Editorial Azeta S.A. (a)		-	1
		<u>-</u>	<u>1</u>
CURRENT LIABILITIES			
Trade payables			
Experta ART S.A. (b)		-	16
Haras El Capricho S.A. (b)		-	1
Telteco S.A. (c)		-	4
		<u>-</u>	<u>21</u>
Financial debt – Notes (Current and Non-Current)			
La Estrella Sociedad Anónima de Seguros de Retiro S.A. (b)		-	172
Experta ART S.A. (b)		-	151
		<u>-</u>	<u>323</u>
Dividend payables			
ABC Telecomunicaciones S.A.		20	-
		<u>20</u>	<u>-</u>

(a) Such companies relate to ABC Telecommunications Group of Paraguay (Non-controlling shareholders' of Núcleo.

(b) Such companies relate to W de Argentina – Inversiones S.A. until May 23, 2017.

(c) Such company relates to a member of the Board of Directors appointed by W de Argentina – Inversiones S.A. until May 23, 2017.

d) Transactions with related parties

	<u>Transaction description</u>	<u>Nine-month periods ended September 30,</u>	
		<u>2017</u>	<u>2016</u>
		<u>Profit (loss)</u>	
Services rendered			
Editorial Azeta S.A. (a)	Postpaid – Retail	3	2
Banco Atlas S.A. (a)	Postpaid – Retail	1	-
Penta S.A. (a)	Postpaid – Retail	1	-
	Total services rendered	<u>5</u>	<u>2</u>
Services received			
Editorial Azeta S.A. (a)	Advertising	(2)	(3)
Penta S.A. (a)	Rental	(1)	-
	Total services received	<u>(3)</u>	<u>(3)</u>

(a) Such companies relate to ABC Telecommunications Group of Paraguay (Non-controlling shareholders' of Núcleo.

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The transactions discussed above were made on terms no less favorable to the Telecom Group than would have been obtained from unaffiliated third parties. The Board of Directors approved transactions representing more than 1% of the total shareholders' equity of the Company, after being approved by the Audit Committee in compliance with Law No. 26,831.

In connection with the change of control explained, on March 8, 2016, Fintech acquired 51% of Sofora's shares from the Telecom Italia Group. As a result, since January 1, 2016 until such date (in which the Telecom Italia Group ceased to be a related party of the Telecom Group), the transactions carried out with the Group amounted to \$111 for services rendered, \$72 for services received and \$18 for purchase of PP&E. It should be mentioned that no transactions with related parties of Fintech were identified since March 8, 2016 according to IAS 24.

In addition, with the first tranche amortization of Sofora's ordinary shares owned by WAI (see Note 10.1 to these consolidated financial statements), as of May 23, 2017 WAI ceased to be a related party of the Telecom Group. The operations carried out with the aforementioned Group since January 1, 2017 until such date amounted to \$7 for services rendered, \$72 for services received and \$34 for financial costs related to loans, while operations carried out in the nine-month period ended September 30, 2016 amounted to \$3 for services rendered, \$107 for services received, \$39 for financial costs related to loans and \$8 for purchase of PP&E.

e) Key Managers

Compensation for the Key Managers, including social security contribution, amounted to \$125 and \$141 for the nine-month periods ended September 30, 2017 and 2016, respectively, and was recorded as an expense under the item line "Employee benefit expenses and severance payments".

The total remuneration expense is comprised as follows:

	<u>Three-month periods ended</u>		<u>Nine-month periods</u>	
	<u>September 30,</u>		<u>ended September 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Salaries (*)	18	13	54	36
Variable compensation (*)	13	11	37	24
Social security contributions	9	6	26	18
Hiring bonuses	-	-	-	5
Termination benefits	-	24	8	58
	<u>40</u>	<u>54</u>	<u>125</u>	<u>141</u>

(*) Gross compensation. Social security contributions and income tax withholdings that are deducted from the gross compensation are in charge of the employee.

As of September 30, 2017, \$48 remained unpaid.

As of September 30, 2017 and 2016, the Telecom Group has recorded a provision of \$31 and \$21, respectively, for the fees of its Board of Directors' members. Additionally, a member of the Board of Directors (included in the Company's payroll) has performed technical and administrative tasks for \$22, recorded within Salaries and Social security expenses in the Consolidated Income Statements for the nine-month period ended September 30, 2017.

The members and alternate members of the Board of Directors do not hold executive positions in the Company or Company's subsidiaries.

NOTE 6 – COMMITMENTS AND CONTINGENCIES OF THE TELECOM GROUP

a) Purchase commitments

The Telecom Group has entered into various purchase orders amounting in the aggregate to approximately \$9,859 as of September 30, 2017 (of which \$4,023 corresponds to PP&E commitments), primarily related to the supply of switching equipment, external wiring, infrastructure agreements, inventory and other service agreements.

b) Contingencies

The Telecom Group is a party to several civil, tax, commercial, labor and regulatory proceedings and claims that have arisen in the ordinary course of business. In order to determine the proper level of provisions, Management of the Company, based on the opinion of its internal and external legal counsel, assesses the likelihood of any adverse judgments or outcomes related to these matters as well as the range of probable losses that may result from the potential outcomes. A determination of the amount of provisions required, if any, is determined after an analysis of each individual case.

The determination of the required provisions may change in the future due to new developments or unknown facts at the time of the evaluation of the claims or changes as a matter of law or legal interpretation. Consequently, as of September 30, 2017, the Telecom Group has recorded provisions in an aggregate amount of \$2,053 (\$56 for regulatory contingencies deducted from assets and \$1,997 included under provisions) to cover potential losses under these claims and certain amounts deposited in the Company's bank accounts have been restricted as to their use due to some judicial proceedings. As of September 30, 2017, these restricted funds totaled \$89 (included under "Other receivables" item line in the consolidated statement of financial position).

Provisions consist of the following:

	Balances as of December 31, 2016	Additions		Reclassifications	Decreases		Balances as of September 30, 2017
		Capital	Interest (i)		Classified to liability	Payments	
Current							
Provision for civil and commercial proceedings	109	30	-	52	-	(23)	168
Provision for labor claims	91	-	-	187	-	(191)	87
Provision for regulatory, tax and other matters claims	71	1	-	88	-	(33)	127
Total current provisions	271	31	-	327	-	(247)	382
Non-current							
Provision for civil and commercial proceedings	261	80	36	(52)	-	-	325
Provision for labor claims	377	215	117	(187)	-	-	522
Provision for regulatory, tax and other matters claims	416	58	27	(88)	-	-	413
Asset retirement obligations	298	-	57	-	-	-	355
Total non-current provisions	1,352	353	237	(327)	-	-	1,615
Total provisions	1,623	(ii) 384	237	-	-	(247)	1,997

(i) Included in Finance costs, in the line Interest on provisions.

(ii) 357 included in Provisions, 1 in (currency translation adjustment) and 26 are relating to the acquisition of Tuves Paraguay.

	Balances as of December 31, 2015	Additions		Reclassifications	Decreases		Balances as of September 30, 2016
		Capital	Interest (iii)		Classified to liability	Payments	
Current							
Provision for civil and commercial proceedings	112	-	-	10	(14)	(16)	92
Provision for labor claims	51	-	-	78	-	(48)	81
Provision for regulatory, tax and other matters claims	44	-	-	59	-	(26)	77
Total current provisions	207	-	-	147	(14)	(90)	250
Non-current							
Provision for civil and commercial proceedings	240	3	34	(10)	-	-	267
Provision for labor claims	329	75	60	(78)	-	-	386
Provision for regulatory, tax and other matters claims	407	28	27	(59)	-	-	403
Asset retirement obligations	189	46	45	-	-	(2)	278
Total non-current provisions	1,165	152	166	(147)	-	(2)	1,334
Total provisions	1,372	(iv) 152	166	-	(14)	(92)	1,584

(iii) Included in Finance costs, in the line Interest on provisions.

(iv) 106 included in Provisions and 46 included in CAPEX.

NOTE 7 – EQUITY

Equity includes:

	<u>September 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Equity attributable to Telecom Argentina (Controlling Company)	25,063	19,336
Equity attributable to non-controlling interest	686	542
Total equity (*)	25,749	19,878

(*) Additional information is given in the consolidated statements of changes in equity.

(a) Capital information

The total capital stock of Telecom Argentina amounted to \$984,380,978, represented by an equal number of ordinary shares, of \$1 Argentine peso of nominal value, of which 969,159,605 are entitled to vote, as 15,221,373 are treasury shares. The capital stock is fully integrated and registered with the Public Registry of Commerce.

The Company's shares are authorized by the CNV and the SEC for public trading in the BYMA and the NYSE. Taking into account the particular transfer conditions of the Class "A" and Class "C" shares, only Class "B" shares are available for public trading in the BYMA and the NYSE.

Telecom Argentina's breakdown of capital stock as of September 30, 2017 is as following:

Shares	Registered, subscribed and authorized for public offering		
	Outstanding shares	Treasury shares	Total capital stock
Ordinary shares, \$1 Argentine peso of nominal value each			
Class "A"	502,034,299	-	502,034,299
Class "B"	466,890,558	15,221,373	482,111,931
Class "C"	234,748	-	234,748
Total	969,159,605	15,221,373	984,380,978

Each ADS represents 5 Class B shares and are traded on the NYSE under the ticker symbol TEO.

(b) Acquisition of Treasury Shares

The Company's Ordinary Shareholders' Meeting held on April 23, 2013, which was adjourned until May 21, 2013, approved at its second session of deliberations, the creation of a "Voluntary Reserve for Capital Investments" of \$1,200, granting powers to the Company's Board of Directors to decide its total or partial application, and to approve the methodology, terms and conditions of such investments.

In connection with the foregoing, on May 22, 2013, Telecom Argentina's Board of Directors approved a Treasury Shares Acquisition Program of Telecom Argentina in the market in Argentine pesos (the "Treasury Shares Acquisition Program") for the purpose of avoiding any possible damages to Telecom Argentina and its shareholders derived from fluctuations and unbalances between the shares' price and Telecom Argentina's solvency, for the following maximum amount and with the following deadline:

- Maximum amount to be invested: \$1,200.
- Deadline for the acquisitions: until April 30, 2014.

According to the offer made on November 7, 2013 by Fintech Telecom LLC for the acquisition of the controlling interest of the Telecom Italia Group in Telecom Argentina, Telecom Argentina suspended the acquisition of treasury shares and its Board of Directors considered appropriate to request the opinion of the CNV on the applicability of the new provisions contained in the rules issued by that entity (Title II, Chapter I, Section 13 and concurring) with respect to the continuation of the Treasury Shares Acquisition Program.

The CNV did not answer the Company's request and the Telecom Argentina's Board of Directors, at its meeting held on May 8, 2014, decided to conclude the request considering that the Treasury Shares Acquisition Program finished on April 30, 2014, which had been approved by Telecom Argentina's Board of Directors Meeting held on May 22, 2013.

Telecom Argentina's Board of Directors, at its meeting held on June 27, 2014, decided to request a new opinion from the CNV to confirm whether Telecom Argentina is obliged to refrain from acquiring treasury shares in the market under Section 13, Chapter I, Title II of the CNV rules (NT 2013).

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Pursuant to Section 67 of Law No. 26,831, the Company must sell its treasury shares within three years of the date of acquisition. Pursuant to Section 221 of the LGS, the rights of treasury shares shall be suspended until such shares are sold, and shall not be taken into account to determine the quorum or the majority of votes at the Shareholders' Meetings. No restrictions apply to Retained Earnings as a result of the creation of a specific reserve for such purposes named "Voluntary Reserve for Capital Investments", which, as of September 30, 2017 amounted to \$461.

On April 29, 2016, the Ordinary and Extraordinary Shareholders' Meeting approved an additional 3-year extension for the disposal due date of treasury shares provided by Section 67 of Law No. 26,831.

As of September 30, 2016, the Company owns 15,221,373 treasury shares, representing 1.55% of its total capital. The acquisition cost of these shares in the market amounted to \$461.

NOTE 8 – RESTRICTIONS ON DISTRIBUTION OF PROFITS

The Company is subject to certain restrictions on the distribution of profits. Under the LGS, the by-laws of the Company and rules and regulations of the CNV, a minimum of 5% of net income for the year in accordance with the statutory books, plus/less previous years adjustments and accumulated losses, if any, must be appropriated by resolution of the shareholders to a legal reserve until such reserve reaches 20% of the outstanding capital (common stock plus inflation adjustment of common stock). On May 21, 2014, Telecom Argentina reached the maximum amount of its Legal Reserve according to LGS and CNV provisions previously disclosed.

NOTE 9 – SELECTED CONSOLIDATED QUARTERLY INFORMATION (UNAUDITED INFORMATION)

Quarter	Revenues	Operating income before D&A	Operating income	Financial results, net	Net income	Net income attributable to Telecom Argentina
Fiscal year 2016:						
March 31,	12,455	3,402	1,997	(557)	935	925
June 30,	12,951	3,362	1,724	(489)	802	800
September 30,	13,412	3,446	1,802	(636)	758	746
Total 9M2016	38,818	10,210	5,523	(1,682)	2,495	2,471
December 31,	14,422	4,214	2,320	(562)	1,510	1,504
Total 2016	53,240	14,424	7,843	(2,244)	4,005	3,975
Fiscal year 2017:						
March 31,	14,726	4,638	2,893	124	1,966	1,955
June 30,	15,818	4,706	2,958	(384)	1,673	1,660
September 30,	16,719	4,902	3,167	(16)	2,056	2,026
Total 9M2017	47,263	14,246	9,018	(276)	5,695	5,641

NOTE 10 – CORPORATE REORGANIZATION OF THE TELECOM GROUP AND ITS CONTROLLING COMPANIES

1) Amortization of Sofora shares

In March 2017, WAI offered to Sofora and Sofora accepted, with the consent of Fintech (the controlling shareholder of Sofora), an offer to amortize in two tranches all of the 140,704,640 shares issued by Sofora and owned by WAI, according to the provisions of Sections 223 and 228 of the LGS. As a result of the amortization, Sofora agreed to pay WAI an amount equal to the par value of WAI's shares of capital stock issued by Sofora, such amount being equivalent to \$140,704,640, and issue in the name of WAI one or more dividend certificates (Class "A" "Bono de Goce") evidencing WAI's rights to dividends up to an aggregate amount of US\$ 470 million minus the amounts paid to amortize the shares of Sofora owned by WAI (equivalent to U\$S 8,683,596).

On May 23, 2017 the first tranche of the ordinary shares of Sofora owned by WAI (74,749,340 ordinary shares), representing 17% of Sofora's capital stock was amortized. As a result of the mentioned amortization:

- i. Sofora paid \$74,749,340 to WAI and issued a Class "A" Bono de Goce on behalf of WAI which granted them the right to dividends in the amount of US\$ 245,036,017, and
- ii. The members and alternate members of the Board of Directors and of the Supervisory Committee of Telecom Argentina, Personal, Nortel and Sofora appointed by WAI presented their resignations. In the case of Telecom Argentina, the General Ordinary and Extraordinary Shareholders' Meeting

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held on May 23, 2017, in its second tranche of deliberations held on June 6, 2017, appointed two directors, two alternate directors, one member of the Supervisory Committee and one alternate member of the Supervisory Committee to complete the term of duties of the resigning members and alternate members of the Board of Directors and of the Supervisory Committee of Telecom Argentina.

As a result of obtaining the authorization of ENACOM mentioned in 2) of this Note, on June 22, 2017, the second tranche of the ordinary shares of Sofora owned by WAI (65,955,300 shares) representing 15 % of Sofora's capital stock before the first tranche of ordinary shares amortization, was amortized. As a result of this amortization, Sofora paid \$65,955,300 to WAI and issued an additional Class "A" Bono de Goce on behalf of WAI which granted them the right to dividends in the amount of US\$ 216,280,387.

As a result of the amortization of all Sofora's ordinary shares, since June 30, 2017, Fintech is the sole shareholder of Sofora.

The principal terms and conditions of each Bono de Goce provide that: (i) dividend payments of up to the maximum amount under the Bono de Goce will be made only if and when Sofora resolves to pay a dividend, (ii) dividend payments made by Sofora shall be paid to the holder of the Bono de Goce with priority over all other shareholders of Sofora, (iii) all dividends to be paid under the Bono de Goce will be paid by Sofora with liquid and realized profits, (iv) the maximum amount of dividends to be collected under the Bono de Goce shall accrete every year on June 1 on the amount of dividends that remain unpaid by Sofora as of May 31 of the relevant year at a 2% annually, (v) Sofora has a right to redeem the Bono de Goce at any time after the later of 36 months from the date of issuance or the payment of 60% of the maximum amount of dividends under the Bono de Goce and, whatever occur at last (vi) in the event that Sofora is absorbed by another continuing company of Sofora's activities, the preference of the Class "A" Bono de Goce will remain only in respect of those shares of the continuing company that Sofora's shareholders receive according to the expected exchange ratio of the Reorganization, so that this preference does not affect the other shareholders of the absorbing company, meaning that, in the case of the reorganization mentioned in this Note (the "Telecom Group's Reorganization"), the preference for the Class "A" Bono de Goce will only be verified with respect to the Class "A" Shares of Telecom Argentina that receives Fintech and will not affect the Class "B" Shares or Class "C" Shares of Telecom Argentina.

If the Reorganization of the Telecom Group is consummated, Telecom Argentina will assume all the rights and obligations of Sofora as issuer of the Class "A" Bonos de Goce. In no event shall the dividend rights under the Class "A" Bonos de Goce affect the dividend rights of holders of Telecom Argentina Class "B" or Class "C" Shares.

2) The Telecom Group's Reorganization

On March 31, 2017, each of the Board of Directors of Sofora, Personal and Nortel and Telecom Argentina approved a preliminary reorganization agreement (the "Preliminary Reorganization Agreement"). Under the terms of the Preliminary Reorganization Agreement, Telecom Argentina will absorb to Nortel, Sofora and Personal according to the provisions of sections 82 and 83 of the LGS.

Telecom Argentina's and Personal's General Ordinary and Extraordinary Shareholders' Meetings held on May 23, 2017, and Nortel's and Sofora's General Extraordinary Shareholders' Meeting held on May 22, 2017 approved the Telecom Group's Reorganization jointly with the following documents:

- i. Special-purpose unconsolidated financial statements of their respective companies as of December 31, 2016;
- ii. Special-purpose combined financial statements of Sofora, Nortel, Telecom Argentina y Telecom Personal as of December 31, 2016;
- iii. The corresponding preliminary reorganization agreement approved on March 31, 2017.

Additionally, the mentioned Telecom Argentina's General Ordinary and Extraordinary Shareholders' Meeting approved:

- i. the conversion of up to 161,039,447 Class A Ordinary Shares, par value \$1 entitled to one vote per share into equal Class B Ordinary Shares, par value \$1 and entitled to one vote per share to be delivered to Nortel's Preferred Class "B" Shares holders, as explained in Section 4th of the related preliminary reorganization agreement; and
- ii. the amendment of the following sections of the Bylaws:
 - a. Section 4°: to establish a dynamic conversion procedure for the shares representing capital stock from one Class to the other with equal political and equity rights; and
 - b. Section 5°: to allow the total or partial amortization of integrated shares according to the provisions of Section 223 of LGS and allow de issuance of Bonos de Goce according to the provisions of Section 228 on the mentioned Law.

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- iii. The removal of Section 9° of the Bylaws, which includes limitations for transferring Class “A” Shares, which will be effective since the authorization of the ENACOM of the Nortel’s dissolution related to the Reorganization of the Telecom Group and the distribution to holders of Nortel’s Class “B” Preferred Shares of a portion of Class “A” Shares of Telecom Argentina through its conversion to Class “B” Shares in accordance to the provisions of the corresponding preliminary reorganization agreement.

At least, Personal’s, Nortel’s and Sofora’s Shareholders’ Meeting approved the dissolution without liquidation of such companies in accordance with Section 94, item 7 of the LGS as a consequence of their incorporation to Telecom Argentina through the Telecom Group’s Reorganization.

The effective date of the Telecom Group’s Reorganization will be since 0:00 hours of the date in which the Chairmen of the Board of Directors of the parties of the Telecom Group subscribe an operations translation minute stating that: (i) Telecom Argentina has adapted its operational- technical systems to assume the operations and activities of Personal, Nortel and Sofora, and (ii) the translation of the activities and operations of the absorbed companies to Telecom Argentina was finalized as the following conditions to which the Telecom Group’s Reorganization was subject were accomplished:

- approval of the Telecom Group’s Reorganization under the terms and conditions established in its previous reorganization agreement in Nortel’s Special Shareholders’ Meetings (see Note 13.b);
- the signing of its definitive reorganization agreement;
- the obtaining of certain ENACOM’s regulatory authorizations;
- that Telecom Argentina has conditioned its operational- technical systems with capacity to absorb the operations of Personal, Nortel and Sofora.

In addition, the improvement of the corporate and administrative procedures of the Reorganization of the Telecom Group is subject to the following conditions, among others: (i) obtaining the administrative compliance of the CNV with respect to the Telecom Group Reorganization, (ii) registration of its definitive reorganization agreement in the IGJ and (iii) obtaining any other authorization that may be required by other regulatory bodies (among others, the SEC).

As mentioned above, the companies involved have requested ENACOM the following authorizations provided for in the previous reorganization agreement:

a) ENACOM authorization (requested on March 30, 2017) for releasing the shares that comprised the second amortization tranche of Sofora’s ordinary shares (owned by WAI representing 15% of Sofora’s capital stock) of the allocation to the main core of shares of the investment consortium for the acquisition, in the process of privatization of ENTel, of the Sociedad Licenciataria Norte (currently Telecom Argentina) pursuant to the provisions of Decree No. 62/90 issued on January 5, 1990 and the terms of such privatization and Resolution No. 111/03 issued by the SC on December 10, 2003.

b) ENACOM authorization (requested on May 17, 2017) for the dissolution of Nortel as a result of the Reorganization of the Telecom Group and the distribution to the holders of Nortel’s Class “B” Preferred Shares of a portion of Telecom Argentina’s Class “A” Shares through Its conversion to Telecom Argentina’s Class “B” Shares pursuant to the corresponding reorganization agreement.

c) ENACOM authorization (requested on May 17, 2017) for the transfer to Telecom Argentina, as a result of the Reorganization of the Telecom Group, of all licenses for the provision of ICT Services and the records of ICT Services, together with the corresponding permissions for the use of frequencies, which were granted or awarded to Personal.

On June 16, 2017, the ENACOM Authorization referred to in a) above was granted by Resolution No. RESOL-2017-5120-APN-ENACOM # MCO, allowing the amortization of the second tranche of Sofora’s ordinary shares, described in 1).

As of the date of issuance of these consolidated financial statements, the procedures mentioned in b) and c) above pending from a favorable ENACOM resolution.

As a consequence of the reorganization and with effect as of the date thereof: (i) the total equities of the Absorbed Companies will be transferred to Telecom Argentina to the book values of such items in the respective Special Individual Reorganization Financial Statements. According to this, Telecom Argentina will acquire all rights, obligations and responsibilities of any nature of Personnel, Sofora and Nortel; (ii) Telecom Argentina will be the continuing company of all Personal, Sofora and Nortel activities; (iii) Personal, Sofora and Nortel will be dissolved without liquidation and (iv) Nortel’s shares and ADS’s and Sofora’s and Personal’s ordinary shares will be cancelled.

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As a consequence of the Reorganization, Nortel will:

- (i) distribute a portion of Nortel's Telecom Argentina Class "A" Shares to the holders of Sofora Common Shares,
- (ii) convert Nortel's remaining Telecom Argentina Class "A" Shares to Telecom Argentina Class "B" Shares,
- (iii) distribute all of Nortel's Telecom Argentina Class "B" Shares (including all of Nortel's Telecom Argentina Class "B" Shares that will be converted from Telecom Argentina Class "A" Shares) to the holders of Nortel Preferred Shares, and
- (iv) cancel all of Nortel's preferred Class "B" shares and ordinary shares.

Telecom Argentina will not issue any new Class "B" Shares or Class "A" Shares in connection with the Reorganization. The Reorganization is subject to certain authorizations of ENACOM.

Following the Reorganization approval at the Nortel's Special Shareholders' Meetings (see Note 13.b), the companies involved in the Telecom Group's Reorganization expect to enter into a definitive reorganization agreement (the "Final Reorganization Agreement"), which will be filed with the Argentine administrative authorities in accordance with applicable corporate procedures.

Since (i) it is expected that, as of the Telecom Group's Reorganization date, Nortel and Sofora, that are holding companies with no operations or assets other than direct and indirect interests, respectively, in Telecom Argentina and (ii) Personal is a wholly-owned subsidiary of Telecom Argentina, Telecom Argentina does not expect any material changes in its statement of financial position or income statement as of the Telecom Group's Reorganization date. The Reorganization will be accounted for under the Absorbed Companies basis of accounting, as permitted by IFRS as issued by the IASB. Under this method, assets and liabilities of the Absorbed Companies will be incorporated by Telecom Argentina at their respective book values.

NOTE 11 – MERGER BY ABSORPTION BETWEEN TELECOM ARGENTINA AND CABLEVISION S.A.

On June 30, 2017 the Board of Directors of Telecom Argentina and Cablevisión S.A. approved a preliminary merger agreement by which they agree that Telecom Argentina will absorb by merger Cablevisión, which will be dissolved without liquidation, in accordance with the provisions of Sections 82 and 83 of the LGS, and ad referendum of the corporate and regulatory approvals (the "Merger").

The purpose of the Merger is to enable the merged company to efficiently offer, in line with the trend both at a national and international level, technological convergence products between media and telecommunications services, in a separate or independent basis, to provide voice, data, sound and image services, both fixed and wireless, in a single product or groups of products for the benefit of users and consumers of such multiple individual services. Likewise, both companies have considered that their respective operational and technical structures are highly complementary and could be optimized through a structural consolidation, achieving synergies and efficiencies in the development of convergence products that the market will demand.

The Merger Effective Date will be since 0:00 hours of the date in which the Chairmen of the Board of Directors of Telecom Argentina y Cablevisión S.A. subscribe an operations translation minute stating that: (i) Telecom Argentina has adapted its operational- technical systems to assume the operations and activities of Cablevisión S.A., and (ii) that on such Merger Effective Date the translation of the activities and operations of Cablevisión S.A. to Telecom Argentina was finalized as the following conditions to which the Merger was subject were accomplished:

- i. the subscription of the definitive merger agreement (which was subscribed on October 31, 2017, *ad referendum* of the ENACOM authorizations under Decree No. 267/15), and
- ii. the ENACOM operation authorization.

Since the Merger Effective Date, (i) the whole assets and liabilities (including registered assets, licenses, rights and obligations) belonging to Cablevisión S.A will be incorporated to Telecom Argentina's equity, (ii) Telecom Argentina will continue the operations of Cablevisión S.A., generating the corresponding operational, accounting and tax effects, (iii) the administration and representation of Cablevisión S.A. will be in charge of the administration and representations boards of Telecom Argentina.

According to the Merger, and to the provisions of Section 83, item c) of the LGS, the following distribution rage has been settled: one ordinary share of Cablevisión S.A. (both, Class "A" and "B" shares) for every 9,871.07005 new ordinary shares of Telecom Argentina (the "Distribution Ratio"). The determined Distribution Ratio was considered fair from a financial perspective by the independent valuation experts JPMorgan Securities LLC and Lion Tree Advisors LLC.

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As a result of the merger, Telecom Argentina will increase its capital stock in the amount of \$1,184,528,406 and will issue as consideration 1,184,528,406 ordinary book-entry shares of its common stock, with nominal value of \$1 and entitled to one vote per share, to be delivered to Cablevisión S.A.'s shareholders instead of the shares they hold of such Company. These delivered shares will be Telecom Argentina's Class "A" or Class "D" shares, as appropriate, according to the established Distribution Ratio, or according to the new shares resulting from the Distribution Ratio adjustments that would be later realized according to the preliminary merger agreement.

Also, on June 30, 2017, the Telecom Argentina's and Cablevisión S.A.'s Board of Directors approved to call for an Ordinary and Extraordinary Shareholders' Meeting of Telecom Argentina and Extraordinary Shareholders' Meeting of Cablevisión S.A., respectively, which both were held on August 31, 2017 and approved the preliminary merger agreement and, relating Cablevisión S.A., its dissolution as of the Merger Effective Date and, relating Telecom Argentina, the Bylaws amendment and the increase of its capital stock.

In relation to the mentioned merger, on July 7, 2017 Cablevisión Holding S.A., VLG Argentina LLC, Fintech Media LLC, Fintech Advisory Inc., GC Dominio S.A. (all direct and indirect shareholders of Cablevisión S.A.) and Fintech (parent company of Telecom Argentina) approved a shareholders' agreement that will rule the future exercise of their rights as shareholders of Telecom Argentina S.A. (the "Agreement") once the merger is concluded. According to such Agreement, the parties had provided:

- the representation in the corporate bodies, stating that, subject to the compliance of certain conditions provided and as long as Cablevisión Holding S.A. satisfies certain minimum ownership requirements in the merged company, Cablevisión Holding S.A. will be able to appoint a majority of the members of the Board of Directors, Executive Committee, Audit Committee, Supervisory Committee and the CEO and the main managers who report to the CEO, except for the CFO and the Internal Audit. Also, the Chairman of the Board of Directors will be appointed by Cablevisión Holding S.A., whereas the vicepresident will be appointed by Fintech;
- a scheme of supermajorities and required approvals to agree upon certain decisions in the governance and in the corporate bodies of the Merged Company, such as: i) the approval of the Business Plan and the Annual Budget of the Merged Company, ii) amendments of the bylaws, iii) changes in Independent Auditors, iv) the creation of committees of the Board of Directors, v) hiring of Key Employees, as defined in the Agreement (Key Employees will be proposed by Cablevisión Holding S.A., except for the CFO and the internal auditor), vi) mergers by absorption of Telecom Argentina or any other controlled company, vii) certain assets acquisitions, viii) certain sale of assets, ix) capital increases, x) incurrence of indebtedness over certain limits, xi) capital investments in infrastructure, plant and equipment above certain amounts, not included in the Business Plan and in the Annual Budget, xii) related party transactions, xiii) contracts that may impose restrictions to the distribution of dividends, xiv) new lines of business or discontinuing existing lines of business, xv) contracting for significant amounts, not included in the Business Plan and in the Annual Budget, among others.

In addition, Cablevisión Holding S.A. accepted on July 7, 2017 an offer of call option granted by Fintech Advisory Inc. for the acquisition of a 13.51% additional equity interest in Telecom Argentina (that would represent a participation of approximately 6% of the merged company) in the amount of US\$ 634,275,282. The call option can be executed during one year since July 7, 2017.

On September 6, 2017 Telecom Argentina S.A. and Cablevisión S.A. entered a presentation before the ENACOM requesting authorization for:

- (i) The transfer and incorporation of the "Licencia Unica Argentina Digital" (Digital Argentina Sole License) owned by Telecom Argentina S.A., of the records, resources, assignments, and ratings owned by Cablevisión S.A.
- (ii) The transfer in favor of Telecom Argentina S.A. of the authorizations of usage and the resources assigned for the provision of the services registered under the ownership of Cablevisión S.A. and / or the companies absorbed by the latter.
- (iii) The change of corporate control that will take place in Telecom Argentina S.A. once the aforementioned ENACOM authorization has been obtained, the Merger becomes effective and the shareholder agreement of July 7, 2017 becomes effective, as a result of which Cablevisión Holding S.A. will be the controlling company of Telecom Argentina S.A. as the surviving company of Cablevisión S.A.

The Merger will be accounted for using the acquisition method, as outlined by IFRS 3. IFRS 3 requires, in a business combination effected through an exchange of equity interests, all relevant facts and circumstances to be considered when identifying the acquirer. Based on the terms of the preliminary

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merger agreement, Cablevisión S.A. (the legally absorbed entity) is to be considered the accounting acquirer and Telecom Argentina (the surviving entity) is to be considered the accounting acquiree, which qualifies the transaction as a “reverse acquisition” in accordance with IFRS. The factors that were relied upon to determine that Cablevisión S.A. should be treated as the accounting acquirer in the Merger were:

- 1) the relative voting rights in the surviving entity (55% for the current shareholders of Cablevisión S.A. and 45% for the current shareholders of Telecom Argentina);
- 2) the composition of the board of directors in the surviving entity and other committees (Audit, Supervisory and Executive),
- 3) the relative fair value assigned to Telecom Argentina and Cablevisión S.A. and
- 4) the composition of the key management of the surviving entity.

Accordingly, the assets and liabilities of Cablevisión S.A. will be recognized and measured in the consolidated financial statements at their pre-Merger carrying amounts, while the identifiable assets and liabilities of Telecom Argentina S.A. will be recognized at fair value as of the Merger Effective Date. Goodwill resulting from the application of the acquisition method will be measured as the excess of the fair value of the consideration paid over the net fair value of Telecom Argentina’s identifiable assets and liabilities. The retained earnings and other equity balances recognized in the consolidated financial statements of the combined entity are those of Telecom Argentina S.A. and Cablevisión S.A. immediately before the Merger.

NOTE 12 – RECENT DEVELOPMENTS CORRESPONDING TO THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017 FOR THE TELECOM GROUP

a) *Pre-cancellation of Personal’s bank loan*

On January 28, 2015, Personal had signed a loan agreement with a foreign bank for US\$ 40.8 million (equivalent to \$353 as of such date). The capital was fully cancelable in 27 months (bullet) with quarterly interest payments.

On February 7, 2017, with the maturity of the interest service, Personal proceeded to fully prepay the loan, paying US\$ 40.8 million of capital (equivalent to \$606), US\$ 1 million of interest (equivalent to \$16) and US\$ 0.3 million of pre-cancellation fee (equivalent to \$5).

b) *NDF to hedge interest rate fluctuations*

During 1Q17, Personal entered into several hedging agreements (NDF) to cover fluctuations in the LIBO rate of the loan with the International Financing Corporation (“IFC”) in an amount of US\$ 400 million. These NDF allow fixing the variable rate for the full loan term, ranging from 2.087% to 2.4525% nominal per annum (a weighted average of 2.2258% nominal per annum).

Such NDF begun on March 15, 2017 hedging US\$ 300 million and the remaining US\$ 100 million was hedge since September 15, 2017.

During 3Q17, Personal entered into several hedging agreements (NDF) to cover fluctuations in the LIBO rate of the loan with the Inter-American Investment Corporation (“IIC”) in an amount of US\$ 40 million. These NDF were entered in two tranches of US\$ 20 million each, both beginning on March 15, 2018, fixing the variable rate for the full loan term in 2.1325% and 2.085% nominal per annum, respectively.

c) *Acquisition of Nortel’s interest in Personal*

On March 31, 2017, the Board of Directors of Nortel approved the sale of its interest of 120,000 shares of Personal to Telecom Argentina (representing 0.008% of Personal’s capital stock) for an amount of \$4, which were fully paid in April. As a result of this transaction Telecom Argentina owns 100% of Personal.

d) *Radioelectric Spectrum Fees*

In October 2016 Personal modified the criteria used for the statement of some of its commercial plans (“Abono fijo”) for purposes of paying the radioelectric spectrum fees (*derecho de uso de espectro radioeléctrico* or “DER”), taking into account certain changes in such plans’ composition. This meant a reduction in the amount of fees paid by Personal.

In March 2017, the ENACOM demanded Personal to rectify its statements, requiring that such plans’ statements continue to be prepared based on the previous criteria. On August 15, 2017, Personal received a note for the differences owed, and on August 31, 2017 presented the corresponding

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administrative note. Personal's Management believes that it has solid legal arguments to defend its position. However, it cannot be assured that such arguments will be accepted by the ENACOM.

The difference resulting from both sets of liquidation criteria is of approximately \$26 per month since October 2016, plus interests.

e) *Claims of some Personal Content Providers*

In the framework of the general reorganization of the content business started out by Personal in 2016, and given the upcoming expiration of agreements with content providers, some of the latter have been notified that such agreements will not be renewed.

By virtue of that communication, four of those companies initiated and obtained in court precautionary measures against Personal, in order to avoid that the duly notified decision of not renewing the agreements be effective, and thus, forcing Personal to refrain from disconnecting or interrupting the contractual relationship on the scheduled dates.

On February 24, 2017, the ENACOM notified Personal the Resolution 2017-1122-APN-ENACOM # MCO (Resolution No. 1122, through which provided about content suppliers who frame as Audiotext VAS and Massive Calls suppliers), which established that Mobile Operators may receive, in every concept, a percentage that should not exceed 40% of the services invoiced on behalf and to the order of such suppliers. In addition, the Resolution provides a 30-day period to file through the ENACOM the interconnection agreements or the amendments to the existing ones, which ensure the amendments to the agreements already in force and in relation to the services rendered by the members of the Argentine Mobile Value Added Corporation (Cámara Argentina de Valor Agregado Móvil or "CAVAM").

On March 22, 2017, Personal's Management, with the assistance of its legal advisors and due to its solid arguments, filed an administrative appeal against Resolution No. 1122 before the former Ministry of Communications (MINCOM - currently the Ministry of Modernization-). Likewise, Personal has exercised the necessary legal actions for the protection of its rights.

Also, Personal has renewed the commercial agreements with the majority of the contents suppliers, which are still in force.

On September 29, 2017, the ENACOM notified Personal of ENACOM Resolution No. 2,408/17, rejecting the reconsideration recourses filed by Movistar and Claro against Resolution No. 1122, and the suspension of the effects of said resolution, requested by Personal, Movistar and Claro. Likewise, by means of this act, the reconsideration recourse filed by Personal against ENACOM Note No. 29/17 (in relation to the supplier MOVICLIPS) was rejected, and the recourse filed by Personal against Resolution No. 1122 before the former MINCOM, is still pending resolution.

f) *Telecom Argentina's declaration as proper taxpayer*

Pursuant to Law No. 27,260, Argentine companies that have properly fulfilled their tax obligations during the two fiscal year periods prior to the 2016 fiscal year and comply with other requirements may qualify for an exemption from the personal assets tax for the 2016, 2017 and 2018 fiscal years. The request for this tax exemption should be filed before March 31, 2017.

Telecom Argentina has already filed this request related to the payment of the tax on personal property– on behalf of Shareholders. As a consequence, Telecom Argentina recorded in 2017 the reversal of the current tax credit on personal property – on behalf of Shareholders and the corresponding liability that it had recorded as of December 31, 2016 which amounted to \$8 and has discontinued recording such receivables and liabilities since January 1, 2017.

Notwithstanding, it cannot be assured that in the future, Telecom Argentina can fulfill those requirements and maintain the referred exemption.

g) *Consultation documents under the "General Regulation of Public Hearings and Consultation Documents for Communication Services" provisions and "General Regulation for the Participatory Elaboration of Standards"*

Telecom Argentina and Personal have timely filed through the ICT Secretary their opinions and proposals for the following consultations and documents issued during 2017:

- **Document "Licenses for ICT Services Regulation"**, issued through SECTIC Resolution No. 1-E/17 issued on January 20, 2017;
- **Document "Consultation on ICT Network Service Quality"**, issued through SECTIC Resolution No. 3-E/17 issued on March 13, 2017;

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- **Document “Interconnection and Access General Regulation Project”**, issued through SECTIC Resolution No. 2-E/17, issued on March 13, 2017;
- **Document “Public Hearing for Internet Matters”**, issued through SECTIC Resolution No. 7-E/17, issued on May 12, 2017;
- **Project “Customers of ICT Services Regulation”**, issued through SECTIC Resolution No. 12-E/17, issued on July 6, 2017; and
- **Project “Number Portability Regulation” (including fixed telephony service)**, issued through SECTIC Resolution No. 1-E/17, issued on September 29, 2017. Telecom Argentina presented its opinions and proposals on October 31, 2017.

h) Interest rate applicable to the matters under Labor Courts of the City of Buenos Aires

On May 21, 2014 the National Labor Court of Appeals agreed, as a result of a divided vote, that the interest rate applicable to the matters under its jurisdiction in the City of Buenos Aires shall be the nominal annual rate for personal loans with free use of funds of the *Argentine National Bank* for a 49 to 60 month term (3% per month). The Court also resolved that in those cases that the Court sentences are still pending, this new rate shall be applied as from the date on which each amount is due.

As from 2002 the above mentioned Court had resolved to apply the interest rate resulting from the monthly average of the interest rate used by the National Bank of Argentina for the granting of loans (1.972% per month). Therefore, this disposition represented an increase in the interest rate, which the Company has reflected in its assessment of the provisions for pending labor claims since May 2014.

This prospective criterion was sustained until the date of issuance of the consolidated financial statements as of December 31, 2016, since Telecom Group’s Management, with the assistance of its legal counsel, considered that there were strong legal arguments to challenge the retroactive application of the new rate.

However, later, the labor courts have applied the new rate criterion retroactively as from the date that each amount is considered due. The Telecom Group has appealed these decisions but the National Labor Court of Appeals validated the criterion mentioned in recent cases and extraordinary appeals have been dismissed before the Supreme Court. For this reason, during 2017, the Telecom Group has recorded additional provisions that it considers sufficient to cover the impacts that these rulings could have.

i) Modification of the forms to be submitted by affidavits related to the FFSU contributions

In accordance with ENACOM Resolution No. 6,981-E/16 issued on October 19, 2016, FFSU and the FFSU Investment Contribution Settlement and Interest Report new forms were approved and will be in force since January 1, 2017, being operationally implemented since March 2017. Taking into consideration the changes introduced in the Affidavits Form approved by the regulation, the Company and Personal made a presentation to the Regulatory Authority exposing the need to introduce amendments to the forms in order to explain the deductions of the SU services that both companies are providing.

On May 4, 2017, ENACOM Resolution No. 2,884/17 was published in the Official Bulletin. This Resolution amends the Form of the FFSU contributions, adding, within the possible deductions, the “Discount Annex. SC Resolution No. 154/10 Section 1, Sub-section B) i), second paragraph”. Such Resolution allows deducting, until the Regulatory Authority expresses its opinion, any amounts that eventually may correspond to SU Initial Programs or other than those provided for in Annex III of Decree No. 764/00, in accordance with the provisions of Section 2 of Decree No. 558/08 and Section 6 of Annex III of Decree No. 764/00, replaced by Decree No. 558/08.

j) Acquisition of the controlling interest in Tuves Paraguay

On October 6, 2016 Tuves Paraguay’s controlling shareholder (TU VES S.A – Chile) accepted Núcleo’s proposal for executing the Tuves Paraguay’s shares purchase option, which was subject to the approval of the Comisión Nacional de Telecomunicaciones (“CONATEL”).

On April 11, 2017, the CONATEL’s Board of Directors through Resolution No. 460/17 authorized TU VES S.A. (Chile) to transfer Núcleo 350 shares of Tuves Paraguay, that represent 70% Tuves’ total capital stock.

Accordingly, and pursuant to the provisions of the shares’ purchase agreement, on June 30, 2017, the transaction was performed and Núcleo acquired the 70% capital stock and votes of Tuves Paraguay through the payment of approximately \$0.1 (35 million of Guaraníes) and the partial capitalization of receivables that Núcleo had at such date for approximately \$147 (49,396 million of Guaraníes).

Tuves Paraguay is a Paraguayan company whose main purpose is the provision of telecommunications services and also the distribution of digital audio and television signals to homes, in accordance with the license granted by CONATEL.

Accounting treatment

The acquisition of control of Tuves Paraguay was recognized in the consolidated financial statements as of June 30, 2017, in accordance with the provisions of IFRS 3 “Business Combinations”.

For this purpose, the total purchase price provided by IFRS 3 of approximately \$149 (50,056 million of Guaraníes) was determined including the book value of the call option as of the date of the transaction, the assets and liabilities of Tuves Paraguay were measured at fair value, recognizing a higher value of PP&E and identifying a customer relationship and a goodwill of approximately \$2 within Intangible Assets (662 million of Guaraníes), which will be annually reviewed through its impairment test.

k) Loan with the Inter-American Investment Corporation

In April 2017, Personal and the Inter-American Investment Corporation (“IIC”), a member of the Inter-American Development Bank (“IDB”) Group, signed a loan agreement (“IIC Loan”) for an amount of US\$ 100 million maturing in September 2022, payable in 8 equal half-yearly installments since the 24th month, with a 6 month LIBO rate + 400bp. The funds of this loan will be allocated to deploy the 4G network and for financing working capital and other financial needs. The loan terms include standard commitments and covenants for this type of financial transactions.

The funds were effectively disbursed by IIC on September 18, 2017 (approximately \$1,723).

l) Cancellation of Personal's Series I Notes

On June 12, 2017, Personal canceled, on its maturing date, all Series I Notes for an amount of \$571.5, within the Notes Issuance Global Program (up to US\$ 1 billion or its equivalent in other currencies), authorized by the CNV through Resolution No. 16,670.

m) Resolution ENACOM No. 3,687-E/17– On-demand spectrum allocation

ENACOM Resolution No. 3,687-E/17, published in the Official Bulletin on May 12, 2017, provided the call for the on-demand frequency allocation of the 2,500 to 2,690 MHz radio spectrum, stating the procedure, obligations and compensations to be fulfilled by the Mobile Communications Service providers who qualify to participate, in accordance with the provisions of Section 4 of Decree No. 1,340/17.

The Resolution provided to group the frequency channels to be allocated in three (3) Lots: two (2) Lots of 30 MHz, containing three (3) frequency channels in the FDD mode each, and one (1) Lot of 40 MHz, containing two (2) frequency channels in FDD mode (20 MHz) and four (4) frequency channels in TDD mode (40 MHz) with a TDD channels trade option for a Lot of 10 MHz in FDD for two years extent if certain conditions are met, according to the channeling provided in ENACOM Resolution No. 1,034-E/17 and its amendment (ENACOM Resolution N° 1,956-E/17). According to the characteristics of the 2,500 to 2,690 MHz band, the authorization of use of the frequency channels that compose each Lot must be issued by each locality.

On May 24, 2017, Personal filed to ENACOM the Envelope with its On-demand Allocation Request, according to the provisions of Resolution No. 3,687-E/17.

On June 2, 2017, ENACOM announced four bidders in the opening auction session: (Telefónica Móviles Argentina S.A. (“TMA”), AMX Argentina S.A. (“AMX”), Personal and Telecentro S.A. (“Telecentro”). Attending to the observations made by the bidders, it was decided to adjourn the session so that, within 10 days, the ENACOM could treat the mentioned observations, setting June 16, 2017 as the new date for the auction session reopening.

ENACOM Resolution No. 4,767 E/17 issued on June 12, 2017, provided that Telecentro did not meet the requirements to be considered a qualified bidder, in accordance with the provisions of Section 2 of ENACOM Resolution No. 3,687 E/17, as it is not a current provider of mobile communications services, according to the provisions of Section 3 of Decree No. 798/16. As a result, its request for on-demand spectrum allocation was rejected.

On June 16, 2017 the auction session reopening was performed, with the participation of TMA, AMX and Personal, resulting TMA applying for Lot A, AMX applying for Lot B, and Personal applying for Lot C, thus resolving the observations made by the bidders at the opening auction session held on June 2, 2017.

On July 5, 2017, ENACOM notified Personal of its Resolution No. 5,478-E/17 through which the frequencies included in Lot A were assigned to TMA, the frequencies included in Lot B were assigned to AMX and the frequencies included in Lot C were assigned to Personal (all of them stated in Annex I of ENACOM Resolution No. 3,687 E/17), in the locations detailed in the respective Annexes (attached to

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Resolution No. 5,478-E/17) as requested by each provider. The Resolution provides that the enforcement of its provisions will be operative, within the Departments of San Rafael, General Alvear and Malargüe, of the Province of Mendoza, once the judicial decision ordered by the Federal Court of San Rafael in the legal process entitled “CABLE TELEVISORA COLOR S.A. c/ PEN AND OTHER S/ AMPARO Ley 19,986-File No. 5,472/17” had been revoked.

The spectrum allocation will last 15 years since CABA plus other thirteen areas are free of interference over a total of 18 provincial capitals plus Rosario, Mar del Plata and Bahia Blanca and will demand payment of up to approximately U\$S 55.9 million (subject to certain compensation clauses for early or late releases) to be paid by localities released from interference on every January of the following year of the year of the effective release. The conditions for the spectrum allocation include certain obligations regarding the service launch by localities, penalty clauses for non-compliance with the deadlines established by localities (which would involve the frequency return plus a fine equivalent to 15% of the spectrum value of the locality involved) and certain guarantees required, among them, the deployment.

n) SU Programs

- **Technological Area Installation Project into state-managed schools:** through ENACOM Resolution No. 3,701 E/17, published in the Official Bulletin on May 15, 2017 the technological area installation project (internal network, servers, routers and cables) into 18,320 state-managed schools was approved, that will enable Broadband Internet service. This service provision has administrative and educational goals, according to each school's need, and was launched within the Digital Education Network Program approved by ENACOM Resolution No. 1,035/17 issued on February 17, 2017. The project performance will be in charge of EDUC.AR S.E. and \$2,300 of the FFSU will be allocated to its performance. This Resolution also extends for two years (since its implementation) the bonus of Broadband Internet Service stated in SC Resolution No. 147/10 according to the provisions of Resolution No. 2,530/16 or until the National Ministry of Education and Sports or EDUC.AR S.E. assume this service cost.
- **ICTs Access National Program for old people:** This Program, approved by ENACOM Resolution No. 3,248/17, published in the Official Bulletin on May 5, 2017, aims to enable old people to access to equipment that contribute to their integration and social development through the use of ICT services. The program implementation costs will be solved with SU funds. The beneficiaries of the Program will be old people who receive the minimum retirement salary. The Program will be implemented in successive stages through the implementation of specific projects that will delimit the localities, the number of beneficiaries reached in each one and the technical scope of each project. On September 29, 2017, through ENACOM Resolution No. 2040-E/ 2017, the Bases and Conditions on the participation and access to the benefits provided for said Program were approved.

o) ENACOM Resolution No. 4,656-E/2017 – Model Agreement for the authorization for infrastructure sharing

The Board of Directors of ENACOM issued Resolution No. 4656-E/2017, published in the Official Bulletin on June 12, 2017, approving the model agreement for the “Authorization for the Sharing of Active and / or Passive Infrastructure , Automatic Roaming and Goals of Service” to be celebrated with each of the current providers of the Advanced Mobile Communications Service (“SCMA”) who were awarded with the frequency bands for the provision of the Personal Communications service (“PCS”), the Cellular Mobile Radiocommunication Services (“SRMC”) and the SCMA approved by SC Resolution No. 38/2014, delegating to the President of ENACOM the powers to subscribe the agreement within 15 working days .

On August 8, 2017, the ENACOM notified Personal through ENACOM Note No. 206/2017, the concession of a 15-day period to coordinate the signing of the Authorization Agreement for the Sharing of Active and / or Passive Infrastructure, Automatic Roaming and Goals of Service. Personal presented the required documentation.

On November 2, 2017, the ENACOM issued Resolution No. 3420-E/2017, through which it was decided to extend the delegation made in Resolution No. 4656-E/2017 for a 180 day-period.

As of the date of issuance of these consolidated financial statements, the agreement is still pending of subscription.

p) Ministries Law Amendment – MINICOM removal and approval of the structure of the Ministry of Modernization

On July 17, 2017, Decree No. 513 was published. This Decree amended the Law of Ministries by removing the Ministry of Communications, created by Decree No. 13/15. The Decree delegates on the Ministry of Modernization the competence to assist the PEN and the Chief of Ministers in everything

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inherent to public employment, management innovation, procurement regime, information technologies, telecommunications, audiovisual media services and postal services.

In particular, the Ministry has among its duties:

- The development and implementation of the telecommunications policy.
- The elaboration of the tariff structures in its competence area.
- The elaboration of policies, laws and treaties in its competence area and supervise the service providers' control bodies in its competence area.
- The elaboration of licenses regulation, authorizations or registries of services in its competence area or of other authorization certificates to federal regimes in the matter granted by the National Government or the provinces.
- Establish tariff, fees and rates regimes for activities related to its competence area.
- The elaboration, execution, control and regulation of the postal service regime.
- The research and technological development in the different areas of its competence competition.
- The promotion of universal access to new technologies as information and knowledge tools, as well as understand the coordination with Provinces, companies and bodies, to optimize the use of existing networks.
- Manage the National Government equity interests in Empresa Argentina de Soluciones Satelitales S.A. (ARSAT) and Correo Oficial de la Republica Argentina S.A.

On August 11, 2017 Decree No. 632/17 approved the structure of the Ministry of Modernization; the ENACOM is within the scope of this new ministry.

q) Salary agreements

In July 2017, the Telecom Group has signed an agreement with the Unions for the period July 2017 - June 2018. As a result the mentioned, the unionized employees will receive in different installments/fixed payments, amounts that will represent 25% of its salaries.

r) Merger of Cubecorp Argentina S.A. ("Cubecorp")

In July 2008, Telecom Argentina acquired 100% of the shares of Cubecorp. With this acquisition, Telecom Argentina strengthens its Data Center services, as the Data Center acquired is equipped with world class infrastructure, which permits to offer clients with high reliability, availability and scalability customized to their needs.

In March 2009, the Board of Directors of Cubecorp and Telecom Argentina approved the Merger Agreement, by which both companies would merge (subject to the approval of the CNV and to the approval of the Shareholders' Meetings of Cubecorp and Telecom Argentina), being Telecom Argentina the continuing company and Cubecorp the dissolved without liquidation company. The CNV determined no legal or accounting observations for the merger and ordered the publication of the Merger Agreement in the Buenos Aires Stock Exchange's ("the BCBA") Daily Bulletin and in the CNV's website (www.cnv.gov.ar, section "Autopista de Información Financiera").

The Extraordinary Shareholders' Meeting of Cubecorp held on March 19, 2009, and the Annual General Ordinary and Extraordinary Shareholders' Meeting of Telecom Argentina held on April 28, 2010 approved the merger, the corresponding financial statements and, in the case of the Meeting of Cubecorp, the dissolution without liquidation of Cubecorp as provided by Law No. 19,550 section 94 art. 7. Additionally, the Final Merger Agreement with Cubecorp was authorized, effective January 1st, 2009. The period specified in the Law No. 19,550 section 83 was completed and the Final Merger Agreement was granted on June 2, 2010.

On June 7, 2010, the process of registration of the merger with the CNV began, whose Board of Directors, on June 24, 2010, decided to hold the proceeding until the CNDC authorizes the acquisition of shares of Cubecorp by Telecom Argentina.

On September 5, 2017, Telecom Argentina was notified of the Secretary of Commerce Resolution No. 2017-656-APN-SECC # MP that authorized the operation of economic concentration consisting of the purchase of 100% of Cubecorp's shares.

On September 6, 2017, Telecom Argentina requested the CNV to provide administrative compliance to the Merger of Telecom Argentina with Cubecorp in accordance with the provisions of Chapter X Title II of the CNV Rules (NT 2013) and send the proceedings to the IGJ for registration.

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On October 12, 2017, the Board of Directors of the CNV ordered the merger by absorption of Telecom Argentina, as an acquiring company, and Cubecorp, as an absorbed company, and sent the proceedings to the IGJ for registration.

s) Regulation of Virtual Mobile Operators (“VMO”)

Within the framework of the VMO Regulation, an operator has requested the services of Personal, stating its interest in providing services as VMO. However, in the absence of agreement in the negotiation to sign a VMO agreement, the operator requested the intervention of the ENACOM for the purpose that the regulatory authority sets the terms of an eventual link. In the framework of these proceedings, two conciliatory hearings were held, in which no understanding was reached. As of the date of issuance of these consolidated financial statements, the ENACOM has not issued a resolution in this regard.

Personal and other mobile network operators have made reservations of rights with respect to the operator’s request and the scope of the ENACOM’s powers over the controversial issues.

NOTE 13 – SUBSEQUENT EVENTS TO SEPTEMBER 30, 2017

a) Resolutions of the Unanimous General Ordinary Shareholders’ Meeting of Personal

The Unanimous General Ordinary Shareholders’ Meeting of Personal held on November 6, 2017, resolved to reverse the “Voluntary reserve for future dividends payments” in the amount of \$1,500 and distribute such amount in cash dividends, which will be available to the shareholders on November 14, 2017.

b) Resolutions of the Common and Class B Preferred Shares Shareholders’ Meeting held on November 10, 2017

With respect to the Telecom Group’s Reorganization mentioned in Note 10.2, on November 10, 2017, the Common and Class B Preferred Shares Shareholders’ Meetings B of Nortel were held which considered and approved the following:

• **Common Shares Special Shareholders’ Meeting**

This Meeting approved the dilution of the voting rights of the common shares of Nortel caused by the Exchange ratio offered to the common shares of Nortel in the merger of Nortel with and into Telecom Argentina as surviving Company within the context of the Telecom Group’s Reorganization (Note 10.2).

• **Class B Preferred Shares Special Shareholders’ Meeting**

This Meeting approved the following:

- the merger of Nortel with and into Telecom Argentina, as the surviving company, within the context of the Telecom Group’s Reorganization;
- dissolution of Nortel as a result of the Merger;
- exchange ratio of the Class B Preferred Shares of Nortel in exchange for Class B Common Shares of Telecom Argentina with voting rights, established in the Preliminary Reorganization Agreement dated March 31, 2017 (Note 10.2);
- waiver and removal of the provisions of Condition No. 9 (under the heading “Commitments”) of the Conditions for the Issuance of the Class B Preferred Shares; and
- legal and accounting documents related to the Merger, including the Preliminary Reorganization Agreement, the special and consolidated financial statements of the merger, the Supervisory Committee’s report, the amendment of the bylaws of Telecom Argentina and the subscription of the Final Reorganization Agreement.

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c) Summon to a General Ordinary Shareholders' Meeting of Telecom Argentina

Telecom Argentina summoned a General Ordinary Shareholders' Meeting to be held on November 30, 2017 to consider the delegation of powers in the Board of Directors to order the total or partial reversal of the "Reserve for future cash dividends payments" and the distribution of the amount in cash dividends, in amounts and dates to be determined by the Board of Directors.

Mariano Ibáñez
Chairman of the Board of Directors

“Free translation from the original in Spanish for publication in Argentina”

LIMITED REVIEW REPORT ON CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders, President and Directors of
Telecom Argentina S.A.
Legal address: Alicia Moreau de Justo 50
City of Buenos Aires
Tax Code No.: 30-63945373-8

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of Telecom Argentina S.A. and its subsidiaries (“Telecom” or the “Company”), which comprise the consolidated statement of financial position as of September 30, 2017, the consolidated statements of income and of comprehensive income for the three and nine-month periods ended September 30, 2017, the consolidated statements of changes in equity and of cash flows for the nine-month period ended September 30, 2017 and selected explanatory notes.

The balances and other information for the fiscal year 2016 and interim periods are an integral part of the above-mentioned financial statements and therefore they should be considered in relation with those financial statements.

Management Responsibility

The Board of Directors of the Company is responsible for the preparation and presentation of the financial statements in accordance with International Financial Reporting Standards, as approved by the International Accounting Standards Board (IASB), which have been adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as professional accounting standards and incorporated by the National Securities Commission (CNV) to its regulations and is therefore responsible for the preparation and presentation of the condensed interim consolidated financial statements mentioned in the first paragraph, in accordance with International Accounting Standard No. 34 “Interim Financial Information” (IAS 34).

Scope of our review

Our review was limited to the application of the procedures established under International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (ISRE 2410), approved by the International Auditing and Assurance Standards Board (IAASB) and adopted as a review standard in Argentina by Technical Pronouncement No. 33 of the FACPCE. A review of interim financial information consists of inquiries of Company personnel responsible for preparing the information included in the condensed interim consolidated financial statements and of analytical and other review procedures. This review is substantially less in scope than an audit performed in accordance with International Auditing Standards; consequently, a review does not enable us to obtain assurance that we would become aware of all significant matters that could be identified in an audit. Therefore, we do not express an opinion on the consolidated financial position, the consolidated comprehensive income and the consolidated cash flow of the Company.

Conclusion

On the basis of our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements mentioned in the first paragraph of this report are not prepared, in all material respects, in accordance with International Accounting Standard No. 34.

Report on compliance with current regulations

In compliance with provisions currently in force, we inform, as regards Telecom, that:

- a) The condensed interim consolidated financial statements of Telecom are transcribed into the “Inventory and Balance Sheet” book and are in compliance, as regards matters within our field of competence, with
-

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- the provisions of the Commercial Companies Law and pertinent resolutions of the National Securities Commission;
- b) The separate condensed interim financial statements are derived from accounting records kept in their formal respects in conformity with legal provisions;
 - c) We have read the Operating and financial review and prospects, on which, as regards those matters that are within our competence, we have no observations to make;
 - d) As of September 30, 2017, the debt of Telecom accrued in favor of the Argentine Integrated Social Security System, as shown by the Company's accounting records, amounted to \$176,525,038.39 and was not due at that date.

City of Buenos Aires, November 10, 2017

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. T° 1 F° 17
Dr. Marcelo D. Pfaff
Public Accountant (UBA)
C.P.C.E.C.A.B.A. T° 156 F° 84

CORPORATE INFORMATION

- **INDEPENDENT AUDITORS** Price Waterhouse & Co S.R.L. (member of PricewaterhouseCoopers)
- **STOCK MARKET INFORMATION** (Source: Bloomberg)

BCBA

Quarter	Market quotation (\$/share)		Volume of shares traded (in millions)
	High	Low	
3Q16	58.00	53.00	4.7
4Q16	59.40	54.40	10.1
1Q17	74.00	57.90	5.5
2Q17	85.30	67.60	6.5
3Q17	109.25	93.00	9.0

NYSE*

Quarter	Market quotation (US\$/ADS*)		Volume of ADSs traded (in millions)
	High	Low	
3Q16	19.50	17.64	6.5
4Q16	18.82	17.40	10.9
1Q17	23.98	18.00	7.4
2Q17	25.87	22.25	10.3
3Q17	31.69	26.39	15.4

* Calculated at 1 ADS = 5 shares

- **INVESTOR RELATIONS** for information about Telecom Argentina S.A., please contact:

In Argentina Telecom Argentina S.A. Investor Relations Division Alicia Moreau de Justo 50, 10 th Floor (1107) Autonomous City of Buenos Aires Tel.: 54-11-4968-3628 Argentina

Outside Argentina JP Morgan Chase Latam ADS Sales & Relationship Mgmt. 4 New York Plaza, Floor 12 New York, NY 10004 USA Tel.: 1-212-552-3729
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- **INTERNET** <http://www.telecom.com.ar/inversores/index.html>
- **DEPOSIT AND TRANSFER AGENT FOR ADSs**

J.P. Morgan Depositary Receipts 4 New York Plaza, Floor 12 New York, NY 10004 (866) JPM-ADSs adr@jpmorgan.com – www.adr.com
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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Telecom Argentina S.A.

Date: December 1, 2017

By: /s/ Pedro G. Insussarry
Name: Pedro G. Insussarry
Title: Responsible for Market Relations

As filed with the Securities and Exchange Commission on April 26, 2017

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

For the transition period from to

Commission file number: 1-13464

TELECOM ARGENTINA S.A.

(Exact name of Registrant as specified in its charter)

Republic of Argentina

(Jurisdiction of incorporation or organization)

**Alicia Moreau de Justo 50
(C1107AAB) - Buenos Aires
Argentina**

(Address of principal executive offices)

Pedro Insussarry

**(Tel: 54-11-4968-3743, Fax: 54-11-4968-3616, E-mail: pinsussa@ta.telecom.com.ar,
Alicia Moreau de Justo 50, 10th Floor, (C1107AAB), Buenos Aires, Argentina)**

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
American Depositary Shares, representing Class B Ordinary Shares Class B Ordinary Shares, nominal value PS1.00 per share	New York Stock Exchange New York Stock Exchange*

* Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

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Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Class A Ordinary Shares, nominal value P\$1.00 each	502,034,299
Class B Ordinary Shares, nominal value P\$1.00 each	466,890,558
Class C Ordinary Shares, nominal value P\$1.00 each	234,748

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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PRESENTATION OF FINANCIAL INFORMATION

Telecom Argentina S.A. is a company incorporated under the laws of Argentina. As used in this Annual Report on Form 20-F (the “Form 20-F” or “Annual Report”), the terms “the Company,” “Telecom,” “Telecom Group,” “we,” “us,” and “our” refer to Telecom Argentina S.A. and its consolidated subsidiaries as of December 31, 2016. Unless otherwise stated, references to the financial results of “Telecom” are to the consolidated financial results of Telecom Argentina and its consolidated subsidiaries. The Telecom Group is engaged in the provision of fixed and mobile telecommunications services.

The term “Telecom Argentina” refers to Telecom Argentina S.A. excluding its subsidiaries, as of December 31, 2016, Telecom Personal S.A., Núcleo S.A., Personal Envíos S.A. (“Envíos”), Telecom Argentina USA Inc. (“Telecom Argentina USA”) and Micro Sistemas S.A. Telecom Argentina is engaged in the provision of fixed telecommunication services in Argentina. The terms “Telecom Personal” or “Personal” refer to Telecom Personal S.A., our subsidiary engaged in the provision of mobile telecommunication services in Argentina. The term “Núcleo” refers to Núcleo S.A., Personal’s subsidiary engaged in the provision of mobile telecommunication services in Paraguay. Envíos is Núcleo’s subsidiary engaged in the provision of mobile financial services in Paraguay. Telecom Argentina USA Inc. is a Telecom Argentina’ subsidiary engaged in the provision of telecommunication services in USA and Micro Sistemas is a Telecom Argentina’ subsidiary whose corporate purpose is the provision of electronic payment services in Argentina which had no activities during 2016.

Our Consolidated Financial Statements as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014, and the notes thereto (the “Consolidated Financial Statements”) are set forth on pages F-1 through F-109 of this Annual Report.

Our Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and have been approved by resolution of the Board of Directors’ meeting held on March 8, 2017.

Our Consolidated Financial Statements as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014, as included in this report, have been audited by an independent registered public accounting firm.

Telecom Argentina and our Argentine subsidiaries maintain their accounting records and prepare their financial statements in Argentine Pesos, which is their functional currency. Our subsidiaries Núcleo, Envíos and Telecom Argentina USA, however, maintain their accounting records and prepare their financial statements in Guaraníes (Núcleo and Envíos) and in U.S. dollars (Telecom Argentina USA). Our Consolidated Financial Statements include the results of these subsidiaries translated into Argentine Pesos. Assets and liabilities are translated at year-end exchange rates and revenue and expense accounts at average exchange rates for each year presented.

Certain financial information contained in this Annual Report has been presented in U.S. dollars. This Annual Report contains translations of various Argentine Peso amounts into U.S. dollars at specified rates solely for convenience of the reader. You should not construe these translations as representations by us that the Argentine Peso amounts actually represent these U.S. dollar amounts or could be converted into U.S. dollars at the rates indicated. Except as otherwise specified, all references to “US\$,” “U.S. dollars” or “dollars” are to United States dollars, references to “EUR,” “euro” or “€” are to the lawful currency of the member states of the European Union and references to “P\$,” “Argentine Pesos” or “pesos” are to Argentine Pesos. Unless otherwise indicated, we have translated the Argentine Peso amounts using a rate of P\$15.89 = US\$1.00, the U.S. dollar ask rate published by the Banco de la Nación Argentina (Argentine National Bank) on December 31, 2016. On April 24, 2017, the exchange rate was P\$15.39= US\$1.00. As a result of fluctuations in the Argentine peso/U.S. dollar exchange rate, the exchange rate at such date may not be indicative of current or future exchange rates. Consequently, these translations should not be construed as a representation that the peso amounts represent, or have been or could be converted into, U.S. dollars at that or any other rate. See “Item 3—Key Information—Exchange Rates”, and “Item 3—Key Information—Risk Factors—Risks Relating to Argentina—Devaluation of the peso may adversely affect our results of operations, our capital expenditure program and the ability to service our liabilities and transfer funds abroad.”

For the purposes of this Annual Report, “billion” means a thousand million.

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Certain amounts and ratios contained in this Annual Report (including percentage amounts) have been rounded up or down to facilitate the summation of the tables in which they are presented. The effect of this rounding is not material. These rounded amounts are also included within the text of this Annual Report.

The contents of our website and other websites referred to herein are not part of this Annual Report.

This Annual Report contains certain terms that may be unfamiliar to some readers. You can find a Glossary of these terms on page 5 of this Annual Report.

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking statements. Certain information included in this Annual Report contains information that is forward-looking, including, but not limited to:

- our expectations for our future performance, revenues, income, earnings per share, capital expenditures, dividends, liquidity and capital structure;
- the implementation of our business strategy;
- the changing dynamics and growth in the telecommunications market;
- our outlook for new and enhanced technologies;
- the effects of operating in a competitive environment;
- industry conditions;
- the outcome of certain legal proceedings;
- regulatory and legal developments; and
- other factors identified or discussed under “Item 3—Key Information—Risk Factors.”

This Annual Report contains certain forward-looking statements and information relating to the Telecom Group that are based on current expectations, estimates and projections of our Management and information currently available to the Telecom Group. These statements include, but are not limited to, statements made in “Item 3—Key Information—Risk Factors,” “Item 5—Operating and Financial Review and Prospects” under the captions “Critical Accounting Policies” and “Trend Information,” “Item 8—Financial Information—Legal Proceedings” and other statements about the Telecom Group’s strategies, plans, objectives, expectations, intentions, capital expenditures, and assumptions and other statements contained in this Annual Report that are not historical facts. When used in this document, the words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “project,” “will,” “may” and “should” and other similar expressions are generally intended to identify forward-looking statements.

These statements reflect the current views of the Management of the Company with respect to future events. They are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict. In addition, certain forward-looking statements are based upon assumptions as to future events that may not prove to be accurate.

Many factors could cause actual results, performance or achievements of the Telecom Group to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. These factors include, among others:

- our ability to successfully implement our business strategy;
- our ability to introduce new products and services that enable business growth;
- uncertainties relating to political and economic conditions in Argentina and Paraguay;
- inflation, the devaluation of the peso and of the Guaraní and exchange rate risks in Argentina and Paraguay;
- restrictions on the ability to exchange pesos into foreign currencies and transfer funds abroad;
- the way the Argentine government regulates Law No. 27,078, the Argentina Digital Law or “LAD,” as amended by Decree No. 267/15, as well as the impact of the announced project of new Telecommunications Law, which has not yet been sent to Congress;
- the creditworthiness of our actual or potential customers;

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- nationalization, expropriation and/or increased government intervention in companies;
- technological changes;
- the impact of legal or regulatory matters, changes in the interpretation of current or future regulations or reform and changes in the legal or regulatory environment in which we operate; and
- the effects of increased competition.

Many of these factors are macroeconomic and regulatory in nature and therefore beyond the control of the Company's Management. Should one or more of these risks or uncertainties materialize, or underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected, intended, planned or projected. The Company does not intend and does not assume any obligation to update the forward-looking statements contained in this Annual Report.

These forward-looking statements are based upon a number of assumptions and other important factors that could cause our actual results, performance or achievements to differ materially from our future results, performance or achievements expressed or implied by such forward-looking statements. Readers are encouraged to consult the Company's filings made on Form 6-K, which are periodically filed with or furnished to the United States Securities and Exchange Commission.

FORWARD-LOOKING STATEMENTS

TELECOM ARGENTINA S.A.

GLOSSARY OF TERMS

The following explanations are not provided as or intended to be technical definitions, but only to assist the general reader to understand certain terms used in this Annual Report.

2G (second-generation mobile system): Second-generation protocols using digital encoding and includes GSM, D-AMPS (TDMA) and CDMA. These protocols support high bit rate voice and limited data communications.

3G (third-generation mobile system): Third-generation mobile service, designed to provide high speed data, always-on data access, and greater voice capacity. 3G networks allow the transfer of both voice data services (telephony, messaging) and non-voice data (such as downloading Internet information, exchanging email, and instant messaging). The high data speeds, measured in Mbps, are significantly higher than 2G, and 3G networks technology enable full motion video, high-speed Internet access and video-conferencing. 3G technology standards include UMTS, based on WCDMA technology (quite often the two terms are used interchangeably), and CDMA2000.

4G (fourth-generation mobile system): Fourth-generation mobile service using the LTE technology (Long Term Evolution technology).

Access (or Accesses): Connection provided by Telecom Argentina to Internet services.

ADS: American Depositary Shares issued by JP Morgan, listed on the New York Stock Exchange, each representing rights to five (5) Class B Shares under a Deposit Agreement.

ADSL (Asymmetric Digital Subscriber Line): A type of digital subscriber line technology (DSL); a data communications technology that enables faster data transmission over copper lines than a conventional voiceband modem can provide.

AFIP (Administración Federal de Ingresos Públicos): The Argentine federal tax authority.

AFJP (Administradoras de Fondos de Jubilaciones y Pensiones): Private entities that were in charge of managing the funds of the Private Pension and Retirement System established by Law No. 24,241, until its nationalization in November 2008 pursuant to Law No. 26,425.

AFTIC (Autoridad Federal de Tecnologías de la Información y de las Comunicaciones): The decentralized and autonomous agency in the scope of the PEN appointed as the Regulatory Authority in the LAD. AFTIC was replaced by the ENACOM.

AMBA (Area Metropolitana Buenos Aires): An area comprising the city of Buenos Aires and the greater Buenos Aires area. Telephone calls within the area are considered local.

Analog: A mode of transmission or switching that is not digital, e.g., the representation of voice, video or other not in digital form.

ANSES: The Argentine administrator of social security pension and retirement benefits.

Argentina: Republic of Argentina.

Argentine GAAP: Generally Accepted Accounting Principles in Argentina, which we used before the adoption of IFRS.

ARBU (Average Revenue Billed per User): Calculated by dividing total monthly basic charges and traffic revenue excluding public telephony revenue by weighted-average number of fixed lines in service during the period.

ARPU (Average Revenue per User): Calculated by dividing total revenue excluding mainly handset, out collect (wholesale) roaming, cell site rental and activation fee revenue by weighted-average number of subscribers during the period.

ARSAT: Empresa Argentina de Soluciones Satelitales Sociedad Anónima, a state-owned company which offers satellite and wholesale services.

Auction Terms and Conditions: Terms and Conditions approved by SC Resolution No. 38/14 for the awarding of frequency bands.

Backbone: Main connection network (mainly by fiber optics) that connect local areas.

BADLAR: Buenos Aires Deposits of Large Amount Rate.

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Basic Telephone Services: The supply of fixed telecommunications links that form part of the public telephone network, or are connected to such network, and the provision of local and long-distance telephone service (domestic and international).

BCBA (Bolsa de Comercio de Buenos Aires): The Buenos Aires Stock Exchange.

BCRA (Banco Central de la República Argentina): The Central Bank of Argentina.

Broadband: Services characterized by a transmission speed of 2 Mbps or more. These services include interactive services such as video telephone/video conferencing (both point-to-point and multipoint); video monitoring; interconnection of local networks; file transfer; high-speed fax; e-mail for moving images or mixed documents; Broadband videotext; video on demand and retrieval of sound programs or fixed and moving images.

Broadcasting: Simultaneous transmission of information to all Nodes and terminal equipment of a network.

Carrier: Company that makes available the physical telecommunication network.

CAT: Compañía Argentina de Teléfonos S.A.

CDMA (Code Division Multiple Accesses): A digital wireless technology used in radio communication for transmission between a mobile handset and a radio base station. It enables the simultaneous transmission and reception of several messages, each of which has a coded identity to distinguish it from the other messages.

Cell: Geographical portion of the territory covered by a base transceiver station.

Cellular: A technique used in mobile radio technology to use the same spectrum of frequencies in one network multiple times. Low power radio transmitters are used to cover a "Cell" (i.e., a limited area) so that the frequencies in use can be reused without interference for other parts of the network.

CEO: Chief Executive Officer.

CFO: Chief Financial Officer.

Channel: The portion of a communications system that connects a source to one or more destinations. Also called circuit, line, link or path.

CNC (Comisión Nacional de Comunicaciones): The Argentine National Communications Commission, which was replaced by the AFTIC, which was replaced by the ENACOM (in December 2015).

CNDC (Comisión Nacional de Defensa de la Competencia): Argentine Antitrust Commission.

CNV (Comisión Nacional de Valores): The Argentine National Securities Commission.

CONATEL: National Communications Commission of Paraguay.

Convertibility Law: Law No. 23,928 and its Regulatory Decree No. 529/91. The Convertibility Law fixed the exchange rate at one peso per U.S. dollar during the period from April 1, 1991 through January 6, 2002. The Convertibility Law was partially repealed on January 6, 2002 by the enactment of the Public Emergency Law.

COO: Chief Operating Officer.

COSO: Committee of Sponsoring Organizations of the Treadway Commission.

CPP (Calling Party Pays): The system whereby the party placing a call to a mobile handset rather than the mobile subscriber pays for the air time charges for the call.

D-AMPS (Digital-Advanced Mobile Phone Service): It is a digital version of AMPS (Advanced Mobile Phone Service), the original Analog standard for mobile telephone service in the United States.

Decree No. 267/15: Decree that modifies some aspects of the LAD and Audiovisual Communication Services Law published in the Official Gazette on January 4, 2016. This Decree was subsequently amended by Decree No. 1,340/16 issued by PEN and published in the Official Gazette on January 2, 2017.

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Digital: A mode of representing a physical variable such as speech using digits 0 and 1 only. The digits are transmitted in binary form as a series of pulses. Digital networks are rapidly replacing the older Analog ones. Digital networks allow for higher capacity and higher flexibility through the use of computer-related technology for the transmission and manipulation of telephone calls. Digital systems offer lower noise interference and can incorporate encryption as a protection from external interference.

DWDM (Dense Wavelength Division Multiplexing): Technology for multiplying and transmitting different wavelengths along a single optical fiber contemporaneously.

ENACOM (Ente Nacional de Comunicaciones): Argentine Communications Body within the scope of the Ministry of Communications, acting as Regulatory Authority as of the date of this Annual Report. ENACOM absorbed the functions of AFTIC.

ENTel (Empresa Nacional de Telecomunicaciones): National Telecommunications Company which operated the telecommunications system in Argentina prior to the Transfer Date.

Envíos: Personal Envíos S.A.

FCR: France Cables et Radio S.A.

Fiber Optic: Thin glass, silica or plastic wires, building the infrastructure base for data transmission. A Fiber Optic cable contains several individual fibers, and each of them is capable of driving a signal (light impulse) at unlimited bandwidth. Fiber Optics are usually employed for long-distance communication: it can transfer “heavy” data loads, and the signal reaches the recipient, protected from possible disturbances along the way. The driving capacity of Fiber Optics is higher than the traditional copper cable ones.

Fintech: Fintech Telecom LLC.

FTTH, FTTC, FTT (Fiber to the ...): It is the term used to indicate any network architecture that uses fiber optic cables in partial or total substitution of traditional copper cables used in telecommunications access networks. The various technological solutions differ in the point of the distribution network where the fiber connection is made, with respect to the end-user’s location. In the case of FTTC (Fiber to the Curb or Fiber to the Cabinet), the fiber connection reaches the equipment (distribution cabinet) located on the pavement, from where copper connections are run to the customer; in the case of FTTH (Fiber to the Home), the fiber connection terminates inside the customer premises.

GCL: General Corporations Law.

GDP: Gross Domestic Product.

GPON: Gigabit-capable Passive Optical Network. A flexible optical fiber access network capable of supporting the bandwidth requirements of business and residential services. GPON systems are characterized, in general, by an optical line termination (“OLT”) system and an optical network unit (ONU) or optical network termination (“ONT”) with a passive optical distribution network interconnecting them. There is, in general, a one-to-many relationship between the OLT and the ONU/ONTs, respectively.

GPRS (General Packet Radio Service): An enhanced second-generation mobile technology used to transmit data over mobile networks. GPRS transmits and receives packets of data in bursts instead of using continuous open radio channels, and it is used to add faster data transmission speed to GSM networks. GPRS is packet-based rather than circuit-based technology.

GSM (Global System for Mobile Communications): A standard for digital mobile technology used worldwide, which works on 900 MHz and 1,800 MHz band.

IASB: International Accounting Standards Board.

ICT: (Information and Communication Technology): Broad area concerned with information technology, telecommunications networking and services and other aspects of managing and processing information, especially in large organizations.

ICT services (Information and Communication Technology services): Services to transport and distribute signals or data, such as voice, text, video and images, provided or requested by third-party

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users, through telecommunications networks. Each service is subject to its specific regulatory framework.

IFC: International Finance Corporation

IFRS: International Financial Reporting Standards as issued by the International Accounting Standards Board.

INDEC (Instituto Nacional de Estadísticas y Censos): The Argentine National Statistics and Census Institute.

Internet: The world's best-known data network. Initially used by the U.S. Department of Defense, the Internet now provides an interface for networks based on different technologies (LANs, WANs, data networks, etc.), but with the use of the TCP/IP protocol platform.

IP (Internet Protocol): A set of communications protocols for exchanging data over the Internet.

ISP (Internet Service Provider): A vendor who provides access to the Internet and World Wide Web.

IT: Information Technology.

LAD (Ley Argentina Digital): Law No. 27,078, Argentina's Digital Law.

Law No. 25,561 (Ley de Emergencia Económica y Reforma del Régimen Cambiario): See "Public Emergency Law."

Law No. 26,831 (Ley de Mercado de Capitales): Argentine Capital Markets Law.

List of Conditions: The Privatization Regulations, including the *Pliego de Bases y Condiciones*, was approved by Decree No. 62/90, as amended. Pursuant to the List of Conditions, Telecom Argentina was required to comply with rate regulations and meet certain minimum annual standards regarding the expansion of its telephone system and improvements in the quality of its service to maintain and extend the exclusivity of its non-expiring license to provide fixed-line public telecommunications services and Basic Telephone Services in the Northern Region of Argentina. After the market was opened to competition, the outstanding obligations that continue in force were the rate regulations and those related to the quality of service; the obligations related to the expansion of the network are no longer required.

Merval (Mercado de Valores de Buenos Aires S.A.): Securities Market of Buenos Aires S.A. On April 17, 2017, Bolsas y Mercados Argentinos S.A. (BYMA), a stock market authorized by CNV who shall succeed to the Mercado de Valores de Buenos Aires S.A. or MERVAL, started the automatic transfer of all the species listed in the MERVAL to BYMA. BYMA was created after the merger of the MERVAL and the capital contribution of the BCBA, with the purpose of incorporating the Argentine Stock Exchange System (SBA) under Law No. 26,831 of the Capital Markets.

Micro Sistemas: Micro Sistemas S.A.

M2M: Machine to Machine, information exchange between two remote machines.

MMS (Mobile Multimedia Services): Represent an evolution of the SMS and the Enhanced Messaging Service ("EMS") using various mono-medial elements (text, design, photos, video-clips and audio), which are synchronized and combined allowing them to be packed together and sent to GSM-GPRS platforms.

Mobile service: A mobile telephone service provided by means of a network of interconnected low-powered base stations, each of which covers one small geographic cell within the total cellular system service area.

Modem: Modulator/Demodulator. A device that modulates digital data to allow their transmission on Analog channels, generally consisting of telephone lines.

Multimedia: A service involving two or more communications media (e.g., voice, video, text, etc.) and hybrid products created through their interaction.

NDF (Non Deliverable Forward) Agreement: A generic term for a set of derivatives that covers national currency transactions including foreign exchange forward swaps, cross currency swaps and coupon swaps in nonconvertible or highly restricted currencies. The common characteristics of these contracts are that they involve no exchange of principal, are fixed at a predetermined price and are

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typically settled in U.S. dollars (or sometimes in Euros) at the prevailing spot exchange rate taken from an agreed source, time, and future date.

Network: An interconnected collection of elements. In a telephone network, these consist of switches connected to each other and to customer equipment. The transmission equipment may be based on fiber optic or metallic cable or point-to-point radio connectors.

Node: Topological network junction, commonly a switching center or station.

Nortel: Nortel Inversora S.A., the parent company of Telecom Argentina S.A.

Northern Region: the Argentine government's privatization program as set forth in the State Reform Law approved in August 1989 and subsequent decrees, the "Privatization Regulations" provided for the division of the Argentine telecommunications network operated by ENTel into two regions, the northern region (the "Northern Region") and the southern region (the "Southern Region") of Argentina. Additionally, these two regions are set forth in Decree No. 1,461/93, which ratified the Resolution No. 575/93 which approved the list of conditions for the public offer for the provision of mobile telecommunication services.

OTT (Over the Top): Over the Top applications or services are those services that bypass traditional network distribution approaches and run over, or on top of, internet networks. OTT refers, in general, to content from a third-party that is delivered to an end-user over the internet that is not provided directly by end-user Internet Service Provider.

Outsourcing: Hiring outsiders to perform various telecommunications services, which may include planning, construction, or hosting of a network or specific equipment belonging to a company.

Packs: Packages integrated by SMS and minutes that can be purchased or added to those plans that recharge credit.

PCS (Personal Communications Service): A mobile communications service with systems that operate in a manner similar to cellular systems.

PEN (Poder Ejecutivo Nacional): The executive branch of the Argentine government.

Penetration: The measurement of the take-up of services. As of any date, the penetration is calculated by dividing the number of subscribers by the population to which the service is available and expressed as a percentage.

Personal: Telecom Personal S.A.

Pesification: Modification of the exchange rate by the Argentine government pursuant to the Public Emergency Law.

Platform: The total input, including hardware, software, operating equipment and procedures, for producing (production platform) or managing (Management platform) a particular service (service platform).

POPs of contents: "Point Of Presence", Netflix, Google or other Internet content providers traffic cache servers where Internet contents are stored locally.

Presubscription of Long-Distance Service: The selection by the customer of international and domestic long-distance telecommunications services from a long-distance telephone service operator.

Price Cap: Rate regulation mechanism applied to determine rate discounts based on a formula made up by the U.S. Consumer Price Index and an efficiency factor. The mentioned factor was established initially in the List of Conditions and afterwards in different regulations by the SC.

Privatization Regulations: The Argentine government's privatization program as set forth in the State Reform Law approved in August 1989 and subsequent decrees.

Public Emergency Law: The Public Emergency and Foreign Exchange System Reform Law No. 25,561 adopted by the Argentine government on January 6, 2002, as amended by Law No. 25,790, Law No. 25,820, Law No. 25,972, Law No. 26,077, Law No. 26,204, Law No. 26,339, Law No. 26,456, Law No. 26,563, Law No. 26,729, Law No. 26,896 and Law No. 27,200. Among others, the Public Emergency Law grants the PEN the power to set the exchange rate between the peso and foreign currencies and to issue regulations related to the foreign exchange market and to renegotiate public service agreements.

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Pulse: Unit on which the rate structure of the regulated fixed line services is based.

Regulatory Bodies: Collectively or individually, the ENACOM, the AFTIC, the SC and the CNC.

Roaming: A function that enables mobile subscribers to use the service on networks of operators other than the one with which they signed their initial contract. The roaming service is active when a mobile device is used in a foreign country (included in the GSM network).

Satellite: Satellites are used, among other things, for links with countries that cannot be reached by cable to provide an alternative to cable and to form closed user networks.

SBT (Servicio Básico Telefónico): Basic Telephone Service.

SC (Secretaría de Comunicaciones): The Argentine Secretary of Communications, which was replaced by the AFTIC and subsequently by the ENACOM.

SCMA (Servicio de Comunicaciones Móviles Avanzadas): Mobile Advanced Communications Service.

SEC: The Securities and Exchange Commission of the United States of America.

SECTIC (Secretariado de Tecnologías de la Información y la Comunicación): Secretariat of Information and Communication Technologies.

Service Provider: The party that provides end users and content providers with a range of services, including a proprietary, exclusive or third-party service center.

SMS (Short Message Service): Short text messages that can be received and sent through GSM-network connected mobile phones. The maximum text length is 160 alpha-numerical characters.

Sofora: Sofora Telecomunicaciones S.A.

Southern Region: See “Northern Region.”

SRMC (Servicios de Radiocomunicaciones Móviles Celular): Cellular Mobile Radiocommunications Service.

STM (Servicio Telefónico Móvil): Mobile Telephone Service.

Switch: These are used to set up and route telephone calls either to the number called or to the next switch along the path. They may also record information for billing and control purposes.

TDMA (Time Division Multiple Accesses): A technology for digital transmission of radio signals between, for example, a mobile handset and a radio base station. TDMA breaks signals into sequential pieces of defined length, places each piece into an information conduit at specific intervals and then reconstructs the pieces at the end of the conduit.

Telco S.p.A.: A joint company made up of the Generali group, Intesa San Paolo S.p.A., Mediobanca S.p.A. and Telefónica, S.A. (of Spain).

Telecom Argentina USA: Telecom Argentina USA, Inc.

Telecom Italia: Telecom Italia S.p.A.

Telecom Italia Group: Telecom Italia and its consolidated subsidiaries.

Telefónica: Telefónica de Argentina S.A.

Telintar: Telecomunicaciones Internacionales de Argentina Telintar S.A.

Terms and Conditions: See “Auction Terms and Conditions.”

TLRD (Terminación Llamada Red Destino): Termination charges from third parties’ mobile networks.

Transfer Date: November 8, 1990, the date on which Telecom Argentina commenced operations upon the transfer from the Argentine government of the telecommunications system in the Northern Region of Argentina that was previously owned and operated by ENTel.

UBB (Ultra Broad Band): High speed Internet connection with download speed of 15MB or more.

UMTS (Universal Mobile Telecommunications System): Third-generation mobile communication standard.

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UNIREN (Unidad de Renegociación y Análisis de Contratos de Servicios Públicos): Renegotiation and Analysis of Public Services Contracts Division.

Universal Service: The availability of Basic Telephone Service, or access to the public telephone network via different alternatives, at an affordable price to all persons within a country or specified area.

Value Added Services (VAS): Services that provide a higher level of functionality than the basic transmission services offered by a telecommunications network such as video streaming, “Personal Video”, “Nube Personal” (Cloud services), M2M (Machine to Machine communication), social networks, “Personal Messenger”, content and entertainment (SMS subscriptions and content, games, music, etc.), MMS and voice mail.

VDSL (Very High bit rate Digital Subscriber Line): a superior technology for Internet access connections. VDSL is superior to ADSL, offering connections speed of over 10Mb.

W de Argentina Inversiones: W de Argentina Inversiones S.A.

WAN (Wide Area Network): A private network that covers a wide geographic area using public telecommunications services.

Wi-Fi: A service for mobile Internet connection and high-speed access.

Wi-Max (Worldwide Interoperability for Microwave Access): A technology that allows mobile access to Broadband telecommunications networks. It is defined by the Wi-Max Forum, a global consortium formed by major companies in the field of fixed and mobile telecommunications, which has the purpose to develop, test and promote the interoperability of systems.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

Selected Financial Data

The following table presents our summary financial data for each of the years in the five-year period ended December 31, 2016.

The selected consolidated income statement data for the years ended December 31, 2016, 2015 and 2014 and the selected consolidated financial position data as of December 31, 2016 and 2015 have been prepared in accordance with IFRS as issued by the IASB and have been derived from our Consolidated Financial Statements included elsewhere in this Annual Report. The selected consolidated income statement data for the years ended December 31, 2013 and 2012 and the selected consolidated financial position data as of December 31, 2014 and 2013 have been prepared in accordance with IFRS and have been derived from our consolidated financial statements as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012 included in our Annual Report on Form 20-F for the year ended December 31, 2014, filed on April 24, 2015. The selected consolidated financial position data as of December 31, 2012 prepared in accordance with IFRS have been derived from our Consolidated Financial Statements as of December 31, 2013 and 2012 and for the years then ended included in our Annual Report on Form 20-F for the year ended December 31, 2013, filed on April 14, 2014.

Our Consolidated Financial Statements and the financial information included elsewhere in this Annual Report have been prepared on historical basis in accordance with IFRS. However, due to the high level of inflation prevailing in Argentina in the last few years, the Company's Management engaged in a deep analysis of the conditions established by IAS 29 paragraph 3 to consider an economy as hyperinflationary. Based on the analysis made as of December 31, 2016, the Company's Management considers that the quantitative condition provided in section e) of IAS 29 has been met, while the qualitative conditions of the Argentine economy are mixed (some of them would suggest the existence of a high inflation environment while others have not substantially changed from previous years, when it was concluded that financial statements should not be restated). Under these circumstances, and in order to be objective, the Company's Management gave prominence to the conclusions reached by some international accounting firms that were available to the Company's Management, which considered that as of December 31, 2016, there was insufficient evidence to consider Argentina's economy as "hyperinflationary" under IAS 29. Similar conclusions were reached under US GAAP by the International Practices Task Force, according to its memorandum issued on November 17, 2016. See "—Risk factors—Risk Factors Relating to Argentina—Inflation could accelerate, causing adverse effects on the economy and negatively impacting Telecom's margins", "Item 5— Operating and Financial Review and Prospects—Economic and Political Developments in Argentina" and Note 1.e) to the Consolidated Financial Statements.

You should read the information below in conjunction with our Consolidated Financial Statements and the notes thereto, as well as "Presentation of Financial Information" and "Item 5—Operating and Financial Review and Prospects."

CONSOLIDATED SELECTED INCOME STATEMENT AND FINANCIAL POSITION DATA

	2016	2015	2014	2013	2012
	(P\$ million, except per share and per ADS data in P\$)				
INCOME STATEMENT DATA					
Total revenues and other income	53,323	40,540	33,388	27,350	22,196
Operating expenses (without depreciation and amortization)	(38,899)	(29,674)	(24,686)	(19,786)	(15,626)
Operating expenses - depreciation and amortization	(6,198)	(4,438)	(3,243)	(2,873)	(2,612)
Gain /(Loss) on disposal of PP&E and impairment of PP&E	(383)	(199)	(16)	(173)	8
Operating income	7,843	6,229	5,443	4,518	3,966
Other, net (1)	(2,244)	(1,102)	253	528	229
Income tax expense	(1,594)	(1,692)	(1,967)	(1,792)	(1,463)
Net income	4,005	3,435	3,729	3,254	2,732
Other Comprehensive Income, net of tax	263	257	243	133	91
Total Comprehensive Income	4,268	3,692	3,972	3,387	2,823
<i>Total Comprehensive Income attributable to Telecom Argentina</i>	<i>4,142</i>	<i>3,580</i>	<i>3,837</i>	<i>3,285</i>	<i>2,745</i>
<i>Total Comprehensive Income attributable to Non-controlling Interest</i>	<i>126</i>	<i>112</i>	<i>135</i>	<i>102</i>	<i>78</i>
Number of shares outstanding at year-end (in millions of shares) (2)	969	969	969	969	984
Net income per share (basic and diluted) (3)	4.10	3.51	3.79	3.27	2.73
Net income per ADS (4)	20.51	17.56	18.95	16.35	13.64
Dividends per share (5)	2.06	0.83	1.24	1.03	0.82
Dividends per ADS (6)	10.32	4.15	6.20	5.11	4.10
FINANCIAL POSITION DATA					
Current assets	15,562	11,492	6,393	9,751	6,986
PP&E and intangible assets	30,757	25,622	19,140	12,745	10,549
Other non-current assets	1,595	1,351	784	634	274
Total assets	47,914	38,465	26,317	23,130	17,809
Current liabilities	16,511	16,914	9,097	9,050	5,883
Non-current liabilities	11,525	3,941	2,451	2,029	1,768
Total liabilities	28,036	20,855	11,548	11,079	7,651
Total equity	19,878	17,610	14,769	12,051	10,158
<i>Equity attributable to Telecom Argentina</i>	<i>19,336</i>	<i>17,194</i>	<i>14,418</i>	<i>11,783</i>	<i>9,959</i>
<i>Non-controlling Interest</i>	<i>542</i>	<i>416</i>	<i>351</i>	<i>268</i>	<i>199</i>
Total Capital Stock (7)	984	984	984	984	984

(1) Other, net includes Finance income and expenses.

(2) Number of ordinary shares outstanding at year-end (as of December 31, 2016, 2015, 2014 and 2013 excludes treasury shares).

(3) Calculated based on the weighted average number of ordinary shares outstanding during each period (969,159,605 ordinary shares for the years 2016, 2015 and 2014, 978,939,079 ordinary shares for the year 2013, and 984,380,978 ordinary shares for the year 2012).

(4) Calculated based on the equivalent in ADSs to the weighted average number of ordinary shares outstanding during each period (193,831,921 ADSs for the years 2016, 2015 and 2014, 195,787,816 ADSs for the year 2013 and 196,876,196 ADSs for the year 2012).

(5) Dividends per share translated into U.S. dollars amounts to US\$0.14; US\$0.09; US\$0.15; US\$0.16 and US\$0.17 as of December 31, 2016, 2015, 2014, 2013 and 2012, respectively. The translation into US Dollar was made using the ask rate published by the Banco de la Nación Argentina (National Bank of Argentina) prevailing as of the date when dividends were available to Telecom Argentina' shareholders.

(6) Dividends per ADS translated into U.S. dollars amounts to US\$0.70; US\$0.46; US\$0.75; US\$0.79 and US\$0.83 as of December 31, 2016, 2015, 2014, 2013 and 2012, respectively. The translation into US Dollar was made using the ask rate published by the Banco de la Nación Argentina (National Bank of Argentina) prevailing as of the date when dividends were available to Telecom Argentina' shareholders.

(7) Ordinary shares of P\$1 of nominal value each.

OTHER SELECTED DATA

	2016	2015	2014	2013	2012
Number of installed fixed lines (thousands)(1)	4,908	4,904	4,763	4,700	4,851
Number of fixed lines in service (thousands)(2)	3,920	4,043	4,093	4,124	4,128
Fixed lines in service per 100 inhabitants(3)	19	19	19	19	20
<i>Lines in service per employee (4)</i>	360	371	370	375	371
<i>ARBU (in P\$/month) (national + international)</i>	97.9	67.7	57.4	52.5	48.2
Fixed Internet access lines (thousands)	1,738	1,814	1,771	1,707	1,629
Arnet subscribers (thousands)	1,726	1,791	1,749	1,687	1,622
<i>ARPU ADSL (access + ISP) (in P\$/month)</i>	270.9	207.4	153.0	124.7	102.3
Mobile subscribers in Argentina (thousands)	19,514	19,656	19,585	20,088	18,975
<i>Subscribers at year-end per employee (4)</i>	4,187	4,005	3,950	3,897	3,612
<i>ARPU (in P\$/month)</i>	112.3	91.5	74.2	66.8	57.7
<i>MOU (in minutes/month)</i>	89.9	93.7	99.5	111.7	112.4
<i>MBOU (in Mb per user/month) (5)</i>	943.2	565.5	366.8	n/a	n/a
Mobile subscribers in Paraguay (thousands)(6)	2,538	2,546	2,481	2,420	2,301
<i>Subscribers at year-end per employee (4) (7)</i>	6,317	6,225	6,159	5,696	5,226
<i>ARPU (in P\$/month)</i>	71.7	46.5	47.9	34.6	27.5
<i>MOU (in minutes/month)</i>	56.0	68.5	57.5	61.3	56.1
Telecom Group Headcount(8)	15,970	16,224	16,416	16,581	16,808

- (1) Reflects total number of lines available in Switches.
(2) Includes lines customers, own usage, public telephony and Integrated Services Digital Network (“ISDN”) channels.
(3) Corresponds to the Northern Region of Argentina.
(4) Excluding temporary employees, if any.
(5) Correspond to customers with consumption higher than 10Mb.
(6) Including Wi-Max Internet customers.
(7) Excluding Wi-Max Internet customers.
(8) Including temporary employees, if any.

Exchange Rates

The following tables show, for the periods indicated, certain information regarding the exchange rates for U.S. dollars, expressed in nominal pesos per dollar (ask price). See “Item 10—Additional Information—Foreign Investment and Exchange Controls in Argentina.”

	High(1)	Low(1)	Average(2)	End of Period
Year Ended December 31, 2012	4.92	4.30	4.55	4.92
Year Ended December 31, 2013	6.52	4.98	5.55	6.52
Year Ended December 31, 2014	8.55	7.87	8.23	8.55
Year Ended December 31, 2015	13.04	8.64	9.45	13.04
Year Ended December 31, 2016	15.89	13.96	14.99	15.89
Month Ended October 31, 2016	15.23	15.07	15.17	15.15
Month Ended November 30, 2016	15.87	14.92	15.35	15.87
Month Ended December 31, 2016	16.03	15.50	15.84	15.89
Month Ended January 31, 2017	16.08	15.81	15.91	15.90
Month Ended February 28, 2017	15.80	15.36	15.59	15.48
Month Ended March 31, 2017	15.65	15.39	15.52	15.39
April 2017 (through April 24, 2017)	15.49	15.19	15.33	15.39

- (1) Yearly data is based on month-end rates.
(2) Yearly data reflect average of month-end rates.

Sources: Banco de la Nación Argentina

On April 24, 2017, the exchange rate was P\$ 15.39= US\$1.00.

Capitalization and Indebtedness

Not applicable.

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Reasons for the Offer and Use of Proceeds

Not applicable.

Risk Factors

This section is intended to be a summary of more detailed discussions contained elsewhere in this Annual Report. The risks described below are not the only ones that we face. Additional risks that we do not presently consider material, or of which we are not currently aware, may also affect us. Our business, results of operations, financial condition and cash flows could be materially and adversely affected if any of these risks materialize and, as a result, the market price of our shares and our ADSs could decline. You should carefully consider these risks with respect to an investment in Telecom Argentina.

Risks Relating to Argentina

Overview

A substantial majority of our property, operations and customers are located in Argentina, and a portion of our assets and liabilities are denominated in foreign currencies. Accordingly, our financial condition, results of operations and cash flows depend to a significant extent on economic and political conditions prevailing in Argentina and on the exchange rates between the peso and foreign currencies. In the recent past, Argentina has experienced severe recessions, political crises, periods of high inflation and significant currency devaluation. Argentina has experienced economic growth in the last decade, although according to INDEC's official figures, economic activity has been volatile during 2014, 2015 and 2016. Uncertainty remains as to whether the growth is sustainable, as well as how several factors would impact the Argentine economy, including among others, inflation rates, exchange rates, commodity prices, level of BCRA reserves, public debt, tax pressures and healthy trade and fiscal balances.

Devaluation of the peso may adversely affect our results of operations, our capital expenditure program and the ability to service our liabilities and transfer funds abroad.

Since we generate a substantial portion of our revenues in pesos (our functional currency), any devaluation may negatively affect the U.S. dollar value of our earnings while increasing, in peso terms, our expenses and capital expenditures denominated in foreign currency. A depreciation of the Argentine Peso against major foreign currencies may also have an adverse impact on our capital expenditure program and increase the peso amount of our trade liabilities denominated in foreign currencies. Telecom seeks to manage the risk of devaluation of the peso by entering from time to time into certain NDF agreements to partially or completely hedge its exposure to foreign currency fluctuations caused by its liabilities denominated in foreign currencies (mainly U.S. dollars). The Company also has financial assets denominated in U.S. dollars that contribute to reduce the exposure to liabilities denominated in foreign currencies. See "Item 11—Quantitative and Qualitative Disclosures About Market Risk." Additionally, in October 2016 Personal and the International Finance Corporation signed a loan agreement for an amount of US\$400 million and in November 2016 Personal issued Series IV of its Notes for a nominal value of US\$77.9 million. See "Item 5—Operating and Financial Review and Prospects—Liquidity and Capital Resources—Debt Obligations and Debt Service Requirements."

The Argentine Peso has been subject to significant devaluation against the U.S. dollar in the past and may be subject to fluctuations in the future. According to the exchange rate published by the Banco de la Nación Argentina, in the year ended December 31, 2016 the devaluation of the peso against the U.S. dollar was 21.9% (and 52.5% and 31.1% in the years ended December 31, 2015 and 2014, respectively).

On December 17, 2015, the current administration lifted many of the restrictions to access the foreign exchange markets ("FX Markets") and the multiple exchange rate system was unified into a floating rate regime. As a result, the value of the peso depreciated significantly against the dollar. On December 31, 2015 the dollar was worth P\$13.04 per U. S. dollar and on December 31, 2016 the exchange rate was P\$15.89 per U. S. dollar. This measure allowed almost a total unification of the multiple exchange rate system applicable at that time over the commercial and financial transactions in Argentina. See "Item 10—Additional Information—Foreign Investment and Exchange Controls in Argentina"

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Given the economic and political conditions in Argentina, we cannot predict whether, and to what extent, the value of the peso may depreciate or appreciate against the U.S. dollar, the euro or other foreign currencies. We cannot predict how these conditions will affect the consumption of services provided by the Telecom Group or our ability to meet our liabilities denominated in currencies other than the peso. Moreover, we cannot predict whether the Argentine government will further modify its monetary, fiscal, and exchange rate policy. If any of these changes takes place we cannot anticipate the impact these could have on the value of the peso and, accordingly, on our financial condition, results of operations and cash flows, and on our ability to transfer funds abroad in order to comply with commercial or financial obligations or dividend payments to shareholders located abroad.

Inflation could accelerate, causing adverse effects on the economy and negatively impacting Telecom's margins.

In the past, Argentina has experienced periods of high inflation. Inflation has increased since 2005 and has remained relatively high since then. There can be no assurance that inflation rates will not be higher in the future.

In January 2014, a new consumer price index, the National Urban Consumer Price Index (*Indice de Precios al Consumidor Nacional Urbano*, or "IPCNu") was published with the aim of improving the accuracy of measurements of the evolution of prices in the Argentine economy. The IPCNu integrates a set of price indexes which allows for the monitoring of the change in several prices in the economy (wholesale, commodities and construction costs, among others) by considering the price information from all the provinces in Argentina. The IPCNu increased by 11.9% over the period from January to October 2015 (according to last available data); and by 23.9% in 2014. During the last few years there had been a substantial disparity between the inflation indexes published by the INDEC and the higher inflation indexes estimated by private consulting firms. The INDEC estimated that the Argentine wholesale price index increased by 13.1% in 2012, 14.8% in 2013, 28.3% in 2014 and 10.6% in the period of January to October 2015 (according to the last available data because INDEC has not yet disclosed figures for November and December 2015). The INDEC resumed publication of the wholesale price index for full year 2016, which increased by 34.6% on a year-over-year comparison.

On January 8, 2016, the current administration issued Decree No. 55/2016 declaring a state of administrative emergency with respect to the national statistical system and the INDEC until December 31, 2016. During this state of emergency, the INDEC had suspended publication of certain statistical data (regarding prices, poverty, unemployment and GDP) until it completed a reorganization of its technical and administrative structure capable of producing sufficient and reliable statistical information. As of the date of this Annual Report, INDEC has resumed publication of mentioned statistical data, although for some indicators it has not yet disclosed or provided reestimated figures for certain time periods.

As a consequence of the mentioned events, the full year 2015 inflation measure for IPCNu index was not disclosed, and according to last available data (from October 2015) the IPCNu registered an increase of 11.9% over the January to October 2015 period. As alternative guidance to IPCNu, the authorities suggested that other measures should be observed, such as those published by the statistical entity of the Buenos Aires City (IPC CABA) and the San Luis Province that registered an annual increase of 26.9% and 31.6%, respectively. IPCNu publication was resumed in June 2016 disclosing May 2016 monthly inflation figures, while data for the months in the period January to April 2016 remains unavailable. Taking this into account, IPCNu variation from May to December 2016 was 16.9% and, as alternative guidance, the indexes published by the Province of San Luis and the City of Buenos Aires from January to April 2016 represented an increase of 13.9% and 19.2%, respectively.

The Argentine government continued implementing several actions to monitor and control prices for the most relevant goods and services. Despite such actions, the Argentine economy continues to experience high levels of inflation. If the value of the peso cannot be stabilized through fiscal and monetary policies, a significant increase in inflation rates could be expected.

Since the majority of our revenues are denominated in pesos, any further increase in the rate of inflation not accompanied by a parallel increase in our prices would decrease our revenues in real terms and adversely affect our results of operations.

Also, higher inflation leads to a reduction in the purchasing power of the population, thus increasing the risk of a lower level of service consumption from our fixed and mobile customers in Argentina.

Future policies of the Argentine government may affect the economy as well as the operations of the telecommunications industry, including Telecom Argentina.

The Argentine government has historically exercised significant influence over the economy, and telecommunications companies in particular have operated in a highly regulated environment. In the past, the Argentine government promulgated numerous, far-reaching regulations affecting the economy and telecommunications companies in particular. In that context, the CNC adopted new interpretations of applicable regulations and imposed fines on telecommunications companies, particularly incumbent operators including our Company. Also, regulations such as SC Resolution No. 5/13 regarding the quality of telecommunication services could further increase penalties imposed by the regulatory authorities. In addition, local municipalities in the regions where we operate have also introduced regulations and proposed various taxes and fees for the installation of infrastructure, equipment and expansion of fixed line and mobile networks. For example, municipalities usually restrict areas where antennas may be deployed; causing negative impact for the mobile service coverage, which in turn affects our quality of services. Provinces have increased, and may continue to increase, their tax rates, particularly the turnover tax rates, resulting in the highest rates in Argentine history. Municipal and provincial tax authorities have also brought an increasing number of claims against us. We disagree with these proceedings and we are contesting them. See “Item 8—Financial Information—Legal Proceedings—Tax Matters” for more information.

If claims against us are not resolved in our favor, and changes to the existing laws and regulations lead to adverse consequences for the Company, our business, financial condition, results of operations and cash flows may be adversely affected.

Since assuming office on December 10, 2015, President Macri has announced several economic and policy reforms. As of the date of this Annual Report, the impact that these measures and any future measures taken by the current administration will have on the Argentine economy as a whole and the telecommunication sector in particular cannot be predicted. We believe that the effect of the planned liberalization of the economy, the reduction of the poverty and the integration of Argentina to international markets, will be positive for our business by stimulating economic activity. However, it is not possible to predict such effect with certainty and such liberalization could also be disruptive to the economy and fail to benefit or harm the Argentine economy and our business in particular.

The Argentine government may exercise greater intervention in private sector companies, including Telecom Argentina.

The global economic and financial crisis over the last years has resulted in a significant reduction in global GDP growth and a loss in consumer confidence in the financial sectors of many countries. To improve the countries’ financial condition and assist certain troubled industries, some governments have responded with extraordinary intervention in the private sector. Certain governments of the leading industrialized nations have implemented various financial rescue plans outlining new regulatory frameworks that would be expected to remain in effect at least until market conditions and investor and consumer confidence have stabilized.

In November 2008, through Law No. 26,425, Argentina nationalized its private pension and retirement system, which had been previously administered by the AFJP, and appointed ANSES as its administrator. Argentina’s nationalization of its pension and retirement system constituted a significant change in the Argentine government’s approach towards Argentina’s main publicly traded companies. A significant portion of the public float of these companies was owned by the AFJP and is currently held by ANSES, such as the case of Telecom. See “Item 7—Major Shareholders and Related Party Transactions.” The Argentine government could exercise influence over corporate governance decisions of companies in which it owns shares by combining its ability to exercise its shareholder voting rights to designate board and supervisory committee members with its ability to dictate tax and regulatory matters. Additionally, since the AFJP were significant institutional investors and active market traders in Argentina, the nationalization of the private pension and retirement system affected the access to financing in capital markets for publicly traded companies as well as liquidity within the market.

In addition, during 2012, Decree No. 1,278/12 stated that the Secretary of Economic Policy and Development Planning of the Ministry of Economy and Public Finance was responsible for the implementation of policies and actions regarding the exercise of shareholder rights of the equity shares of companies where the Argentine government is a minority shareholder and approved for that

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purpose a Regulation of officers and directors appointed by the shares or equity interests of the Argentine government, establishing the rules that they must follow in performing their duties.

In July 2016 Decree No. 894/16, which amends Decree No. 1,278/12, established that in companies whose shares integrate the investment portfolio of the Sustainability Guarantee Fund (Fondo de Garantía de Sustentabilidad del Sistema Integrado Previsional Argentino or “FGS”), the corporate, political, and economic rights pertaining to such shares shall not be exercised by the Secretary of Economic Policy and Development Planning as previously stated by Decree No. 1,278/12, but they are to be exercised by the ANSES.

In addition, Decree No. 894/16 established that the directors appointed by the ANSES shall have the functions, duties and powers set out by: (i) the GCL, (ii) the Law of Capital Market No. 26,831 and its complementary and regulatory provisions, (iii) all the regulations applicable to the company in which they perform their duties, and (v) the company’s bylaws and internal regulations, and shall have all the responsibilities they might be liable for under these regulations.

Moreover, on July 22, 2016, Law No 27,260 (“Historical Reparation for Retirees and Pensioners” or *Reparación Histórica para Jubilados y Pensionados*) was published in the Official Gazette. Article 35 of this Law revokes Law No. 27,181 “Statement of public interest in the protection of National Government’s equity interest that is part of the FGS investment portfolio.” Moreover, Article 30 of Law No. 27,260 establishes the prohibition of the transfer of the shares of national corporations authorized by the CNV to public offer which integrate the FGS, if as a consequence of such a transfer, ownership of such securities by the FGS is less than 7% of the total assets of the FGS, without prior express authorization of the Argentine National Congress. The Law also sets forth the following exceptions to this provision: (i) public offers addressed to all holders of such assets and at an equitable price authorized by the CNV and (ii) stock swap for other stock of the same or another company in the context of a merger, division or corporate reorganization processes. See “Item 4—Information on the Company —Regulatory and Legal Framework—Legal Framework—Law No. 27,260 of Historical Reparation for Retirees and Pensioners.”

In January 2013, Law No. 26,831 came into effect, granting new intervention powers to the CNV. In September 2013, the CNV issued regulations pursuant to Law No. 26,831 through Resolution No. 622/13 that approved the new text of the CNV rules. See “Item 9—The Offer and Listing—The Argentine Securities Market—Capital Markets Law—Law No. 26,831.”

Since assuming office on December 10, 2015, President Macri has announced several economic and policy reforms. As of the date of this Annual Report, the impact that these measures and any future measures taken by the current administration will have on the Argentine economy as a whole and the telecommunication sector in particular cannot be predicted. We believe that the effect of the planned liberalization of the economy, the reduction of the poverty and the integration of Argentina to international markets, will be positive for our business by stimulating economic activity. However, it is not possible to predict such effect with certainty and such liberalization could also be disruptive to the economy and fail to benefit or harm the Argentine economy and our business in particular.

In addition, prior administrations took several steps to re-nationalize the concessions and utilities that were privatized during the 1990s. We cannot predict whether current or future administrations will take similar or further measures, including nationalization, expropriation and/or increased Argentine governmental intervention in companies.

The matters described above could create uncertainties for some investors in public companies in Argentina, including Telecom Argentina.

Argentina’s economy may contract in the future due to international and domestic conditions which may adversely affect our operations.

The effects of the global economic and financial crisis in recent years and the general weakness in the global economy may negatively affect emerging economies like Argentina’s. Global financial instability may impact the Argentine economy and cause a slowdown in Argentina’s growth rate or could lead to a recession with consequences in the trade and fiscal balances and in the unemployment level.

Moreover, Argentine economic growth might be negatively affected by several domestic factors such as an appreciation of the real exchange rate which could affect its competitiveness, reductions and even reversion of a positive trade balance, which, combined with capital outflows could reduce the

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levels of consumption and investment resulting in greater exchange rate pressure. Additionally, abrupt changes in monetary and fiscal policies or foreign exchange regime could rapidly affect local economic output, while lack of appropriate levels of investment in certain economy sectors could reduce long term growth. Access to the international financial markets could be limited. Consequently, an increase in public spending not correlated with an increase in public revenues could affect the Argentina's fiscal results and generate uncertainties that might affect the economy's level of growth.

Moreover, several trading partners of Argentina (such as Brazil, Europe and China) are experiencing significant slowdowns or recession periods in their economies. This may impact the demand for products coming from Argentina and hence affect its economy.

If international and domestic economic conditions for Argentina were to worsen, the Argentine economy could be negatively affected as a result of lower international demand and lower prices for its products and services, higher international interest rates, lower capital inflows and higher risk aversion, which may also adversely affect our business, results of operations, financial condition and cash flows.

Substantially all of our operations, properties and customers are located in Argentina, and, as a result, our business is, to a large extent, dependent upon economic and legal conditions prevailing in Argentina. If economic and legal conditions in Argentina were to deteriorate, they could have an adverse effect on our financial condition, results of operations and cash flows.

Economic and legal conditions in Argentina remain uncertain which may affect our financial condition, results of operations and cash flows.

Although general economic conditions have shown improvement in the last decade, and political protests and social disturbances have diminished considerably since the economic crisis of 2001 and 2002, the nature of the changes in the Argentine political, economic and legal environment over the past several years has given rise to uncertainties about the country's business environment.

In the event of any economic, social or political crisis, companies operating in Argentina may face the risk of strikes, expropriation, nationalization, forced modification of existing contracts, and changes in taxation policies including tax increases and retroactive tax claims. In addition, Argentine courts have issued rulings changing the existing jurisprudence on labor matters and requiring companies to assume greater responsibility for, and assumption of costs and risks associated with, sub-contracted labor and the calculation of salaries, severance payments and social security contributions. Since we operate in a context in which the governing law and applicable regulations change frequently, it is difficult to predict if and how our activities will be affected by such changes.

Argentina's ability to obtain financing from international markets is limited, which could affect its capacity to implement reforms and sustain economic growth.

After Argentina's default on certain debt payments in 2001, the government successfully restructured 92% of the debt through two debt exchange offers in 2005 and 2010. Commencing in 2002, holdout creditors filed numerous lawsuits against Argentina in several jurisdictions, including the United States, Italy, Germany and Japan. These lawsuits generally assert that Argentina failed to make timely payments of interest and/or principal on their bonds, and seek judgments for the face value of and/or accrued interest on those bonds. Judgments have been issued in numerous proceedings in the United States and Germany. As of the date of this Annual Report, creditors with favorable judgments have not succeeded, with a few minor exceptions, in executing on those judgments.

During 2014, the Argentine government took a number of steps intended to continue servicing the bonds issued in the 2005 and 2010 exchange offers, which had limited success. Holdout creditors continued to litigate expanding the scope of issues, aiming to include payment by the Argentine government on debt other than the exchange bonds and dispute the independence of the BCRA.

The current administration engaged in negotiations with holders of defaulted bonds in December 2015 with a view to bringing closure to fifteen years of litigation. Between February and April 2016, the Argentine government entered into an agreement in principle to settle with certain holders of defaulted debt and put forward a proposal to other holders of defaulted debt, including those with pending claims in U.S. courts, subject to two conditions: (i) obtaining approval by the Argentine National Congress and (ii) the lifting of the pari passu injunctions. On March 31, 2016, the Argentine Congress eliminated the

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legislative obstacles to the settlement and approved the settlement proposal. On April 22, 2016, Argentina performed an issuance of government bonds for US\$16.5 billion, of which US\$9.3 billion were applied to satisfy payments under the agreements reached with non-accepting bondholders. Judge Thomas Griesa ordered the lifting of the precautionary measures that prevented payments to participants from the debt exchange offers of 2005 and 2010, subject to confirmation of the payments indicated above.

As of the date of this Annual Report, litigations initiated by bondholders that have not accepted Argentina's settlement offer continues in several jurisdictions, although the size of the claims involved has decreased significantly.

In addition, foreign shareholders of some Argentine companies have initiated claims for substantial amounts before the International Centre for Settlement of Investment Disputes ("ICSID") against Argentina, pursuant to the arbitration rules of the United Nations Commission on International Trade Law. Claimants allege that certain measures of the Argentine government issued during the economic crisis of 2001 and 2002 were inconsistent with the norms or standards set forth in several bilateral investment treaties by which Argentina was bound at the time. To date, a significant number of cases are in process or temporarily suspended due to the agreement of the parties.

Notwithstanding that the lifting of the precautionary measures for bondholders that participated in the debt exchange offers of 2005 and 2010 eliminates an important obstacle for the country's access to international capital markets, there can be no assurance that litigation initiated by non-accepting bondholders as well as pending claims before the ICSID could result in legal procedures against the Argentine government and this could entail embargoes/seizures or precautionary measures in relation to Argentine assets that the Argentine government allocated to other uses. As a result, the Argentine government may not have the financial resources to implement reforms and boost growth, which could have a significant adverse effect on the country's economy and, consequently, on our activities. Likewise, Argentina's inability to obtain credit in international markets could have a direct impact on the Company's ability to access those markets to finance its operations and its growth, including the financing of capital investments, which would negatively affect our financial condition, results of operations and cash flows. In addition, we have investments in sovereign Argentine bonds amounting to P\$2,318 million as of December 31, 2016. Although such bonds are outside the scope of the debt settlement, any new event of default by the Argentine government could negatively affect their valuation and repayment terms.

The Argentine banking system may be subject to instability which may affect our operations.

The Argentine banking system has experienced several crisis in the past. Among those, the Argentine banking system collapsed in 2001 and 2002, when the Argentine government restricted bank withdrawals and required mandatory conversion of dollar deposits to pesos. From 2005 to 2007, a period of economic growth coupled with relative stability of the country's exchange rate and inflation resulted in the restoration of public confidence, a gradual accumulation of deposits in Argentine financial institutions, and improved liquidity of the financial system. However, since 2008 certain events like as internal conflicts with certain sectors of the Argentine economy, the international financial crisis and the increased regulation on the FX Market, have decreased depositors' confidence. In recent years, the Argentine financial system grew significantly with a marked increase in loans and private deposits, showing a recovery of credit activity. In spite of the fact that the financial system's deposits continue to grow, they are mostly short-term deposits and the sources of medium and long-term funding for financial institutions are currently limited. In 2016, private deposits in pesos rose by 27% year-over-year, helped by the growth of saving accounts and current accounts with a 40% increase, and followed by time deposits with a 13% increase. As a result, interest rates on placements (Private Badlar rate) were in an average rate of 25.8%. In turn, deposits in foreign currency registered important levels of growth, more than doubling the stock as of the end of 2015. Meanwhile, loans granted in pesos continued expanding but at a slower pace, in comparison with previous years, where personal loans and credit cards financing showed the highest increases, while loans in foreign currency also rose notoriously, almost tripling the loan balance as of the end of 2015. Despite improvements in stability since 2002 we cannot be certain that another economic crisis will not occur in the future.

Financial institutions are particularly subject to significant regulation from multiple Regulatory Authorities, all of whom may, among other things, establish limits on commissions and impose sanctions on the financial institutions. The lack of a stable regulatory framework could impose

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significant limitations on the activities of the financial institutions and could induce uncertainty with respect to the financial system stability.

Despite the strong liquidity currently prevailing in the financial system, a new crisis or the consequent instability of one or more of the larger banks, public or private, could have a material adverse effect on the prospects for economic growth and political stability in Argentina, resulting in a loss of consumer confidence, lower disposable income and fewer financing alternatives for consumers. These conditions would have a material adverse effect on us by resulting in lower usage of our services, lower sales of devices and the possibility of a higher level of uncollectible accounts or increase the credit risk of the counterparties regarding the Company investments in local financial institutions.

Exchange controls and restrictions on transfers abroad and capital inflows have limited, and could continue limiting, the availability of international credit.

Shareholders may be liable under Argentine law for actions that are determined to be illegal or ultra vires.

Under Argentine law, a shareholder's liability for losses of a company is limited to the value of his or her shareholdings in the company. However, shareholders who vote in favor of a resolution that is subsequently declared void by a court as contrary to Argentine law or a company's bylaws (or regulations, if any) may be held jointly and severally liable for damages to such company, to other shareholders or to third parties resulting from such resolution. In connection with recommending any action for approval by shareholders, the Board of Directors occasionally obtains and plans to obtain opinions of counsel concerning the compliance of its actions with Argentine law and Telecom Argentina's bylaws (or regulations if any). Although, based on advice of counsel, Telecom Argentina believes that a court in Argentina in which a case has been properly presented would hold that a non-controlling shareholder voting in good faith and without a conflict of interest in favor of such a resolution and based on the advice of counsel that such resolution is not contrary to Argentine law or the Company's bylaws or regulations, would not be liable under this provision, we cannot assure you that such a court would in fact rule in this manner.

Risks Relating to Telecom and its Operations

Current or future regulatory policies could affect the operations of the telecommunications industry, including the Company.

In Argentina, the telecommunications markets have developed within an increasingly regulated framework in recent years.

The Regulatory Authorities have imposed increasing burdens and new regulations on companies that could increase the penalties they can impose for breaches of the regulatory framework.

According to SC Resolution No. 5/13 regarding the quality of telecommunication services could further increase penalties imposed by the Regulatory Bodies as it sets higher compliance standards than international standards, especially, considering the difficulties in obtaining municipal authorization to install antennas in the mobile business. Telecom Argentina, Personal and other telecommunications operators have submitted technical comments for a review of the standards. On March 3, 2017, SECTIC Resolution No. 3-E/17 was issued declaring the opening of the consultation procedure regarding the quality of services of ICT networks, with the aim of ruling a new quality of service framework.

If the technical comments submitted by the Company are not taken into account or changes in the parameters of Resolution No.5/13 do not occur, compliance with the current standards could be difficult which may result in penalties for telecommunications operators, including Telecom Argentina and Personal, affecting our ability to execute our business plan since such penalties could impose increased operation costs, among other effects.

Additionally, according to the Auction Terms and Conditions for the awarding of frequency bands approved by SC Resolution No. 38/14 for mobile operators, repeated or persistent breaches of obligations related to quality indicators of services provided under the terms of the Regulation for the Quality of Telecommunications Services approved by SC Resolution No. 5/13, qualifies as one of the

circumstances under which the authorization to use radio electric spectrum (as defined in the Auction) could be revoked.

Furthermore, the new ICT services law, the LAD, which became effective on December 19, 2014, incorporated numerous modifications to the regulatory framework applicable to telecommunications services in Argentina. Since the law requires the enactment of new regulations most of which have not been issued to date, there is uncertainty regarding how certain aspects, such as the sanctions regime, the provision of infrastructure to other providers and the asymmetries that may be imposed on the dominant operator, among others, will be regulated as well as uncertainty regarding the impact that any new regulations may have on Telecom Argentina and Personal. Recently, some public consultation documents procedures were opened with the aim to rule new standards, such as SECTIC Resolution No. 2-E/17 which opened the consultation document related to the project for the interconnection and access regime, whose provisions could generate a negative effect in the Company's operations. See "Item 4—Information on the Company—Regulatory and Legal Framework—Regulatory Framework—Other Regulations."

In turn, through Decree No. 267/15 a new Regulatory Body for ICT services, the "ENACOM" was created, and some aspects of the LAD (and of the Law of Audiovisual Communication Services) were amended, imposing regulatory asymmetries regarding to the development of subscription-based broadcasting services by subscription to the detriment of the business development of Telecom Argentina and Personal.

Specifically, the Decree No. 267/15 restricted Telecom Argentina and Personal from providing broadcasting services by subscription, whether through physical and/or radioelectric means, for a period of 2 years beginning January 1, 2016. This period may be extended for another year by ENACOM. However, Decree No. 1,340/16 established that operators included in section 94 of the LAD (among them, Telecom Argentina and Personal), may register the broadcasting service by subscription, by physical or radio connection as of the enforcement of Decree No. 1,340/16, setting January 1, 2018 as the initial date for the provision of such service in the AMBA (and extended AMBA), and in the cities of Rosario and Córdoba in the Province of Santa Fe and the Province of Córdoba, respectively. The decree also provides that, for the rest of the Argentine Territory, the initial date for the provision of the services of these operators shall be determined by the ENACOM.

Decree No. 267/15 puts the Telecom Group at a disadvantage with respect to other providers and could negatively affect the future development of Telecom Argentina's and Personal's operations.

Article 28 of Decree No. 267/15 created the Commission for the Development of the Draft Bill for the Reform, Update and Unification of Laws No. 26,522 and No. 27,078 within the Ministry of Communications. This commission could further modify the regulatory framework for ICT services in Argentina, causing uncertainty as to the impact any potential modifications might have on the development of Telecom Argentina's and Personal's business and operations, as well as that of its competitors, in the coming years.

Additionally, the LAD (as amended by Decree No. 267/15), under Article 48 of Title VI, established that licensees of ICT services may set their prices which shall be fair and reasonable, to offset the costs of exploitation and to tend to the efficient supply and reasonable margin of operation. However, the Regulatory Authority is entitled to observe the prices set by the Company if it understands that such prices do not comply with Article 48 of the LAD. If prices are observed as imposing restrictions on our prices our operating margins may be negatively affected.

We must comply with conditions in our license, and regulations and laws related thereto, and such compliance may at times be outside of our control.

We are subject to a complex series of laws and regulations with respect to most of the telecommunications or ICT services that we provide. Such laws and regulations are often governed by considerations of public policy. We provide telecommunications services pursuant to licenses that are subject to regulation by various Regulatory Bodies. Any partial or total revocation of our licenses would likely have a material adverse impact on our financial condition, results of operations and cash flows. Our dissolution and the declaration of bankruptcy, among others, are events that may lead to a revocation of our licenses.

Certain conditions of our licenses are not within the scope of our control. For example, any transfer of shares resulting in a direct or indirect loss of control in Telecom Argentina without prior approval of the Regulatory Authorities may result in the revocation of Telecom Argentina's licenses.

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See “Item 7—Major Shareholders and Related Party Transactions—Major Shareholders—Shareholders of Nortel.” The provisions of Telecom Argentina’s List of Conditions (later amended by SC Resolutions No. 111/03, No. 29/04 and ENACOM Resolution No. 277/16) stated that: (i) any reduction of ownership of Nortel in our capital stock to less than 51% without prior approval of the Regulatory Bodies; or (ii) any reduction of ownership of currently common shareholders in the capital stock with voting power of Nortel to less than 51% without prior approval of the Regulatory Bodies, may result in the revocation of Telecom Argentina’s telecommunications license. More precisely, SC Resolution No. 111/03 established that 15% of the share capital of Sofora owned by W de Argentina Inversiones was to be maintained as part of the principal nucleus (“núcleo principal”) of the bidding consortium in the privatization of the former Sociedad Licenciataria Norte S.A. (currently, Telecom Argentina S.A.).

Nortel owns all of Telecom Argentina’s Class A Ordinary Shares (51% of our total capital stock) and approximately 7.64% of our Class B Ordinary Shares (3.74% of our total capital stock) which, in the aggregate, represents approximately 54.74% of our total capital stock as of the date of this Annual Report. Because Telecom Argentina owns 15,221,373 of its own Class B Shares as of the date of this Annual Report, Nortel’s ownership of the outstanding shares amounts to 55.60% (51.80% consists of Telecom Argentina Class A Ordinary Shares and 3.80% of Telecom Argentina Class B Ordinary Shares). We are directly controlled by Nortel by virtue of Nortel’s ownership of a majority of our capital stock; however, Nortel’s controlling interest is subject to certain agreements among Sofora’s shareholders and it is also subject to obligations and limitations defined by the Regulatory Authorities.

On March 28, 2017, Sofora’s shareholders’ meeting approved the amortization of all of W de Argentina Inversiones’ shares in Sofora in two (2) tranches (17% on or before May 2, 2017 and 15% subject to the ENACOM’s release from the obligation to be maintained as part of the principal nucleus (“núcleo principal”). Subsequently, on March 31, 2017, the Boards of Directors of Sofora, Personal and Nortel (together, the “Absorbed Companies”) and the Board of Directors of Telecom Argentina approved a Preliminary Reorganization Agreement (as defined below) by which they agreed that the Absorbed Companies will be absorbed by Telecom, ad referendum of the corporate and regulatory approvals established in the Preliminary Reorganization Agreement. See “Item 4—Information on the Company—Introduction—Organizational Structure—Recent Developments—The Reorganization.”

Compliance with conditions in our license and related regulations and laws may be affected by events or circumstances outside of our control, and therefore we cannot predict whether such events or circumstances will occur and if any do occur, this could result in an adverse effect on our financial condition, our operations and cash flows.

We operate in a competitive environment that may result in a reduction in our market share in the future.

We compete with licensed provider groups, composed of, among others, independent fixed line service providers, mobile and cable operators, as well as individual licensees, some of which are affiliated with major service providers outside Argentina.

Internet and mobile services, which we expect will continue to account for an increasing percentage of our revenues in the future, are characterized by rapidly changing technology, evolving industry standards, changes in customer preferences and the frequent introduction of new services and products. To remain competitive in the fixed telecommunications market, we must invest in our fixed-line network and information technology. Specifically, in the Internet services market, we must constantly upgrade our access technology and software in order to increase the speed, embrace emerging transmission technologies and improve the commercial offers and the user experience. Also, to remain competitive in the mobile telecommunications market, we must continue to enhance our mobile networks by expanding our 3G network and deploying our 4G network. See “Item 4—Information on the Company—Regulatory and Legal Framework—Regulatory Framework—Spectrum.” Future technological developments may result in decreased customer demand for certain of our services or even render them obsolete. In addition, as new technologies develop, equipment may need to be replaced or upgraded or network facilities (in particular, mobile and Internet network facilities) may need to be rebuilt in whole or in part, at substantial cost, to remain competitive. These enhancements and the implementation of new technologies will continue requiring increased capital expenditures.

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We also anticipate that we will have to devote significant resources to the refurbishment and maintenance of our existing network infrastructure to comply with regulatory obligations and to remain competitive with respect to the quality of our services. In addition, we must comply with the obligations arising from the acquisition of the 4G spectrum. We also expect to continue to devote resources to customer retention and loyalty in such segments.

The deployment of our wireless network requires authorizations from municipalities to enable the installation of new sites throughout the country, which if not obtained in a timely manner and form, limit the growth of our business and affect the quality of services provided by Personal. If Personal is not successful in obtaining those permissions and if its competitors do obtain them, this could result in a competitive disadvantage for Personal.

The macroeconomic situation in Argentina may adversely affect our ability to successfully invest in, and implement, new technologies, coverage and services in a timely fashion. Accordingly, we cannot assure you that we will have the ability to make needed capital expenditures and operating expenses. If we are unable to make these capital expenditures, or if our competitors are able to invest in their businesses to a greater degree and/or faster than we are, our competitive position will be adversely impacted.

Moreover, the products and services that we offer may fail to generate revenues or attract and retain customers. If our competitors present similar or better responsiveness, functionality, services, speed, plans or features, our customer base and our revenues may be materially affected.

Competitiveness is and will continue to be affected by our competitors' business strategies and alliances. Recently, through ENACOM Resolution No. 1,299/17, Nextel Communications de Argentina SRL ("Nextel") was authorized to provide SCMA services resulting in the entrance of a new competitor into the market for these services. In addition, we may face additional competition from other operators under the Mobile Virtual Operator ("MVO") figure in accordance with Ministry of Communications Resolution No. 38/16. Accordingly, we may face additional pressure on the prices that we charge for our services or experience a loss of market share of fixed and mobile services. In addition, the general business and economic climate in Argentina may affect us and our competitors differently; thus our ability to compete in the market could be adversely affected.

Even though the Company grew and developed in recent years in a highly competitive market, because of the range of regulatory, business and economic uncertainties we face, as discussed in "Risk Factors", it is difficult for us to predict with precision and accuracy our future market share in relevant geographic areas and customer segments, the possible drop in our customer's consumption that could result in a reduction of our revenue market share, the speed with which such change in our market share or prevailing prices for services may occur or the effects of competition. Those effects could be material and adverse to our overall financial condition, results of operations and cash flows.

See "Item 4 —Information on the Company—The Business—Competition."

The Auction Terms and Conditions approved by Resolution SC No. 38/14 established strict coverage and network deployment commitments which will require significant capital expenditures on the part of Personal in the near future.

The Auction Terms and Conditions approved by Resolution SC No. 38/14 established strict coverage and network deployment commitments which will require significant capital expenditures on the part of Personal. Additionally, many municipal governments have issued regulations that exceed their authority, many of which limit, hinder or restrict the installation of the infrastructure required to comply with such commitments. Therefore, such legislation negatively impacts on Personal and its competitors' obligations they assumed pursuant to the requirements set out in Resolution SC No. 5/13 and related regulations (Regulation for the Quality of Telecommunications Services).

Similarly, Resolution SC No. 25/15 passed on June 11, 2015 awarded to Personal the SCMA 713-723 MHz and 768-778 MHz frequency bands that make up Lot 8 and that were previously pending assignment by the SC. These frequency bands were partially occupied by third parties (broadcasting licensees prior to the public auction). SC Resolutions No. 17/14 and No. 18/14 granted a two-year period for the migration of systems operated in these frequency bands. Personal has informed the regulator of the interference caused by these third parties and has requested state action to halt these activities. Pursuant to Decree No. 1,340/16 the term of authorizations for the use of all the frequencies that make up Lot 8 for the provision of SCMA, as well as the corresponding deployment obligations,

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shall be computed since the effective migration of services currently operating in these bands in the scope of Area II, defined according to the provisions of Decree No 1,461/93 and its amendments.

However, the permanence of such interference and of the subsequent occupation of the frequency bands have a negative impact on the performance of SCMA and may significantly affect investments made for their purchase and projections of planned deployment for their use in the committed terms, such as optimization of the use of other frequency bands acquired jointly to provide the SCMA.

Actual or perceived health risks or other problems relating to mobile handsets or transmission masts could lead to litigation or decreased mobile communications usage.

The effects of, and any damage caused by, exposure to an electromagnetic field were and are the subject of careful evaluations by the international scientific community, but until now there is no scientific evidence of harmful effects on health. We cannot rule out that exposure to electromagnetic fields or other emissions originating from wireless handsets will not be identified as a health risk in the future.

Personal complies with the international security standards established by the World Health Organization and Argentine regulations -which are similar- and mandatory for all Argentine mobile operators. Our mobile business may be harmed as a result of any future alleged health risk. For example, the perception of these health risks could result in a lower number of customers, reduced usage per customer or potential consumer liability.

Operational risks could adversely affect our reputation and our profitability.

Telecom faces operational risks inherent in its business, including those resulting from inadequate internal and external processes, fraud, inability to perform certain operations required by the judiciary due to inadequate technology, employee errors or misconduct, failure to comply with applicable laws and regulations, failure to document transactions properly or systems failures. In addition, unauthorized access to the Company's information systems or institutional sites could cause the loss or improper use of confidential information, unauthorized changes in the Company's information and network systems or alterations to the information that the Company publishes on these sites. These events could result in direct or indirect losses, technical failures in the Company's ability to provide its services, inaccurate information for decision making, adverse legal and regulatory proceedings, and harm our reputation and operational effectiveness, among others.

Telecom's suppliers of goods and services are contractually obliged to comply with laws and regulations (including tax, labor, social security, anti-corruption, money laundering standards, etc.). Additionally, our suppliers shall comply with a set of conduct standards, such as the Code of Ethics, established by the Telecom Group and must require similar compliance by their employees and subcontractors. Despite these legal safeguards and monitoring efforts made in the Telecom Group in relation to its suppliers, we cannot ensure that they will comply with all applicable standards. As a result, Telecom could be adversely affected in a monetary, criminal or reputational way, despite our contractual rights to claim for compensations for damages that they could cause to us.

Telecom has Risk Management practices at the highest levels including a Risk Management Committee designed to detect, manage and monitor the evolution of operational risks.

However, the Company can give no assurances that these measures will be successful in effectively mitigating the operational risks that Telecom faces and such failures could have a material adverse effect on its results of operations and could harm its reputation.

Nortel, as our controlling shareholder, and Sofora, as Nortel's controlling shareholder, exercise control over significant matters affecting us.

Nortel is our direct controlling shareholder. Sofora owns 100% of the common stock of Nortel, which represents 78.38% of the total capital stock of Nortel as of the date of this Annual Report. Sofora is 68% owned by Fintech and 32% owned by W de Argentina Inversiones.

Through their ownership of Sofora and the Shareholders' Agreement among them, Fintech and W de Argentina Inversiones have, as a general matter, the ability to determine the outcome of any action requiring our shareholders' approval, including the ability to elect a majority of directors and members

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of the Supervisory Committee. In addition, we have been informed that the Shareholders' Agreement provides for the election of our directors and those of Nortel and Sofora and has given W de Argentina Inversiones veto power with respect to certain matters relating to us. See "Item 7—Major Shareholders and Related Party Transactions—Major Shareholders—Shareholders' Agreement."

In March 2017, W de Argentina Inversiones offered to Sofora and Sofora accepted with the consent of Fintech, the controlling shareholder of Sofora, an offer to amortize, in two tranches, all of the shares of capital stock issued by Sofora and owned by W de Argentina Inversiones, equal to 140,704,640 shares. As a result of the amortization, Sofora agreed to pay W de Argentina Inversiones an amount equal to the par value of W de Argentina Inversiones' shares of capital stock issued by Sofora, such amount being equivalent to P\$140,704,640, and issue in the name of W de Argentina Inversiones one or more dividend certificates (any such certificate, a "Bono de Goce") evidencing W de Argentina Inversiones' rights to dividends up to an aggregate amount of up to US\$470 million less the amounts paid to amortize the shares of Sofora owned by W de Argentina Inversiones, plus certain incremental amounts, with preference over the Telecom Argentina Class A Shares to be received by the shareholders of Sofora in the Reorganization. The amortization of the first tranche of shares of capital stock of Sofora owned by W de Argentina Inversiones and representing 17% of the issued and outstanding capital stock of Sofora is scheduled to occur on May 2, 2017, after which a Bono de Goce in the amount of US\$249,687,500 less the U.S. dollar equivalent of P\$74,749,340 will be issued to W de Argentina Inversiones. The amortization of the second tranche of shares of capital stock of Sofora owned by W de Argentina Inversiones and representing an additional 15% of the issued and outstanding capital stock of Sofora as of the date of this Annual Report is subject to the approval of ENACOM. If this second amortization occurs, an additional Bono de Goce will be issued in an amount equal to US\$220,312,500 less the U.S. dollar equivalent of P\$65,955,300. Upon the completion of the amortizations, Fintech will be the sole shareholder of Sofora. See "Item 4—Information on the Company—Introduction—Organizational Structure—Recent Developments—The Reorganization."

We have engaged in and may continue to engage in transactions with the shareholders of Nortel and/or Sofora, and their affiliates. Certain decisions concerning our operations or financial structure may present conflicts of interest between these shareholders as indirect owners of Telecom Argentina's capital stock and as parties with interests in these related-party contracts.

Nevertheless, all related-party transactions are made on an arm's-length basis. Related-party transactions involving Telecom Argentina that exceed 1% of its shareholders' equity are subject to a prior approval process established by Law No. 26,831 and require involvement of the Audit Committee and/or an opinion of two independent valuation firms as well as subsequent approval by the Board of Directors to verify that the agreement could reasonably be considered to be in accordance with normal and habitual market practice. See "Item 7—Major Shareholders and Related Party Transactions—Related Party Transactions."

The businesses of Telecom Argentina and Personal and the Telecom Argentina Class B Shares may be adversely impacted if the Reorganization is not consummated.

There can be no assurance that the Reorganization (as defined below) will occur, as the Reorganization is subject to certain conditions including shareholders', regulatory and administrative approvals, among others. We cannot guarantee that these conditions will be satisfied and that the Reorganization will be successfully completed. The failure to consummate the Reorganization will prevent Telecom from reaping the expected benefits of the Reorganization, which could adversely affect its results of operations and financial condition and could adversely affect the price of the Telecom Argentina Class B Shares. For information on the Reorganization, see "Item 4—Information on the Company—Introduction—Organizational Structure—Recent Developments—The Reorganization."

Our operations and financial condition could be affected by union negotiations.

In Argentina, labor organizations have substantial support and considerable political influence. In recent years, the demands of our labor organizations have increased mainly as a result of the increase in the cost of living, which was affected by increased inflation, higher tax pressure over salaries and the consequent decline in the population's purchasing power.

If labor organization claims continue or are sustained, this could result in increased costs, greater conflict in the negotiation process and strikes (including general strikes and strikes by the Company's employees and the contractors and subcontractors' employees) that may adversely affect our

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operations. See “Item 6—Directors, Senior Management and Employees—Employees and Labor Relations.”

In addition, certain telecommunication unions have initiated claims to the Company alleging non-compliance of certain conditions provided for in the collective bargaining agreements that could allow them to negotiate the inclusion of some suppliers’ employees in their collective bargaining agreements. See “Item 8—Financial Information—Legal Proceedings—Labor Claims.”

We are involved in various legal proceedings which could result in unfavorable decisions and financial penalties for us.

We are party to a number of legal proceedings, some of which have been pending for several years. We cannot be certain that these claims will be resolved in our favor. Responding to the demands of litigation may divert Management’s time attention and financial resources. As of December 31, 2016, the Company recorded provisions that it estimates are sufficient to cover those contingencies considered probable. See Notes 2 and 17 to our Consolidated Financial Statements.

The treatment of employment matters under Argentine law incentivizes individuals to pursue employment-related litigation.

The Company is also exposed to claims of employees of suppliers, contractors and commercial agents claiming direct or indirect responsibility of Telecom based on a broad interpretation of the rules of labor law.

Also, the Company is subject to various lawsuits initiated by some employees and former employees who claim wage differences. Certain judicial rulings have created a negative precedent in these matters and could increase our labor costs.

Personal was and is subject to claims by former representatives (commercial agents) who end their business relationship by making claims for reasons that are not always justified by contractual terms.

Customers and consumers’ trade unions brought up different claims against Personal regarding improperly billed charges. See “Item 8—Financial Information—Legal Proceedings—Consumer Trade Union Proceedings.” Although Personal has taken certain actions in order to reduce risks in connection with these claims, we cannot assure that new claims will not be filed in the future.

The Company has sanctions imposed by the Regulatory Bodies for technical reasons, mainly related to the delay in repairing defective lines, installing new lines and/or service failures. The Company has recorded provisions for the amounts of sanctions that it estimates are probable. Although sanctions are appealed in the administrative stage, if the appeals are not resolved in our favor in administrative or judicial stage or if they are resolved for amounts larger than those recorded, it could have an adverse effect on our financial situation, results of our operations and cash flows. See Note 2 to the Consolidated Financial Statements.

As of the date of this Annual Report there are still pending administrative appeals filed by Telecom Argentina in 2012 against several resolutions that rendered deductions in the payments to the Universal Service (“SU”) ineffective with reference to several programs provided by Telecom Argentina in the “play” mode of the SU. Moreover, a response is still pending with respect to the presentation made by Telecom Argentina and Personal to the Regulatory Authority exposing the need to introduce amendments to the affidavit forms approved by ENACOM Resolution No. 6.981-E/16 in order to continue deducting the SU services that both companies are providing. Although the Company’s Management, with the assistance of its legal advisors, considers that there are compelling legal arguments for defending the criteria that the Company has held and holds with regard to the SU scheme, if a resolution of the appeals and presentations made by the Company is not favorable, such resolution could have an adverse effect on our results of operations, financial condition and cash flows. See “Item 4—Information on the Company—Regulatory and Legal Framework—Regulatory Framework—Universal Service Regulation.”

Recently, certain content providers filed administrative and judicial claims against Personal requesting that contracts be considered under the interconnection regulation. Notwithstanding the request made by the content providers, the ENACOM through Resolution No. 2017-1122-APN-ENACOM # MCO, which we believe to be unclear, established specific rules that apply to the content providers who initiated the claims against Personal as follows: (i) mobile operators may receive, for

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every service they provide, a percentage that should not exceed 40% of the services invoiced by the content providers, and (ii) the application of the same rules for providers of audiotext and mass calling value added services. On March 22, 2017, Personal filed an appeal requiring that ENACOM revoke Resolution No. 2017-1122-APN-ENACOM # MCO. However, if the recourse is not successful Personal's revenues could be negatively impacted. If this occurs, we cannot guarantee that it will not have an adverse effect on our results of operations, financial condition and cash flows.

In 2009, the Argentine national environmental agency (Secretaría de Medioambiente y Desarrollo Sustentable) required that Telecom Argentina register before the National Registry of Generators and Operators of Hazardous Waste as a result of alleged problems with our liquid drainage in an underground chamber. Such registration would require Telecom Argentina to pay an annual fee calculated in accordance with a formula that takes into consideration the hazard's extent effect and the quantity of the waste. Telecom Argentina filed a request for administrative review seeking the rejection of the environmental agency's ordinance. We cannot guarantee that the ordinance will be rejected. In addition, changes in environmental legislation or the evolution of products and services we offer could require Telecom Argentina to be registered in the National Registry of Generators and Operators of Hazardous Waste. In that case or if the ordinance of the environmental agency is not rejected, Telecom Argentina would face increased costs which may include retroactive fees.

Telecom Argentina and Personal may face increased risk of employment, commercial, regulatory, tax, consumer trade union and customers' proceedings, among others. If this occurs, we cannot guarantee that it will not have an adverse effect on our results of operations, financial condition and cash flows, despite the provisions that the Company has recorded to cover these matters.

See "Item 8—Financial Information—Legal Proceedings" for a detail of the legal proceedings in which the Company is a party.

The enforcement of the Law for the Promotion of Registered Labor and Prevention of Labor Fraud may have a material adverse effect on us.

On June 2, 2014 Law No. 26,940 for the Promotion of Registered Labor and Prevention of Labor Fraud (*Ley de Promoción del Trabajo Registrado y Prevención del Fraude Laboral*) was published in the Official Gazette. This law, among other things, establishes a Public Record of Employers subject to Labor Sanctions ("Repsal") and defines a series of labor and social security infringements as a result of which an employer shall be included in the Repsal.

The employers included in the Repsal shall be subject to sanctions, such as: the inability to access public programs, benefits, subsidies or credit from state-owned banks, the inability to enter into contracts and licenses of property owned by the Argentine government, or the inability to participate in the awarding of concessions of public services and licenses. Employers commit the same infringement for which they were added to the Repsal within a 3-year period after the final first decision imposing sanctions, shall not be able to deduct from the Income Tax the expenses related to their employees while the employers are included in the Repsal. This new regulation applies both to Telecom and its contractors and subcontractors, who could initiate claims to Telecom for direct or indirect responsibility.

As of the date of this Annual Report, Telecom Argentina and Personal have no sanctions registered in the Repsal, however if sanctions are applied in the future it could have a significant impact on the Group's financial position, result of operations and cash flows.

The BCRA has imposed restrictions on the transfer of funds outside of Argentina in the past; some restrictions may be reimposed in the future, which could prevent us from making payments on dividends and liabilities.

In the past, the Argentine government has imposed a number of monetary and currency exchange control measures, including temporary restrictions on the free availability of funds deposited with banks and restrictions or limitations on the access to foreign exchange markets and transfers of funds abroad for purposes of paying principal and interest on debt, trade liabilities to foreign suppliers and dividend payments to foreign shareholders. Between the end of 2001 and 2002, the Argentine

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government implemented a unified exchange market (Mercado Único y Libre de Cambios or “MULC”) with significant regulations and restrictions for the purchase and transfer of foreign currency.

Since late 2011 the Argentine government has implemented a series of measures aimed to increase procedures and controls on the foreign trade and capital flows. To that effect, certain measures were implemented to control and limit the purchase of foreign currency, such as the prior approval of the AFIP for any purchase of foreign currency made by private companies and individuals for saving purposes among others. In addition, the BCRA expanded the controls and measures to make payments abroad accessing the local foreign exchange market, regarding trade payables and financial debt, and also established demanding procedures that must be met to pay certain trade payables with related parties. Although there are no regulations that prohibit making dividend payment to foreign shareholders, in practice authorities have substantially limited any purchase of foreign currency to pay dividends since these exchange controls were implemented.

In addition, starting in February 2012 all import operations of goods and services must be filed and approved in advance by AFIP.

On December 22, 2015 the AFIP published in the Official Gazette the General Resolution No. 3,823/15 by which the Comprehensive Import Monitoring System (“SIMI”) was established, replacing the Affidavit of Import Advance (“DJAI”) and leaving resolutions No. 3,252/12, 3,255/12 and 3,256/12 which regulated this matter without effect.

SIMI establishes the obligation for importers to submit certain electronic information via AFIP’s website. Resolution No. 3,823/15 states that this information is to be made available to the agencies that adhere to SIMI, who will have a period no longer than ten days to submit their observations. The AFIP will inform the importers of any observations made by the agencies, and importers must present themselves to the agency in the event of a regularization. Once approved, the statements under SIMI shall be valid for 180 days.

Resolution No. 3,823/15 became functional on December 23, 2015. However, DJAI’s that had been registered prior to this date remain valid.

While this new resolution was issued in order to promote competitiveness and facilitate foreign trade, we cannot guarantee that the new procedure would not adversely affect our supply chain and would not negatively impact the import of materials and equipment.

In December 2015, the current administration announced certain reforms to the FX Market that are expected to provide greater flexibility and easier access to the foreign exchange market. The principal measures adopted included (i) the elimination of the requirement to register foreign exchange transactions in the AFIP’s Exchange Transactions Consultation Program (Programa de Consulta de Operaciones Cambiarias), (ii) the elimination of the requirement to transfer the proceeds of new financial indebtedness transactions into Argentina and settle such proceeds through the MULC, (iii) the reestablishment of the US\$2.0 million monthly limit per resident on the creation of offshore assets, (iv) a decrease to 0% (from 30%) of the registered, non-transferable and non-interest-bearing deposit required in connection with certain transactions involving foreign currency inflows, (v) the reduction of the required period during which the proceeds of any new financial indebtedness incurred by residents, held by foreign creditors and transferred through the MULC must be kept in Argentina from 365 calendar days to 120 calendar days from the date of the transfer of the relevant amount and (vi) the elimination of the requirement of a minimum holding period (of 72 business hours) for purchases and subsequent sales of the securities. In addition, on April 21, 2016 the BCRA published Communication “A” 5955, which eliminated the limits for access to the MULC for payments of foreign accounts payable related to goods and services and established that (starting that following day) access to the market for such payments is unlimited, subject to the compliance of the foreign exchange norms in force. In addition, during August 2016 the aforementioned monthly limit in (iii) was eliminated for Argentine residents, and during January 2017 the minimum required period of 120 days mentioned in (v) was also eliminated. See “Item 10—Additional Information—Foreign Investment and Exchange Controls in Argentina.”

The Company contracts financial debt and trade payables in foreign currency with suppliers abroad, which in the past required complex approval procedures to access the FX Market to make payments abroad. Moreover, as a result of the payment of the frequency bands awarded to Personal in the public auction at the end of 2014 and during June 2015, the Company reduced significantly the financial assets in foreign currency that it maintained abroad, thus reducing our capacity to use those assets to make direct payments to foreign suppliers and shareholders, if needed.

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There can be no assurance that the BCRA or other government agencies will not increase controls and restrictions for making payments to foreign creditors or dividend payments to foreign shareholders, which would limit our ability to comply in a timely manner with payments related to our liabilities to foreign creditors or non-resident shareholders. See “Item 10—Additional Information—Foreign Investment and Exchange Controls in Argentina.”

Risks Relating to Telecom Argentina’s Shares and ADSs

Fluctuations in Telecom Argentina’s share price depend on various factors, some of which are outside of our control.

The market price of our shares is subject to change due to various factors which are outside of our control such as: (i) changes in market expectations; (ii) changes in the economic, financial and political situation in Argentina; (iii) the way the ANSES will exercise its corporate, political, and economic rights and will manage its share ownership in Telecom Argentina; and (iv) changes in measures used by investors or analysts to value our stock or market trends unrelated to our performance and operations. We cannot predict when such external factors will affect our stock price or whether their effects will be positive or negative.

In addition, currency fluctuations could impact the value of an investment in Telecom Argentina. Although Telecom Argentina’s ADSs listed on the New York Stock Exchange are U.S. dollar-denominated securities, they do not eliminate the currency risk associated with an investment in an Argentine company.

In addition, on March 16, 2017, the Company’s Board of Directors approved the submission to the SEC of a “Shelf Registration Statement” with the aim, once the SEC declares it effective, of permitting the secondary sale of Class B Shares issued by Telecom Argentina and the underlying ADSs of such Class B Shares in the United States. Future sales of substantial amounts of Telecom Argentina Class B Shares and ADSs, or the perception that such future sales may occur, may depress the price of Telecom Argentina Class B Shares and ADSs.

Trading of Telecom Argentina’s Class B Shares in the Argentine securities markets is limited and could experience further illiquidity and price volatility.

Argentine securities markets are substantially smaller, less liquid and more volatile than major securities markets in the U.S. In addition, Argentine securities markets may be materially affected by developments in other emerging markets, particularly other countries in Latin America. Our Class B Shares underlying ADSs are less actively traded than securities in more developed countries and, consequently, an ADS holder may have a limited ability to sell the Class B Shares underlying ADSs upon withdrawal from the ADSs facility in the amount and at the price and time that it may desire. This limited trading market may also increase the price volatility of Telecom Argentina Class B Shares underlying the ADSs.

Holders of ADSs may be adversely affected by currency devaluations and foreign exchange fluctuations.

If the peso exchange rate falls relative to the U.S. dollar, the value of the ADSs and any distributions made thereon from the depositary could be adversely affected. Cash distributions made in respect of the ADSs may be received by the depositary (represented by the custodian bank in Argentina) in pesos, which will be converted into U.S. dollars and distributed by the depositary to the holders of the American Depositary Receipts (“ADRs”) evidencing those ADSs if in the judgment of the depositary such amounts may be converted on a reasonable basis into U.S. dollars and transferred to the United States on a reasonable basis, subject to such distribution being impermissible or impracticable with respect to certain ADR holders. In addition, the depositary will incur foreign currency conversion costs (to be borne by the holders of the ADRs) in connection with the foreign currency conversion and subsequent distribution of dividends or other payments with respect to the ADSs.

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The relative volatility and illiquidity of the Argentine securities markets may substantially limit your ability to sell the Class B Shares underlying the ADSs on the Merval at the price and time desired by the shareholder.

Investing in securities that trade in emerging markets, such as Argentina, often involves greater risk than investing in securities of issuers in the United States, and such investments are generally considered to be more speculative in nature. The Argentine securities market is substantially smaller, less liquid, more concentrated and can be more volatile than major securities markets in the United States, and is not as highly regulated or supervised as some of these other markets. There is also significantly greater concentration in the Argentine securities market than in major securities markets in the United States. The ten largest companies in terms of market capitalization represented approximately 94% of the aggregate market capitalization of the Merval as of December 31, 2016. Accordingly, although shareholders are entitled to withdraw the Class B Shares underlying the ADSs from the depository at any time, the ability to sell such shares on the Merval at a price and time shareholders might want may be substantially limited.

We are traded on more than one market and this may result in price variations; in addition, investors may not be able to easily move shares for trading between such markets.

Trading in the Class B Shares underlying ADSs or ADSs in the United States and Argentina, respectively, will use different currencies (U.S. dollars on the New York Stock Exchange (“NYSE”) and pesos on the Merval), and take place at different times (resulting from different trading platforms, different time zones, different trading days and different public holidays in the United States and Argentina). The trading prices of the Class B Shares underlying ADSs on these two markets may differ due to these and other factors. Any decrease in the price of the Class B Shares underlying ADSs on the Merval could cause a decrease in the trading price of the ADSs on the NYSE. Investors could seek to sell or buy the Class B Shares underlying ADSs to take advantage of any price differences between the markets through a practice referred to as “arbitrage.” Any arbitrage activity could create unexpected volatility in both our share prices on one exchange, and the ADSs available for trading on the other exchange. In addition, holders of ADSs will not be immediately able to surrender their ADSs and withdraw the underlying Class B Shares for trading on the other market without effecting necessary procedures with the depository. This could result in time delays and additional cost for holders of ADSs.

As a foreign private issuer, we will not be subject to U.S. proxy rules and will be exempt from filing certain reports under the Securities Exchange Act of 1934.

As a foreign private issuer, we are exempt from the rules and regulations under the Exchange Act of 1934 (the “Exchange Act”) related to the furnishing and content of proxy statements, and our officers, directors, and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file annual and current reports and financial statements with the SEC as frequently or as promptly as domestic companies whose securities are registered under the Exchange Act, and we are generally exempt from filing quarterly reports with the SEC under the Exchange Act.

In addition, if a majority of our directors or executive officers are U.S. citizens or residents, we would lose our foreign private issuer status and we would fail to meet additional requirements necessary to avoid such loss. Although we have elected to comply with certain U.S. regulatory provisions, our loss of foreign private issuer status would make such provisions mandatory for us. The regulatory and compliance costs to us under U.S. securities laws as a U.S. domestic issuer may be significantly higher for us. If we are not a foreign private issuer, we will be required to file periodic reports and registration statements on U.S. domestic issuer forms with the SEC, which are more detailed and extensive than the forms available to a foreign private issuer. We would have to present our financial statements under US GAAP and may also be required to modify certain of our policies to comply with corporate governance practices applicable to U.S. domestic issuers. Such conversion and modifications will involve additional costs. In addition, we may lose our ability to rely upon exemptions from certain corporate governance requirements on U.S. stock exchanges that are available to foreign private issuers.

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If we do not file or maintain a registration statement and no exemption from the Securities Act of 1933 (“Securities Act”) registration is available, U.S. holders of ADSs may be unable to exercise preemptive rights granted to our holders of Class B Shares underlying ADSs.

Under the GCL, if we issue new shares as part of a capital increase, our shareholders may have the right to subscribe to a proportional number of shares of the same class to maintain their existing ownership percentage. Rights to subscribe for shares in these circumstances are known as preemptive rights. In addition, shareholders are entitled to the right to subscribe for the unsubscribed shares remaining at the end of a preemptive rights offering on a *pro rata* basis, known as accretion rights.

According to our By-laws, in the case of an issuance of any among our three classes of common stock (class A ordinary shares, Class B Shares and class C ordinary shares), preemptive rights shall be limited to the shares of the same class for which there has been no subscription. If, once preemptive rights have been exercised and remains Class B Shares or Class C ordinary Shares for which to subscribe, the same shares may be subscribed by shareholders of any of our three classes of common stock, with no distinction, in proportion to the shares of common stock for which such shareholder has subscribed on such occasion.

Upon the occurrence of any future increase in our Class B Shares, U.S. persons (as defined in Regulation S under the Securities Act) holding our Class B Shares underlying ADSs or ADSs may be unable to exercise preemptive and accretion rights granted to our holders of Class B Shares underlying ADSs in connection with any future issuance of our Class B Shares underlying ADSs unless a registration statement under the Securities Act is effective with respect to both the preemptive rights and the new Class B Shares underlying ADSs, or an exemption from the registration requirements of the Securities Act is available.

We are not obligated to file or maintain a registration statement relating to any preemptive rights offerings with respect to Telecom Argentina’s Class B Shares underlying ADSs, and we cannot assure that we will file or maintain any such registration statement or that an exemption from registration will be available. Unless those Class B Shares underlying ADSs or ADSs are registered or an exemption from registration applies, a U.S. holder of Telecom Argentina’s Class B Shares underlying ADSs or ADSs may receive only the net proceeds from those preemptive rights and accretion rights if those rights can be assigned by the ADS depository. If the rights cannot be sold, they will be allowed to lapse. Furthermore, the equity interest of holders of shares or ADSs located in the U.S. may be diluted proportionately upon future capital increases.

Our status as a foreign private issuer allows us to follow alternate standards to the corporate governance standards of the NYSE, which may limit the protections afforded to investors.

We are a “foreign private issuer” within the meaning of the New York Stock Exchange (“NYSE”) corporate governance standards. Under NYSE rules, a foreign private issuer may elect to comply with the practices of its home country and not comply with certain corporate governance requirements applicable to U.S. companies with securities listed on the exchange. We currently follow certain Argentine practices concerning corporate governance and intend to continue to do so. For example, according to Argentine securities law, our audit committee, unlike the audit committee of a U.S. issuer, will only have an “advisory” and/or “supervisory” role, such as assisting our board of directors with the evaluation the performance and independence of the external auditors and exercising the function of our internal control. Accordingly, holders of our ADSs will not have the same protections afforded to shareholders of U.S. companies that are subject to all of the NYSE corporate governance requirements.

If we were a passive foreign investment company for U.S. federal income tax purposes for any taxable year, U.S. holders of our ADSs could be subject to adverse U.S. federal income tax consequences.

If we were a “passive foreign investment company,” (a “PFIC”) within the meaning of Section 1297 of the Internal Revenue Code of 1986, as amended, for any taxable year during which a U.S. holder (as defined in “Item 10— Additional Information—Taxation—United States Federal Income Taxes”) holds our ADSs or Class B Shares underlying ADSs, certain adverse U.S. federal income tax

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consequences may apply to the U.S. holder. We do not expect to be a PFIC for U.S. federal income tax purposes for our current taxable year or the reasonably foreseeable future, although there can be no assurance in this regard. Our possible status as a PFIC must be determined annually and therefore may be subject to change. This determination will depend on the composition of our income and assets, the market valuation of our assets (including, among others, our goodwill) from time to time, and our spending schedule for cash balances and the proceeds of any offering, as well as on the application of complex statutory and regulatory rules that are subject to potentially varying or changing interpretations. Accordingly, there can be no assurance that we will not be considered a PFIC for any taxable year. If we were a PFIC, U.S. holders of our ADSs or Class B Shares underlying ADSs may be subject to adverse U.S. federal income tax consequences, such as taxation at the highest marginal ordinary income tax rates on gains recognized and on certain actual or deemed distributions, interest charges on certain taxes treated as deferred, and additional reporting requirements.

Changes in Argentine tax laws may adversely affect the tax treatment of our Class B Shares underlying ADSs or ADSs.

On September 23, 2013, the Argentine income tax law was amended by the passage of Law 26,893 (the “Argentine Income Tax Law”). The Argentine Income Tax Law establishes that the sale, exchange or other transfer of shares and other securities is subject to a capital gain tax at a rate of 15% for Argentine resident individuals and foreign beneficiaries. There is an exemption for Argentine resident individuals if certain requirements are met. However, there is no such exemption for non-Argentine residents. See “Item 10—Additional Information—Taxation—Material Argentine Tax Considerations.” As of the date of this Annual Report many aspects of the Argentine Income Tax Law remain unclear and, they are subject to further regulation and interpretation, which may adversely affect the tax treatment of our Class B Shares underlying ADSs and/or ADSs. The income tax treatment of income derived from the sale of ADSs or exchanges of shares from the ADS facility may not be uniform under the revised Argentine Income Tax Law. The possibly varying treatment of source income could impact both Argentine resident holders as well as non-Argentine resident holders.

In addition, should a sale of ADSs be deemed to give rise to Argentine source income, as of the date of this Annual Report no regulations have been issued regarding the mechanism for paying the Argentine capital gains tax when the sale exclusively involves non-Argentine parties. However, as of the date of this Annual Report, no administrative or judicial rulings have clarified the ambiguity in the law. Conversely, if the sale of ADSs were deemed to give rise to foreign source income, no income tax would apply.

Consequently, holders of our Class B Shares, including in the form of ADSs, are encouraged to consult their tax advisors as to the particular Argentine income tax consequences under their specific facts.

We are organized under the laws of Argentina and holders of the ADSs may find it difficult to enforce civil liabilities against us, our directors, officers and certain experts.

We are organized under the laws of Argentina. A significant portion of our and our subsidiaries’ assets are located outside the U.S. Furthermore, almost all of our directors and officers and some advisors named in this prospectus reside in Argentina. Investors may not be able to effect service of process within the U.S. upon such persons or to enforce against them or us in U.S. courts judgments predicated upon the civil liability provisions of the federal securities laws of the U.S. Likewise, it may also be difficult for an investor to enforce in U.S. courts judgments obtained against us or these persons in courts located in jurisdictions outside the U.S., including judgments predicated upon the civil liability provisions of the U.S. federal securities laws. It may also be difficult for an investor to bring an original action in an Argentine court predicated upon the civil liability provisions of the U.S. federal securities laws against us or these persons.

Prior to any enforcement in Argentina, a judgment issued by a U.S. court will be subject to the requirements of Article 517 through 519 of the Argentine Federal Civil and Commercial Procedure Code if enforcement is sought before federal courts or courts with jurisdiction in commercial matters of the City of Buenos Aires. Those requirements are: (1) the judgment, which must be valid and final in the jurisdiction where rendered, was issued by a competent court in accordance with the Argentine

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principles regarding international jurisdiction and resulted from a personal action, or an in rem action with respect to personal property which was transferred to Argentine territory during or after the prosecution of the foreign action; (2) the defendant against whom enforcement of the judgment is sought was personally served with the summons and, in accordance with due process of law, was given an opportunity to defend against foreign action; (3) the judgment must be valid in the jurisdiction where rendered, and its authenticity must be established in accordance with the requirements of Argentine law; (4) the judgment does not violate the principles of public policy of Argentine law; and (5) the judgment is not contrary to a prior or simultaneous judgment of an Argentine court. Any document in a language other than Spanish, including, without limitation, the foreign judgment and other documents related thereto, requires filing with the relevant court of a duly legalized translation by a sworn public translator into the Spanish language.

Future sales of substantial amounts of Telecom Argentina's Class B Shares and ADSs may depress the price of Telecom Argentina's Class B Shares and ADSs.

Future sales of substantial amounts of our Class B Shares and ADSs, or the perception that such future sales may occur, may depress the price of our Class B Shares and ADSs. Any such sale may lead to a decline in the price of our Class B Shares and ADSs. We cannot assure you that the price of our Class B Shares and ADSs would recover from any such decline in value.

ITEM 4. INFORMATION ON THE COMPANY

INTRODUCTION

The Company

Telecom is one of the largest private-sector companies in Argentina in terms of revenues, net income, capital expenditures and number of employees. Telecom Argentina has a non-expiring license (the “License”) to provide fixed-line telecommunications services in Argentina, and it also provides other telephone-related services such as international long-distance service, data transmission, IT solutions outsourcing and Internet services. Through our subsidiaries, we also provide mobile telecommunications services and international wholesale services.

At Telecom Argentina’s Ordinary and Extraordinary Shareholders’ Meeting held on June 22, 2015, the shareholders approved amendments to Telecom Argentina’s corporate purpose to include the provision of Audiovisual Communication Services. Telecom Argentina obtained authorization for the amendments from the AFTIC, the CNV and the General Agency of Corporations (Inspección General de Justicia or “IGJ”). IGJ registered the amendment to Telecom Argentina’s bylaws on September 26, 2015. In addition, at Personal’s Extraordinary Shareholders’ Meeting held on November 26, 2015, the shareholders also approved amendments to Personal’s corporate purpose to include the provision of Audiovisual Communication Services. The amendment to Personal’s bylaws was registered by IGJ on January 25, 2016.

As of December 31, 2016, we had approximately 4 million fixed lines in service. This is equivalent to approximately 19 lines in service per 100 inhabitants in the Northern Region of Argentina and 360 lines in service per employee.

As of December 31, 2016, our Internet business reached approximately 1.7 million Accesses and our mobile business had approximately 19.5 million subscribers in Argentina and approximately 2.5 million subscribers in Paraguay.

Business Strategy

On March 8, 2016 Fintech took indirect control of the Company, which resulted in the appointment of a new management team that has worked to design and implement a new business strategy for the Telecom Group, taking into consideration its existing positioning, reputational and operational strengths and the challenges that face the ICT market within the context of deep changes in rules applicable for the industry.

Below are described the outstanding aspects of the new business strategy of the Telecom Group, where the convergence of multiple services and the intensification of competition among operators is deemed to become deeper in the coming years.

The Telecom Group strategy and their stakeholders

In the Telecom Group, our priority is to generate value for our customers, investors, suppliers, employees and, in broad terms, for the communities in which we operate, providing services and solutions to improve life quality of people, their education, their opportunities for personal development and the improvement of the productivity of the economy as a whole. The Group’s focus is to be key players in the country’s digital transformation for its habitants.

To achieve these objectives, we develop and execute business plans consistent with the microeconomic and macroeconomic environment of Argentina and the telecommunications and technology market, investing both in the development of innovative products and services, as well as in the professional development of our employees, with the aim of adding value to the user experience with content, interactivity and convenience in communication.

In addition, our approach prioritizes the digital transformation of our industry, focusing on people, organizational culture, general and transformational processes, technological tools and key factors for achieving competitiveness and ensuring the long-term sustainability of the business. All of the above is achieved by applying the best practices in corporate governance, and compliance with laws and regulations applicable to us.

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We also strategically focus on being a facilitating tool for our customers, both in their corporate and business segments, as well as developing, providing and prioritizing solutions and digital services in our “*nube*” (cloud services), which is provided through our four state of the art data centers and serves as an essential node of our next-generation networks, fulfilling our customers’ quality, safety and availability requirements. Our portfolio of solutions will evolve with the incorporation of new services like *big data*, *video-on-demand* and IoT (Internet of things), which will focus on industry pillars such as agroindustry, finance, manufacturing, health and government, among others.

Incubating and accelerating new business development, investing in projects led by Argentine entrepreneurs and transforming ideas into real businesses to make available technology solutions to help in the development of Argentine small- and medium-sized companies, all these are part of our commitment to this sector of the economy.

Home, the traditional ambit of our services, is today the strategic environment for the convergence of solutions where we focus on providing devices and sensors services, and, at the same time, VAS in every time and every place. Access to applications, value-added services, social networks, content in different formats, e-commerce and entertainment are the focus of home services.

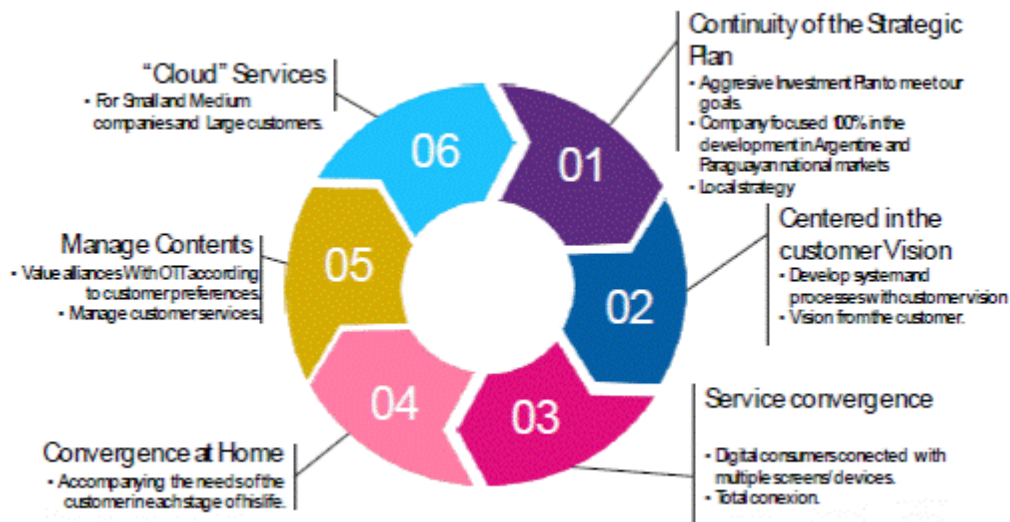
Investments in technology are one of the fundamental pillars of our strategy, as we are focused on (i) the coverage and capacity of our infrastructure and (ii) new service platforms to meet, with higher quality, the increasing needs created by traffic and bandwidth generated by changes in consumer habits and by the expansion of our customer base. Investments in cutting-edge technologies ensure that we provide products and services that are developed for the future. These investments further ensure that we are always at the forefront, improving timing and reducing implementation costs, and being more efficient in the use of our resources and allocation of the underlying benefits to those who decide to choose us as their supplier of communications solutions, infrastructure, entertainment and any other service that we may offer in the future.

Strategic priorities and their implementation: “customer-centered”, “innovation” and “operational excellence”

The aspiration of the Telecom Group is “to be the leading company in solutions and convergent connectivity services with an agile organization focused on our customers.” This implies that the Telecom Group becomes the preferred company in “user experience” in the markets where we operate. We aim to provide our customers with solutions, technology, connectivity and entertainment, leveraging customer satisfaction with a focus on the interest of our customers, and the value contribution of our suppliers and employees, positively impacting our business results and adequately remunerating the investors that trust us (e.g., financial creditors and shareholders).

The growth of our business will be supported by excellent management, transforming processes by focusing on “customer-centered” and innovation as the pillar of self-improvement and creativity to transform our traditional businesses as well as to capture new service opportunities for individuals and businesses.

In order to implement of the aforementioned strategy, the development of new forms of work, projects or initiatives is a priority where creativity will serve our customers and multidisciplinary teams work will enrich our value proposition. We will strive to turn this process into a competitive advantage sustainable over time. Strategic initiatives will be implemented through the following business initiatives:



Technological convergence generates both opportunities and threats. The digital transformation and a connected world enable us to participate in new businesses. However, there are also new players in the services market: “the digital giants” (OTT) and the new *startups*. The exploitation of these opportunities and the mitigation of the risks posed by these new players are key elements of our strategic planning process.

In addition, and in line with the new regulatory framework, the concept of “convergence” is understood as the challenge our customer requires when we supply them with services and solutions and new services, such as paid TV and distribution of content, business consulting, outsourcing of hardware and software services, technology and managed services, each case for the local, international and/or regional markets. New services and offerings will result in a balanced cost-benefit analysis, ensuring profitability for shareholders and suitability for different customer segments.

Our professionals, as a differential element, are one of the strategic assets of Telecom Group. The professionalization of human capital and the strict compliance with the best practices of corporate governance are basic and indispensable transformational pillars of the new ecosystem of collaborative connection with customers, suppliers, government, companies and communities.

In this ecosystem, we aim to be the leading company in the markets where we operate in using analytical intelligence and strategic vision, with a deep understanding of leadership, based on:

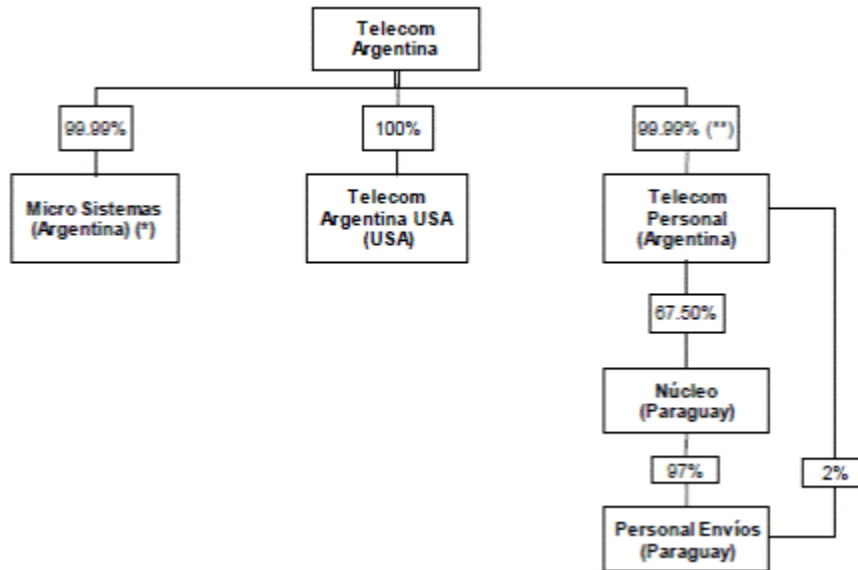
- Prioritizing attention and understanding the needs of our current and potential customers;
- Investing in technology, infrastructure and our professionals;
- Designing a convenient and segmented commercial offering according to customer behavior;
- Developing capabilities for data processing and analysis;
- Enhancing the skills and internal knowledge utilized for different solutions and business;
- Increasing the speed of process execution and innovation in services;
- Increasing operational efficiency; and
- Complying with the applicable laws and regulations.

For the abovementioned reasons, the new strategies designed and the processes of implementation set out, the necessary foundation to achieve in a sustainable manner our objectives for enriching our offering of products and services, quality improvement, market position and operational efficiency that our stakeholders are demanding and to allow the Telecom Group to become the leader of ICT services of Argentina in the years to come.

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Organizational Structure

The following chart shows our subsidiaries as of December 31, 2016, and jurisdiction of organization.



(*) Dormant entity as of December 31, 2016.

(**) As of the date of this Annual Report, Telecom Argentina owns 100% of Telecom Personal.

Revenues generated by each company in the Telecom Group

The following table presents information relating to the percentage of revenues and other income, net of intercompany transactions, generated by each company in the Telecom Group during the year ended as of December 31, 2016:

Company (1)	Activity	Segment	Percentage of Telecom's Total Revenues and other income (5)
Telecom Argentina S.A.	Fixed services	Fixed services	27.76
Telecom Personal S.A.	Mobile Services	Personal Mobile Services	66.76
Núcleo S.A. (2)	Mobile Services	Núcleo Mobile Services	4.91
Personal Envios S.A. (3)	Financial Mobile Services	Núcleo Mobile Services	0.05
Telecom Argentina USA Inc.	International Wholesale Services	Fixed Services	0.52
Micro Sistemas S.A. (4)	—	Fixed Services	—
Total			100.00

- (1) Personal and Micro Sistemas are incorporated in Argentina, Núcleo and Envíos are incorporated in Paraguay and Telecom Argentina USA is incorporated in the United States.
- (2) Interest held indirectly through Personal. The non-controlling interest of 32.50% is held by ABC Telecomunicaciones S.A. (a Paraguayan company).
- (3) Interest held indirectly through Núcleo. The non-controlling interest of 32.50% is held by ABC Telecomunicaciones S.A.
- (4) Dormant entity as of December 31, 2016.
- (5) Includes service revenues, equipment sales and other income with third parties.

Our principal executive offices are located at Alicia Moreau de Justo 50, C1107AAB, Buenos Aires, Argentina, telephone number: 54-11-4968-4000.

Our authorized agent in the United States for SEC reporting purposes is Puglisi & Associates, 850 Library Avenue, Suite 204, P.O. Box 885, Newark, Delaware 19711.

Recent Developments

Telecom Argentina's Board of Directors called for the Annual Shareholders' Meeting

Telecom Argentina's Board of Directors, at its meeting held on March 16, 2017, called an Ordinary and Extraordinary Shareholders' meeting to be held on April 27, 2017, to consider among other issues the allocation of Telecom Argentina's retained earnings as of December 31, 2016, (P\$3,975 million). The proposal of the Board of Directors is to allocate the total amount of said retained earnings to the "Voluntary Reserve for Future Dividend Payment." In addition the Board of Directors proposed the withdrawal of P\$2,730 million from the "Voluntary Reserve for Capital Investments" and the withdrawal of the "Voluntary Reserve for Future Investments" (P\$2,904 million), increasing in turn the "Reserve for Future Cash Dividends" by P\$5,634 million.

Personal Annual Shareholders' Meeting

Personal's ordinary and extraordinary shareholders' meeting held on April 7, 2017, approved, among other items, the allocation of P\$2,812 million of retained earnings as of December 31, 2016 to the "Reserve for Future Cash Dividends." The shareholders also approved to withdraw the total amount of the "Voluntary Reserve for Financing of Working Capital and Investments in Capital Expenditures in the Country" (P\$1,470 million), increasing the "Reserve for Future Cash Dividends" with this withdrawal.

The Reorganization

On March 31, 2017, each of Sofora, Personal and Nortel (together, the "Absorbed Companies") and Telecom Argentina entered into a preliminary reorganization agreement (*Compromiso Previo de Fusión*) (the "Preliminary Reorganization Agreement"). Under the terms of the Preliminary Reorganization Agreement, the Absorbed Companies and Telecom Argentina have, subject to the approval of the relevant extraordinary general shareholders' meetings in the case of Telecom Argentina, Personal, Nortel and Sofora and special shareholders' meetings in the case of Nortel and to other authorizations, agreed to a corporate reorganization in which the Absorbed Companies will be absorbed by Telecom Argentina, with Telecom Argentina being the surviving entity (the "Reorganization"). Telecom Argentina will assume, by universal succession, all of the assets, liabilities, operations and activities, and will succeed to all of the rights and obligations, of each of the Absorbed Companies. As a consequence of the Reorganization, Nortel will: (i) distribute a portion of Nortel's Telecom Argentina Class A Shares to the holders of Sofora Common Shares, (ii) convert Nortel's remaining Telecom Argentina Class A Shares to Telecom Argentina Class B Shares, (iii) distribute all of Nortel's Telecom Argentina Class B Shares (including all of Nortel's Telecom Argentina Class B Shares that will be converted from Telecom Argentina Class A Shares) to the holders of Nortel Preferred Shares, and (iv) cancel all of Nortel's shares (preferred and ordinary). Telecom Argentina will not issue any new Class B Shares or Class A Shares in connection with the Reorganization. The Reorganization is subject to the approval of ENACOM.

If the Reorganization is approved at the shareholders meetings of the Absorbed Companies and Telecom Argentina, such companies expect to enter into a definitive reorganization agreement (the "Final Reorganization Agreement"), which will be subject to the approval of ENACOM and filed with the relevant Argentine administrative authorities in accordance with applicable corporate procedures. We expect that obtaining the necessary regulatory, corporate and administrative approval in connection with the Reorganization will take several months. The surviving company will continue to be known as "Telecom Argentina S.A." Since each of the Absorbed Companies is either (i) a holding company with no operations or assets other than direct and indirect interests in Telecom Argentina or (ii) a wholly-owned subsidiary of Telecom Argentina, Telecom Argentina does not expect any material changes in its statement of financial position or income statement. The Reorganization will be accounted for under the predecessor basis of accounting, using historical cost as permitted by IFRS as issued by the IASB. Under the historical cost method, assets and liabilities of the Absorbed Companies will be consolidated into Telecom Argentina at their respective book values.

Conditions to Effectiveness and Completion of the Reorganization

As of the date of this annual report, the effectiveness of the Reorganization is subject to the satisfaction of the following conditions:

- approval of the Reorganization on the terms and conditions set forth in the Preliminary Reorganization Agreement by the shareholders of the Absorbed Companies and Telecom

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Argentina at each of their respective general shareholders' meetings (in the case of Telecom Argentina, Personal, Nortel and Sofora) and special shareholders' meetings in the case of Nortel;

- the execution of the Final Reorganization Agreement;
- the receipt of certain regulatory approvals by ENACOM;
- the amortization in full of 140,704,640 common shares of Sofora representing 32.0% of Sofora's outstanding capital stock; and
- Telecom Argentina has prepared its technical and operational systems with the capacity to absorb the operations of Personal, Nortel and Sofora.

In addition, the completion of the Reorganization's corporate and administrative procedures is subject to the following conditions: (i) obtaining the administrative consent (*conformidad administrativa*) of the CNV with respect to the Reorganization and (ii) the registration of the Final Reorganization Agreement with the Public Registry of the City of Buenos Aires (*Inspección General de Justicia*), among others.

No assurance can be given as to when or whether any of these approvals and consents will be obtained or conditions satisfied, the terms and conditions that may be imposed in connection with the consents and approvals, or the consequences of failing to obtain the consents and approvals.

Amortization of Sofora shares

In March 2017, W de Argentina Inversiones offered to Sofora and Sofora accepted with the consent of Fintech, the controlling shareholder of Sofora, an offer to amortize, in two tranches, all of the shares of capital stock issued by Sofora and owned by W de Argentina Inversiones, equal to 140,704,640 shares. As a result of the amortization, Sofora agreed to pay W de Argentina Inversiones an amount equal to the par value of W de Argentina Inversiones's shares of capital stock issued by Sofora, such amount being equivalent to P\$140,704,640, and issue in the name of W de Argentina Inversiones one or more dividend certificates (any such certificate, a "Bono de Goce") evidencing W de Argentina Inversiones's rights to dividends up to an aggregate amount of up to US\$470 million less the amounts paid to amortize the shares of Sofora owned by W de Argentina Inversiones plus certain incremental amounts, with preference over the Telecom Argentina Class A Shares to be received by the shareholders of Sofora in the Reorganization. The amortization of the first tranche of shares of capital stock of Sofora owned by W de Argentina Inversiones and representing 17% of the issued and outstanding capital stock of Sofora is scheduled to occur on May 2, 2017, after which a Bono de Goce in the amount of US\$249,687,500 less the U.S. dollar equivalent of P\$74,749,340 will be issued to W de Argentina Inversiones. The amortization of the second tranche of shares of capital stock of Sofora owned by W de Argentina Inversiones and representing an additional 15% of the issued and outstanding capital stock of Sofora as of the date of this Annual Report is subject to the approval of ENACOM (See "Item 7—Major Shareholders and Related Party Transactions—Major Shareholders—Shareholders of Nortel"). If this second amortization occurs, an additional Bono de Goce will be issued in an amount equal to US\$220,312,500 less the U.S. dollar equivalent of P\$65,955,300. Upon the completion of the amortizations, Fintech will be the sole shareholder of Sofora.

The principal terms and conditions of each Bono de Goce provide that: (i) dividend payments of up to the maximum amount under the Bono de Goce will be made only if and when Sofora resolves to pay a dividend, (ii) dividend payments made by Sofora shall be paid to the holder of the Bono de Goce with priority over all other shareholders of Sofora, (iii) all dividends to be paid under the Bono de Goce will be paid by Sofora with liquid and realized profits (*ganancias realizadas y liquidas*), (iv) the maximum amount of dividends to be collected under the Bono de Goce shall accrete every year on June 1 on the amount of dividends that remain unpaid by Sofora as of May 31 of the relevant year at a rate that will be set by the Board of Directors of Sofora and W de Argentina Inversiones, (v) Sofora has a right to redeem the Bono de Goce at any time after the later of (x) 36 months from the date of issuance or (y) the payment of 60% of the maximum amount of dividends under the Bono de Goce and (vi) in the event that Sofora is absorbed by Telecom Argentina pursuant to the Reorganization, the preference over dividends provided in the Bono de Goce will extend only to the shares received by Fintech as a result of the Reorganization which will be Telecom Argentina Class A Shares (which will be distributed exclusively to Fintech) but not to the Telecom Argentina Class B Shares.

If the Reorganization is consummated, Telecom Argentina will assume, by universal succession, all of the assets, liabilities, operations and activities, and will succeed to all of the rights and obligations, of Sofora as issuer of the Bono de Goce. In no event shall the dividend rights under the Bono de Goce affect the dividend rights of holders of Telecom Argentina Class B Shares.

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Sale of Nortel's interest in Telecom Personal

On March 31, 2017, the Board of Directors of Nortel approved a proposal regarding the sale of its interest of 120,000 shares of Telecom Personal to Telecom Argentina (representing 0.008% of Telecom Personal). As of the date of this Annual Report the transaction was fulfilled by an amount of P\$4 million. As a result of this transaction, Telecom Argentina owns 100.00% of Telecom Personal.

Registration Statement on Form F-3

On March 22, 2017, Telecom Argentina filed a registration on Form F-3 (File No. 333-216890) through which the selling shareholder to be identified in a prospectus supplement may offer and sell from time to time Telecom Argentina Class B Shares underlying ADSs or ADSs. As of the date of this Annual Report, this registration statement has not been declared effective by the SEC.

History

Telecom Argentina was created by Decree No. 60/90 of the PEN dated January 5, 1990, and incorporated as “Sociedad Licenciataria Norte S.A.” on April 23, 1990. In November 1990, its legal name was changed to “Telecom Argentina STET-France Telecom S.A.” and on February 18, 2004, it was changed to “Telecom Argentina S.A.”

Telecom Argentina is organized as a corporation (*sociedad anónima*) under Argentine law. The duration of Telecom Argentina is 99 years from the date of registration with the Public Registry of the City of Buenos Aires (July 13, 1990). Telecom Argentina conducts business under the commercial name “Telecom.”

Telecom Argentina commenced operations on November 8, 1990 (the “Transfer Date”), upon the transfer from the Argentine government of the telecommunications system in the Northern Region previously owned and operated by ENTel. This transfer was made pursuant to the Argentine government’s privatization program as set forth in the State Reform Law approved in August 1989 and subsequent decrees (the “Privatization Regulations”), which specified the privatization procedure for ENTel.

The Privatization Regulations provided for:

- the division of the Argentine telecommunications network operated by ENTel into two regions, the Northern Region and the Southern Region of Argentina;
- the granting to Telecom Argentina and Telefónica of non-expiring licenses to provide basic telecommunication services in the Northern Region and Southern Region, respectively;
- the granting to Telintar and Startel, each joint subsidiaries of Telecom Argentina and Telefónica, of non-expiring licenses to provide international long-distance and data transmission, respectively; and
- the transfer by ENTel of substantially all of its assets and certain contracts into Telecom Argentina, Telefónica, Telintar and Startel.

On the Transfer Date, pursuant to the terms and conditions of a transfer contract (the “Transfer Agreement”), the Argentine government sold 60% of the common stock of Sociedad Licenciataria Norte S.A. to Nortel, a holding company formed by a consortium of investors including Telecom Italia, among others.

Pursuant to the Privatization Regulations, 10% of Telecom Argentina’s common stock was transferred as Class C Shares to a Share Ownership Plan for certain former employees of ENTel and CAT by the Argentine government, and the remaining 30% of Telecom Argentina’s common stock was sold to investors, principally in Argentina, the United States and Europe, in an offering completed in March 1992. A portion of the shares in the Share Ownership Plan has been sold in the public market, and the remaining shares resulting from the Share Ownership Plan are being gradually converted into Class B Shares. See “Item 6—Directors, Senior Management and Employees—Share Ownership—Share Ownership Plan.”

In 2003, Nortel’s common stock was transferred to an Argentine company named Sofora. The provisions of Telecom Argentina’s List of Conditions (later amended by SC Resolutions No. 111/03, No. 29/04 and ENACOM Resolution No. 277/16) stated that: (i) any reduction of ownership by Nortel of our capital stock to less than 51% without prior approval of the Regulatory Bodies; or (ii) any

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reduction of ownership by current common shareholders in the capital stock with voting power of Nortel to less than 51% without prior approval of the Regulatory Bodies, may each result in the revocation of Telecom Argentina's telecommunications license.

On November 14, 2013, Telecom Italia S.p.A. and Telecom Italia International N.V. (collectively, the "Sellers") and Tierra Argentea S.A. ("Tierra Argentea", a company controlled by the Sellers) announced their acceptance of the offer made by Fintech to acquire Telecom Italia's controlling stake in Telecom Argentina owned by the Sellers through their subsidiaries Sofora, Nortel and Tierra Argentea.

On December 10, 2013, Tierra Argentea completed the transfer to Fintech of (i) Class B Shares of Telecom Argentina, representing 1.58% of the capital stock of such company, and (ii) Nortel's ADRs representing 8% of the aggregate Series "B" Preferred Shares of Nortel.

On October 25, 2014, Telecom Italia S.p.A. announced the acceptance of an offer made by Fintech to amend and restate the agreement announced on November 14, 2013. Within the frame of this amendment agreement: (i) on October 29, 2014, Telecom Italia International N.V. transferred 17% of the capital stock of Sofora to Fintech; and (ii) it was confirmed that the transfer of the 51% controlling interest in Sofora was subject to the approval of the telecommunications regulatory body (formerly, SC, subsequently, AFTIC and currently, ENACOM).

On October 16, 2015 AFTIC's Resolution No. 491/15 was published in the Official Gazette, denying the requested authorization for the transfer to Fintech of the controlling interest that the Telecom Italia Group held in Sofora. Fintech, the Telecom Italia Group, W de Argentina Inversiones S.A., Telecom Argentina and Personal filed an appeal against such Resolution requesting AFTIC to reconsider it.

On February 17, 2016 Telecom Argentina was notified of ENACOM Resolution No. 64/16 pursuant to which ENACOM partially granted the abovementioned requests revoking the denial in AFTIC Resolution No. 491/15 and deciding to continue the analysis of the transfer of Telecom Italia's interest in Sofora to Fintech.

On February 24, 2016, Telecom Argentina was notified of Fintech's intention to launch a Mandatory Tender Offer (the "OPA") resulting from a change of control event for all Class B Shares of Telecom Argentina which are traded on the Buenos Aires Securities Market, or Mercado de Valores de Buenos Aires S.A., promoted and formulated by Fintech.

On March 7, 2016, ENACOM Resolution No. 277/16 authorized the transfer of Sofora's majority shareholder stake to Fintech, and on March 8, 2016, the transfer of Telecom Italia Group's 51% stake in Sofora to Fintech was completed. As a result, Fintech replaced the Telecom Italia Group as the indirect controlling shareholder of Telecom Argentina.

On March 8, 2016, the new members of the Board of Directors for both, Telecom Argentina and Personal, appointed by Fintech, replaced the members of such Boards of Directors appointed by the Telecom Italia Group. The Personal's Unanimous General Ordinary and Extraordinary Shareholders' Meeting held on March 29, 2016 and the Telecom Argentina's General Ordinary and Extraordinary Shareholders' Meeting held on April 8, 2016 each approved, among other items, the performance of duties of the directors and alternate directors and the members of the Supervisory Committee appointed by the Sellers in such companies and appointed new directors and alternate directors and members of the Supervisory Committee to cover the vacancy generated by those appointed by the Sellers. These new directors and alternate directors and members of the Supervisory Committee would hold their positions until the next Shareholders' Meetings that would consider the financial statements as of December 31, 2015.

On March 8, 2016 the change of Sofora's controlling shareholder became effective and, accordingly, the Telecom Italia Group ceased to be Telecom Argentina's indirect controlling shareholder (position assumed by Fintech). Based on such facts, on April 15, 2016 Telecom Argentina and Personal notified the CNCD that the "Telco and TI-W Commitments have become moot and have completely lost its cause and purpose". See "Item 7—Major Shareholders and Related Party Transactions—Major Shareholders—Telco and TI-W Commitments."

On July 22, 2016, Fintech informed Telecom Argentina of the modifications to certain terms of the OPA announced previously by Fintech, including the offering price. The offered price was amended from P\$46 per share to US\$3.925 per share from which US\$0.050 (five cents) per share should be

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deducted as cash dividends paid on May 13, 2016, together with any other cash dividend to be paid by Telecom Argentina from the OPA's announcement date to the OPA's payment date.

On September 6, 2016, the CNV's Board of Directors approved the formal terms of the OPA. Subsequently, on September 14, 15 and 16 of 2016, Fintech published in "*El Cronista Comercial*" newspaper the notice required under the CNV Rules (modified by complementary notices published in the same newspaper on October 5, 6 and 7, the first time, and on October 26, 27 and 28, the second time) setting the opening and closing dates of the OPA and the amendments to the "OPA Notice" published on February 24, 2016. The end of the OPA and its additional deadline took place on November 4, 2016 for Argentina.

On November 7, 2016, Fintech informed Telecom Argentina that, having ended the OPA's offers reception period in Argentina, a total of 12,337,723 Class B Shares acceptances were received, representing 1.253% of Telecom Argentina's total capital.

Simultaneously, Fintech launched an OPA in the United States, which offers' reception period expired on November 23, 2016. This OPA did not affect in any way the OPA launched by Fintech in Argentina. According to Fintech, 5,549,209 ADSs and 3,695 Class B Shares entered into the OPA launched in the United States.

On the other hand, on November 25, 2016, Fintech informed that it was notified of the Resolution No. 356/16 of the Secretary of Commerce of the Ministry of Production, which authorized the economic concentration operation consisting on the acquisition by Fintech of 68% of the common shares of Sofora.

As of the date of this Annual Report, Sofora's shares belong to Fintech (68%) and to W de Argentina Inversiones S.A. (32%). Additionally, Fintech has 58,173,522 Class B Shares that represent 5.91% of Telecom Argentina's total capital stock.

However, as explained in previous paragraphs, in March 2017, W de Argentina Inversiones offered and Fintech, the controlling shareholder of Sofora, and Sofora accepted an offer to amortize, in two tranches, all of the shares of capital stock issued by Sofora and owned by W de Argentina Inversiones, equal to 140,704,640 shares. See "*—Recent Developments—The Reorganization—Amortization of Sofora Shares.*"

However, as detailed in "Item 7—Major Shareholders and Related Party Transactions—Major Shareholders—Shareholders of Nortel", on March 28, 2017 Sofora's Shareholders' Meeting approved the amortization of all of W de Argentina Inversiones' shares in Sofora in two tranches (17% on or before May 2, 2017 and 15% subject to the ENACOM's release from the obligation to be maintained as part of the principal nucleus ("núcleo principal")).

Fintech, a Delaware (United States) limited liability company, is a wholly-owned direct subsidiary of Fintech Advisory Inc. and its primary purpose is to hold, directly and indirectly, the securities of Telecom Argentina. Fintech Advisory Inc., a Delaware (United States) corporation, is directly controlled by Mr. David Martínez, a former member of the Board of Directors of Telecom Argentina who submitted his resignation on April 5, 2017. Fintech Advisory Inc. is an investor and investment manager in equity and debt securities of sovereign and private entities primarily in emerging markets.

Additional information regarding the transaction between the Telecom Italia Group and Fintech as well as the OPA promoted by Fintech is available in the "Relevant Facts" section of the CNV at www.cnv.gob.ar, and in the "Company filings" section (Telecom Italia S.p.A and Telecom Argentina) of the SEC at www.sec.gov. Unless specifically incorporated by reference herein, the information contained or accessible through such websites should not be considered a part of this Annual Report.

THE BUSINESS

Liberalization of the Argentine Telecommunications Industry

In March 1998, the Argentine government issued Decree No. 264/98, introducing a plan for the liberalization of the Argentine telecommunications industry, (or the "Plan"). Decree No. 264/98 provided for the extension of the period of exclusivity with respect to the provision of Basic Telephone Services until sometime between October 8, 1999, and November 8, 1999, depending on the particular region. The Plan also provided for: (i) the immediate liberalization of paid telephone services and (ii) during July 1998, the liberalization of telephone service in rural areas. In addition, the Plan

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contemplated that in January 1999, data transmission services within the countries included in Mercosur would be open to competition, subject to the following conditions: (i) each of the Mercosur countries enters into agreements providing for the liberalization of these services and establishing similar regulatory bodies and (ii) reciprocity exists between countries with respect to the granting of licenses. Beginning in late 1999, two new operators, formed by independent operators, mobile operators and cable television operators were permitted to offer services. These new operators, together with the existing licensees of Basic Telephone Services, allowed customers to choose from four operators until the full liberalization of services occurred. The Plan also granted data transmission operators existing before the privatization of ENTel the right to operate domestic and international long-distance services by the end of 2000. Finally, the full liberalization of local, domestic and international long-distance services took place in November 2000.

During the “Transition Period” (1998-1999), new regulatory obligations were also introduced with respect to quality and service targets applicable to both Telecom Argentina and Telefónica.

As long-distance services were liberalized, competition was introduced by pre-subscription of long-distance service for locations with more than 5,000 clients. Following the introduction of Presubscription of Long-Distance Service, a call-by-call selection service will be installed. These requirements obligated the telephone companies to make significant investments and modifications to their networks.

During 1999, competition in local, national and international long-distance services was established among Telecom Argentina and Telefónica and Compañía Telefónica del Plata (CTP, Movicom Bell South) and Compañía de Telecomunicaciones Integrales S.A. (CTI, now Claro), the two new national operators permitted to offer services by Decree No. 264/98. Some provisions of Decree No. 264/98 and related resolutions were modified by Decree No. 764/00, mainly provisions related to licensing conditions, interconnection and Universal Service. Decree No. 764/00 established the general regulation of licenses and provided that each licensed company was allowed to launch its services in November 2000 when the full liberalization of the telecommunications market began. As of the date of this Annual Report, the main licensees providing local and/or fixed long-distance telephone service are Telmex, Level 3 Communications (formerly Impsat), IPlan, Telecentro, CPS Comunicaciones (Metrotel), Telefónica, Telecom Argentina and many other small independent operators.

Pursuant to the Plan, the liberalization of public telephone services began. On December 9, 1998, Telecom Argentina was granted (upon the subsequent issuance of SC General Resolution No. 2,627/98) a license to provide public telephone services in the Southern Region.

General

As of the date of this Annual Report, we conduct our business through six legal entities, each representing a distinct operating segment. We aggregate these operating segments into three segments — Fixed Telecommunications Services (“Fixed Services”), Personal Mobile Telecommunications Services (“Personal Mobile Services”) and Núcleo Mobile Telecommunications Services (“Núcleo Mobile Services”) — according to the type of products and services provided and taking into account the regulatory and economic framework under which each entity operates.

The companies we aggregated to create the segments are as follows:

Segment	Consolidated Company/Operating Segment
Fixed Services	Telecom Argentina Telecom Argentina USA Micro Sistemas (1)
Personal Mobile Services	Personal
Núcleo Mobile Services	Núcleo Envíos

(1) Dormant entity as of December 31, 2016.

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Fixed Services. Telecom Argentina owns a local telephone line network, public long-distance telephone transmission facilities and a data transmission network in the Northern Region. Since the market was open to competition, Telecom Argentina expanded its network in the Southern Region of Argentina providing nationwide services. Fixed services are comprised of the following:

- *Basic Telephone Services.* Telecom Argentina provides Basic Telephone Services, including local, domestic and international long-distance telephone services and public telephone services. As of December 31, 2016, Telecom Argentina had approximately 4 million of lines in service;
- *Interconnection services.* Telecom Argentina provides interconnection services, which primarily include Access, termination and long-distance transport of calls;
- *Data transmission and Internet services.* Telecom Argentina provides data transmission and Internet services, including traditional Broadband, Internet dedicated lines, private networks, national and international video streaming, transportation of radio and TV signals and videoconferencing services. As of December 31, 2016, Telecom Argentina had approximately 1.7 million Internet subscribers;
- *Information and Communication Technology Services.* Telecom Argentina provides ICT services, datacenter services, telecommunications consulting and value-added solutions;
- *Other telephone services.* Other services provided by Telecom Argentina include supplementary services such as call waiting, call forwarding, conference calls, caller ID, voice mail, itemized billing and maintenance services; and
- *Sale of equipment.*

Personal Mobile Services and Núcleo Mobile Services.

We provide mobile services through our subsidiaries in Argentina and Paraguay.

Personal's service offerings include voice communications, high-speed mobile Internet content and applications download, MMS, SMS, online streaming, corporate e-mail and social network access, among others; and sale of mobile communication devices (handsets, Modems mifi and wingles, smart watches). The services are supported in the different technologies of the mobile network (2G/3G/4G).

We also provide mobile services in Paraguay through Núcleo, a subsidiary of Personal.

As of December 31, 2016, Personal had approximately 19.5 million mobile subscribers in Argentina and Núcleo had approximately 2.5 million subscribers in Paraguay.

See Note 28 to our Consolidated Financial Statements and "Item 5—Operating and Financial Review and Prospects—Years ended December 31, 2016, 2015 and 2014—(B) Results of Operations by Segment" for additional information as to our results of operations by segment.

Fixed Services

Telecom Argentina is the principal provider of Basic Telephone Services in the Northern Region, and since late 1999 has also provided Basic Telephone Services in the Southern Region.

Since November 2000, the telecommunications sector in Argentina is completely open to competition. Our operations are subject to a complex series of laws and regulations. In addition, we are subject to the supervision of the Regulatory Bodies. See "—Regulatory and Legal Framework—Regulatory Framework" below.

Telecom Argentina's Telephone Network

Telecom Argentina's fixed-line telephone network includes installed telephones and switchboards, a network of access lines connecting customers to exchanges and trunk lines connecting exchanges and long-distance transmission equipment.

The following table illustrates the deployment of Telecom Argentina's telephone network:

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	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Number of installed lines (1)	4,908,102	4,903,700	4,763,336	4,699,254	4,850,554
Net lines installed (during each year)	4,402	140,364	64,082	(151,300)	58,024
Net lines installed cumulative (2)	3,337,138	3,332,736	3,192,372	3,128,290	3,279,590
Number of lines in service (3)	3,919,577	4,042,624	4,093,038	4,123,795	4,127,858
Net (Reductions)/Additions in lines in service for the year	(123,047)	(50,414)	(30,757)	(4,063)	(13,277)
Net (Reductions)/Additions in lines in service cumulative	2,517,608	2,640,655	2,691,069	2,721,826	2,725,889
Lines in service per 100 inhabitants (4)	19	19	19	19	20
Pending applications (5)	75,300	64,093	75,213	91,950	152,210

- (1) Reflects total number of lines available in Switches.
(2) Cumulative net lines installed since the Transfer Date.
(3) Includes lines customers, own usage, public telephony and ISDN channels.
(4) Corresponds to the Northern Region of Argentina.
(5) Corresponds to lines requested by clients, but not yet installed.

The following table illustrates the evolution of Internet services:

	December 31,				
	2016	2015	2014	2013	2012
Fixed Internet access lines	1,737,534	1,813,590	1,771,050	1,706,787	1,629,294
Arnet subscribers	1,725,609	1,791,030	1,749,111	1,686,982	1,621,643

Arnet customer base decreased by 4% in 2016 while it increased by 2%, 4% and 4% in 2015, 2014 and 2013, respectively.

Revenues

Fixed services include, among other charges, monthly charges, measured service charges, installation charges, public telephone services and interconnection services related to “essential facilities.” The prices for these services were regulated by rules governing our license, which established “maximum prices” that could be charged to clients. Telecom Argentina was able to charge prices below the maximum regulated prices as long as the discount was applied equally to clients who share the same characteristics (under the so-called principle of “non-discrimination”). In accordance with this ability, Telecom Argentina charged lower prices than the maximum regulated prices for certain of the services offered. Since the enactment of the LAD it was established that licensees of ICT services may set their prices. See “—Regulatory and Legal Framework—Regulatory Framework—Law No. 27,078—Argentine Digital Law.”

The remaining services included in the Fixed Services segment, such as data transmission services and Internet services, were not subject to regulation and, as a result, Telecom Argentina was able to set the corresponding prices. Market conditions could limit price increases.

a) Retail — Residential and SME (Small and Medium Enterprises)

Monthly Charges. Telecom Argentina bills a monthly charge to its customers. As of December 31, 2016 and 2015 approximately 82% of lines in service were for residential customers and public telephony and approximately 18% were for professional, commercial and government customers. Additionally, due to the regulatory regime, Telecom Argentina is obligated to offer discounts to certain retired individuals and low-consumption residential customers.

Measured Service Charges. In addition to a monthly charge, Telecom Argentina bills to a portion of its customers for a monthly measured service charge, which is based on telephone usage. Measured service is billed at the price per unit of time. Charges for local and domestic long-distance measured service vary with the price per unit of usage. The number of units of usage depends on the time of day, the day of the week, the distance and the duration of calls. Additionally, due to

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competition, Telecom Argentina offers discounts to customers mainly for domestic long-distance service as semi-flat rate plans that include a set quantity of minutes for a fixed charge.

During 2016 and 2015, the volume of local minutes decreased by approximately 13.9% and 9.9%, respectively, due to the strong growth in mobile telephony and the resulting migration of traffic to mobile service. Although the traffic volume decreased during 2016, revenues from local traffic continued to increase leveraged by the increase in prices of the semiflat rate plans.

Total volume of domestic long-distance minutes decreased by approximately 13.2% and 8.6% in 2016 and 2015, respectively. Ever since the Northern Region was opened to competition in 1999, Telecom Argentina has maintained its position as the regional market leader for domestic long-distance traffic. During 2016, deploying a similar strategy to that which was adopted for local traffic, we maintained sales of targeted and selective flat-rate plans positioned to maintain average revenues generated by customers.

International Long-Distance Service. International long-distance traffic minutes decreased approximately 48.6% in 2016 and 19.6% in 2015. Since 1992, international rates have been reduced annually as a consequence of the application of the Price Cap described in “—Regulatory and Legal Framework—Regulatory Framework—Dollarization and pesification of rates” Telecom Argentina also has reduced international long-distance prices in order to compete with the new providers of long-distance calling services.

Installation Charges. Revenues from installation charges consist primarily of fees levied for installation of new fixed lines. Telecom Argentina offers discounts in multiple localities to reduce the rates, with the aim of stimulating demand in those areas. The penetration of fixed-line telephony has been affected by the maturity of the Argentine market.

Other Domestic Telephone Services. Telecom Argentina provides other domestic telephone services including charges for supplementary services such as call waiting, call forwarding, conference calls, caller ID, voicemail and itemized billing.

Internet. Telecom Argentina has been providing residential Internet services under the brand name Arnet since 1998. Telecom Argentina mainly offers this service in the major cities of Argentina. In recent years, Telecom Argentina’s Internet service has experienced higher demand and usage in less populated areas of the country. The Internet services include Access and Arnet service.

Broadband can be delivered through three technologies: cable Modem, ADSL and wireless; cable Modem and ADSL being the most widely used. In the local market, ADSL connections exceeded the number of cable Modem and wireless connections. Telecom Argentina markets its ADSL service through its Arnet brand and in partnership with other Internet services providers.

As of December 31, 2016, we reached approximately 1.7 million accesses. During 2016, our efforts to communicate effectively with our customers and special offers with competitive prices according to segment helped us to maintain the leadership of our products under the brand Arnet. In November 2016, Telecom launched the new offer “Arnet + Voz” providing Internet and unlimited local and national calls, as part of a bundled package. At the end of 2016, the Company announced the first convergent offer of the market, offering a bundle, including Internet services, fixed line telephony and mobile connectivity, with a differential and convenient price.

Continuing the evolution of Internet access services, during the year 2016 services focused on offering higher speed access to customers. The number of customers with UBB has grown 40% in 2016, increasing the average speed of the customer base.

Internet revenues include both Internet access services and the provision of Internet service.

A small portion of Internet access services is provided by Telecom Argentina’s 0610, 0611 and 0612 services. Internet dial-up service represents a marginal percentage of Telecom Argentina’s revenues, we continue to provide this service to a small market where Broadband service is not available.

b) Corporate Customers

The large customer segment includes leading companies in the Argentine market as well as the National government, provincial governments and municipalities. These customers demand cutting-edge technology and solutions tailored to their needs, including voice, data, Internet and Value Added Services.

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In response to the constant changes demanded by the market, Telecom Argentina maintained its strategy to position itself as the integrated provider for large customers through the offer of convergence of ICT solutions, including fixed and mobile voice, data, Internet, Multimedia, ICT, datacenter and application services through sales, consulting, management and specialized and targeted post-sale customer services.

The data services business includes nationwide data transmission services, virtual private networks, symmetric Internet access, national and international signal transport and videoconferencing services. These services are provided mainly to corporations and governmental agencies. Telecom Argentina also provides certain Value Added Services, including electronic standard documents telecommunication software exchange and fax storage and delivery service. The data services business also includes the lease of networks to other providers, telecommunications consulting services, operation and maintenance of telecommunications systems, supply of telecommunications equipment and provision of related services. Corporate data transmission services are mainly Ethernet and IP services.

During 2016, we maintained our efforts in ICT solutions and the sale of data services and dedicated Internet accesses. This strategy is supported by the world class multi-site network of datacenters focused on communications, with over 7,000 square meters used to keep computer technology services throughout Argentina. Through this infrastructure, we offer a broad services portfolio including dedicated hosting and housing, connectivity, cloud services which enable our customers to optimize their costs by increasing the security of their information and avoiding hardware and software obsolescence issues. All the services are provided with support, security, connectivity and the ability to engage further management, professional, monitoring, storage and backup services.

In addition, we continued making additional investments at the major datacenter in Pacheco, consolidating its position as leader in the market and enhancing the level of services supplied. Such investments will enable Telecom Argentina to support business growth in the next few years with the highest market standards.

The main solutions and businesses developed in recent years and which continued during 2016 included:

- Renovation and maintenance of infrastructure and terminals of the truncated communications system for Buenos Aires City Police force.
- Extension and renegotiation of 911 systems for public safety management in a province of the Litoral region.
- A datacenter solution in alliance with Oracle, to optimize operation in databases for an important industrial company.
- Implementation of datacenter and VPD (Virtual Private Datacenter) solutions, and development of Managed Services and NOC (Network Operations Centers) in main clients of the private sector.
- A DWDM (Dense Wavelength Division Multiplexing) solution for a relevant customer in the financial industry
- Integrated fleet management and monitoring system for a customer that provides assistance service in the Mediterranean region.
- Implementation of a unified communications solution with redundancy in sites of high criticality in Municipality, Mediterranean Region.

c) Wholesale

Interconnection Revenues: Telecom Argentina collects fees from other operators for interconnection services. These fees primarily include local Access, termination and long-distance transport of calls, rentals of network capacity and commissions on calling party pays fees. These fees are payable by mobile operators as well as fixed-line operators. Additionally, Telecom Argentina remained one of the leading providers of wholesale telecommunications solutions for various fixed and mobile operators, independent operators, local operators, public telephony licensees, cable operators, ISP, TV and radio channels, production companies and other service providers. The services marketed by Telecom Argentina include, among others, traffic and interconnection resources, third-

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party billing, dedicated Internet access services, transport of video signals in standard definition and high definition, streaming audio and video, dedicated links, backhaul links for mobile operators, Internet Protocol Virtual Private Network and data center hosting services.

Telecom Argentina continued to strengthen its position as a provider of solutions for the broadcasting segment by offering transportation solutions for audio and video signals both as dedicated private links and on the Internet. We provide solutions to cable operators and TV channels for the distribution of video signals.

International Long-Distance Service: Telecom Argentina holds a non-expiring license to provide international telecommunications services in Argentina, including voice and data services and international point-to-point leased circuits.

Revenues from wholesale international long-distance service reflect payments under bilateral agreements between Telecom Argentina and foreign telecommunications carriers, covering virtually all international long-distance calls into or out of Argentina using our network. Revenues from international long-distance service therefore consist mainly of:

- amounts earned from foreign telecommunications carriers for connection to the Argentine telephone network;
- bandwidth capacity under an Indefeasible Right of Use (“IRU”) basis;
- international point-to-point leased circuits; and
- international data and IP transit services.

Operating revenues from international long-distance service depend on the volume of traffic and the prices charged by each party under agreements between the Argentine provider and foreign telecommunications carriers. Settlements among carriers are usually made on a net basis. Incoming traffic with carriers measured in minutes accounted for 329 million minutes in 2016 and 455 million minutes in 2015.

Telecom Argentina is connected to international telecommunications networks, mainly through the following submarine Fiber Optic cables: Americas 2 (USA), Columbus 3 (Europe), Atlantis 2 (Brazil — Europe), Sea-Me-We (Europe — Asia), Bicentenario (Uruguay), Latin American Nautilus (LAN), a company in the Telecom Italia Group, and other minor cables.

In order to meet the growth in our Internet access base, Telecom Argentina has acquired some IRUs on a submarine facility of Latin America Nautilus (LAN) (a subsidiary of Telecom Italia), which connects Argentina with the U.S. (Miami) in a submarine fiber optic ring. These rights, which last for 15 years, allow the interconnection of the IP backbone of Telecom Argentina with IP Transit providers in Miami. Telecom Argentina has also contracted international capacity under lease modality (Transit IP) in Buenos Aires to ensure better performance regarding regional traffic.

Through our wholly owned subsidiary in the United States, Telecom Argentina USA, a corporation organized under the laws of the State of Delaware, we focus mainly on wholesale long-distance international traffic, video and data services.

Telecom Argentina USA, routes the majority of its wholesale traffic through its own switching capabilities. In 2016, Telecom Argentina USA, continued operating a Node of high-definition video in Miami, thus extending the Telecom video matrix to the international market.

Network and Equipment

The network strategy focuses on medium and long-term guidelines in line with technological developments, the demand for new services and the customer experience. In that sense, the “core network” seeks to provide the capacity, improve the closeness and increase the availability of our services toward to the end user, together with the standardization of protocols and network architectures, allowing for us to reduce the related operating costs and operate more efficiently.

In access networks, our strategy is based on continuing to meet the growing bandwidth needs that require the services requested by our customers, mainly Internet access to Multimedia content and video. The increased deployment of fiber optic infrastructure for access to different architectures and technologies continued, optimized according to demands and geographic areas. On the other hand, progress was achieved with enhancements of capacity and the inclusion of new POPs of

content, providing a better user-experience when it comes to accessing the network and, in particular, OTT services.

Personal Mobile Services and Núcleo Mobile Services

We provide mobile services through our subsidiaries in Argentina and Paraguay.

Mobile Telecommunication Services in Argentina—Personal

The market for mobile telecommunications services in Argentina is characterized by intense competition. Operators are generally free from regulation to determine the pricing of services. There are currently three mobile operators offering nationwide service. According to the statistics published by the national telecommunications regulatory agency (ENACOM), the penetration of mobile service in Argentina has increased from approximately 138.9% of the population in 2014, to approximately 141.9% in 2015 and to approximately 142.4% in the first half of 2016. This information regarding penetration of mobile service is an estimate, based on demographic data from 2010 national census as there are no official statistics published in Argentina, and only considers lines serviced by the three operators providing nationwide mobile telecommunications services (i.e., it does not include Nextel providing trunking telephony and other telecommunication services in Buenos Aires and cities in the interior).

Service providers in Argentina are making significant capital expenditures in new network infrastructure for the enhancement and deployment of 3G and 4G technology, which allows for the higher transmission speeds required for Value Added Services such as data transfer, video calling and Internet browsing.

Our mobile telecommunications services in Argentina are provided through our subsidiary, Personal. We provide mobile services on the 850 MHz and 1,900 MHz, through GSM and 3G technology (by STM/SRMC y PCS networks). In addition, since December 2014, Personal has offered LTE technology service (by SCMA network) through the frequency bands awarded to Personal in 2014 and 2015 (1730-1745 MHz; 2130-2145; 713-723 MHz and 768-778 MHz). See “—Regulatory and Legal Framework—Regulatory Framework—Spectrum.”

a) Residential and Business Customers

We offer to Personal subscribers a variety of flexible pricing options for mobile services. These options include prepaid, post-paid and mixed (“*Abono Fijo*”) plans.

Prepaid Plans. Under prepaid plans, subscribers pay in advance for their services, using prepaid credit. Since there are no monthly bills, prepaid plans allow subscribers to communicate with maximum flexibility while maintaining control over their consumption. Prepaid credit can be purchased through prepaid cards or virtual credit on Personal’s website, by phone, at ATMs and drugstores, or through authorized agents. This credit allows subscribers to use data to browse on the Internet, make and receive local, national and international calls and buy multimedia content.

Personal offers a variety of “packs” which enable customers to use the abovementioned services at a lower price. These packs may include a fixed amount of minutes to make national or international calls, SMS, a daily quota of megabytes to access the Internet during 1, 7 or 30 days or different combinations of these services.

In addition, customers can buy multimedia contents, or subscriptions to these contents, in order to receive them periodically.

Prepaid customers can access different benefits according to their monthly credit charges, such as days of free Whatsapp access, credit gifts, and two telephone numbers to communicate for free, one for calls and the other for SMS.

Post-Paid Plans. Under post-paid plans, a subscriber pays a monthly fee, plus charges for additional services not included in its plan. According to Personal’s current offer, most of the plans include a quota of megabytes for browsing Internet, unbounded airtime for on-net calls and SMS. Some plans include an amount of free seconds for off net calls. Once the free seconds have been used, they can continue using the mobile service at a set price per second. They can also buy packs of additional megabytes to continue browsing Internet after they have consumed the megabytes included in the monthly fee. The charges for additional airtime, megabytes or multimedia contents, will

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be added to the next month’s bill. The plans offer Personal digital invoicing, enabling subscribers to view, download and print their invoices from the web.

Under post-paid plans, we also offer M2M plans, based on the “*Internet of Things*” (IoT) concept, which refers to the digital interconnection of everyday objects with the Internet, and are specially focused on customers of the business segment. These plans include solutions such as geolocation and fleet monitoring, refrigeration control, information security solutions, sales management solutions, and cloud solutions for information storage and protection, among others.

Abono Fijo. Under the “Abono Fijo” plans, a subscriber pays a set monthly bill. Like in post-paid plans, most of these plans include a quota of megabytes for browsing in the Internet, unbounded airtime for on-net calls, SMS and a fixed amount of credit that can be used to buy packs or multimedia contents. Once the free seconds have been used or Internet quota has been met, the subscriber can obtain additional credit by recharging its line through the prepaid system. With this new credit, customers can buy packs of 100 MB, 500 MB or 1 GB to continue browsing Internet or packs of seconds for off net calls. The plans offer Personal digital invoicing, enabling subscribers to view, download and print their invoices from the web.

The following table presents information regarding Personal’s post-paid, prepaid, “*Abono Fijo*” and Mobile Internet dongle subscribers bases for the periods indicated:

	As of December 31,					
	2016	% of Total	2015	% of Total	2014	% of Total
<i>Mobile subscribers:</i>						
Prepaid (1)	13,007,221	66.7	13,187,958	67.1	13,262,265	67.7
Post-paid (2)	2,159,797	11.1	2,134,376	10.9	2,155,258	11.0
“Abono Fijo” (2)	4,248,050	21.8	4,216,519	21.4	3,993,349	20.4
Mobile Internet dongles	98,906	0.4	117,802	0.6	174,711	0.9
Total	19,513,974	100.0	19,656,655	100.0	19,585,583	100.0

- (1) Lines with at least one recharge in the last thirteen months as of December 31 of each year.
- (2) Lines with payment modality through the billing to the customer.

New products and services. In 2016, Personal continued boosting its strategy with a customer-centric approach based on the concept “Hagamos que todo suceda” (Let’s make it all happen). This concept stands for Personal placing technology at the center of relationships, allowing interaction to take place as something real that is beyond the virtual scope.

The loyalty program Club Personal continued throughout 2016 providing important benefits, such as discounts on gastronomy, shows, shopping, leisure and tourism, and the possibility of exchanging accumulated points for consumption, to maintain the satisfaction of the members and incorporate new ones. Club Personal is one of the most important benefit programs in the country with more than 4.4 million members.

Finally, Personal continued its strategy of repositioning its brand by holding the 12th annual Personal Fest, one of the most important international music festival in Buenos Aires, and also its summer edition in five of the major cities of Argentina.

Personal’s ARPU was approximately P\$112.3 per month for 2016 and P\$91.5 per month for 2015.

b) Wholesale

International Business: During 2016, Personal continued to strengthen its position in the international roaming services market, expanding 3G and 4G LTE agreements, in order to provide a better user’s experience to its subscribers.

Personal entered into five (5) GPRS and 13 3G agreements during 2016, reaching an overall total of 366 commercial agreements of international roaming, which provide service in more than 166 countries.

Personal has increased its voice and data roaming destinations, through the implementation of new agreements under “CAMEL” standard (“*Customized Applications for Mobile networks Enhanced Logic*”), which expand the roaming services for pre-paid subscribers of other carriers that use our network.

Also, Personal enhanced destination’s coverage reached by the International SMS service adding a third SMS Hub, which will enable greater flexibility and reliability of the service.

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In order to improve the customer's roaming service experience, Personal has launched nine LTE agreements in the modality "Outbound" (4G services for our foreign customers). These agreements allowed customers to use a higher Internet navigation speed, especially at "La Copa América Centenario USA 2016" and the "Rio 2016 Olympic Games", both major international sports events in 2016.

Domestic Business: The main national wholesale revenues are composed by TLRD, CPP, and to a lesser extent, national roaming sold to other operators in connection with the use of Personal's network, as well as by leasing of infrastructure sites.

During 2016, Personal continued to strengthen its relationship with operators and telecommunication services providers, cooperative's federations, and clearing house services suppliers, renewing the existing contracts or entered into new ones.

Personal also signed new agreements with cooperatives for installing new cell sites in their local area with the purpose of achieving or improving the mobile coverage in their influence areas and in accordance with the Company's deployment plan.

Personal expanded agreements to contract resources and facilities of other operators (data links, interconnection resources, origination, termination, and transport minutes, conventional and non-conventional site leases and domestic roaming) that contributed to continue the mobile network development and its 4G evolution improving the offer to customers.

Personal's Network and Equipment

In 2016, the Company continued with the strategy of improving the coverage and capacity of the mobile access network. To that end, an important deployment plan for 4G (LTE) technology was held that has synergistically continued the modernization of the 2G/3G network using the new spectrum acquired in the auction process carried out in 2014. This deployment essentially allows increasing Internet access speed, thus improving customers' user experience, in particular their experience related to accessing Multimedia content.

From the beginning of their deployment, the 700 MHz band where there is no interference, and 1,700/2,100 MHz bands, were enabled at the same time allowing the optimal use of both spectrums through the "carrier aggregation" functionality (functionality that enables adding carriers to increase bandwidth). In accordance with the abovementioned, the capacity of existing sites continued to increase after the activation of the reassigned spectrum of the 2G network and the new PCS/SRMC spectrum acquired in the auction process of 2014.

In addition, the plan to increase the number of base stations linked through optic fiber and full IP connectivity continued, aimed at ensuring the availability of bandwidth for current and future needs.

To strengthen the use of new frequency bands, Personal has continued selling 4G smartphones to new and existing clients with the aim to promote a faster adoption of the new technology. As of December 31, 2016 the customers using 4G handsets were approximately 5.5 million.

Finally, the start-up and migration of the Core Mobile platform on a virtual infrastructure were initiated. This new platform includes the migration of all the existing features of the current core and adds features in the IMS (Internet Map System) architecture, oriented toward the convergence and evolution of services such as VoLTE (Voice over LTE), VoWiFi (Voice-over-WiFi), etc.

Mobile Telecommunications Services in Paraguay—Núcleo

We provide nationwide mobile telecommunications services in Paraguay through our subsidiary, Núcleo, under the commercial name of "Personal." Núcleo is 67.5% owned by Personal and 32.5% owned by ABC Telecomunicaciones S.A., a Paraguayan corporation. Núcleo has been granted licenses to provide commercial mobile services, Internet access and videoconference and data transmission services in Paraguay.

At the end of 2015, Núcleo decided to launch LTE services on its available 1,900 MHz frequency bands, implementing an aggressive investment plan for the deployment of the new technology. See—"Núcleo's Network and Equipment."

The communication strategy of Núcleo in 2016 for post-paid customers was an aggressive proposal that enabled us to increase the capture of customers, to ensure base loyalty and to boost data use. As of the second quarter, the strategic focus for prepaid customers was based on the growth of 0-30 customers (customers that regularly recharge within the last 30 days) and on the recharge

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processes. With these objectives in mind, tactical actions for the customer base were implemented, with segmented campaigns, new recharge services, special Packs by cell and geographic area and additional benefits with recharges, among others.

In order to further enhance the penetration of 4G smartphones, Núcleo strengthened smartphone benefits by holding two “Smart” fairs, one in October 2016 and one in December 2016. It also launched new smartphone signing-financing alliances with two financial institutions.

In relation to the SVA, a promotional platform was implemented to increase “engagement” of customers who participate in promotions via SMS, consequently improving the participation of SVA in prices and sales.

Finally, with respect to brand and institutional campaigns, as of the second quarter of 2016, the focus on communication was the dissemination of the new brand purpose “*Hagamos que todo suceda.*” Núcleo launched a new campaign to convey the way in which the company seeks to improve people’s lives through technology.

Envíos, Núcleo’s subsidiary, is engaged in the provision of mobile financial services in Paraguay. Envíos commenced its operations in January 2015 but has not had significant result of operations for the Group in 2016.

Additionally, on October 4, 2016, Núcleo’s Board of Directors authorized the execution of the shares purchase option that TUVES S.A (Chile) granted to Núcleo in order to acquire the controlling interest in Tuves. Tuves is a company engaged in the broadcasting supplied by subscription. On October 6, 2016 Tuves’ shareholders accepted Núcleo’s proposal for executing the shares purchase option (70% Tuves’ total capital), which was approved by the *Comisión Nacional de Telecomunicaciones* (“CONATEL”) on April 21, 2017.

Núcleo’s Network and Equipment

In December, 2015 Núcleo decided not to participate in the auction of the license for the supply of mobile telephone services, Internet access and data transmission in the 1,700/2,100 MHz (4G - LTE) frequency bands in the Republic of Paraguay, because it assessed more convenient launching 4G services in its available 1,900 MHz frequency bands where it has vacancy. As a result, during 2016 Núcleo implemented an aggressive investment plan for the deployment of the new technology, thus enhancing its LTE capacity and coverage in Paraguay. As of December 31, 2016, 610 LTE Nodes that provide coverage to 67 locations throughout Paraguay were installed.

In addition, Núcleo has continued its “*Dream 2*” project for the modernization of the access network after the swap or replacement of 180 sites in the mobile network. Additionally, Núcleo has expanded and improved the quality and capacity of its network, setting into operation 118 new cell sites in Paraguay (an increase of 12% of the total amount of its mobile network) in order to absorb the data traffic growth. Also, as part of the “*Dream 2*” project, the expansion of the Packet Core PS (“Packet Switch”) was carried out

With respect to growing its transport network, Núcleo expanded its coverage of FFTH Gigabit-capable Passive Optical Network (“GPON”) network, aimed at providing Internet access services to the corporate segment.

Moreover, Núcleo has successfully completed the exchange process across the DWDM network replacing the existing hardware and, thus, successfully obtaining equipment with increased capacity and processing speeds that are able to support the demand for increased data traffic.

In addition, in order to strengthen the use of data through 4G technology, Núcleo promoted the selling of 4G smartphones to post-paid customers.

Competition

Fixed Services

Basic Telephony and International Long-Distance Services. Before November 1999, Telecom Argentina held an exclusive license to provide Basic Telephone Services to the Northern Region. The Argentine telecommunications market has been open to full competition since November 2000. As of the date of this Annual Report, the main licensees providing local and/or fixed long-distance telephone

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service are Telmex, AMX Argentina (commercially known as Claro), Level 3 Argentina (commercially known as “Level 3 Communication” formerly “Global Crossing”), IPlan, Telecentro, Telefónica (principally in the Southern Region) and Telecom Argentina (principally in the Northern Region). Telefónica has the dominant market share for provision of telecommunications service in the Southern Region. Accordingly, if economic conditions in Argentina improve and competitors increase their presence in the Northern Region, Telecom Argentina expects that it will face additional pressure on the prices it charges for its services and experience limited loss in market share in the Northern Region.

Internet and Data Services. We face nationwide competition in the Internet service market in Argentina from Telefónica, Gigared, Cablevisión (Fibertel) and Telecentro (providing a triple-play offer), among others. Our data services business faces competition from Telefónica, AMX Argentina (commercially known as Claro), and from several providers of niche data services such as Level 3 Argentina, IPlan and others.

Mobile Telecommunications Services

Mobile Telecommunications Services in Argentina. The mobile telecommunications market in Argentina has been open to competition since 1993 and was expanded to include PCS services in 1999. In addition, GSM technology has created intense competition for subscribers among the various service providers, including giving rise to severe pricing pressure, significant handset subsidies and increased sales incentives provided to dealers. The introduction of 3G technology since May 2008 and of 4G technology since 2014 has allowed operators to focus competition on Value Added Services.

Currently, there are three operators providing nationwide mobile telecommunications services. These three operators are Personal, Telefónica Móviles Argentina and América Móvil. Nextel competes on a limited level, offering trunking telephony services in Buenos Aires and selected cities in the interior, in addition to offering mobile telecommunication services in those cities.

América Móvil, operating in Argentina under the trade name “Claro” (formerly CTI), is the country’s largest mobile operators in terms of number of subscribers and has provided STM cellular services in the Northern and Southern Regions outside of the AMBA since 1994 through the 850 MHz band (25 MHz in each region). Claro also holds a non-expiring license of 40 MHz license for its PCS services in the AMBA and a 20 MHz license for PCS in each of the Northern and Southern Regions. In addition, as a result of the Spectrum Public Auction, Claro was awarded the 15 year-term PCS frequency bands 1,867.5-1,870 MHz and 1,947.5-1,950 MHz for the Southern Region, 1,892.5- 1,895 MHz and 1,972.5-1,975 MHz for the Northern Region and 1,870-1,875 MHz and 1,950-1,955 MHz for the AMBA and SCMA frequency bands 1,720-1,730 MHz and 2,120-2,130 MHz, while the SCMA 723-738 MHz and 778-793 MHz have been awarded in 2015.

Telefónica Móviles, operating in Argentina under the trade name “Movistar,” is another of the largest mobile operators in Argentina in terms of number of subscribers. Movistar is the result of Telefónica’s merger of Unifón and Movicom in 2005. Movistar operates in the AMBA through the non-expiring license of 850 MHz band with a total of 30 MHz, and a total of 20 MHz for PCS. It also holds a total of 50 MHz for its PCS licenses for the Northern Region, and a total of 25 MHz for its PCS license in the Southern Region. This Southern Region is Unifón’s original service area, where it also holds a 25 MHz license for STM. In addition, as a result of the Spectrum Public Auction, Movistar was awarded the 15 year-term SCMA frequency bands 1,710-1,720 MHz, 2,110-2,120 MHz, while the 703-713 MHz and 758-768 MHz have been awarded in 2015.

Meanwhile Personal holds a non-expiring license to provide mobile telephony services (STM) in the Northern Region of Argentina holding 25MHz in 850MHz frequency bands, and licenses to provide data transmission and VAS throughout the country, as well as registration for national and international long-distance services. In addition, Personal holds non-expiring licenses to provide mobile radio communication services (SRMC), holding 12,5MHz in 850MHz frequency bands in AMBA, and non-expiring licenses to provide PCS services nationwide. To provide PCS Personal holds 30MHz in 1900 frequency band in the AMBA, 20 MHz in the Northern Region, and 40 MHz in the Southern Region.

As a result of the Spectrum Public Auction, Personal was awarded additional frequency bands 830,25-834 MHz and 875,25-879 MHz for SRMC in AMBA (7,5MHz), and PCS frequency bands in 1890-1892,5 MHz and 1970-1972,5 MHz in the Northern Region (5 MHz) and 1862,5-1867,5 MHz and 1942,5-1947,5 MHz in the Southern Region (10MHz). Personal was also awarded 30 MHz for SCMA in 1730-1745 MHz and 2130-2145 MHz frequency bands, and the SCMA bands 713-723 MHz and

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768-778 MHz have been awarded in 2015. All these frequencies were awarded for the term of 15 years. According with Decree No. 1,340/16 the term of authorizations for the use of all frequencies that make up Lot 8 for the provision of SCMA, as well as the corresponding deployment obligations, shall be computed since the effective migration of services currently operating in these bands in the scope of Area II, defined according to the provisions of Decree No. 1,461/93 and its amendments.

Nextel Argentina provides trunking telephony and other telecommunications services in Buenos Aires and cities in the provinces of Argentina. Nextel Argentina's service currently focuses on business subscribers in the main cities of Argentina.

On March 7, 2017, through Resolution No. 1,299-E/17 ENACOM approved the Refarming Project with financial compensation and shared use of frequencies (the "Project") to Nextel Communications Argentina SRL ("Nextel"), to provide the SCMA (according with ENACOM Resolution No. 171/17), granting this company the registration for the provision of such service, and authorizing it to use frequencies in 900 MHz band and 2.6 GHz, and subject to certain conditions, the use of 700 MHz band for the provision of SCMA. The contract establishing the conditions of the Project has not been approved, nor published by ENACOM as of the date of this Annual Report.

Prior to the provision of the SCMA, Nextel should return the radioelectric spectrum in the localities and areas stated in the Project and should constitute a guarantee in favor of the ENACOM at its satisfaction, under the terms, conditions, goals, commitments and other matters related to the provision of SCMA. See "—Regulatory and Legal Framework—Regulatory Framework—New Developments for fiscal year 2016."

On May 5, 2016, the Ministry of Communications issued Resolution No. 38/16 approving the new Regulation of Virtual Mobile Operators ("VMO"), thus allowing the entrance of new competitors.

The acquisition and retention of high-value customers continues to be a key factor to Personal's strategy, which is focused on maintaining customer's consumption through the launch of new products and services that enable retention of existing customers.

Further, see "—Regulatory and Legal Framework—Regulatory Framework—Licenses granted as of December 31, 2016" below for additional details on Personal's license.

Mobile Telecommunications Services in Paraguay. Currently, there are four participants in the mobile telecommunications services market in Paraguay. As of December 31, 2016, Núcleo's major competitor was Tigo (a Millicom International Cellular subsidiary). The operators provide services through 2G, 3G and 4G technology. The Paraguayan market is highly competitive, where Tigo holds a great portion of the market (more than 65% of market share, in terms of revenues). In addition, in August 2012, Tigo acquired the major TV cable operator -which in turn held a portion of the 2,600 MHz band available for 4G services-, thus widening its business and strengthening its position in the industry. In 2015, the governmental authorities called for an auction for the awarding of additional frequency bands to provide 4G services throughout Paraguay, but after assessing the auction's terms and conditions, Núcleo decided not to participate in the auction process. As a result of the auction Claro and Tigo were awarded with 30 MHz in the 1,700/2,100 MHz frequency bands.

REGULATORY AND LEGAL FRAMEWORK

REGULATORY FRAMEWORK

Regulatory Authority

Telecom Argentina and its domestic subsidiaries are regulated by a set of rules and regulations that comprise the regulatory framework of the telecommunication sector in Argentina.

Until the issuance of Law No. 27,078, the LAD, which was published in the Official Gazette on December 19, 2014 and has been in force since its publication, the telecommunication services provided by Telecom Argentina and its domestic subsidiaries were regulated by the CNC, a decentralized agency within the scope of the SC, which was also under the scope of the Ministry of Federal Planning, Public Investment and Services. (See “—Law No. 27,078—Argentine Digital Law” below).

The LAD created the Federal Authority of Information and Communication Technologies (“AFTIC”), as a decentralized and autonomous agency within the scope of the National Executive Power (PEN), which would act as the Regulatory Authority of the LAD and would replace, for all purposes, of the SC and the CNC.

The LAD conferred the AFTIC the regulation, control, supervision and verification functions concerning Information and Communication Technologies (“ICT”) in general, and in particular of the telecommunications, postal service and all those matters integrated to its field in accordance with the provisions of the LAD.

By the end of December 2015, the PEN issued the Decree of Need and Urgency (“*Decreto de Necesidad y Urgencia*” or hereinafter the “DNU”) No. 267/15 published in the Official Gazette on January 4, 2016. The DNU substantially amends Law No. 26,522 (Audiovisual Communication Services — “SCA”) and Law No. 27,078 (LAD) and also creates the National Communications Agency (“ENACOM”) as a new Regulatory Authority of those laws. The ENACOM replaces the AFTIC and AFSCA (“Federal Authority of Audiovisual Communication Services”). This new Authority acts as an autonomous agency within the scope of the Ministry of Communications. See “—*Decree No. 267/15 - Amendments to the “LAD”*” below.

Additionally, Decree No. 13/15 creates the Ministry of Communications. The organizational structure of the Ministry was approved by Decree No. 268/15, issued on December 29, 2015 (published in the Official Gazette on January 4, 2016).

The Board of ENACOM is composed of a Chairman and three directors appointed by the PEN, as well as three directors appointed by the Bicameral Commission of Audiovisual Communication and ICT services. The quorum is met with the attendance of four members. No special eligibility conditions are established to be a member of the Board; the only limitation is the non-existence of incompatibilities, under the terms of Law No. 25,188 (“Public Ethic”). The ENACOM members can be removed directly and without cause by the PEN.

The ENACOM has started its operations on January 5, 2016 with the 4 directors appointed by the PEN through Decree No. 7/16, thus resulting in the constitution of the ENACOM as established by Article 23 of Decree No. 267/15.

Regulatory framework of the services provided by Telecom Argentina and its subsidiaries

Among the principal features of the regulatory framework governing the services provided by the Company and its domestic subsidiaries is worth mentioning:

- The LAD, as amended by Decree of Need and Urgency No. 267/15 and Decree No. 1,340/16;
- Law No. 19,798 remains in force only to the extent that it does not conflict with the provisions set out under the LAD;
- The Privatization Regulations;
- The Transfer Agreement;
- The Licenses for providing telecommunication services granted to Telecom Argentina and Telecom Personal through several regulations and the List of Conditions and their respective regulations;

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- The Customer Regulation of Mobile Communication Services and the SBT approved by SC Resolutions No. 490/97 and 10,059, respectively;
- A set of rules that state the payment of fees for the control, oversight and verification as well as the payment of radioelectric fees and rights;
- Regulations governing the CPP system;
- The Number portability regulation for the mobile services;

In addition, Law No. 27,078 states that Decree No. 764/00 and its amendments shall remain in force to the extent that it does not conflict with the provisions set out under the LAD, for the time required by the Regulatory Authority to draw up the regulations concerning the Licensing Framework for ICT Services, the Interconnection Regulation, the Universal Service Regulation and the Administration, Management and Control of the Spectrum Regulation. Also, the LAD states that Law No. 19,798 (“Ley Nacional de Telecomunicaciones” passed in 1972) and its amendments shall remain in force in respect of those regulations not opposing its provisions.

Núcleo, Personal’s Paraguayan subsidiary, is supervised by the *Comisión Nacional de Telecomunicaciones de Paraguay*, the National Communications Commission of Paraguay (“CONATEL”) and its subsidiary Personal Envíos S.A. is supervised by the *Banco Central de la República del Paraguay*. Additionally, Telecom USA, Telecom Argentina’s subsidiary in the United States, is supervised by the Federal Communications Commission (the “FCC”).

Licenses granted as of December 31, 2016

To Telecom Argentina

As of December 31, 2016, Telecom Argentina has been granted the following non-expiring licenses to provide the following services in Argentina:

- Local fixed telephony;
- Public telephony;
- Domestic and international long-distance telephony;
- Domestic and international point-to-point link services;
- Domestic and international telex services;
- VAS, data transmission, videoconferencing and transportation of audio and video signals; and
- Internet access.

To Telecom Argentina’s subsidiaries

As of December 31, 2016, Telecom Argentina’s subsidiaries have been granted the following licenses:

- Personal has been granted a non-expiring license to provide mobile telecommunication services (STM) in the Northern Region of Argentina and data transmission and Value Added Services throughout the country. In addition, Personal owns licenses to provide mobile radio communication services (SRMC) in the AMBA area, as well as a non-expiring license to provide PCS services throughout the country, and it is registered to provide national and international long-distance telephone services. Additionally, from November 2014 Personal has been granted a license to provide Mobile Advanced Communications Services (SCMA) for 15 years. According with Decree No. 1,340/16 the term of authorizations for the use of all frequencies that make up Lot 8 for the provision of SCMA, as well as the corresponding deployment obligations, shall be computed since the effective migration of services currently operating in these bands in the scope of Area II, defined according to the provisions of Decree No. 1,461/93 and its amendments. (See “—Spectrum” below).
- Núcleo, a company controlled by Personal, has been granted a license to provide mobile telecommunication services (STM and PCS) throughout Paraguay. In addition, Núcleo has been granted a license for the installation and provision of Internet and Data throughout Paraguay. All these licenses have been granted for renewable five-year periods.
- Personal Envíos, a company controlled by Núcleo, was authorized by the Central Bank of

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Paraguay to operate as an Electronic Payment Company (EMPE) through Resolution No. 6 issued on March 30, 2015, and its corporate purpose is restricted to such service.

Events of revocation of the Licenses

Telecom Argentina's license is revocable in the case of non-compliance with certain obligations, including but not limited to:

- repeated interruption of all or a substantial portion of service;
- a modification of corporate purpose without prior approval of the Regulatory Bodies or change of domicile to a jurisdiction outside Argentina;
- the transfer of the license to third parties without prior approval of the Regulatory Bodies;
- the sale, encumbrance or transfer of assets which has the effect of reducing services supplied without the prior approval of the Regulatory Bodies;
- a reduction of ownership of Nortel in the capital stock of Telecom Argentina to less than 51%, or the reduction of ownership of Sofora in the capital stock with voting power of Nortel to less than 51%, in either case without prior approval of the Regulatory Bodies (as of December 31, 2016 all Nortel's ordinary shares belong to Sofora);
- any transfer of shares resulting in a direct or indirect loss of control in Telecom Argentina which has not been executed ad referendum of the approval of the ENACOM and informed within 30 days following its completion (according to the provisions of article 8 of Decree No. 267/15); and
- the bankruptcy of Telecom Argentina.

If Telecom Argentina's license is revoked, Nortel must transfer its interest in Telecom Argentina's capital stock to the Regulatory Bodies, in trust for subsequent sale through public auction.

Once the sale of the shares to a new management group is performed, the Regulatory Bodies may renew the license of Telecom Argentina under the terms to be determined.

Personal's licenses are revocable in case of non-compliance with certain obligations, including but not limited to:

- repeated interruptions of Personal's services as set forth in the List of Conditions;
- any transfer of the license and/or the related rights and obligations, without the approval of the Regulatory Authority (according to the provision of article 8 of Decree No. 267/15);
- any encumbrance of the license;
- any voluntary insolvency proceedings or bankruptcy of Personal; and
- a liquidation or dissolution of Personal, without the prior approval of the Regulatory Authority.

According to the Auction Terms and Conditions for the awarding of frequency bands for SCMA (and some bands for SRMC and PCS), approved by SC Resolution No. 38/14, the authorization to use radio electric spectrum (as defined in the Auction) will be revocable under the following circumstances:

- repeated or persistent breaches of obligations related to quality indicators of services provided under the terms of the Regulation for the Quality of Telecommunications Services approved by SC Resolution No. 5/13 (See "—SC Resolution No. 5/13" below);
- repeated or persistent failure of infrastructure sharing obligations and the conditions set for automatic roaming agreements established in the Terms and Conditions;
- repeated or persistent failure of the coverage obligations set in Annex III of the Terms and Conditions;
- assignment, transfer, encumbrance, lease or sale to third parties of the authorization for the use of the awarded bands, without authorization of the Regulatory Authority.

Núcleo's licenses are revocable mainly in the case of:

- repeated interruptions of the services;

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- any voluntary insolvency proceedings or bankruptcy of Núcleo; and
- non-compliance with certain service obligations.

According to the Resolution No. 6/14 of the Central Bank of Paraguay, Personal Envíos' license to provide Electronic Payment services may be revoked by:

- insolvency proceedings or bankruptcy,
- sanctions imposed by the Central Bank of Paraguay, with prior administrative proceedings regarding the performance of operations that are forbidden by the legislation in force.

Law No. 27,078 — Argentine Digital Law

Among the most relevant contents in the LAD, which amended the regulatory framework in force as of December 19, 2014, as regards telecommunications are:

- a) the recognition as an essential and strategic public service of ICT as regards the use and access to the telecommunications networks, for and between licensees of ICT services (subsequently repealed by Article 22 of Decree No. 267/15);
- b) the rule on prices and rates establishing that the licensees of ICT services shall set their prices which shall have to be fair and reasonable, cover the exploitation costs and tend to the efficient supply and reasonable operation margin;
- c) the exemptions of taxes, establishing that tax exemptions or reductions, prices and encumbrances of ICT in general and in telecommunications in particular may be set on a precarious basis when the nature of certain activities so warrant;
- d) the amendments as regards Universal Service (See “—Universal Service Regulation ” below);
- e) the asymmetric regulation as universalization tools towards the development of an effective competition; and
- f) a maximum period for granting each authorization or use of frequencies of the radioelectric spectrum must be established (section 28 *in fine*).

The LAD declared of public interest the development of ICT and its associated resources in order to establish and ensure complete neutrality of networks and to guarantee every user the right to access, use, send, receive or offer any content, application, service or protocol through Internet without any restrictions, discrimination, distinction, blocking, interference, obstruction or degradation.

The LAD set forth that the licensees of the ICT services may supply audiovisual communication services with the exception of those provided through satellite link, in which case, the corresponding license must be requested from the proper authority. Also, the LAD allowed ICT service licensees included in the restrictions of the Audiovisual Services Communications Law (among them, Telecom Argentina) to provide audiovisual communications services. Nevertheless, that regulation was partially amended by Decree No. 267/15 (see “—Decree No. 267/15—Amendments to the LAD” below).

According to the LAD provisions, Telecom Argentina amended its corporate purpose during 2015, which was approved by AFTIC Resolution No. 19/15. Further information is disclosed in “—Introduction—The Company” and in Note 1.a) to the Consolidated Financial Statements.

Also, the LAD established the framework for suppliers and licensees entering the audiovisual communication services market (among them, Telecom Argentina and its Argentine subsidiaries) setting forth that the Federal Authority of Audiovisual Communication Services (replaced by the ENACOM since Decree No. 267/15 enforcement) would determine the go-to-market conditions of audiovisual communication services for ICT suppliers and licensees. The LAD also stated a gradual implementation plan through the setting up of promotion areas for limited periods of time determined according to public interest, within which the ICT licensees with significant market power would not be able to provide audiovisual communication services.

It also set forth that the ICT service should be provided throughout the national territory, considered for that end as a unique area of exploitation and supply, and the modification of the interconnection schedule, imposing higher obligations to the operators and more rights to the Argentine government for the regulation in this sense of the wholesale market.

According to the LAD provisions, the SBT holds its status of public service (section 54), but with a

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different scope than the previous regulations provisions. It was defined as the national and international telephone voice service, through the local networks, notwithstanding the technology used for its transportation, provided that it complies with the objective of allowing its users to communicate with each other (section 6 paragraph c)). In addition, in section 90 of Title XI, it established that said definition, comprises the senses of the definition established in the Auction Terms and Conditions for the International Public Auction process for the Privatization of the Supply of the Telecommunications Service timely approved by Decree No. 62/90.

The LAD introduced substantial changes to the SU regulation established by Decree No. 558/08. Among its provisions the LAD creates a new SU Fund and provides that the investment contributions for the SU programs shall be managed through this fund, which assets, belong to the Federal Government (See “—Universal Service Regulation” below).

Law No. 19,798 Telecommunications Act (passed in 1972), as amended, continues in effect only with respect to those provisions that do not contradict the provisions of the new LAD (including, for example, Article 39 of Law No. 19,798 referred to exemption from all taxes on the use of soil, subsoil and airspace for telecommunications services).

The LAD also revoked Decree No. 764/00, as amended, but provisions of the decree that do not contradict the LAD will remain in effect during the time it takes to the Regulatory Authority to issue new licensing, interconnection services, universal service and spectrum regulations.

Decree No. 267/15 — Amendments to the “LAD”

On January 4, 2016, Decree No. 267/15 was issued, amending Law No. 26,522 (Audiovisual Communication Services) and Law No. 27,078 (LAD). As mentioned above, “ENACOM” was created as the Regulatory Authority applicable of these laws. However, many of its provisions were subsequently amended by Decree No. 1,340/16.

The main amendments to the LAD consist of:

- The incorporation of Broadcasting Services provided by subscription (physical or radio electric link, such as Cable TV) as an ICT service within the scope of the LAD, and excluding it from Law No. 26,522. Satellite Television Services will remain within the scope of Law No. 26,522. Furthermore, Decree No. 267/15 states that the ownership of a satellite television license provided by subscription is incompatible with having any other kind of ICT services license. Provision amended by Decree No. 1,340/16.

Broadcasting supplied by subscription licenses (such as Cable TV) issued before the application of Decree No. 267/15 will be considered for all purposes as in compliance with LAD upon the respective registration for such service provision. Furthermore, the Decree states a 10 years extension from January 1, 2016, for the use of frequency spectrum to radio electric link provided by subscription license holders.

Among the amendments that replaces Section 6 of the LAD is the incorporation of “video on demand service,” defined as a service offered by an ICT services supplier to provide access to software under demand on a catalogue basis. On January 7, 2016, the Company and Personal presented to ENACOM an application for the registration of “Video On Demand or On Demand Video Service”, describing the service characteristics which registration was requested. As of the date of this Annual Report, the ENACOM resolution is still pending.

Decree No.267/15 replaced the LAD’s article No. 94, and states that SBT suppliers, fixed telephony license holders within the scope of Decree No.264/98, and mobile telecommunication license holders within the scope of Decree No.1,461/93 are prohibited from providing Broadcasting under subscription services (defined as any form of communication, primarily one-way, for the transmission of signals to be received by a determinable public, either by physical or by radio connection, for example, video cable and IP TV services) until January 1, 2018 (this term can be extended by 1 additional year). Also, the Decree replaces article 95 of the LAD and provides several obligations for fixed telephony licensees granted by Decree No.264/98 and mobile services providers with licenses granted by Decree No.1,461/93, which choose to provide broadcasting under subscription services. This provision was subsequently amended by Decree No. 1,340/16.

In addition, shareholders of a 10% or more interest in companies that provide public services may not be holders of a Subscription Radio Record. However, this will not apply in the following cases: (i) non-profit companies to whom the national, provincial or municipal State has granted the license,

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concession or permission to provide a public service (such as telecommunications cooperatives); (ii) those mentioned in section 94 (including the Company and Personal) who will be only able to provide the service after the expiration of the period specified therein.

In addition, the Decree provides an advertising and opposition mechanism, in case of the existence of another provider of the same service in the same area when requesting its inclusion in the record, with intervention, in case of opposition, of the National Competition Defense Commission. Such procedure must not apply to non-profit companies who exclusively provide public ICT service.

- Section 28 of Decree No. 267/15 created, in the field of the Ministry of Communications, the “Commission for the Elaboration of the Draft Law for the Reform, Updating and Unification of Laws No. 26,522 and 27,078” (Comisión para la Elaboración del Proyecto de Ley de Reforma, Actualización y Unificación de las Leyes N° 26,522 y 27,078”). The Commission is responsible for the study of the reform of both laws under the principles set out herein.

On April 15, 2016, the Ministry of Communications through Resolution No. 9/16 provided that the Commission shall be composed by 6 members and 1 Secretary, who will perform their duties “ad honorem.” The Resolution also appointed its members. The Commission should submit a draft Law for the reform, updating and adaptation of a unified system of the Regulatory Framework Law for the Telecommunications and Audiovisual Communication Services in Argentina, within the following 180 calendar days from the date of its constitution.

Through Resolution No. 1,098-E/16 published on October 31, 2016, the Ministry of Communications extended for 180 days the deadline for the preparation of the draft reform of Laws No. 26,522 and 27,078. As of the date of issuance of this Annual Report, the elaboration of the draft reform of Laws No. 26,522 and 27,078 is still pending.

- Furthermore, the Decree provides that licenses transfers and interest transfers involving the loss of company control must be approved by ENACOM, stating a new procedure provided by section 8 of Decree No. 267/15. That licenses transfers and interest in licensees’ transfers will be considered ad referendum of ENACOM approval.

- Decree No. 267/15 repealed Section 15 and Section 48 (second paragraph) of the LAD. Therefore, the following provisions have no longer effect: (i) the condition of essential and strategic public services of ICT regarding the access to the telecommunications network for the “ICT services” license holders; and (ii) the Regulatory Authority power to regulate tariffs due to public interest reasons.

- On April 8, 2016, the Chamber of Representatives voted in favor of the validity of DNU No. 267/15. According to this, such Decree acquired the status of Law.

- The Decree also establishes several amendments to the Audiovisual Communications Services Law (SCA).

Company’s filings to Regulatory Authority

On June 18, 2014, Telecom Argentina made a filing before the SC requesting the adjustment of the SBT lines’ Connection Fee, in order to obtain an urgent restoration of the balance that must reasonably exist in the operative costs incurred for the provision of the public service under its charge, recomposing the Connection Fee in an equitable manner and pursuant to the legal provisions that govern the licenses granted to Telecom Argentina, taking into account that the revenues obtained for the installation of the SBT lines was much lower than the direct costs that Telecom Argentina incurred to connect new customers. In addition, Telecom Argentina requested that, until such adjustment takes place, such installations become excluded from the sanctioning regime provided by Decree No.1,185/90, Decree No.62/90, and SC Resolution No. 5/13.

On July 23, 2014, Telecom Argentina made a second filing before the SC pursuant to which it requested, among other matters: (i) an adjustment of the monthly basic charges of all the SBT categories set forth in the Tariffs General Structure; (ii) the determination of a social tariff; (iii) the adjustment of the telephonic pulse value; (iv) the adaptation of the international long distance tariff to the current value of the gold franc; and (v) the tariff deregulation of the commercial service category. In addition, and until such adjustments are made, Telecom Argentina also requested the SBT to be excluded from the sanctioning regime provided by Decrees Nos. 1,185/90 and No. 62/90, and SC Resolutions No.10,059/99 and No. 5/13. It is worth mentioning that such adjustments would have

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relevant effects on Telecom Argentina's ability to finance the technological updating of its networks and infrastructure, which would finally result in the provision of better services to its customers.

Telecom Argentina has not received any answer related to the filing made before the SC.

Following these presentations, on December 19, 2014 the LAD (under Title (VI) "Prices, rates and levies"), established a general rule (Article 48) setting a new legal framework in this matter.

Under the provisions of Article 48 of the LAD, on April 16, 2015, Telecom Argentina made two presentations before the CNC through which it reported new installation prices for the "business, professional and government" segment (which were applied from April 23, 2015 and will be equal to P\$690) and the new monthly prices for this segment (which were applied from July 15, 2015 and will be equal to P\$77.28). The presentation was rejected by the CNC through a letter received on April 29, 2015, in which it requested that Telecom Argentina refrain from engaging in unilateral conduct, or it could otherwise face penalties under a sanctioning process.

Likewise, on June 2, 2015, Telecom Argentina informed the CNC of new price per minute for calls made by its customers to certain international destinations that became effective on October 15, 2015. Telecom Argentina also informed the CNC of the new prices applying for public telephony service in the Southern Region and new prices applying to the assisted call service, effective on July 1, 2015.

On June 16, 2015 Telecom Argentina was notified of the CNC GC Note No.364/15 through which the CNC urged Telecom Argentina to apply the effective maximum prices approved by the General Tariff Structure to international calls made to the mentioned countries according to the provisions of CNT Resolution No.127/91, as amended. The Company was also asked to refrain from engaging in unilateral conduct, or it could otherwise face penalties under a sanctioning process.

On May 27, 2015 and July 2, 2015, Telecom Argentina filed its defense of rights in response to both CNC letters.

However, on July 17, 2015, the AFTIC notified Telecom Argentina of the initiation of a sanction process related to a potential violation of the General Tariff Structure and of CNT Resolution No. 127/91, as amended, with respect to the increase of the installation charges prices and the monthly charges tariffs for the "business, professional and government" segment informed on April 16, 2015.

On August 11, 2015, Telecom Argentina filed before the AFTIC a discharge against the mentioned sanctioning process, which, as of the date of issuance of this Annual Report, is still pending of resolution. In the opinion of the Company's legal counsel, there are solid legal arguments under the LAD that allow it to perform these price adjustments.

On February 1, 2016, Telecom Argentina informed the ENACOM, that effective May 15, 2016, the new rate of SBT for residential segment will be P\$50 (plus VAT) and that the "Retired" customer's category will have a discount of 50% on the mentioned new rate.

However, on March 11, 2016, Telecom Argentina informed the ENACOM that the new rate of SBT for the residential segment will be P\$38 (plus VAT) since May 1st, 2016, in response to a collaboration request made by the Regulatory Authority taking into consideration the special circumstances of the current macroeconomic environment in Argentina.

Before implementing the mentioned price increase, Telecom Argentina has communicated the new rate to its affected customers.

On June 14, 2016, Personal informed ENACOM that, since August 15, 2016, the price of calls from fixed origin to mobile destination, regardless the time band, will be P\$0.90 plus VAT per minute, applying a discount during the first 120 days, period in which the price will be P\$0.66 plus VAT per minute.

Personal —through fixed operators— informed the changes of the mentioned prices to its affected subscribers.

On August 18, 2016, ENACOM summoned Personal to refrain from modifying the amounts established by SC Resolution No. 48/03. Personal filed its response on August 26, 2016, supporting its right to increase the price informed, which is fully in force.

As of the date of issuance of this Annual Report, ENACOM has not rejected the disclaimer presented by Personal.

Decree No. 1,340/16 - Amendments to DNU No. 267/15

Decree No. 1,340/16 issued by PEN and published in the Official Gazette on January 2, 2017 provides the rules for achieving a greater convergence of networks and services under competitive conditions, promoting the deployment of next generation networks and the penetration of Broadband Internet access throughout the national territory, in accordance with the provisions of Laws No. 26,522 and 27,078. This Decree introduces some amendments to DNU No. 267/15, which has the status of Law.

Among the most relevant provisions, it establishes:

- Fix the 15-year-term, as from the publication of the Decree, as differential condition in the terms provided by section 45 of Law No. 27,078, for the protection of last-mile fixed NGN networks for Broadband deployed by ICT licensees for Broadband regarding the regulations of open access to Broadband and infrastructure to be stated, notwithstanding the provisions of section 56 of said Law.

- That the Ministry of Communications or ENACOM, as appropriate, shall establish the rules for the administration, management, and control of the radio spectrum, according to guidelines for the promotion of competition as follows:

a) the ENACOM, in a period not exceeding 6 months since the publication of the Decree, shall call for National and International Public Auction Process for the allocation of new frequency bands for the provision of mobile communications services, according to the service attributions following the recommendations of the International Telecommunication Union (ITU), to maximize and increase the radio resources assigned thereto;

b) for the purposes of the provisions of section 28 of Annex IV of Decree No. 764/00 and section 29 of Law No. 27,078, rules and procedures shall be adopted ensuring the reattribution of radio spectrum frequencies with economic compensation and shared use to frequencies previously allocated to other service and assigned to ICT or SCA providers who request to re-use them for the provision of mobile or fixed wireless services with LTE or higher technologies. To this effect, the Regulatory Authority shall impose coverage obligations and specific goals;

c) for the purposes of the provisions of sections 27 and 28 of Law No. 27,078 and section 2 subparagraphs c) and d) of Decree No. 798/16, the ENACOM shall have the power to assign radio spectrum frequencies on demand, establishing compensation, deployment and coverage obligations, within the corresponding deadlines, to: 1) current local or regional providers of ICT services in their service areas; and 2) current providers of MCS, on the terms provided in section 3 of Decree No. 798/16;

d) the term of authorizations for the use of frequencies of the SCMA, as well as the corresponding deployment obligations, shall be computed since the effective migration of services currently operating in these bands in the scope of Area II, defined according to the provisions of Decree No. 1,461/93 and its amendments (additional information on the impact on Personal is provided in Note 3.i) and Note 18.e) to the Consolidated Financial Statements as of December 31, 2016).

- That Operators included in section 94 of the LAD (among them, Telecom Argentina and Personal), may register the Broadcasting Service by subscription, by physical or radio connection as of the enforcement of this Decree, setting January 1, 2018 as initial date for the provision of such service in the AMBA (and extended AMBA), and in the cities of Rosario (Santa Fe Province) and Córdoba (Córdoba Province). The Decree also provides that, for the rest of the country, the initial date for the provision of the services of these operators shall be determined by the ENACOM.

- That ICT's licensees and Satellite Link Subscription Broadcasting licensees, who as of December 29, 2016 simultaneously provided both services, may retain ownership of both types of licenses.

- That ICT's services providers carrying out joint service offerings, shall detail the price of each of them, including the breakdown of these values, and the discounts or benefits applied to each service or product of the aforementioned offer, not being able to subsume, under any condition, the hiring of any service to the hiring of another, so as to prevent the consumer from obtaining the service individually or separately.

- That within 180 days of the Decree enforcement, the Ministry of Communications will establish the necessary guidelines for the creation of the "Public Protection, Defense and Security

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Operations Network” (Red de Protección Pública y Operaciones de Socorro, Defensa y Seguridad) under the terms of section 12 of Law No. 27,208 to secure suitable communications for public safety agencies.

• That for the purposes of the provisions of section 92 of Law No. 27,078 and section 2, paragraph g) of Decree No. 798 issued on June 21, 2016, MINCOM shall ensure the following principles on interconnection matters:

- a) Until the interconnection prices determination systems provided by the National Interconnection Regulation are implemented, averages of regional Latin America prices shall be considered for similar functions and facilities, corrected by parameters which comply with the conditions of the sector, as determined by the Authority of Application;
- b) In accordance with section 46 of Law No. 27,078, the National Interconnection Regulation shall provide asymmetric interconnection rates for mobile services for a 3 years period from the effective service implementation, extendable for a maximum of 18 months.
- c) The National Interconnection Regulation shall provide rules concerning the automatic national roaming service, forcing mobile services providers, for a maximum period of 3 years, to make such service available to other providers in areas where they do not have their own network coverage.

The temporary limitation provided in the previous paragraph shall not be enforceable in those cases in which mobile services are provided by cooperatives and small and medium-sized companies with exclusively regional coverage.

Mobile service providers shall freely enter into agreements to secure, among other issues, technical, economic, operational and legal conditions. Such agreements may not be discriminatory or may not establish technical conditions that prevent, delay or obstruct interconnection services.

The National Interconnection Regulation will enable ENACOM to define reference prices for a maximum period of 3 years, taking into consideration the costs of the assets involved (subject to exploitation) and a reasonable return rate to ensure speed, neutrality, non-discrimination and competition between mobile service providers. Likewise, they shall not contain technical, interconnection, operational or other conditions that delay, obstruct or create barriers for the remaining mobile services providers to access the market.

As of the date of issuance of this Annual report, Telecom Argentina’s Management, with the assistance of its legal advisors, is evaluating the operational, business and financial implications of the provisions of the recently issued Decree No. 1,340/16, and its application together with Decree No. 267/15, in order to protect Telecom Argentina’s and its shareholder’s interests.

Universal Service Regulation

Decree No. 764/00

Law No. 27,078 states that Decree No. 764/00 and its amendments shall remain in full force to the extent that the provisions of such Decree do not conflict with the law until the Regulatory Bodies have drawn up the regulations concerning the Licensing Framework for ICT Services.

With respect to Universal Service Regulation, Annex III of Decree No. 764/00 required entities that receive revenues from telecommunications services to contribute 1% of these revenues (net of taxes) to the Universal Service Fiduciary Fund (the “SU Fund”). The regulation adopted a “pay or play” mechanism for compliance with the mandatory contribution to the SU Fund. The regulation also established the exemption to contribute to the FSU in the following events: (i) for local services provided in areas with teledensity lower than 15%, and ii) when certain conditions exists in connection with a formula which combines the foregone revenues and the market share of other operators than Telecom Argentina and Telefónica who provide local telephony. Additionally, the regulation created a committee responsible for the administration of the SU Fund and the development of specific SU programs.

On June 8, 2007, the SC issued Resolution No. 80/07 which stipulated that until the SU Fund was effectively implemented, telecommunication service providers, such as Telecom Argentina and Personal, were required to deposit any contributions accrued since the issuance of such Resolution into a special individual account held in their name at Banco de la Nación Argentina. CNC Resolution No. 2,713/07, issued in August 2007, established how these contributions are to be calculated.

SU Regulation established by Decree No. 558/08

Decree No. 558/08, published on April 4, 2008, introduced certain changes to the SU Fund regime, replacing the Annex III of the Decree No. 764/00. Decree No. 558/08 established that the SC would assess the value of service providers' direct program contributions in compliance with obligations promulgated by Decree No. 764/00. It would also determine the level of funding required in the SU Fund for programs pending implementation. In the same manner, in order to guarantee the continuity of certain projects, the SC was given the choice to consider as SU contributions certain other undertakings made by telecommunication services providers and compensate providers for these undertakings.

In defining "Universal Service," the new regulation established two categories: (a) geographical areas with uncovered or unsatisfied needs and (b) customer groups with unsatisfied needs. It also determined that the SC would have exclusive responsibility for the issuance of general and specific resolutions regarding the new regulation, as well as for its interpretation and application.

It also established that the SC would review SU programs which were established under the previous regulation, guaranteeing the continuity of those already being administered and implementing those that had been under review. The financing of SU ongoing programs which were recognized as such were determined by the SC, whereas telecommunications providers appointed to participate in future SU Programs were selected by competitive auction.

The Decree required Telecom Argentina and Telefónica to extend the coverage of their fixed line networks, within their respective original region of activity, within 60 months from the effective date of publication of the Decree.

The Decree required telecommunications service providers to contribute 1% of their revenues (from telecommunication services, net of taxes) to the SU Fund and kept the "pay or play" mechanism for compliance with the mandatory monthly contribution to the SU Fund or, to claim the corresponding receivable, as the case may be.

Providers of telecommunications services should rely on the advice of a Technical Committee made up of seven members (two members should be appointed by the SC, one member should be appointed by the CNC, three members should be appointed by the telecommunication services providers — two of which should be appointed by Telecom Argentina and Telefónica and one by the rest of the providers — and another member had to be appointed by independent local operators). This Technical Committee was informed by the SC of the programs to be financed and was responsible for managing and controlling the SU Fund, carrying out technical-economic evaluations of existing projects and supervising the process of competitive auction and adjudication of new SU programs, with the prior approval by the SC.

The Technical Committee was created. Additionally, telecommunications service providers sent the proposed Fiduciary agreement to the SC. The SC approved it in January 2009 through Resolution No. 7/09.

On December 9, 2008, the SC issued Resolution No. 405/08 which was objected by the Company and Personal. These objections were resolved by the SC through its Resolution No. 154/10.

On April 4, 2009, by means of SC Resolution No. 88/09, the SC created a program denominated "Telephony and Internet for towns without provision of Basic Telephone Services" that will be subsidized with funds from the SU Fund. The program sought to provide local telephony, domestic long-distance, international long-distance and Internet in towns that did not provide basic telephone services. The proposed projects approved by the SC would be sent to the Technical Committee of the SU Fund so that availability of funds can be evaluated and they can be included in an auction process provided for in Decree No. 558/08.

On December 1, 2010, the SC issued Resolutions No. 147/10 and 148/10, approving "Internet for educational institutions" and "Internet for public libraries" programs, respectively. These programs aimed to reclaim the Broadband service to state-run educational institutions and public libraries, respectively, and were implemented through the use of the SU Fund resources. Telecom Argentina was awarded with the "Internet for educational institutions" program and is finishing the last project facilities, reaching 1,540 schools. This program represents a billing to the SU Fund of approximately P\$5 million per year for a period of 5 years. On the other hand, the auction "Internet for public libraries" program was cancelled by the Regulatory Authority for its redefinition. During 2012, the auction "Telephony and Internet for towns without provision of Basic Telephone Service" took place according

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to Resolution No. 88/09, which involved the service provision in 430 locations. Personal presented its offer to the auction. As of the date of this Annual Report, the auction is pending of definition.

On November 11, 2010, the SC issued Resolution No. 154/10 adopted the methodology for the deposit of the SU contributions to the trustee's escrow account. The Resolution included several provisions related to the determination of the contributions that correspond to the periods before and after Decree No. 558/08 was issued. It also provided that until the SC determined the existence of programs, the amounts that would correspond to their implementation would be discounted by the telecommunication providers when determining their contribution to the SU Fund. If completed the verification from the SC there were unrecognized amounts, they should be contributed into the SU Fund or for the development of new works of the SU, with the approval of the SC.

On December 30, 2010, the trustee notified Telecom Argentina and Personal the trustee's escrow account number in which they should deposit the SU contributions under the provisions of SC Resolution No. 154/10.

Amendments of the LAD to the SU Regulation

In December 2014, the LAD introduced substantial modifications to the SU regulations pursuant to Decree No. 558/08. Among its provisions the LAD establishes the creation of a new SU Fund and the fact that the investment contributions corresponding to the SU programs be managed through said fund, whose assets shall belong to the National Government.

The licensees of ICT Services (among them, Telecom Argentina and Personal) are obliged to make investment contributions to the SU Fund equivalent to one per cent (1%) of the total accrued revenues for the provision of the ICT Services included in the scope of application of the law, net of imposed taxes and charges. The investment contribution shall not be transferred to the users whatsoever. In turn, the Regulatory Authority may dispose, once the SU objectives are reached, the total or partial, permanent or temporary exemption, of the obligation to perform said investment contributions.

This law also establishes that by virtue of that set forth by Sections 11.1 and 11.2 of the Management Trust Agreement of the SU Fund of Decree No. 558/08, the resources therein foreseen in section 8 of Annex III of Decree No. 764/00 and its amendments shall be integrated to the SU Fund created by the LAD in the conditions determined by the Regulatory Authority.

The SU Funds shall be applied by means of specific programs. Its content and the corresponding awarding mechanisms shall be defined by the Regulatory Authority who may entrust the execution of these plans directly to the entities included in article 8, paragraph b), of Law No. 24,156, or, complying with the selection mechanisms that may correspond, respecting publication and competition principles, to other entities.

On September 10, 2015 Telecom Argentina and Personal filed before the AFTIC their respective SU contribution affidavits corresponding to the revenues recorded in July 2015, clarifying that these presentations were made with the understanding that the operational rules related to the SU Fund contribution, regulated by Decree No. 558/08 and related provisions, are in force. Additionally, Personal proceeded to deposit the corresponding contribution in the new SU Fund account reported through the Official Notice published by the AFTIC.

In its filings, Telecom Argentina and Personal had stated that the filing of the affidavits and, in the case of Personal, the deposit did not imply explicit or implicit consent of the regulations issued by the LAD and expressly reserved their rights in relation to the unconstitutionality of the provisions set forth in articles 21, 22, 91 and related provisions of said law, as well as the claim of any rights arising from the acknowledgement of this argument.

As of the date of this Annual Report, Personal has not received any response to its filings.

ENACOM Resolution No. 2,642/16 approved the new SU Regulation, which was published on May 31, 2016.

The new regulation retains the obligation of contributing 1% of total income related to the provision of ICT services net of taxes and fees, anticipating the possibility of granting exemptions, in which case the subjects liable for payment, must comply with the obligations established by the Regulatory Authority.

In accordance with ENACOM Resolution No. 6,981-E/16 issued on October 19, 2016, the FFSU

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and the FFSU Investment Contribution Settlement and Interest Report forms were approved and are in force since January 1, 2017, being operationally implemented since March 2017. The new affidavit form does not contemplate any item for the deductions regarding programs provided by Telecom Argentina in the “play” mode of the SU. Telecom Argentina and Personal made an administrative recourse to the Regulatory Authority exposing the need to introduce amendments to the forms in order to continue deducting the SU services that both companies are providing. At the time Resolution No. 6,981-E/16 had come into force, Telecom Argentina and Personal filed the respective affidavits including a special caption for the deductions corresponding to the “play” mode.

ENACOM Resolution No. 8,770-E/16, issued on December 19, 2016, amends section 21 of the RGSU (General Regulation of the Universal Service), providing that programs developed in accordance with sections 19 and 20 of the Regulation will be awarded by Resolution of the ENACOM Board of Directors through any of the following mechanisms, as proposed by the Chairman of the ENACOM Board of Directors:

- a) Direct implementation of the programs to entities included in section 8 paragraphs b) of Law No. 24,156, or
- b) Public or private, national or international, single or multiple-stage auction or offering.

Priority will be given to projects to be developed in those municipalities that have adopted the regulations proposed in the code of good practices for the deployment of mobile communications networks developed by Argentine Federation of Municipalities and the Operators of Mobile Communications and supported by the former SC of the former Ministry of Federal Planning, Public Investment and Services on August 20, 2009 or those contemplating regulations of similar characteristics.

ENACOM Resolution No. 1,035-E/2017, issued on February 20, 2017, approved the “Digital Educational Networks Program”, which aims to develop the internal network infrastructure of state managed educational facilities to enable the reception and use of Broadband Internet service and to enhance their educational practices. The Program will be implemented through the execution of a project and/or projects which presentation will be made by EDUC.AR S.E, with the intervention of the National Ministry of Education and Sports.

As of the date of this Annual Report, there are still pending administrative appeals filed by Telecom Argentina in 2012 against several resolutions that rendered ineffective deductions in the SU payments with reference to several programs provided by Telecom Argentina in the “play” mode of the SU. The magnitudes of the deductions challenged by the Regulatory Authority are disclosed below in “—SU Fund in Telecom Argentina”, transforming the asset position of Telecom Argentina (P\$2,423 million) into a potential liability position. As a reference Telecom Argentina potential obligation of the SU for the period July 2007 to December 2016 represents approximately P\$628 million, which should be reduced by the periods for which statute of limitations is applicable. However, the Company’s Management, with the assistance of its legal advisors, considers that has solid fact and legal arguments to defend the criteria that Telecom Argentina has held and holds with regard to the SU scheme.

SU Fund in Telecom Argentina

Several years after the market’s liberalization and the effectiveness of the first SU regulations, incumbent operators have not received any set-offs for providing services as required by the SU regime and the LAD.

As of the date of this Annual Report and in compliance with SC Resolution No. 80/07 and No. 154/10 and CNC Resolution No. 2,713 /07, Telecom Argentina has filed its monthly calculations since July 2007 for the review of the Regulatory Authority and estimated a receivable of P\$2,423 million (unaudited). This receivable has not yet been recorded as of December 31, 2016 since it is subject to the approval of the SU programs, the review of the Regulatory Authority and the availability of funds in the SU Trust.

On April 8, 2011, the SC issued Resolution No. 43/11 notifying Telecom Argentina that investments associated with “High-Cost Areas” — amounting to approximately P\$2,171 million since July 2007 to date and which are included in the abovementioned receivable - did not qualify as an Initial Indicative Program. Telecom Argentina filed a claim on this resolution.

Telecom Argentina was notified of SC Resolutions No. 53, 54, 59, 60, 61, 62, 69 and 70/12,

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pursuant to which the “Special Service of Information 110”, the “Discounts for Retired People, Pensioners and Low Consumption Households”, the services of “Social Public Telephony and Loss-Making Public Telephony”, the “Services and Discounts relating to the Information Society Program argentin@internet.todos”, the “Services for Deaf-Mute People”, the “Free Access to Special Emergency Services and Special Community Services”, the “Value Added Service 0611 and 0612” and the “Long Distance Semipublic Service”, respectively, did not qualify as an Initial Indicative Program, pursuant to the terms of Article 26 of Annex III of Decree No. 764/00, and that, they did not constitute different services involving a SU provision, and therefore they cannot be financed with SU Funds, pursuant to the terms of Article 2 of Decree No. 558/08.

Telecom Argentina’s Management, with the advice of its legal counsel, has filed appeals against SC Resolutions Nos. 53, 54, 59, 60, 61, 62, 69 and 70 presenting the legal arguments based on which such resolutions should be revoked. The deductions that were objected by the SC Resolutions amount to approximately P\$880 million and are included in the credit balance mentioned in the second paragraph. As of the date of issuance of this Annual Report the resolution of this appeal is still pending.

On September 13, 2012, the CNC required Telecom Argentina to deposit approximately P\$208 million. Telecom Argentina has filed a recourse refusing the CNC’s request on the grounds that appeals against the SC Resolutions are still pending of resolution. As of the date of this Annual Report, although it cannot be assured that these issues will be favorably resolved at the administrative stage, Telecom Argentina’s Management, with the assistance of its legal advisors, considers that it has solid legal and de facto arguments to support the position of Telecom Argentina.

SU Fund in Personal

Since January 2001, Personal has recorded a liability related to its obligation to make contributions to the SU Fund. In addition, since July 2007 and in compliance with SC Resolution No. 80/07 and No. 154/10 and CNC Resolution No. 2,713/07, Personal deposited the correspondent contributions of approximately P\$112 million into an account held under their name at the Banco de la Nación Argentina in January 2011.

During the first quarter of 2011, the above -mentioned funds were transferred to the trustee’s escrow account, in compliance with the provisions of SC Resolution No. 154/10 previously described. Since January 2011, the SU Fund monthly contributions were made into such escrow account.

On January 26, 2011, the SC issued Resolution No. 9/11 establishing the “Infrastructure and Facilities Program.” The Resolution provided that telecommunication service providers could contribute to investment projects under this program, exclusively the amounts corresponding to their pending obligations of investment contributions born under Annex III of Decree No. 764/00, before the effective date of Decree No. 558/08.

In March 2011, Personal submitted to the SC a P\$70 million investment project, pursuant to SC Resolution No. 9/11, for the development of a network infrastructure in locations in the Northern Region of Argentina with no mobile coverage. Personal submitted its calculations from 2001/2007 related to the mentioned project to be financed through its own SU contribution of such periods as required by the SC.

On April 9, 2014 Personal filed an amended proposal for the project within the scope of resolution No. 9/11, pursuant to the SC’s request. This new filing consists only of additional detailed information about the project’s scope. As of the date of this Annual Report the Project is pending of approval.

On July 5, 2012, the SC issued Resolution No. 50/12 pursuant to which it notified that the services referred to by the Mobile Communications Services Providers, which were filed as High Cost Areas or services provided in non-profitable areas, services provided to clients with physical limitations (deaf-mute and blind people), rural schools, and the request relating to the installation of radio-bases and/or investment in the infrastructure development in various localities, did not constitute items that may be discounted from the amount of contributions to the SU pursuant to the last part of Article 3, of Resolution No. 80/07, or Article 2 of Decree No. 558/08. It also provided that certain amounts already deducted would be used for investment projects within the framework of the Program of SC Resolution No. 9/11, or deposited in the SU Fund, as applicable.

Personal has filed an administrative action against SC Resolution No. 50/12 requesting its nullity. As of the date of this Annual Report, this matter is still pending.

On October 1, 2012, responding to an SC’s requirement, Personal deposited under protest

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approximately P\$23 million in the SU Fund, corresponding to the assessment of the SU services provided by Personal since the issuance of Decree No. 558/08, reserving its right to take all actions it may deem appropriate to claim its reimbursement, as informed to the SC and the CNC on October 15, 2012. Since August 2012, Personal is paying under protest of those concepts in their monthly affidavits.

It cannot be assured that this issue would be favorably resolved in the administrative stage, or, later at a judicial stage.

Spectrum

SC Resolution No. 38/14

On July 7, 2014, SC Resolution No. 38 was published in the Official Gazette which announced a Public Auction process (the “Auction process”) for the awarding of the remaining frequencies of the Personal Communication Services (PCS), of the Cellular Mobile Radiocommunication Services (SRMC), as well as those of the new spectrum for the Advanced Mobile Communications Service (SCMA) recently created.

The Terms and Conditions organized the aggregate of the spectrum to be auctioned in 10 Lots, being the first one to be auctioned exclusively among entering operators. The Public Auction took place on October 31, 2014. Personal presented its economic bids and was awarded Lots 2, 5, 6 and 8. Telefónica Móviles Argentina S.A. (Movistar), América Móvil S.A. (Claro) and Arlink S.A also participated in the Auction.

Through SC Resolution No.79/14 the SCMA service was awarded to Personal, while through SC Resolutions No. 80/14, 81/14, 82/14 and 83/14 that were published in the Official Gazette on November 27, 2014, the following frequency bands were awarded to Personal:

SC Resolution	Lot No.		Frequency Band	Exploitation area/ (Service)	Amount paid (in millions of US\$)	Capitalized cost of acquisition (in millions of \$)
80/14	5	PCS	1890-1892.5 MHz and 1970-1972.5 MHz	Northern (3G)	5.0	43
81/14	2	SRMC	830.25-834 MHz and 875.25-879 MHz	AMBA (3G)	45.0	387
82/14	6	PCS	1862.5-1867.5 MHz and 1942.5-1947.5 MHz	Southern (3G)	6.0	51
83/14	8	SCMA	1730-1745 MHz and 2130-2145 MHz	Country (4G) partial awarding	354.7	3,049
					410.7	(*) 3,530

(*) Includes \$18 corresponding to the tax on debits to bank accounts that were capitalized in the cost of the licenses.

Personal paid for the awarded frequency bands, and also constituted the corresponding performance guarantees. In the case of Lot No. 8, the payment was made on account of the single and total price offered for this Lot.

Personal asked that the assignment of the Frequency Bands for the SCMA services in Lot No. 8, which was partially awarded to Personal through SC Resolution No.83/14, be completed and reserved the applicable rights.

The full awarding of Lot No. 8 became essential for compliance with the commitments foreseen in the Auction Terms and Conditions. Once the awarding process was completed, Personal had access to SCMA Frequency Bands 713-723/768-778.

The Auction Terms and Conditions provided authorizations for the use of the auctioned frequency bands for a period of fifteen (15) years from the notification of the award. After this deadline the Regulatory Authority would extend the terms of use upon formal request of the awarded operator (which price and conditions would be set forth by the Regulatory Authority).

The Auction Terms and Conditions also established strict coverage and network deployment commitments which require significant investments to Personal. Additional information is provided in Note 18.e) to the Consolidated Financial Statements.

Through SC Resolution No. 25/15, issued on June 11, 2015, Personal was assigned Frequency Bands 713-723 MHz and 768-778 MHz, which composed Lot 8 and that were pending of assignment by the SC.

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On June 25, 2015 Personal paid the offered amounts corresponding to the awarded Frequency Bands (which were equivalent to US\$247.3 millions) pursuant to the provisions of the Auction Terms and Conditions and its complementary clarifying documents, as a result of which the whole amount of the sum offered for Lot 8 was paid. In addition, in its bid documents, Personal stated that such Lot formed a unique and comprehensive block for purposes of complying with the obligations undertaken in connection with the deployment of the SCMA, also expressing that the Federal Government has the obligation to cause the awarded bands to be free from occupants and interferences.

SC Resolution No.18/14, provided that the 698 to 806MHz frequency bands had to be disengaged before a two years deadline. Expired that period, the irradiating systems involved in the migration had to finish their emissions.

As of the date of this Annual report, the deadline provided by SC Resolution No. 18/14 for the disengagement of the 698 to 806MHz frequency band expired on July 18, 2016. However, such frequency band continues to be busy.

According to the provisions of Decree No. 1,340/16, the term of the authorizations for the use of frequencies of the SCMA, as well as the corresponding deployment obligations, will be computed from the actual migration of the services currently operating in these bands in Area II (AMBA).

New Developments for fiscal year 2016

ENACOM Resolution No. 6,396/16, published in the Official Gazette on July 22, 2016, provided that the licensees within the scope of the migration provided by SC Resolution No. 18/14 that are currently providing services within the 698 to 806MHz frequency band, may choose to: (i) temporarily continue providing their respective services in other frequencies corresponding to the bands allocated to the broadcasting service, particularly 512-698 MHz frequency band, subject to technical feasibility verified in each case, and for the term provided in section 2 of Resolution No. 6,396/16; or (ii) request the assignment of a bandwidth equivalent to that currently authorized, in 12.2 to 12.7 GHz destination band.

On the other hand, the “Authorization Agreement for the Use of Frequency Bands”, related to the bands awarded to Personal as a result of the public auction called pursuant to the provisions of SC Resolution No. 38/14 is still pending of execution by the Regulatory Authority.

Personal has filed a presentation before the ENACOM, requesting clarification on the timescale in which the operators involved in the migration should comply with the provisions of the ENACOM Resolution No. 6,396/16. In addition, Personal has requested the review of the proceedings related to the migration of services operating in the bands that were awarded to it through SC Resolution No. 25/15. As of the date of issuance of this Annual report, ENACOM has not responded to the request filed.

According to the provisions of Decree No. 1,340/16, the term of the authorizations for the use of frequencies of the Advanced Mobile Communications Service, as well as the corresponding deployment obligations, will be computed from the actual migration of the services currently operating in these bands in Area II (AMBA) (Additional information on the impact on Personal is disclosed in Note 3.i) and Note 18.e) to the consolidated financial statements as of December 31, 2016).

On January 18, 2017, Personal filed a letter to ENACOM expressing its interest in participating in the Auction, Offering or Reattribution procedure/s of frequency bands timely available within the scope provided by Law No. 27,078 and consistent regulations, subject to the analysis of the conditions defined at that time. This includes the bands currently attributed to the Mobile Communications Service or Advanced Mobile Communications Service, as thus also any other band which, in the future, be attributed to the provision of such services among other frequencies in bands 2.5-2.6 Ghz, 3.4-3.7 GHz, 450 Mhz, 600 MHz, 700 MHz, 800 MHz, 850 MHz, 900 MHz, 1900 MHz, AWS, and extended AWS.

On January 31, 2017, Resolution of the Ministry of Communications 171-E 2017 was issued, approving the “Regulations of Refarming with Financial Compensation and Shared Use of Frequencies” (Reglamento de Refarming con Compensación Económica y Uso Compartido de Frecuencias). As a summary, the following provisions can be highlighted:

- Instructs ENACOM to analyze the technical feasibility and implement the allocation to the mobile service, with primary status, of the 450-470 MHz, 698-960 MHz and 2,300-2,400 MHz frequency

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bands. All of the above is to be used in the provision of SCMA or any other arising from technological developments.

- Provides the preventive suspension of the reception of awarding procedures in 1,427-1,518 and 3,300-3,600 MHz frequency bands.

- Modifies the spectrum cap, setting it in 140 MHz per provider for each area and/or operating location. For such purposes, the spectrum assigned to each company, its subsidiaries or controlling shareholders, directly or indirectly, or subject to common control or those holding more than 30% of the shares of another company, will be considered if, with such equity interest, holds a position of substantial influence in the decisions of such company. Any other subject or body may be included in the calculation of the spectrum awarded to any other subject or entity assigned to that spectrum when it is understood that any contractual linkage has been entered into to circumvent this limit.

- Instructs ENACOM to modify the “National Scheme of Attribution of Radio Spectrum Bands” (Cuadro Nacional de Atribución de Bandas del Espectro Radioeléctrico — “ER”) for the purpose of making available for MCS providers frequency bands suitable to that end.

- From the publication of the new bandwidth table and its respective channels, MCS providers will have a maximum of 15 working days to request their express assignment. Such allocations shall be made on equal terms and conditions as those required from other providers of similar service in the same band. This provision is complemented by section 9 of Resolution No. 1,034-E/17.

- The regulatory authority is delegated to ENACOM, who will provide the necessary complementary or explanatory rules for a better application of these provisions.

Through the Annex attached to the resolution, the “Refarming Regulation” is approved including a series of definitions that enable to properly understand the scope of the resolution. These definitions include the following:

Economic Compensation (EC): The amount established by ENACOM to be paid by the Authorized Provider for the implementation of the Refarming procedure, calculated on the basis of the values obtained from URV, RV and its application thereto of the relevant discounts according to the Coverage Obligations and other weightings carried out in the approving resolution.

Distinguishes between *Provider, Authorized Provider:* (licensee to which ENACOM authorizes a new mobile service of high spectral performance using Radio Spectrum frequencies previously authorized for the provision of another fixed or mobile service) and *Incoming Provider* (licensee that until the approval of the project requesting the re-allocation of frequency use through Refarming, was not providing PCS, SRMC, STM or SCMA. Any entity that, directly or indirectly, is the parent company of, controlled by, or subject to common control with, any entity that is providing PCS, CMRS or AMCS shall not be deemed as *Incoming*. Notwithstanding this, ENACOM may consider cooperatives or SMEs as *Incoming*, even when they are providing PCS, SRMC or SCMA in the virtual operator mode).

Reference Value (RV): Value based on the VUR to be calculated for the frequency bands originally assigned for other services.

Unitary Reference Value (URV): The value expressed in US\$ cents per MHz per inhabitant, which will be the multiplication factor of the bandwidth and population of each of the localities covered by each submitted Project, for the purpose of the RV.

Principles of the Reclassification Procedure (Refarming): It will only be applicable to Frequency Bands for which, according to ENACOM opinion, there is “commercial availability of the technology ecosystem.” ENACOM will be entitled to determine, to its exclusive judgment, whether the applicant meets the necessary conditions for the provision of the services involved. It will also be empowered to impose coverage obligations and specific service goals. On the other hand, the authorizations resulting from the Refarming procedure may have extension terms similar to those of equivalent services.

The Refarming project: Each provider who requests the re-qualification of the RE having a use other than the one originally assigned must submit a project including at least:

- Description of the bands
- Area of coverage and affected localities
- Population

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- Bandwidth
- 15-year customer estimate and associated Investment Plan

If the Project is approved, ENACOM shall publish it in the Official Gazette with the level of detail required in the regulation (service plan, location, values, deadlines, etc.).

The deadline for the payment of the Financial Compensation will be 30 working days from the enactment of the Administrative Act. In the case of an SME or cooperative, a payment plan may be requested.

The URV shall be calculated on the basis of the arithmetic average of the final values resulting from auctions carried out in our country for each specific frequency band involved in the refarming procedure expressed in US\$ cents per MHz per inhabitant.

In the absence of a national background, the market average retrieved in auctioning processes in each frequency band retrieved from publications of ITU, *Organización para la Cooperación y el Desarrollo Económicos* (CNUCYD), *Conferencia de las Naciones Unidas sobre Comercio y Desarrollo* (UNCTAD), among other multilateral organizations of reference, will be adopted. These values should be adjusted by comparative parameters reflecting the differences of scenarios with Argentina (PPP and ARPU). Once the URV is calculated, the next stage is to determine the RV, which is obtained by multiplying the URV of each band by MHz and the population of each location.

The amount of the EC will emerge when applying discounts to the VR, according to the impact in the Discounted Cash Flow (CDF) that coverage obligations and goals of service established by ENACOM may have, as well as the speed of network services deployment calculated from the investment amounts of the first 5 years with respect to the total amount of the Project. In each Project, the provider may propose returning to the State portions of the spectrum not used in the Refarming, which may be applied to deduct the calculated value of the RV.

In addition, ENACOM Resolution No. 1,033-E/17, issued on February 20, 2017 provided to allocate the frequency bands between 905-915 MHz, and 950-960 MHz to the Mobile Service with primary status, and the use of the frequency bands between 905-915 MHz, and 950-960 MHz for the provision of the Advanced Mobile Communications Service.

ENACOM Resolution No. 1,034-E/17, also issued on February 20, 2017, allocated the frequency band between 2,500-2,690 MHz to the Mobile Service with primary status, and the use of the frequency band between 2,500-2,690 MHz for the provision of the Advanced Mobile Communications Service, in addition to current services when their coexistence is possible.

On March 7, 2017 ENACOM Resolution No. 1,299-E/17 was published in the Official Gazette. This Resolution approved the Refarming Project with Financial Compensation and Shared Use of Frequencies to Nextel Communications Argentina SRL (“Nextel”), to provide the Advanced Mobile Communications Service, granting this company the registration for the provision of such service, and authorizing it to:

- use frequencies between 905-915 MHz and 950-960 MHz in accordance with the provisions of ENACOM Resolution No. 1,033-E/17 and channels 7 to 10, and 7’ to 10’ in FDD mode, provided in the Annex of Resolution No. 1,034-E/17, for the provision of the Advanced Mobile Communications Service in locations and areas described in the Project approved by the Resolution.
- use frequencies between 2,550-2,560 MHz, and between 2,670-2,680 MHz exclusively for migrating users from pre-existing services, for a 2-year period, term in which it should additionally resolve the final destination of those users. Once the migration is completed, or the 2-year term expires, whichever occurs last, Nextel may use channels 11 and 12, and the corresponding 11’ and 12’ in FDD mode, provided in the Annex to Resolution No. 1,034-E/17, for the provision of the Advanced Mobile Communications Service in locations and areas described in the Project hereby approved.

The Resolution provides as URV for the radio spectrum the following bands involved in the project:

- 900 MHz Band = 0.1841 (US\$/MHz/inhabitant)
- 2,600 MHz Band = 0.0423 (US\$/MHz/inhabitant)

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RV for frequencies involved in the Project in FDD mode is set in US\$178,419,397 calculated pursuant to Section 7 of MINCOM Resolution No. 171-E/17, based on the URV provided in the foregoing section.

The rule establishes that the following discounts and weighting factors will be applied, which shall be calculated pursuant to section 7 of MINCOM Resolution No. 171-E/17, and which in detail will be used in order to determine the amount of the Financial Compensation that will be part of the agreement to be settled.

- Discounts:
 - The amount equivalent to the frequencies of the spectrum whose return is provided in section 7 therein, and whose value will be calculated according to the URV provided in section 8 herein, as appropriate.
 - The amount corresponding to the valuation of the Coverage Obligations provided by section 10 of the regulation.
- Weighting Factors:
 - The speed of networks and service deployment calculated from the amount of investment for the first five years, with respect to the total Project hereby approved.
 - The speed of deployment of the Coverage Obligations provided in section 10 therein.

The approved Project has not been published and its implementation is subject to the issuance of the agreement specifying the terms, conditions, goals, obligations and other issues inherent to the provision of Advanced Mobile Communications Service, which is pending of subscription.

Telecom Argentina and Personal, with the assistance of its legal advisors, are analyzing the impact that the application of the provisions of MINCOM Resolution No. 171-E/17, ENACOM Resolution No. 1,034-E/17 and ENACOM Resolution No. 1,299-E/17 may have on their business.

SC Resolution No. 1/13 - Contingency plan for service provision in case of emergencies

On April 8, 2013, SC Resolution No. 1/13 was published in the Official Gazette, establishing that all mobile operators should guarantee the service provision, even in emergency situation or catastrophe, in which case the normal service provision must be restored in a maximum period of one hour. Mobile operators must, in all cases, prioritize the access to emergency services in the affected areas.

In addition, SC Resolution No. 1/13 established that mobile operators present within 45 days a Contingency Plan for emergency situations, for purposes of guaranteeing the continuity of services in such circumstances.

As of the date of this Annual Report, Personal has appealed SC Resolution No. 1/13 exposing the arguments by which the mentioned resolution should be released. However, Personal has met its commitment to present a Contingency Plan for emergency situations.

On January 26, 2015, the CNC provided comments on Personal's Contingency Plan and also required the reporting of the measures chosen to implement the Plan and the status thereof. Personal filed to AFTIC a new Contingency Plan with the required amendments. As of the date of this Annual Report, the Regulatory Authority has not pronounced on this matter.

SC Resolution No. 5/13 — Telecommunication service quality regulation

On July 2, 2013, SC Resolution No. 5/13 was published in the Official Gazette. This Resolution approved a "telecommunication service quality regulation", establishing, among others, new quality parameters required for telecommunication services provided through mobile and fixed public networks, for all the operators in Argentina, as well as the obligation to provide periodic information to the CNC.

CNC Resolution No. 3,797/13 was published in the Official Gazette on November 13, 2013, supplementing SC Resolution No. 5/13 and approving the Audit Procedures and Technical Verification of Service Quality Regulation of Telecommunications Services Manual.

Pursuant to the provisions of CNC Resolution No. 3,797/13, Telecom Argentina and Personal have submitted their respective "Technical Reports" (detailed technical specifications of the

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measurement process) and have made their submissions providing the required information pursuant to the provisions of SC Resolution No. 5/13.

On August 14, 2014 the CNC notified Telecom Argentina and Personal that the audits and technical verifications that the Regulatory Authority shall perform on the supply of services regarding licenses of Telecom Argentina and Personal will be performed following the processes and methods of measurement exhibited in the respective presentations of the “Technical Reports.” The CNC also notified Telecom Argentina that these shall be carried out using the principles set forth in SC Resolutions No. 5/13 and CNC No. 3,797/13. Notwithstanding, the CNC developed verification tasks of the mobile services by means of tests of calls and data with measuring mobile devices in different locations of the country using procedures different from those defined in the Quality Regulation and published the results at “quenosecorte.gob.ar.”

Within the scope of said verifications, the CNC initiated penalty processes against Personal for alleged non-compliance with CNC Resolution No. 3,797/13. The Management of Personal has in a timely basis submitted its solid legal defense against these claims.

Since the enforceability of this Resolution is subject to the compliance of certain steps for its implementation with the previous approval of the Regulatory Authority, Telecom Argentina and Personal have carried out the corresponding reservations of their rights in each of their submissions. In addition, Telecom Argentina has stated in its different submissions that, due to the special circumstances that affected its tariff structure, the compliance of the burdensome operative and customer service parameters set forth in SC Resolution No. 5/13 should not apply.

Regulation of Virtual Mobile Operators

SC Resolution No. 68/14, published in the Official Gazette on October 28, 2014, approved the Regulation of Virtual Mobile Operators (“VMO”) and the Basic Requirements for VMO Agreements. Among its provisions, the Resolution states that the Network Mobile Operators (“NMO”) that have spectrum and infrastructure, shall annually file a reference offer for those interested in providing services as VMO, in which they will set forth the technical and economic conditions, which shall be reasonable and non-discriminatory.

The Resolution also provides the modalities and procedures for the provision of such services. According to article 2 of the Annex of the Resolution, the Regulation is applicable to SCMA.

Ministry of Communications Resolution No. 38/16, issued on May 5, 2016, approved the new Regulation of Virtual Mobile Operators (“VMO”) and revoked SC Resolution No. 68/14, which had approved the Regulation of Virtual Mobile Operators previously provided by former SC.

The mentioned Resolution provides that Network Mobile Operators (“NMO”), which have spectrum and infrastructure (among them, Personal), must submit, within 120 calendar days since the Resolution publication, a Reference Offer (“the RO”) for those interested in providing VMO services. The RO must be published annually in the NMO and on the Regulatory Authority official web site, and shall provide the economic and technical conditions (that will be freely established between the parties, reasonable, and non-discriminatory), clearly detailing the prices and conditions of each of the benefits and services to be provided.

This new Regulation is applicable for Mobile Communications Service (SCM), which includes Mobile Telecommunication Services (STM), Cellular Mobile Radio-communications Services (SRMC), Personal Communications Services (PCS) and Mobile Advanced Communications Services (SCMA). The Resolution also provides the procedures for the Services Agreements subscription between the NMO and the VMO, which will determine the terms and conditions under which the NMO will provide telecommunications network access and, where appropriate, telecommunications network interconnection the VMO.

On September 1, 2016, Personal filed a presentation to the Ministry of Communications through which it exposed substantial grounds for finding essential the suspension of the deadline for submission of the OR provided in Section 2 of Ministry of Communications Resolution No. 38/16, until the 700MHz frequencies comprising Lot 8 (awarded and paid by Personal) were in full conditions of use and until the spectrum of Lot 1 of the Frequency Bands Public Auction developed by SC Resolution No. 38/14 was allocated and “on-air.” Through the mentioned presentation it was also requested: a) the removal of Section 10 of Annex I of the above-mentioned rule (which does not allow agreements with VMO on an exclusive basis); b) that ENACOM enclose interference measurements carried out in the 700MHz Band awarded to Personal; and c) that ENACOM informs whether it has

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definitively resolved all the claims filed by the users of such band.

Notwithstanding its presentation, on January 12, 2017, ENACOM charged Personal for non-compliance with the RO presentation. Personal has submitted its discharge rejecting the accusation and has submitted its RO, which validity is subject to the resolution of the legal issues exposed in its submissions.

Decree No. 798/16: National Plan for the Development of Competitiveness Conditions and Quality of Mobile Communications Services

Decree No. 798 published in the Official Gazette on June 22, 2016 — issued within the scope of the Ministry of Communications— approved the National Plan for the Development of Competitiveness Conditions and Quality of the Mobile Communications Services, which has its strategic focus on encouraging greater efficiency in the market, with quality services at fair and reasonable prices.

The above mentioned plan provides that within 90 days the Ministry of Communications shall, i) start the process of adaptation of the scheme approved by Resolution SC No. 157/97 (CPP scheme) to the provisions of the LAD; ii) update the General Regulation of MCS customers along with the process initiated by the Resolution SC No. 12/13, proving for the existence of mechanisms that would allow customers to access information about the quality of the service and to get benefits and/or compensation in their services in case of non-compliance with the established quality standards; (iii) start the process of adaptation of the “Regulation on Administration, Management and Control of Frequency Bands” (Reglamento sobre Administración, Gestión y Control del Espectro Radioeléctrico), to the provisions of the LAD, in order to introduce greater competitiveness in all services; (iv) update the “National Scheme for the Granting of Frequency Bands” (Cuadro Nacional de Atribución de Bandas del Espectro Radioeléctrico) so as to increase the availability of frequencies for the provision of mobile communications services, for which purpose the procedures provided in section 30 of the LAD will be initiated; v) incorporate to the “Universal Service General Regulation” (Reglamento General del Servicio Universal) approved by Resolution ENACOM No. 2.642/16, the granting of priority to consider -in programs with SU Funds- projects eligible to be developed in those Municipalities which have adopted the legislation proposed in the “Code of Good Practices for the Deployment of Mobile Communication Networks” (Código de Buenas Prácticas para el Despliegue de Redes de Comunicaciones Móviles) provided by the “Argentine Federation of Municipalities and the Operators of Mobile Communications” (Federación Argentina de Municipios y los Operadores de Comunicaciones Móviles) and supported by the former SC of the former Ministry of Federal Planning, Public Investment and Services on August 20, 2009, or those contemplating rules of similar characteristics that would not prevent, in fact or Law, the deployment of such networks; (vi) develop a National Contingency Plan for disaster situations; and (vii) Update the National Interconnection Regulations and Licensing for Telecommunications Services and the Scheme of Portability Number approved by Resolution SC No. 98/10.

This Decree also provides that the Ministry of Communications, through the ENACOM, shall, in a 60-calendar-day term, prepare measurement protocols that would enable to show the quality perception of MCS users, taking into account UIT parameters, and review and update quality standards for the ICT service networks through all the corresponding areas.

In addition, the ENACOM shall perform measurements of non-ionizing radiations in order to control that these remain within non-harmful levels to human health, and the “Administration Agency for State Property” (Agencia de Administración de Bienes del Estado - AABE) shall in its role as governing Body of the state property policy, perform procedures and administrative acts and relevant contracts to grant the use for valuable consideration of terraces, roofs, towers, solar and/or any installation, plant or property sector of the State that are suitable for the installation of supporting structures of antennas, equipment and installations associated with telecommunications, information technologies and communications and/or audiovisual communication services. The AABE will make available for the licensees of such services and for independent companies sharing passive infrastructure, the listing of state properties potentially suitable for such facilities.

Among other aspects, the Decree provides that, as a way to encourage the rapid deployment of networks and the infrastructure sharing, rent fees will not be charged for a 1-year period for the use of state property in which base stations are installed within 3 months of publication of the rule in the Autonomous City of Buenos Aires, or within 6 months in the rest of the country. Under the same condition, this period will be extended to 3 years when the infrastructure is shared by two Mobile Services Licensees, and to 4 years when it is shared by more than two. Identical benefit will be

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granted if it is a sharing independent company of passive infrastructure, and the above conditions are met.

In this regard, it is worth mentioning the agreement signed on April 27, 2016 between Personal, AMX Argentina S.A., Telefónica Móviles Argentina S.A., the Ministry of Communications and the Government of the City of Buenos Aires, to facilitate the deployment of network infrastructure in the area of Comuna 1 of the Autonomous City of Buenos Aires, including the use of roofs and luminaries of the GCBA.

As of the date of this Annual Report, the issuance of the rules regulating the above mentioned provisions is still pending.

Through Resolution No. 5/2017 of the Ministry of the Interior, Public Works and Housing Court of Appraisals of the Nation (February 1, 2017), initial monthly rent fees for the year 2017 were approved, for the use against payment of terraces, roofs, solar towers or any installation, plant or sector of state property that are suitable for the installation of supporting structures of antennas, equipment and installations associated with telecommunications, information technologies and communications and audiovisual communication services.

“Tax Stability” principle: impact of variations in social security contributions

On March 23, 2007, the SC issued Resolution No. 41/07 relating to the impact of variations in social security contributions occurring after November 8, 1990 and the proposed use for the resulting savings and increases in contribution rates that have occurred.

Telecom Argentina had recorded a liability related to the savings caused by reductions in the levels of social security contributions initially earmarked for the Argentina@internet.todos Program. The mentioned savings were substantially generated during fiscal year 2000. Resolution No. 41/07 allowed Telecom Argentina to recover the increases in social security contributions that it has to pay as a consequence of the increase in social contributions rates.

Within this context and considering applicable the principle of tax stability provided by the Transfer Agreement approved by Decree No. 2,332/90, the Resolution authorized the aforementioned savings being offset with the amounts arising from the application of the mentioned increases.

The offset of both concepts and the determination of a balance, were subject to the audit results performed by the Regulatory Authority according to the information provided by Telecom Argentina. The mentioned audit was performed during the third quarter of 2007. Telecom Argentina took knowledge of the proceedings, in which the CNC recognized a receivable arising from increases in social contributions within the scope of Resolution No. 41/07, and cancelled payables arising from reduction in social contributions taxes with the Regulatory Authority and other sanctions imposed to Telecom Argentina.

As of December 31, 2016, Telecom Argentina has a net receivable of P\$34 million which, in addition to the receivable of P\$23 million corresponding to the *Impuesto a los Débitos y Créditos bancarios* (“IDC”) as explained below, is included in under the item “Other receivables” in our Consolidated Financial Statements.

Since Resolution No. 41/07 provides Telecom Argentina the right to offset receivables with existing and/or future regulatory liabilities and, given Telecom Argentina’s intention to exercise this right, the receivable was recorded net of several provisions. As of December 31, 2016, the provisions which can be offset with the receivables arising from Resolution No. 41/07 and from IDC amounted to P\$57 million.

Tax on deposits to and withdrawals from bank accounts charged to customers

On February 6, 2003, the Ministry of Economy and Public Finance, through Resolution No.72/03, defined the method to allow, going forward, rate increases on Basic Telephone Services reflecting the impact of the IDC. The amount of tax charged must be shown separately in customers’ bills. Telecom Argentina has determined the existence of a remaining unrecovered amount of approximately P\$23 million that arose before the issuance of Resolution No.72/03.

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In April 2007, Telecom Argentina provided the CNC with supporting documentation about this amount and in May 2007 filed its preliminary economic evaluation to the Regulatory Authority. Telecom Argentina took knowledge of the Regulatory Authority's documentation which corroborates the amount claimed by it and provides a similar offsetting method pursuant to Resolution No.41/07 (as described in "—Tax Stability principle: impact of variations in Social Security contributions" above). As a result, Telecom Argentina recorded as "Non-current Other receivable" a total of P\$23 million. This receivable is also included in the provisions for regulatory matters described above.

Dollarization and pesification of rates

Convertibility period of the peso to the US dollar: dollarization of rates

On November 28, 1991 Telecom Argentina and Telefónica signed an agreement with the Argentine government related to the rate regime, which was ratified by Decree No. 2,585/91 and was effective from December 18, 1991. The most relevant aspects included in this agreement that amended the rate regime provided by the Transfer Agreement were:

- The rate, measured in basic telephone pulses, was set in US dollars, adjustable twice a year (April and October) based on the variation of the U.S. C.P.I. (all items). These rate adjustments did not require the prior approval of the Regulatory Authority. Since 2000 these rate adjustments were not applied according to agreements signed with the SC, which delayed its implementation. Subsequently, in October 2001, an injunction prevented the continuity of application.
- The customers billing continued performing in local currency.

Rates pesification: regulated public services rates freezing

On January 6, 2002, the Argentine Government enacted Law No. 25,561, "*Ley de Emergencia Pública y Reforma del Régimen Cambiario*" (the "Public Emergency Law"). This Law, by Article 8, annulled adjustment clauses in dollars or other foreign currencies and indexation clauses based on price index and any other indexation method. As a consequence, from that date Telecom Argentina's rates were set in pesos at the exchange rate P\$1 per US\$ 1. As a consequence, regulated fixed service tariffs remained frozen until the end of the year 2015. Such freezing of tariffs violated the Transfer Contract and regulations that supplemented it.

Transfer Agreement and the resolution of the regulatory issues that negatively affected the operations of Telecom Argentina since the enactment of the Public Emergency Law and the Exchange Regime System Reform in January 2002 (pesification of rates, lack of compensation for SU features, increased penalties for delays in repairing and installation in fixed telephony, etc.), have not been fulfilled by the National Government making it responsible for the damages caused.

Additional information on Telecom Argentina's tariffs pesification, Letters of Understanding with the National Government/UNIREN and Price Cap are presented in consolidated financial statements of prior years.

Other Regulations

Buy Argentine Act

According to the provisions of Article 1 of Law No. 25,551, which is regulated by Decree No.1,600/02, Telecom Argentina, as a public fixed telephone service licensee, and their respective direct subcontractors, shall give preference to the purchase or lease domestic goods and services.

Article 2 of the mentioned law provides that a good or service is of domestic origin when it has been produced or extracted in Argentina, provided that the cost of raw materials, supplies or nationalized imported materials do not exceed 40% of the goods or services gross production value.

Article 3 of the mentioned law provides that the preference established in Article 1 to domestic goods or services will apply when, for identical or similar goods or services, under cash payment terms, the price is equal to or lower than the price of imported goods or services, increased by 7% when the offering of the good or services is carried out by companies qualified as SME, and 5% when the offering of the good or services is carried out by other companies. For comparison purposes, the price of imported goods shall include import duties and taxes and all expenses required for its nationalization.

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The mentioned law provides that the hiring companies shall announce their tenders in the Official Gazette as required by the regulation involved, so as to provide all possible bidders timely access to information that enables them to participate in the mentioned tender. It is worth mentioning that the communication provided in the hiring processes law for purchases subject to the Buy Argentine Act, establishes a considerable period prior to the issuance of the purchase order. The mentioned Act also establishes criminal sanctions for non-compliance.

Relating to services acquisitions, Decree No.1,600/02 refers to Law No. 18,875, which provides the obligation to hire only companies, consultants and domestic professionals, as defined in the mentioned Law. Any exceptions must be approved by the competent Ministry.

In August 2004, the CNC Resolution No. 2,350/04, approved the “Procedure for the accomplishment of the Buy Argentine Act”, which includes the obligation to submit semiannual affidavits related to the compliance with the Act. The Act provides an administrative sanctions procedure for non-compliance with this information procedure.

It is worth mentioning that this Act provides to Telecom Argentina less operational flexibility related to, among other matters, the terms lengthening in tenders, authorizations management prior to acquisitions and higher administrative expenses for the required semiannual information submission.

Regulation Draft for Mobile Communication Service Subscribers

SECTIC Resolution 6-E/16 issued on September 16, 2016 declared the opening of the Procedure provided by the “General Regulation for the Participatory Formulation of Regulations” (Reglamento General para la Elaboración Participativa de Normas) in relation to the draft of “Regulation for Mobile Communication Service Subscribers” (Reglamento de Clientes de los Servicios de Comunicaciones Móviles) published in the Official Gazette and on the ENACOM website. This Procedure invites citizens to express their opinions and proposals regarding the Regulation draft. The deadline for opinions and proposals submission expired on November 1, 2016. Personal submitted its comments to the Regulation draft.

Amendment Draft to the “Number Portability Regulation”

Through SECTIC Resolution 7-E/16 issued on September 16, 2016, the ICT Secretary declared the opening of the Consultation Document procedure provided by the “General Regulation of Public Hearings and Consultation Documents for Communications” (Reglamento General de Audiencias Públicas y Documentos de Consulta para las Comunicaciones), in relation to the “Number Portability Regulation” Amendment Project. The submission of opinions and proposals deadline expired on October 17, 2016. Personal submitted its opinion to the amendments proposed in the published draft.

Document on “Consultation on Interconnection and ICT Services Network Access”

Through SECTIC Resolution 9-E/16: published on September 22, 2016, the ICT Secretary declared the opening of the procedure provided by the “General Regulation of Public Hearings and Consultation Documents for ICT Services” in relation to the document “Consultation on Interconnection and ICT Services Networks Access”. On October 20, 2016, Telecom Argentina submitted to the ICT Secretary its opinions and proposals for the published consultation.

Recently through SECTIC Resolution No. 2-E/17 published on March 13, 2017, the ICT Secretary declared the opening of the Public Consultation Document Procedure related to the project for the interconnection and access regime. The submission of opinions and proposals deadline expires on April 27, 2017.

Document on “Consultation on ICT Network Service Quality”

Through SECTIC Resolution No. 3-E/17 published on March 13, 2017, the ICT Secretary declared the opening of the procedure provided by the “General Regulation of Public Hearings and Consultation Documents for ICT Services” in relation to the document “Consultation on ICT Network Service Quality.” On April 12, 2017, Telecom Argentina and Personal submitted to the ICT Secretary its opinions and proposals for the published consultation.

Identification of Users of the Mobile Communications Service

Through Resolution No. 6-E/16, issued on November 10, 2016, the Ministry of Security and MINCOM, decided jointly to instruct ENACOM to adopt, within a period of 15 days, the necessary

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measures to identify all Mobile Communications Service users of the country in a Mobile Communications Service Identity Record.

ENACOM Resolution No. 8,507-E/16, published on December 2, 2016, approved the Regulation for the Mobile Communications Services user's identity validation. Personal is developing the necessary actions and implementations in order to comply with the registration guidelines of its subscribers, provided in this regulation.

"Consultation on ICT Services Licenses Regulation" Document

MINCOM and SECTIC Resolution No. 1-E/17, issued on January 20, 2017, declared the opening of the Consultation Document procedure provided in Annex I of the "General Regulations for Public Hearings and Communications Consultation Documents", in relation to "ICT Services Licenses Regulation" project.

Blocking Procedure for handsets with Theft or Loss Report and Identification of Irregular IMEIS

ENACOM Resolution No. 2,459/16, published in the Official Gazette of May 20, 2016, approved the "Terminal Blocking Procedure for handsets with Theft or Loss Report and Identification of Irregular IMEIS", for the purpose of establishing the obligations with which to be complied by Mobile Communications Service Providers and Virtual Mobile Operators regarding the blocking of mobile handsets with theft or loss report, and the identification of Irregular IMEIs operating on their networks, as well as the obligations of loading and updating negative databases, or "negative list."

The Regulation entered into force since July 6, 2016 and among its main provisions establishes that SCM users should report the theft or loss of their telephone line and its associated ETM to its PSCM, which should block the Telephone line and its last associated IMEI without any exception, by including the latter in its Negative Database (BDN) at the time of receiving the complaint. The PSCM and the MVNO should make available to the users different channels of contact for the receipt of complaints, among which stand out: i) Personalized Attention in branches and customer service centers; ii) Telephone Assistance, through a unique and free number to which the user must have access both by mobile telephone network and by fixed telephone network; iii) PSCM Web site.

The PSCM shall exchange their BDNs in order to ensure that the IMEIs contained therein are blocked or enabled in all networks, with a period of eight (8) hours, and shall include the Authority Of Application in the circuit of exchange of registrations, so that the latter updates the Administrative Database, administered by the Application Authority.

The standard establishes control mechanisms in relation to Irregular IMEIs, which provide that the PSCM must arbitrate the necessary means to analyze their networks in order to detect the activity of ETM with Irregular IMEI, for later blocking, providing a Term for its implementation of 180 days, counted from the effective date of the Regulation.

It is also provided that the PSCM should block and include in their BDN all invalid IMEI detected. For the cases of the ETMs associated with a telephone line prior to the present time, the PSCM shall, within a period of two (2) years, block and include in the BDN all invalid IMEI detected in their Networks.

Personal is developing the necessary system implementations in order to comply with the provisions of this Regulation.

LEGAL FRAMEWORK

Law No. 27,260 of Historical Reparation for Retirees and Pensioners "Reparación Histórica para Jubilados y Pensionados"

On July 22, 2016, Law No. 27,260 was published in the Official Gazette Historical Reparation for Retirees and Pensioners, where article 35 revokes Law No. 27,181. Article 30 of Law No. 27,260 establishes the prohibition for the transfer of national corporations shares authorized by the CNV to public offer which integrate the FGS, if as a consequence of such a transfer, ownership of such securities by the FGS is less than 7% of the total assets of the FGS, without prior express authorization of the National Congress, setting the following exceptions to this provision: "1. Public offers addressed to all holders of such assets and at an equitable price authorized by the CNV, in accordance with chapters II, III and IV of Title III of Law No. 26,831. 2. Stock swap for other stock of

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the same or another company in the context of a merger, division or corporate reorganization processes.”

Decree No. 894/16: corporate, political, and economic rights in charge of the ANSES

Decree No 1,278/12 established that the Secretary of Economic Policy and Development Planning of the Ministry of Economy and Public Finances was in charge of the implementation of policies and actions related to the performance of the corporate rights on equity interest of companies where the State is a minority partner, and to this end, it approved a Regulation of representatives and directors appointed by the shares or equity interest of the National State.

On July 28, 2016 Decree No. 894/16 was published, which modifies Decree No. 1,278/12, establishing that in those companies whose shares integrate the investment portfolio of the FGS, the corporate, political, and economic rights pertaining to such shares shall not be exercised by the Secretary of Economic Policy and Development Planning, but they are to be exercised by the ANSES.

In addition, Decree No. 894/16 established that the Directors appointed by the ANSES shall have the functions, duties and powers set out by the General Companies Law No. 19,550, the Law of Capital Market No. 26,831 and its complementary and regulatory provisions, all the applicable regulations to the company in which they perform duties, their bylaws and internal regulations, and shall have all the responsibilities they might be liable for under these rules; the provisions of Decrees no. 1,278/12 and 196/15 (the latter in respect of delimitation of responsibility) are not applicable.

Elimination of Income Tax on dividend payment

Law No. 26,893 and Decree No. 2,334/13 set out that dividends and profits, in money or in kind, except in shares or stock, distributed by companies and other entities incorporated in the country made available as of September 23, 2013, were subject to 10% retention, with the exception of dividends received by companies and other local entities which remained non-computable for tax purposes.

Law No. 27,260 repealed the above provision, reason why, as of July 23, 2016, all dividends and profits, in money or in kind, distributed by companies and other entities incorporated in the country (as it is the case for the Company), whoever the beneficiary, are not reached by the aforementioned retention.

Modification to Law No. 24,240 Consumer Protection

On August 17, 2016, Law No. 27,265 was published in the Official Gazette (in force as from August 29, 2016) that incorporates an amendment to Law No. 24,240 of Consumer Protection. This addition (in article 10 quater) establishes the prohibition of “collections of advance notice, advance month payment and/or any other concept on the part of the providers of services, including the public utilities, upon the consumer’s request for cancellation of the service in any way, either in person, on the telephone, electronic or similar-shaped”. In this sense, as from the last quarter of 2016, the Company abides by this regulation in cases where applicable.

DISCLOSURE PURSUANT TO SECTION 219 OF THE IRAN THREAT REDUCTION AND SYRIA HUMAN RIGHTS ACT OF 2012 (ITRSHRA)

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 added Section 13(r) to the Exchange Act. Section 13(r) requires an issuer to disclose in its annual or quarterly reports filed with the SEC whether the issuer or any of its affiliates has knowingly engaged in certain activities, transactions or dealings with the government of Iran, relating to Iran or with designated natural persons or entities involved in terrorism or the proliferation of weapons of mass destruction during the period covered by the annual or quarterly report. Disclosure is required even when the activities were conducted outside the United States by non-U.S. entities and even when such activities were conducted in compliance with applicable law.

In accordance with our Code of Ethics and Business Conduct, we seek to comply with all applicable laws.

Activities relating to Iran

Telecom Group

We have, to our knowledge, two activities relating to Iran: (i) our roaming agreement (mobile services) with Mobile Company of Iran (MCI) (formerly TCI), which allow our mobile customers to use their mobile device on a network outside their subscriber's home network (see "Glossary of Terms—Roaming") and (ii) our international telecommunications services agreements with international carriers (fixed services), which cover delivery of traffic to Iran through non-Iranian carriers.

i. Roaming agreements (mobile services)

Like all major mobile networks, in response to the competition and customers' demands, Personal has entered into roaming agreements with many foreign mobile networks, including MCI, to allow their customers to make and receive calls abroad.

Roaming agreements are entered into using standard terms and conditions including the one relating to Iran. Entering into roaming agreements is an activity carried out in the ordinary course of business by a mobile network operator.

Roaming agreements are generally reciprocal. Pursuant to a roaming agreement, when our mobile customers are in a foreign country covered by the network of an operator with which we have a roaming agreement (the "Foreign Operator"), our mobile customers may make and receive calls on their mobile phone using the Foreign Operator's network. Likewise, the Foreign Operator's customers may make and receive calls using our networks when these customers are in Argentina.

The Foreign Operator bills us for the calls made and received by our roaming customers at the rate agreed upon in the applicable roaming agreement. We then bill these customers according to the specific roaming fees in their subscription agreement. Likewise, we bill the Foreign Operator for the calls made and received by its clients using our networks for those calls, at the roaming rate agreed upon in the applicable roaming agreement, and then the Foreign Operator bills its clients according to their customer agreements. Roaming agreements do not, generally, contemplate other fees or disbursements.

In 2016, the consolidated impact on net profit (loss) arising from our roaming agreements with MCI was as follows:

- our total revenues under roaming agreements with MCI were approximately P\$1.1 thousand.
- our total charges paid under roaming agreements with MCI were approximately P\$1.8 thousand.

These revenues and charges are immaterial to our consolidated revenues and operating expenses. Because we do not separately allocate costs directly attributable to the service provision or other overhead costs to these transactions, the amount of our consolidated net profits earned under these agreements is not determinable, but it does not exceed our gross revenues from the agreements.

Also, as of December 31, 2016, the amount for receivables for these concepts pending to collect were approximately P\$0.4 thousand.

The purpose of our roaming agreements is to provide our customers with coverage in areas where we do not own networks. For that purpose, we intend to continue maintaining our roaming agreements.

ii. Commercial Agreements with International Carriers (fixed services):

We maintain commercial agreements with international carriers from countries other than Iran, which permit those carriers to deliver traffic from Iran to our networks and from our networks to Iran. Telecom Argentina and Telecom USA's total charges paid under commercial agreements with international carriers regarding delivery of traffic to Iran were approximately P\$6,784 thousand.

Regarding incoming traffic, Telecom Argentina and Telecom USA charge the relevant international carrier for their traffic terminated in Telecom's network. Consequently, Telecom Argentina and Telecom USA do not know the country of origin of such traffic.

Telecom Italia Group

We are also required to disclose our affiliates' activities relating to Iran as of December 31, 2016. On March 8, 2016, Telecom Italia ceased to be our affiliate. Telecom Italia has included Iran-related

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disclosure in its annual report on Form 20-F for year ended December 31, 2016, which was filed with the SEC on April 12, 2017.

Activities relating to Syria and Sudan

In addition to the mandatory disclosure regarding the activities related to Iran described above, below we describe our activities that directly or indirectly relate to Syria and Sudan (designated by the U.S. Department of State as state sponsors of terrorism and are subject to U.S. economic sanctions and export controls) (“Designated Countries”):

i. Roaming agreements (mobile services)

Operators of mobile telecommunications networks, including Telecom Personal and Núcleo, enter into roaming agreements with other operators of mobile telecommunications networks in the ordinary course of business. See “—Activities relating to Iran—Telecom Group” for a description of roaming agreements.

We maintain roaming agreements with MTN Sudan Co. Ltd, in Sudan and MTN Syria (formerly Spacetel) in Syria. The purpose of all of these roaming agreements is to provide our customers with coverage in areas where we do not own networks. In order to remain competitive and maintain such coverage, we intend to continue maintaining these agreements.

As of December 31, 2016, the approximate revenues, expenses, receivables and payables from roaming agreements with the Designated Countries were as follows:

Roaming agreements (mobile services)	December 31, 2016			
	Revenues	Expenses	Receivables	Payables
	In thousands of P\$			
Syria	0.31	6.53	—	8.81
Sudan	—	0.03	—	0.16
Total	0.31	6.55	—	8.98
<i>% of respective consolidated total amounts</i>	<i>(a)</i>	<i>(a)</i>	<i>—</i>	<i>0.006 %</i>

(a) Less than 0.001%.

ii. Commercial Agreements with International Carriers (fixed services):

We also maintain commercial agreements with international carriers from countries other than the Designated Countries which permit those carriers to deliver traffic from the Designated Countries to our networks and from our networks to such countries.

Regarding outgoing traffic, during 2016, Telecom has sent traffic to the Designated Countries mainly through Verizon Communications Inc. (United States) and Telekom Malaysia (Malaysia).

As of December 31, 2016, the total approximate expense for delivery of traffic terminated in the Designated Countries was:

Commercial Agreements with International Carriers (fixed services)	December 31, 2016
	In thousands of P\$
Syria	22.1
Sudan	(a)
Total outbound costs	22.1
<i>% of consolidated operating expenses</i>	<i>(b)</i>

(a) Less than P\$ 0.5 thousand.

(b) Less than 0.001%.

Regarding incoming traffic, Telecom Argentina and Telecom USA charge the relevant international carrier for their traffic terminated in Telecom’s network. Consequently, Telecom Argentina and Telecom USA do not know the country of origin of such traffic.

Accordingly, our total payables and receivables from international carriers include those balances arising from traffic related with the Designated Countries but it is not possible to segregate them.

The outbound costs described in the table above are wholly immaterial with respect to the Company’s consolidated operating expenses for the period presented.

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CAPITAL EXPENDITURES

Capital expenditures (investment in Property, Plant and Equipment “PP&E” and Intangible Assets) amounted to P\$11,386 million in the year ended December 31, 2016, P\$10,100 million in the year ended December 31, 2015, and P\$8,957 million in the year ended December 31, 2014.

The following table sets forth our Total Additions (Capital Expenditures plus Materials) for the years ended December 31, 2016, 2015 and 2014, amounting to P\$11,860 million, P\$11,162 million and P\$9,547 million, respectively.

	Year ended December 31,		
	2016	2015	2014
	(P\$ million)(1)		
Land and buildings	372	238	159
Switching and transmission	2,134	1,870	1,234
Equipment and infrastructure for special projects	50	11	13
Access and outside plant	4,936	2,475	1,808
Computer equipment and software	1,397	1,251	707
Other	743	551	383
Subtotal tangible capital expenditures (2)	9,632	6,396	4,304
Rights of use, exclusivity agreements and licenses	32	2,304	3,541
Service connection or habilitation costs	41	36	30
Subscribers acquisition costs	1,681	1,364	1,082
Subtotal intangible capital expenditures	1,754	3,704	4,653
Total capital expenditures	11,386	10,100	8,957
Materials (3)	474	1,062	590
Total additions in PP&E and intangible assets	11,860	11,162	9,547

- (1) The allocation of work in progress among items is estimated.
- (2) Includes materials transferred amounting to P\$3,173 million, P\$1,888 million and P\$656 million as of December 31, 2016, 2015 and 2014, respectively.
- (3) Each year increase is calculated as the net amount between additions and transfers to work in progress during the year.

In addition, the following table shows capital expenditures for the years ended December 31, 2016, 2015 and 2014 broken down by Fixed Services and Mobile Services:

	Year ended December 31,		
	2016	2015	2014
	(P\$ million)		
Fixed Services			
Land and buildings	248	177	120
Switching and transmission	1,013	820	516
Equipment and infrastructure for special projects	50	11	13
Outside plant	1,722	1,011	981
Computer equipment and software	397	510	276
Other	390	317	206
Subtotal tangible capital expenditures	3,820	2,846	2,112
Rights of use, exclusivity agreements and licenses	19	39	9
Service connection or habilitation costs	41	36	30
Subscribers acquisition costs	137	158	126
Subtotal intangible capital expenditures	197	233	165
Total Fixed Services capital expenditures	4,017	3,079	2,277

	Year ended December 31,		
	2016	2015	2014
Personal Mobile Services and Núcleo Mobile Services			
Land and buildings	124	61	39
Switching and transmission	1,121	1,050	718
Mobile network access	3,214	1,464	827
Computer equipment and software	1,000	741	431
Other	353	234	177
Subtotal tangible capital expenditures	5,812	3,550	2,192
Rights of use, exclusivity agreements and licenses	13	2,265	3,532
Subscribers acquisition costs	1,544	1,206	956
Subtotal intangible capital expenditures	1,557	3,471	4,488
Total Personal Mobile Services and Núcleo Mobile Services capital expenditures (1)	7,369	7,021	6,680
Total capital expenditures	11,386	10,100	8,957

- (1) Includes P\$639 million, P\$469 million and P\$357 million of capital expenditures in Paraguay as of December 31, 2016, 2015 and 2014, respectively

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In the Personal Mobile Services segment, the capital expenditures were mainly oriented towards the deployment of the 4G technology and the extension of the coverage and capacity of our network in numerous cities across Argentina. The objectives were reached mainly through new sites, together with replacement plans and the upgrade of the current network. At the same time, new investments were made in connection with the swap of the Core Platform.

In the Fixed Services segment, specifically in the access area, the investment in deployment of new technologies continued to provide higher bandwidth to customers, mainly over Gigabit-capable Passive Optical Network (GPON) technology whose deployment began massively.

Following the strategy of previous years, in the transportation area, investments were made on the deployment of interurban trunk optical fiber, the increase in the capacity and security of the DWDM (Dense Wavelength Division Multiplexing) Centurión network, the capacity increase of the Backbone IP and the addition of new POPs of content.

Also, investments continued on the installation of equipment for the Metro Ethernet network and the evolution of the capacity and capillarity of regional transportation, especially on the Packet Transport Network. In both business segments, major investments were made on IT projects.

We estimate that our capital expenditures for the year 2017 will be approximately 20% of consolidated revenues. See “Item 5—Operating and Financial Review and Prospects—Liquidity and Capital Resources—Capital Expenditures.”

We expect to finance these expenditures through cash flows generated by our operations and financing provided by third parties.

PROPERTY, PLANT AND EQUIPMENT

As detailed below, our principal physical properties consist of transmission equipment, access facilities, outside plant (external wiring) and switching equipment. These properties are, at present, mainly located throughout the AMBA and Northern Region. We believe that these assets are, and for the foreseeable future will be, adequate and suitable for their respective uses.

	As of December 31, 2016		
	Fixed Services	Personal Mobile Services and Núcleo Mobile Services (P\$ million)(*)	Total
Land and buildings	1,208	302	1,510
Switching and transmission	3,197	3,272	6,469
Access and outside plant	5,220	5,024	10,244
Equipment & infrastructure for Special Projects	217	—	217
Computer equipment and software	864	1,875	2,739

	As of December 31, 2016		
	Fixed Services	Personal Mobile Services and Núcleo Mobile Services (P\$ million)(*)	Total
Materials	514	765	1,279
Others	248	459	707
Total PP&E, net carrying value	11,468	(**) 11,697	(***) 23,165

(*) The allocation of work in progress among items is estimated.

(**) Includes P\$2,156 million located in Paraguay.

(***) Net of valuation allowance for materials for P\$68 million and impairment of PP&E for P\$282 million.

All of the above-mentioned assets were used to provide service to our customers as described below.

	2016	2015	2014
	(thousands)		
Fixed lines in service	3,920	4,043	4,093
Fixed Internet access lines	1,738	1,814	1,771
Mobile subscribers(*)	22,052	22,202	22,066

(*) In 2016, 2015 and 2014, includes 2,538, 2,546 and 2,481 thousand Núcleo mobile subscribers, respectively, of which 5, 6 and 5 thousand were Internet (Wi-Max) customers, respectively.

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As of December 31, 2016, we have entered into purchase commitments relating to PP&E totaling P\$2,866 million primarily for switching equipment, external wiring, network infrastructure, inventory and other goods and services. In general, the contracts are financed, directly or indirectly, by domestic and foreign vendors.

Our current major suppliers of PP&E are Huawei Tech Investment Co. Ltd. Argentina, Huawei International PTE. LTD (Singapore), Italtel Argentina S.A. (Argentina), Cia. Ericson S.A.C.I. (Argentina), Sofrecom Argentina S.A. (Argentina), Alcatel Lucent de Argentina S.A. (Argentina), Alcatel Lucent International (France), Nokia Solution and Networks (Argentina) and Vlocity UK Limited (United Kingdom).

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion in conjunction with our Consolidated Financial Statements, including the notes to those financial statements, which appear elsewhere in this Annual Report. Our Consolidated Financial Statements have been prepared in accordance with IFRS. See “Item 3—Key Information—Selected Financial Data.” The following discussion and analysis are presented by the Management of our company and provide a view of our financial condition, operating performance and prospects from Management’s perspective. The strategies and expectations referred to in this discussion are considered forward-looking statements and may be strongly influenced or changed by shifts in market conditions, new initiatives that we implement and other factors. Since much of this discussion is forward-looking, you are urged to review carefully the factors referenced elsewhere in this Annual Report that may have a significant influence on the outcome of such forward-looking statements. We cannot provide assurance that the strategies and expectations referred to in this discussion will come to fruition. Forward-looking statements are based on current plans, estimates and projections, and therefore, you should not rely solely on them. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update any forward-looking statements in light of new information or future events. Forward-looking statements involve inherent risks and uncertainties, most of which are difficult to predict and are generally beyond our control. We caution you that a number of important factors could cause actual results or outcomes to differ materially from those expressed in, or implied by, the forward-looking statements. Please refer to “Forward-Looking Statements” and “Item 3—Key Information—Risk Factors” for descriptions of some of the factors relevant to this discussion and other forward-looking statements in this Annual Report.

Management Overview

Telecom is considered one of the leading companies in the Argentine telecommunications sector. The Telecom Group continued focusing on business growth, especially through the deployment of 4G/LTE technology. This deployment allowed us to provide higher speeds of Internet access, improving the mobile customers’ experience, particularly access to Multimedia content. In the fixed services segment we continued to satisfy the demand of higher bandwidth through the deployment of new technologies in the access and transport network.

As of December 31, 2016, the Telecom Group had 22.0 million mobile subscribers (of which 2.5 million came from our subsidiary Núcleo), 3.9 million fixed lines in service and 1.7 million fixed Internet Accesses (equivalent to 44% of fixed lines in service).

To promote the expansion of business, our capital expenditures amounted to P\$11,386 million in 2016, equivalent to 21% of consolidated revenues. Investments made by the Telecom Group and the estimated capital expenditures for 2017 are clear evidence of our commitment to our customers.

The following discussion and analysis summarizes relevant measures of results of operations presenting items by nature. The Company believes that the presentation of the measure “operating income before depreciation and amortization” provides investors and financial analysts with appropriate information that is relevant to understanding the Company’s past and present performance as well as our projections of future performance. Moreover, operating income before depreciation and amortization is one of the key performance measures used by Management for monitoring the Company’s profitability and financial position, at each of the segments and consolidated levels.

Continuing the trend of prior years, revenues in 2016 grew by 31% compared to 2015, reaching P\$53,240 million, and grew by 21% in 2015 compared to 2014, reaching P\$40,496 million. Operating income before depreciation and amortization in 2016 increased by P\$3,558 million as compared to 2015, reaching P\$14,424 million (equivalent to 27% of total revenues), while in 2015 it increased by P\$2,164 million as compared to 2014, reaching P\$10,866 million (equivalent to 27% of total revenues). Operating income increased by P\$1,614 million in 2016 as compared to 2015, reaching P\$7,843 million (equivalent to 15% of total revenues) while in 2015 it increased by P\$786 million as compared to 2014, reaching P\$6,229 million (equivalent to 15% of total revenues). Net income increased by P\$570 million in 2016 as compared to 2015, reaching P\$4,005 million (equivalent to 8% of total revenues), while it decreased by P\$294 million in 2015 as compared to 2014, reaching P\$3,435 million (equivalent to 8% of total revenues). Net income attributable to Telecom Argentina increased by P\$572 million in 2016 as compared to 2015, reaching P\$3,975 million, while it decreased by P\$270 million in 2015 as compared to 2014, reaching P\$3,403 million.

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For a discussion of the factors that may affect our results of operations see “Item 3—Key Information—Risk Factors” and “—Years ended December 31, 2016, 2015 and 2014—Factors Affecting Results of Operations” and “—Trend Information” below.

For a detailed analysis of our results of operations for fiscal year 2016, see “—Years ended December 31, 2016, 2015 and 2014” below.

Economic and Political Developments in Argentina

In the second half of 2001 and through the first half of 2002, Argentina experienced a deep economic recession together with an overwhelming financial and political crisis. The rapid and radical nature of changes in the Argentine social, political, economic and legal environment created a very unstable macroeconomic environment. In January 2002, the Argentine government abandoned the convertibility regime which had fixed the peso/U.S. dollar exchange rate at 1:1 and adopted emergency economic measures which converted and froze the rates for the voice-regulated services in the Fixed Services segment into pesos at a 1:1 peso/U.S. dollar ratio (referred to herein as “Pesification”), among other measures. Capital outflows increased sharply, leading to a massive devaluation of the peso and an upsurge in inflation. By the end of 2002, the peso had devalued by 237% (having devalued 280% as of June 30, 2002) while the wholesale price index increased 118% and the consumer price index increased 41%.

After the above mentioned crisis, the Argentine economy began a new period of rapid growth. Argentina’s GDP increased for six consecutive years, from 2003 to 2008. However, the international financial crisis of 2008 affected the country, which recorded a significant fall in its economic activity of 5.9%, interrupting the growth period mentioned above. Throughout 2010 and 2011, the economy showed a rapid and strong recovery, growing at an annual rate of 10.1% and 6.0%, respectively, but in 2012 a slowdown affected the economy and growth was again affected, decreasing by 1.0%. In 2013, better economic conditions helped to increase by 2.4% the country’s economic activity, but a new slowdown was recorded during 2014 as a new decrease of 2.5% in economic activity was recorded. Finally, growth resumed during 2015 at a moderate rate of 2.6%. As of the date of this Annual Report and according to figures published by INDEC, Argentina recorded a fall in its GDP of 2.3% during 2016.

Inflation continued to be the main concern for the economy. According to official statistics reported by the INDEC, the consumer price index rose 9.5% in 2011, 10.8% in 2012 and 10.9% in 2013. Since January 2014, a new consumer price index is being published aimed at improving the accuracy of the macroeconomic statistics. In 2014, the new consumer price index (“IPCNu”) showed an increase of 23.9%. In addition, the INDEC estimates that the Argentine wholesale price index increased by 12.7% in 2011, 13.1% in 2012, 14.8% in 2013 and 28.3% in 2014.

On January 8, 2016, the current administration issued Decree No. 55/2016 declaring a state of administrative emergency with respect to the national statistical system and the INDEC until December 31, 2016. During this state of emergency, the INDEC has suspended publication of certain statistical data (regarding prices, poverty, unemployment and GDP) until it completes a reorganization of its technical and administrative structure capable of producing sufficient and reliable statistical information. As of the date of this Annual Report, INDEC had resumed publication of the aforementioned statistical data, although for some indicators, it has not yet disclosed or provided reestimated figures for certain time periods. Under these circumstances the INDEC has recommended the use of alternative indexes published by San Luis Province and by the Autonomous City of Buenos Aires, which are an integral part of the National Statistic System, until a new index in compliance with international standards is produced. The national CPI and the national wholesale Price index published by the INDEC for the period January-October 2015 was 11.9% and 10.6%, respectively. Additionally, CPI published by the San Luis Province and by the Autonomous City of Buenos Aires for the period November-December 2015 were 9.5% and 6.0%, respectively.

INDEC resumed publication of the wholesale price index the entirety of 2016, which increased by 34.6% based on a year-to-year comparison. According to the latest available data, as INDEC has not disclosed figures for November and December 2015. In turn, the publication of the IPCNu index was resumed in June 2016 disclosing May 2016 monthly inflation figures, while data for the months of January to April of 2016 remains unavailable. Taking this into account, IPCNu index variation from May to December 2016 was 16.9%. Meanwhile, consumer price measures for Buenos Aires City and San Luis Province registered a 41.0% and 31.4% increase during 2016, respectively.

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For further detail regarding Argentine economic conditions see “Item 3—Key Information—Risk Factors—Risks Relating to Argentina—Inflation could accelerate, causing adverse effects on the economy and negatively impacting Telecom’s margins.”

Economic activity closed 2016 with a contraction that became deeper during the second and third quarter of the year. The telecommunications sector was also affected by this context. The global economy evidenced mixed results, with U.S. economic activity slowing down slightly in comparison with economic activity in 2015, and Eurozone countries grew at steady levels, with a less favorable outlook after Brexit results. In turn, emerging economies such as China and Brazil have significantly reduced their expansion rates, thus impacting Argentine exports and external competitiveness. Overall household consumption in Argentina registered a decrease during 2016, after being affected by important increases in prices and tariffs that in turn affected real household income.

During the period between 2005 and 2007, the peso remained relatively stable against the U.S. dollar, with US\$1.00 trading within a range of P\$2.86 to P\$3.16. However, the international financial crisis created uncertainty that affected the Argentine exchange rate, as reflected by a peso/dollar exchange rate increase of 9.5% and 10.1% per year in 2008 and 2009, respectively. The peso/dollar exchange rate was relatively stable in 2010 and 2011, ending 2010 at P\$3.98 per US\$1.00 and 2011 at P\$4.30 per US\$1.00, increasing 4.7% and 8.0%, respectively. In 2012, 2013 and 2014, the pace of peso devaluation accelerated to 14.4%, 32.5% and 31.1%, respectively; and the official exchange rate ended the year at a P\$8.55 per US\$1.00. In December 2015, the current administration lifted many of the restrictions to access the FX Markets and the multiple exchange rate system was unified into a floating rate regime. As a consequence, a significant depreciation of the peso occurred, with the exchange rate at P\$13.04 per US\$ 1.00, an increase of 52.5% by the end of 2015. In addition, on April 21, 2016 the BCRA published Communication “A” 5955, whereby the limits for access to the MULC for payments of foreign accounts payable related to goods and services were eliminated, establishing that starting on the following day access to the market for such payments is unlimited, subject to compliance with the foreign exchange norms in force. As of December 31, 2016, the exchange rate was P\$15.89 = US\$1.00, while on April 24, 2017, the exchange rate was P\$ 15.39= US\$1.00.

As the substantial majority of our property and operations are located in Argentina, macroeconomic and political conditions will continue to affect us. The Argentine government has exercised and continues to exercise significant influence over many aspects of the Argentine economy. Accordingly, Argentine governmental actions concerning the economy could significantly affect private sector entities in general and our operations in particular, as well as affect market conditions, prices and returns on Argentine securities, including ours. While our business continued growing in 2016, our operating results, financial condition and cash flows remain vulnerable to fluctuations in the Argentine economy. See “Item 3—Key Information—Risk Factors—Risks Relating to Argentina.”

Critical Accounting Policies

Our Consolidated Financial Statements, prepared in accordance with IFRS, are dependent upon and sensitive to accounting methods, assumptions and estimates that we use as a basis for its preparation. We have identified critical accounting estimates and related assumptions and uncertainties inherent in our accounting policies (that are fully described in Note 3 to our Consolidated Financial Statements), which we believe are essential to an understanding of the underlying financial reporting risks. Additionally we have identified the effect that these accounting estimates, assumptions and uncertainties have on our Consolidated Financial Statements.

Use of estimates

IFRS involves the use of assumptions and estimates that may significantly affect the reported amounts of assets, liabilities and results of operations and any accompanying financial information.

Management considers financial projections in the preparation of the financial statements as further described below. These financial projections anticipate scenarios deemed both likely and conservative based upon macroeconomic, financial and industry-specific assumptions. However, actual results may differ significantly from such estimates.

Variations in the assumptions regarding exchange rates, rates of inflation, level of economic activity and consumption, creditworthiness of our current and potential customers, aggressiveness of our current or potential competitors and technological, legal or regulatory changes could also result in

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significant differences from financial projections used by us for valuation and disclosure of items under IFRS.

The most important accounting estimates, those which require a high degree of subjective assumptions and judgments, are the following:

Revenue recognition

Revenues are recognized to the extent that it is probable that economic benefits will flow to the Telecom Group and their amount can be measured reliably. Revenues are stated net of estimated discounts and returns.

Revenues from upfront connection fees for fixed, data and Internet services that are non-separable from the service are accounted for as a single transaction and deferred over the term of the contract or, in the case of indefinite period contracts, over the average period of the customer relationship (approximately eight years for the fixed telephony customers). Therefore, these revenues are influenced by the estimated expected duration of customer relationships for indefinite period contracts.

Revenues are also subject to estimations of the traffic measures. Unbilled revenues from the billing cycle dating to the end of each month are calculated based on the traffic and are accrued at the end of the month. In addition, revenues from unexpired prepaid recharges made by customers are recognized on the basis of the services used, at the contract price per service.

Changes in these estimations, if any, may require adjustments to recorded revenues.

PP&E and intangible assets

Useful lives and residual value

We record PP&E and intangible assets at acquisition or construction cost. PP&E and intangible assets, except for indefinite useful life intangibles, are depreciated or amortized on a straight-line basis over their estimated useful lives. The determination of the depreciable amount of the assets and their useful lives involves significant judgment. We periodically review, at least at each financial year-end, the estimated useful lives of PP&E and amortizable intangible assets.

Recoverability assessment of PP&E and intangible assets with finite useful life

At a minimum at every annual closing date, we assess whether events or changes in circumstances indicate that PP&E and amortizable intangible assets may be impaired.

Under IFRS, the carrying value of a long-lived asset is considered impaired by the Company when the recoverable amount of such asset is lower than its carrying value. In such event, a loss would be recognized based on the amount by which the carrying value exceeds the recoverable amount of the long-lived asset. The recoverable amount is the higher of the fair value (less costs to sell) and its value in use (present value of the future cash flows expected to be derived from the asset, group of assets or cash generating unit). Once an impairment loss is identified and recognized, future reversal of impairment loss is permitted only if the indicators of the impairment no longer exist or have decreased.

The identification of impairment indicators and the estimate of the value in use for assets (or groups of assets or cash generating units) require Management to make significant judgments concerning the validation of impairment indicators, expected cash flows and applicable discount rates. Estimated cash flows are based on significant assumptions by Management about the key factors that could affect future business performance such as the future market share, competition level, capital expenditures, salary increases, foreign exchange rates evolution, capital structure, capital cost, etc.

For the years presented, we estimated that there are no indicators of impairment of assets that are subject to amortization, except for the net impairment loss of certain assets amounting to P\$383 million, P\$230 million and P\$25 million in 2016, 2015 and 2014, respectively. See Note 3.k) to our Consolidated Financial Statements.

However, changes in our current expectations and operating assumptions, including changes in our business strategy, technology, competition, changes in market conditions or regulations, could significantly impact these judgments and could require future adjustments to the carrying amount of recorded assets.

Intangible assets with indefinite useful life—PCS license

We determined that Personal's PCS license met the definition of an indefinite-lived intangible asset for the years presented. Therefore, Personal does not amortize the cost of this license. However, Personal tests it annually for impairment. An impairment loss is recognized when the carrying amount exceeds the recoverable amount. The recoverability assessment of an indefinite-lived intangible asset such as the PCS license requires our Management to make assumptions about the future cash flows expected to be derived from such asset.

Such estimated cash flows are based on significant assumptions by Management about the key factors that could affect future business performance such as the future market share, competition level, capital expenditures, salary increases, foreign exchange rates evolution, capital structure, discount rate, etc.

Personal's net cash flows projection is denominated in Argentine pesos, its functional currency. However, due to the fact that there is no prevailing long-term discount rate in pesos available in the market, Personal: (a) has converted such peso-denominated cash flows into U.S. dollars using future estimated exchange rates applicable to each period; and (b) has discounted these U.S. dollar-denominated cash flows at an annual U.S. dollar rate of approximately 11% in order to obtain the recoverable value of intangible assets with indefinite useful life.

Through this evaluation, it was determined that the carrying amount of the PCS license did not exceed the recoverable amount of the asset. As a result, no impairment has been recognized.

Our judgments regarding future cash flows may change due to future market conditions, competition, business strategy, the evolution of technology, changes in regulations and other factors. These changes, if any, may require material adjustments to the carrying amount of the PCS license.

Income Taxes and Recoverability assessment of deferred income tax assets and other tax receivables

We are required to estimate our income taxes (current and deferred) in each of the companies of the Telecom Group according to a reasonable interpretation of the tax law in effect in each jurisdiction where the companies operate. This process may involve complex estimates to determine taxable income and deductible and taxable temporary differences between the carrying amounts and the taxable amounts. In particular, deferred tax assets are recognized for all deductible temporary differences to the extent that future taxable income will be available against which they can be utilized. The measurement of the recoverability of deferred tax assets requires estimating future taxable income based on the Company's projections and takes into account conservative tax planning.

The recoverability assessment of the income tax receivable related to Telecom Argentina's actions for recourse filed during 2015 and 2016 regarding the amounts determined in excess due to lack of application of the income tax inflation adjustment, is based on the existing legal jurisprudence on this matter and the estimated future behavior of the National Tax Authority and of the National court in their review of the actions filed by the Company (see Note 14 to our Consolidated Financial Statements).

If actual results differ from these estimates due to changes in tax authority's interpretations and the new fiscal jurisprudence, or we adjust those estimates in future periods, our financial position, results of operation and cash flows may be materially affected.

The measurement of current and deferred tax liabilities and assets is based on provisions of the enacted tax law as of the end of the reporting period and the effects of future changes in tax laws or rates are not anticipated.

Receivables and payables valued at amortized cost

Receivables and payables valued at amortized cost are initially recorded at their fair value, which is generally determined by using a discounted cash flow valuation method. The fair value under this method is estimated as the present value of all future cash flows discounted using an estimated discount rate, especially for long-term receivables and payables. The estimated discount rate used to determine the discounted cash flow of long-term receivables and payables was an annual rate in pesos of approximately 34% for 2015. The estimated discount rate used to determine the discounted cash flow of long-term receivables in U.S. dollars was an annual rate of 13% for years 2016 and 2015. The discount rate in Guaraníes for loans was 9.42% in 2016 and 2015, and for accounts receivable was 9.8% in 2016 and 2015. The difference between the initial fair value and the nominal amount of

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receivables and payables is recognized as finance income or expense using the effective interest method over the relevant period.

Changes in these estimated discount rates could materially affect our financial position, cash flows and results of operations.

Provisions

We are subject to proceedings, lawsuits and other claims related to labor, civil, tax, regulatory, commercial and other matters. In order to determine the proper level of provisions relating to these contingencies, we assess the likelihood of any adverse judgments or outcomes related to these matters as well as the range of probable losses that may result from the potential outcomes. We consult with internal and external legal counsel on these matters. A determination of the amount of provisions required, if any, is made after careful analysis of each individual issue. Our determination of the required provisions may change in the future due to new developments in each matter, changes in jurisprudential precedents and tribunal decisions or changes in our method of resolving such matters, such as changes in settlement strategy, and, therefore, these changes may materially affect our financial position, cash flows and results of operations.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make the required payments. We base our estimates on the aging of our accounts receivable balances, the requests by customers to unsubscribe, our historical write-offs, public sector and corporate customer creditworthiness and changes in our customer payment terms. If the financial condition of our customers were to deteriorate, the actual write-offs could be higher than expected.

Years ended December 31, 2016, 2015 and 2014

For purposes of these sections, the fiscal years ended December 31, 2016, 2015 and 2014 are referred to as “2016,” “2015” and “2014,” respectively.

Our results of operations are determined in accordance with IFRS. The Telecom Group provides customers with a broad range of telecommunication services. To fulfill its purpose, the Telecom Group conducts different activities that are distributed among the companies in the Group. Each company represents an operating segment. These operating segments have been aggregated into the following segments according to the nature of the products and services provided and economic characteristics:

Segment	Company of the Telecom Group/Operating Segment
Fixed Services	Telecom Argentina Telecom Argentina USA Micro Sistemas (i)
Personal Mobile Services	Personal
Núcleo Mobile Services	Núcleo Envíos

(i) Dormant entity during the years ended December 31, 2016, 2015 and 2014.

The main products and services in each segment for the years presented are:

- Fixed Services: local area, national long-distance and international communications, supplementary services (including call waiting, itemized invoicing, voicemail, etc.), interconnection with other operators, data transmission (including private networks, point-to-point traffic, radio and TV signal transportation), Internet services, IT solution Outsourcing and sales of equipment.
- Personal Mobile Services and Núcleo Mobile Services: service offerings include voice communications, high-speed mobile Internet content and applications download, MMS, SMS, among others; and sale of mobile communication devices (handsets, modems mifi and wingles). The services are supported in the different technologies of the mobile network (2G/3G/4G).

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The following table shows a breakdown of our revenues by business segment for the years ended December 31, 2016, 2015 and 2014:

Segment	2016		2015		2014	
	Revenues (1) (P\$ million)	% of Consolidated Revenues	Revenues (1) (P\$ million)	% of Consolidated Revenues	Revenues (1) (P\$ million)	% of Consolidated Revenues
Fixed Services	15,014	28.2	10,736	26.5	8,559	25.7
Personal Mobile Services	35,584	66.8	28,054	69.3	23,204	69.6
Núcleo Mobile Services	2,642	5.0	1,706	4.2	1,578	4.7
TOTAL	53,240	100.0	40,496	100.0	33,341	100.0

(1) Includes service revenues and equipment sales and the effect of elimination of intersegment transactions.

Management’s explanations under “—(B) Results of Operations by Segment” below regarding changes in financial condition and results of operations for years 2016, 2015 and 2014 related to segments of the Company have been provided based on financial information under IFRS as disclosed in Note 28 to our Consolidated Financial Statements.

Factors Affecting Results of Operations

Described below are certain factors that may be helpful in understanding our operating results. These factors are based on the information currently available to our Management and may not represent all of the factors that are relevant to an understanding of our current or future results of operations. See also “Item 3—Key Information—Risk Factors”. Additional information regarding trends expected to influence our results of operations is analyzed below under “—Trend Information.”

Impact of Political and Economic Environment in Argentina: Levels of economic activity affect our customers’ consumption of our services, the demand for new mobile and fixed lines and Broadband accesses as well as the levels of uncollectible accounts and disconnections. Demand for our services and the amount of revenues we collect are also affected by inflation, the evolution of consumption in the economy, exchange rate variations and the rate of unemployment, among other factors.

Price of services: The LAD (as amended by Decree No. 267/15), under Title VI - Article 48, established that licensees of ICT services may set their prices which shall be fair and reasonable, to offset the costs of exploitation and to tend to the efficient supply and reasonable margin of operation. However, the Regulatory Authority is entitled to observe the prices set by the Company if it understands that they do not comply with the provisions of Article 48 of the LAD. If prices are observed as imposing restrictions on our prices our operating margins may be negatively affected. Before the LAD came into force, the service prices that Telecom Argentina charged in its fixed telephony service (including both monthly charges and measured service charges), installation charges, public telephone charges and charges for Internet dial-up traffic (“Regulated Services”) were subject to regulation.

The impact of the service price adjustments on the Company’s results of operations has been particularly relevant in recent years as a result of inflationary pressures on our costs structure.

Competition: The Argentine telecommunications market has become increasingly competitive. Competition is mainly focused on Internet and mobile services. Recently, through ENACOM Resolution No. 1,299/17, Nextel was authorized to provide SCMA resulting in the entrance of a new competitor for these services. To remain competitive, we must devote significant resources to capital expenditures, and trade expenses (including selling commissions). See “Item 4 —Information on the Company—The Business—Competition.”

Technology Developments and Capital Expenditures: Improvements in technology influence our customers’ demand for services and equipment. For example, demand for fixed-line telecommunications services has been affected by continued significant growth in mobile business. Growth in the fixed-services business at present is being driven by the expansion of Broadband for individuals and corporations. The increase in Broadband adoption has also proven to be a critical factor in facilitating the offering of Value Added Services to customers and the bundling of services.

In the fixed-services business, we must invest in our fixed-line network and information technology. Specifically, in Internet services, we must constantly upgrade our Access technology and software, embrace emerging transmission technologies and improve the responsiveness, functionality, coverage and features of our services.

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In the mobile business, to provide its subscribers with new and better services, Personal has to enhance its mobile networks extending 3G and 4G technology and bandwidth for mobile data transmission. Moreover, taking into account the frequencies acquired, Personal must develop a LTE infrastructure expeditiously, according to regulatory requirements and the mobile market development.

In addition, as new technologies develop, equipment may need to be replaced or upgraded, and network facilities (in particular, mobile and Internet network facilities) may need to be rebuilt in whole or in part, at substantial cost, to remain competitive. These enhancements and the implementation of new technologies will continue requiring increased capital expenditures. See “Item 4—Information on the Company—Capital Expenditures.”

Devaluation of the peso: The peso has been subject to significant devaluations in the past and may be subject to fluctuation in the future. In recent years, there was a significant devaluation which amounted to approximately 21.9% in 2016, 52.5% in 2015 and 31.1% in 2014. The majority of our revenues are received in pesos whereas a portion of the costs regarding materials and supplies related to the construction and maintenance of our networks and services are incurred in foreign currencies. Also, the high level of competition limited our ability to transfer to our customers the fluctuations in the exchange rates between the peso and the U.S. dollar and other currencies. In addition, any devaluation of the peso against foreign currencies may increase operating costs and capital expenditures, which will adversely affect our results of operations, considering the net effect on revenues and costs.

Increase in inflation. In the past, Argentina has experienced periods of high inflation. In recent years, inflation levels have been increasing and have remained relatively high. The economic recovery, a higher increase in public spending or a fast devaluation of the Argentine peso could lead to higher inflation. Any increase in inflation levels not accompanied by an increase in the rates we charge our customers could adversely affect our results of operations in nominal and real terms. See “Item 3—Key Information—Risk Factors—Risks relating to Argentina—Inflation could accelerate, causing adverse effects on the economy and negatively impacting Telecom’s margins.”

Our Consolidated Financial Statements and the financial information included elsewhere in this Annual Report have been prepared on a historical basis in accordance with IFRS. However, due to the high level of inflation prevailing in Argentina in the last few years, Management analyzed the conditions established by IAS 29 paragraph 3 to consider an economy as hyperinflationary. It should be mentioned that if the conditions established by IAS 29 to consider an economy as a hyperinflationary are met, the restatement of financial statements must be made retroactively from the date of the revaluation used as deemed cost (in the case of Group companies located in Argentina, since February 2003) or from the acquisition date for assets acquired after that date.

Based on the analysis made as of December 31, 2016, Management considers that the quantitative condition provided in section e) of IAS 29 has been met, while the qualitative conditions of the Argentine economy are mixed (some suggest the existence of a high inflation environment while others have not substantially changed from previous years, when it was concluded that our financial statements should not be restated). Under these circumstances, and in order to be objective, Management gave prominence to the conclusions reached by some international auditing firms that were available to Management, which considered that as of December 31, 2016 there was insufficient evidence to consider the Argentina’s economy as “hyperinflationary” under IAS 29. Similar conclusions were reached under US GAAP by the International Practices Task Force (the “IPTF”), according to its memorandum issued on November 17, 2016. See “Item 3—Key Information—Risk factors—Risk Factors Relating to Argentina— Inflation could accelerate, causing adverse effects on the economy and negatively impacting Telecom’s margins”, “Economic and Political Developments in Argentina” and Note 1.e) to the Consolidated Financial Statements.

Although we believe that in 2017 inflation rates will be significantly reduced, IAS 29 and the IPTF recommended that Argentine issuers continue monitoring whether the Argentine economy qualifies as highly inflationary. Therefore, given the retroactive nature of the potential financial information restatement that should be applied in the event that Argentine economy be qualified as highly inflationary, under “—Additional relevant information on the possible application of IAS 29 in the Telecom Group as of December 31, 2016, 2015 and 2014” we provide an aggregate estimation of IAS 29 application for the amounts reported in accordance with IFRS as of December 31, 2016, 2015 and 2014.

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Tax pressures and litigation. Local municipalities in the regions where we operate have introduced regulations and proposed various taxes and fees for the installation of infrastructure, equipment and expansion of fixed-line and mobile networks. Local and federal tax authorities have brought an increasing number of claims against us. We disagree with these proceedings and we are contesting them. Also, jurisprudential changes in labor and pension matters have generated higher claims from employees and former employees and also increased claims from employees of a contractor or subcontractor alleging joint liability. We cannot assure you that the laws and regulations currently governing the economy or the telecommunications industry will not change, that the claims will be resolved in our favor, or that any changes to the existing laws and regulations will not adversely affect our business, financial condition, results of operations and cash flows as well.

(A) Consolidated Results of Operations

In the year ended December 31, 2016, we reported net income of P\$4,005 million, compared to net income of P\$3,435 million for the year ended December 31, 2015, and net income of P\$3,729 million for the year ended December 31, 2014. Net income attributable to Telecom Argentina increased by P\$572 million in 2016 as compared to 2015, reaching P\$3,975 million, while it decreased by P\$270 million in 2015 as compared to 2014, reaching P\$3,403 million, from P\$3,673 million reported in 2014.

Consolidated revenues in 2016 were P\$53,240 million compared to P\$40,496 million in 2015 and P\$33,341 million in 2014. The increase of P\$12,744 million in 2016 (a 31% increase) can be largely attributed to the growth in the Personal and Núcleo Mobile Services segments, including handset revenues and in Internet and Data services included in the Fixed Services segment.

In 2016, operating expenses (including depreciation and amortization and impairment of PP&E) totaled P\$45,480 million, representing an increase of P\$11,169 million, or 33%. In 2015, operating expenses (including depreciation and amortization and gain on disposal of PP&E and impairment of PP&E) totaled P\$34,311 million, representing an increase of P\$6,366 million, or 23% in relation to 2014. The increase in costs in both years 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 and fees with the Regulatory Authority, the increase of VAS costs, the increase in bad debt expenses and higher depreciation and amortization of PP&E and intangible assets. Also, in 2016, the increase is mainly due to higher provisions costs, higher agents' commissions, and, in 2015 is also mainly due to an increase in cost of equipment and handsets.

(A.1) 2016 Compared to 2015

	Years Ended December 31,		Total Change		Change by segment (1)		
	2016	2015			Fixed Services	Personal Mobile Services	Núcleo Mobile Services
	(P\$ million)		%	(P\$ million)			
Revenues	53,240	40,496	31	12,744	4,278	7,530	936
Other Income	83	44	89	39	27	11	1
Operating expenses (without depreciation and amortization)	(38,899)	(29,674)	31	(9,225)	(3,637)	(4,933)	(655)
Operating income before depreciation and amortization (2)	14,424	10,866	33	3,558	668	2,608	282
Depreciation and amortization	(6,198)	(4,438)	40	(1,760)	(371)	(1,094)	(295)
Impairment of PP&E	(383)	(199)	92	(184)	92	(275)	(1)
Operating income	7,843	6,229	26	1,614	389	1,239	(14)
Financial results, net	(2,244)	(1,102)	104	(1,142)	35	(1,213)	36
Income tax expense	(1,594)	(1,692)	(6)	98	96	16	(14)
Net income	4,005	3,435	17	570	520	42	8
Net income attributable to:							
<i>Telecom Argentina (Controlling Company)</i>	3,975	3,403	17	572			
<i>Noncontrolling interest</i>	30	32	(6)	(2)			

(1) Includes the effect of eliminations of Intersegment transactions.

(2) Although it is not specifically defined, this is a permitted measure under IFRS. See “—Management Overview” above for a discussion of the use of this measure.

Revenues

	Years Ended December 31,		Total Change		Change by segment (1)		
	2016	2015			Fixed Services	Personal Mobile Services	Núcleo Mobile Services
	(P\$ million)		%	(P\$ million)			
Voice	17,566	13,854	27	3,712	1,671	1,733	308
Data	9,984	9,249	8	735	1,139	(520)	116
Internet	17,804	11,377	56	6,427	1,438	4,578	411
Service Revenues	45,354	34,480	32	10,874	4,248	5,791	835
Equipment (2)	7,886	6,016	31	1,870	30	1,739	101
Revenues	53,240	40,496	31	12,744	4,278	7,530	936

(1) Net of the Intersegment revenues effect.

(2) This item is composed of voice, data and Internet equipment in each year.

During 2016, total consolidated revenues increased by 31% to P\$53,240 million from P\$40,496 million in 2015, mainly driven by the mobile services provided by Personal and our Broadband and data transmission businesses.

Consolidated revenues for 2016 and 2015 are comprised as follows:

Voice

Revenues from voice services increased 27% to P\$17,566 million in 2016 from P\$13,854 million in 2015. Revenues from voice services represented 33% of our total consolidated revenues for 2016 compared to 34% of our total consolidated revenues for 2015.

Fixed services

Revenues from voice services represented 40% of our total Fixed Services segment revenues attributable to third parties for each of 2016 and 2015.

Voice services mainly include revenues from monthly charges, charges for supplementary services, measured service (national and international calls) and public telephone service. Charges for supplementary services include call waiting, call forwarding, three-way calling, caller ID, direct inwards dialing, toll-free service and voicemail, among others. Measured service charges are based on the number and duration of calls. Measured service revenues depend on the number of lines in service, the volume of usage, the number of new lines installed and applicable rates. They also include interconnection services (which primarily include Access, termination and long-distance transport of calls), international long-distance service (which reflect payments made under bilateral agreements between Telecom Argentina and foreign telecommunications carriers covering inbound international long-distance calls) and revenues related to billing and collection services charged to other operators.

Revenues from voice-retail increased 41% to P\$4,654 million.

Monthly charges and supplementary services increased by P\$1,074 million or 76% to P\$2,480 million in 2016 from P\$1,406 million in 2015. Such growth was mainly due to an increase of residential monthly basic charges prices since May 2016 and an increase in the prices of supplementary services.

Measured service charges increased 15% to P\$2,073 million in 2016 from P\$1,800 million in 2015. The increase was mainly due to the increase in plans prices (both in local and national long-distance).

Voice-wholesale revenues (including fixed and mobile interconnection revenues and lease of circuits, together with the revenues generated by the subsidiary Telecom Argentina USA amounting to P\$265 million) amounted to P\$1,356 million in 2016 (31% higher than in 2015). Interconnection services reached P\$845 million in 2016, an increase of P\$156 million, or 23% as compared to 2015. Other wholesale revenues reached P\$511 million in 2016, an increase of P\$165 million, or 48%, as

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compared to 2015. The increase was mainly due to higher prices related to cell sites rentals and lease of circuits due to the variation of the P\$/US\$ exchange rate.

Personal Mobile services

Revenues from voice services represented 30% of our total Personal Mobile Services segment revenues attributable to third parties for 2016 compared to 32% for 2015.

Voice services mainly include revenues from monthly charges, airtime usage charges and roaming charges to our customers for their use of our and other carriers' networks, CPP, TLRD and roaming charges to other mobile service providers whose customers use our network.

Voice-retail revenues reached P\$8,503 million in 2016 (an increase of 22% as compared to 2015). The increase was mainly due to the increase in monthly charges prices for the post-paid and "Abono Fijo" subscribers and prepaid services, net of the variation of the subscriber's base (evidencing an increase of 1.2% and 0.7% of post-paid, "Abono Fijo" subscriber's base, respectively and a decrease of 1.4% of prepaid of subscriber's base as compared to 2015).

Voice-wholesale revenues to third parties reached P\$2,078 million in 2016 (an increase of 10% as compared to 2015). The increase was mainly due to an increase in interconnection prices, partially offset by a decrease in interconnection traffic (mainly TLRD and CPP).

In *Núcleo Mobile Services segment*, voice revenues increased by 46% to P\$975 million in 2016 compared to P\$667 million in 2015, mainly due to the devaluation of the P\$ as compared to the Guarani.

Data and Internet

Revenues from data and Internet services increased 35% to P\$27,788 million in 2016 from P\$20,626 million in 2015. Revenues from data and Internet represented 52% of our total consolidated revenues in 2016 compared to 51% of our total consolidated revenues in 2015.

In the Mobile Services segments, data and Internet services mainly include SMS, contents via SMS and Internet. Revenues from data and Internet in the Personal Mobile segment increased 30% to P\$17,468 million in 2016 from P\$13,410 million in 2015.

As a consequence of the increase in VAS consumption (Internet and data), the ARPU increased to P\$112.3 per month in 2016 (as compared to P\$91.5 per month in 2015) in the Personal Mobile Segment.

Data

Revenues from data services in the Fixed segment increased 64% to P\$2,919 million in 2016 from P\$1,780 million in 2015. These revenues were generated by focusing on Telecom Argentina's position as an integrated ICT provider (Datacenter and 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 P\$/US\$ exchange rate and the increase in the number of customers of *Innovation* services (which generated an increase of P\$812 million as compared to 2015).

Mobile data revenues reached P\$7,065 million in 2016 (a decrease of 5% as compared to 2015). The decrease was due to lower revenues from the principal item of VAS revenues, SMS consumption in Personal Mobile Services Segment, which decreased by 27% from 2015 to 2016. Notwithstanding, this effect was partially offset by a constant increase of the SMS with content sales (where its inter-annual variation amounted to an increase of P\$438 million or 14%).

Internet

Internet revenues in the Fixed segment increased by 32% to P\$5,994 million in 2016 from P\$4,556 million in 2015. The increase was mainly due to an increase in average prices resulting in an improvement in the ARPU, which amounted to P\$270.9 per month in 2016 as compared to P\$207.4 per month in 2015, which was partially offset by a decrease in Broadband service access lines (a decrease of 4% of access lines as compared to 2015). As of December 31, 2016 the number of Internet accesses reached approximately 1.7 million (of which 1,298,000 correspond to an increase of access over 3Mb as compared to 1,010,000 in 2015) equivalent to 44% of fixed lines in service of Telecom Argentina (as compared to 45% in 2015), compared to approximately 1.8 million as of December 31, 2015, as a consequence of a decrease of prepaid customers with no consumption.

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Mobile Internet revenues in the Personal Mobile segment increased 73% to P\$10,832 million in 2016 from P\$6,254 million in 2015. 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 existing ones to higher-value plans and the increase in subscribers that acquired 3G and 4G handsets, which facilitate Internet browsing.

Equipment

Revenues from equipment increased by 31% to P\$7,886 million in 2016 from P\$6,016 million in 2015. The Personal Mobile Services segment showed an increase of P\$1,739 million as compared to 2015 due to an increase in handset's average sale price (an increase of 34% as compared to 2015), which was partially offset by a decrease in handset units sold (a decrease of 4% as compared to 2015), resulting in a higher operating margin. Núcleo Mobile Services segment reached an increase of P\$101 million (an increase of 64% as compared to 2015) due to an increase in handset's average sale prices including the effect of the devaluation of P\$ against Guaraniés (an increase of 78% as compared to 2015), partially offset by a decrease in handset units sold (a decrease of 8% as compared to 2015).

Other Income

Other income mainly includes penalties and indemnities collected from suppliers, as a result of delays in deliveries of goods or matters related to the quality of the services provided and gains on disposal of PP&E since 2016. During 2016, other income increased by 89% to P\$83 million from P\$44 million in 2015, mainly due to an increase in penalties and indemnities collected from suppliers.

Operating expenses (without depreciation and amortization)

Total operating expenses (without depreciation and amortization and impairment of PP&E) increased by P\$9,225 million totaling P\$38,899 million in 2016, representing a 31% increase as compared to 2015.

	Years Ended December 31,		Change by segment (1)				
	2016	2015	Total Change		Fixed Services	Personal Mobile Services	Núcleo Mobile Services
	(P\$ million)		%		(P\$ million)		
Employee benefit expenses and severance payments	9,800	7,253	35	2,547	1,952	525	70
Interconnection costs and other telecommunications charges	2,553	2,170	18	383	235	110	38
Fees for services, maintenance, materials and supplies	5,006	3,919	28	1,087	532	478	77
Taxes and fees with the Regulatory Authority	5,125	3,943	30	1,182	300	854	28
Commissions	3,849	3,193	21	656	59	501	96
Cost of equipment and handsets	6,188	4,595	35	1,593	54	1,421	118
Advertising	874	814	7	60	18	16	26
Cost of VAS	1,499	1,256	19	243	15	193	35
Provisions	187	113	65	74	61	13	—
Bad debt expense	1,228	564	118	664	73	489	102
Other operating expense	2,590	1,854	40	736	338	333	65
Total operating expenses (without depreciation and amortization)	38,899	29,674	31	9,225	3,637	4,933	655

(1) Net of the Intersegment transactions effect.

Employee benefit expenses and severance payments

During 2016, employee benefit expenses and severance payments were P\$9,800 million, representing a 35% increase from 2015. This was primarily due to salary increases that Telecom implemented across all segments with several trade unions with respect to the unionized employees and also to non-unionized employees, together with related social security charges.

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With a total headcount of 15,970 at the end of 2016 (a decrease of 2% as compared to 2015), lines in service per employee reached 360 in the Fixed Services segment (a decrease of 3% as compared to 2015), 4,187 customers by employee in the Personal mobile services segment (an increase of 5% as compared to 2015) and 6,317 customers by employee in the Núcleo mobile services segment (an increase of 1.5% as compared to 2015).

Interconnection costs and other telecommunications charges

Interconnection costs and other telecommunication charges (including charges for TLRD, Roaming, cost of international outbound calls and lease of circuits) amounted to P\$2,553 million in 2016 as compared to P\$2,170 million in 2015. The increase was mainly due to an increase in international outbound calls and Roaming traffic, and higher TLRD costs.

Fees for services, maintenance, materials and supplies

Expenses related to fees for services, maintenance, materials and supplies increased by 28% to P\$5,006 million in 2016 from P\$3,919 million in 2015. Maintenance, material and supplies costs increased 48% as compared to 2015 (including obsolescence of inventories) and fees for services increased 11% as compared to 2015. 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 P\$/US\$ exchange rate, an increase in corrective and preventive 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 by suppliers in all segments.

Taxes and fees with the Regulatory Authority

Taxes and fees with the Regulatory Authority (including turnover tax, tax on deposits and withdrawals from bank accounts, municipal and other taxes) increased by 30% to P\$5,125 million in 2016 from P\$3,943 million in 2015, mainly influenced by the increase in revenues of fixed and mobile services in Argentina and higher taxes on deposits and withdrawals from bank accounts related to higher collections and payments to suppliers.

Commissions

Commissions (including agent, distribution of prepaid cards and other commissions) increased by 21% to P\$3,849 million in 2016 from P\$3,193 million in 2015. The increase was mainly due to the increase in agents' commissions (associated with higher revenues) as a result of higher customer's acquisition and retention costs recognized and an increase in outsourced sales commissions and collection commissions.

Commissions are net of agents' commissions capitalized as Subscriber acquisition cost ("SAC"), which totaled P\$1,403 million in 2016 (an increase of P\$231 million or 20% as compared to 2015), and it's directly related to the gross increase of new customers in the "Abono Fijo" subscribers' base, mainly in the Personal Mobile Services segment, and the increase in the commissions prices.

Cost of equipment and handsets

During 2016, the cost of equipment and handsets increased to P\$6,188 million from P\$4,595 million in 2015, mainly due to an increase in the average unit cost of sales (an increase of 39% as compared to 2015) which was partially offset by a decrease in the units of handsets sold (a decrease of 4% as compared to 2015) in the Personal Mobile Services segment.

Cost of equipment and handsets are net of handset costs capitalized as SAC, which amounts to P\$130 million in 2016, P\$37 million, or 40% higher than in 2015.

Advertising

Costs related to advertising increased by P\$60 million, or 7%, to P\$874 million in 2016, mainly due to an increase in media campaigns of Personal related to the launch of 4G services throughout the country.

Cost of VAS

Cost of VAS amounted to P\$1,499 million in 2016 (an increase of P\$243 million as compared to 2015), mainly due to the increase of VAS sales in the Personal Mobile Services segment (mainly the Contents via SMS service) as a consequence of several campaigns launched by Personal.

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Provisions

During 2016, we recorded P\$187 million in provisions compared to P\$113 million recorded in 2015, representing a 65% increase. The increase was mainly due to higher labor and regulatory claims, which were partially offset by lower civil and commercial claims. See Note 17 to our Consolidated Financial Statements for more information.

Bad debt expenses

In 2016, bad debt expense amounted to P\$1,228 million, an increase of 118% as compared to 2015, representing 2.3% and 1.4% of consolidated revenues in each of 2016 and 2015. The major increase is observed in the Personal Mobile Services segment as a consequence of higher aging of the accounts receivables and higher incidence of handset sales directly financed by Personal and Núcleo to its post-paid and “*Abono Fijo*” subscribers.

Other Operating Expenses

Other operating expenses, which include transportation costs, energy and rentals, among others, increased by 40% to P\$2,590 million in 2016 from P\$1,854 million in 2015, primarily as a result of higher prices on related services, especially in transportation, freight and travel expenses (an increase of P\$193 million or 25% as compared to 2015), among others, in the operations in Argentina; the increase of rent prices (an increase of P\$225 million or 42% as compared to 2015), as a result of new agreements and the renegotiation of some existing agreements and an increase in the energy cost (an increase of P\$181 million or 53% as compared to 2015), mainly due to an increase in prices.

For a further breakdown of our consolidated operating expenses, see “—Results of Operations by Segment” below.

Operating income before depreciation and amortization

Our consolidated operating income before depreciation and amortization was P\$14,424 million in 2016, (representing an increase of P\$3,558 million or 33% from P\$10,866 million in 2015). It represented 27% of total consolidated revenues, in each 2016 and 2015. This growth was mainly fueled by the Fixed Services segment (an increase of P\$760 million or 30% as compared to 2015) and Personal Mobile Services segment (an increase of P\$2,529 million or 32% as compared to 2015).

Depreciation and Amortization

Depreciation of PP&E and amortization of intangible assets increased by P\$1,760 million, or 40% as compared to 2015, to P\$6,198 million during 2016. The increase was mainly due to the increase in PP&E depreciation of P\$1,312 million, the increase in the amortization of SAC and Service connection costs of P\$429 million, and the increase in the amortization of other intangible assets of P\$19 million.

Impairment of PP&E

In 2016, impairment loss of PP&E amounted to P\$383 million, which was mainly related to the Mobile swap of Vendors in AMBA, and the simultaneous modernization of 2G/3G technology.

In 2015, the impairment is mainly related to projects of Telecom Argentina of P\$116 million (P\$107 million related to AFA Plus Project) and Telecom Personal of P\$114 million (Telecom Personal has assessed the recoverability of a group of former work in progress, recording an impairment of P\$44 million equivalent to its book value and an impairment of P\$49 million related to the total amount of works related to the discontinuation of the Orga Gold IT project and recorded an impairment of P\$21 million related to the Mobile swap of Vendors in AMBA, and the simultaneous modernization of 2G/3G technology).

Operating income

During 2016, consolidated operating income was P\$7,843 million, representing an increase of P\$1,614 million or 26% from 2015. Operating income represented 15% of consolidated revenues in each of 2016 and 2015.

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	Years Ended December 31,		% of Change
	2016	2015	2016-2015
	(P\$ million / %)		Increase/(Decrease)
Operating income before depreciation and amortization (1)	14,424	10,866	33
<i>As % of revenues</i>	27	27	
Depreciation and amortization	(6,198)	(4,438)	40
<i>As % of revenues</i>	(12)	(11)	
Impairment of PP&E	(383)	(199)	92
Operating income	7,843	6,229	26
<i>As % of revenues</i>	15	15	

(1) Although it is not specifically defined, this is a permitted measure under IFRS. See “—Management Overview” for a discussion of the use of this measure.

Financial results, net

During 2016, the Company recorded a net financial loss of P\$2,244 million compared to a net financial loss of P\$1,102 million in 2015. The variation is mainly due to higher interest on loans as a result of higher indebtedness of the Company of P\$1,047 million, lower interest on time deposits and other investments at a total cost of P\$272 million, higher interest on provisions at a total cost of P\$70 million, which were partially offset by lower foreign currency exchange losses net of NDF agreement of P\$85 million and higher interest on receivables of P\$190 million.

Income tax expense

Income tax expense amounted to P\$1,594 million and P\$1,692 million in 2016 and 2015, respectively.

The Company’s income tax charge includes three effects: (i) the current tax payable for the year pursuant to tax legislation applicable to each company in the Telecom Group; (ii) the effect of applying the deferred tax method on temporary differences arising out of the asset and liability valuation according to tax versus financial accounting criteria; and (iii) tax receivable from the action for recourse filed by Telecom Argentina claiming income tax determined in excess.

(i) Regarding current tax expenses, Telecom Argentina, Telecom Argentina USA, Personal and Núcleo generated tax profit in fiscal year 2016, resulting in an income tax payable of P\$2,091 million versus P\$1,721 million in 2015. Fixed Segment income tax expense in 2016 amounted to P\$476 million as compared to P\$278 million in 2015; Personal’s income tax expense, in 2016, amounted to P\$1,586 million compared to P\$1,410 million in 2015; and Núcleo’s income tax expense, in 2016, amounted to P\$29 million compared to P\$33 million in 2015.

(ii) Regarding the deferred tax, in 2016 and 2015, the Fixed Segment recorded a deferred tax gain of P\$49 million and P\$25 million, respectively; Personal recorded a deferred tax gain of P\$80 million and a deferred tax loss of P\$112 million (mainly due to an increase in the allowance for doubtful accounts) in 2016 and 2015, respectively; and Núcleo generated a P\$18 million gain in 2015.

(iii) Telecom Argentina filed actions for recourse with the AFIP in 2015 and 2016 to claim the full tax determined in excess. The income tax determined in excess qualifies as a tax credit in compliance with IAS 12 and the Company recorded a gain of P\$368 million and P\$98 million in 2016 and 2015, respectively. For the determination of the tax credit valuation, the Company has estimated the amount of the tax paid determined in excess for fiscal years 2009-2016 weighting the probability of certain variables according to the jurisprudential precedents known until such date. The Management will assess Tax Authority’s resolutions related to actions for recourse filed and the evolution of jurisprudence in order to annually measure the tax credit recorded. See Note 14 to our Consolidated Financial Statements.

Net Income

For 2016, we recorded net income of P\$4,005 million (8% of total consolidated revenues), of which P\$3,975 million is attributable to Telecom Argentina. The Fixed Services segment accounted for a gain of P\$1,163 million, the Personal Mobile Services segment accounted for a gain of P\$2,750

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million and the Núcleo Mobile Services segment accounted for a gain of P\$92 million, representing 7%, 8% and 3% of the total segment revenues, respectively, including intercompany transactions.

For 2015, we recorded net income of P\$3,435 million (8% of total consolidated revenues), of which P\$3,403 million is attributable to Telecom Argentina. The Fixed Services segment accounted for a gain of P\$564 million, the Personal Mobile Services segment accounted for a gain of P\$2,774 million and the Núcleo Mobile Services segment accounted for a gain of P\$97 million, representing 4%, 10% and 6% of the total segment revenues, respectively, including intercompany transactions.

(A.2) 2015 Compared to 2014

	Years Ended December 31,		Total Change		Change by segment(1)		
	2015	2014			Fixed Services	Personal Mobile Services	Núcleo Mobile Services
	(P\$ million)		%	(P\$ million)			
Revenues	40,496	33,341	21	7,155	2,177	4,850	128
Other Income	44	47	(6)	(3)	13	(16)	—
Operating expenses (without depreciation and amortization)	(29,674)	(24,686)	20	(4,988)	(1,814)	(3,031)	(143)
Operating income before depreciation and amortization(2)	10,866	8,702	25	2,164	376	1,803	(15)
Depreciation and amortization	(4,438)	(3,243)	37	(1,195)	(296)	(870)	(29)
Gain on disposal of PP&E and impairment of PP&E	(199)	(16)	n/a	(183)	(100)	(84)	1
Operating income	6,229	5,443	14	786	(20)	849	(43)
Financial results, net	(1,102)	253	n/a	(1,355)	(471)	(841)	(43)
Income tax expense	(1,692)	(1,967)	(14)	275	248	20	7
Net income	3,435	3,729	(8)	(294)	(243)	28	(79)
Net income attributable to:							
<i>Telecom Argentina (Controlling Company)</i>	3,403	3,673	(7)	(270)			
<i>Noncontrolling interest</i>	32	56	(43)	(24)			

(1) Includes the effect of eliminations of Intersegment transactions.

(2) Although it is not specifically defined, this is a permitted measure under IFRS. See “—Management Overview” above for a discussion of the use of this measure.

Revenues

	Years Ended December 31,		Total Change		Change by segment (1)		
	2015	2014			Fixed Services	Personal Mobile Services	Núcleo Mobile Services
	(P\$ million)		%	(P\$ million)			
Voice	13,854	11,766	18	2,088	557	1,565	(34)
Data	9,249	9,467	(2)	(218)	310	(510)	(18)
Internet	11,377	7,045	61	4,332	1,302	2,919	111
Service Revenues	34,480	28,278	22	6,202	2,169	3,974	59
Equipment (2)	6,016	5,063	19	953	8	876	69
Revenues	40,496	33,341	21	7,155	2,177	4,850	128

(1) Net of the Intersegment revenues effect.

(2) This item is composed of voice, data and Internet equipment in each year.

During 2015, total consolidated revenues increased by 21% to P\$40,496 million from P\$33,341 million in 2014, mainly driven by our mobile, Broadband and data transmission businesses.

Consolidated revenues for 2015 and 2014 are comprised as follows:

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Voice

Revenues from voice services increased 18% to P\$13,854 million in 2015 from P\$11,766 million in 2014. Revenues from voice services represented 34% of our total consolidated revenues for 2015 compared to 35% of our total consolidated revenues for 2014.

Fixed services

Revenues from voice services represented 40% of our total Fixed Services segment revenues attributable to third parties for 2015 compared to 44% for 2014.

Voice services mainly include revenues from monthly basic charges, charges for supplementary services, measured service (national and international calls) and public telephone service. Charges for supplementary services include call waiting, call forwarding, three-way calling, caller ID, direct inwards dialing, toll-free service and voicemail, among others. Measured service charges are based on the number and duration of calls. Measured service revenues depend on the number of lines in service, the volume of usage, the number of new lines installed and applicable rates. They also include interconnection services (which primarily include Access, termination and long-distance transport of calls), international long-distance service (which reflect payments made under bilateral agreements between Telecom Argentina and foreign telecommunications carriers covering inbound international long-distance calls) and revenues related to billing and collection services charged to other operators.

Revenues from voice-retail increased 16% to P\$3,304 million and were affected by the freezing of regulated rates in early 2002. Revenues from regulated rate services represented 26% of our total segment revenues in 2015 compared with 28% in 2014.

Monthly basic charges and supplementary services increased by P\$203 million or 17% to P\$1,406 million in 2015 from P\$1,203 million in 2014. Such growth was mainly due to an increase of their prices (mainly due to an increase in monthly basic prices in the Business Segment of approximately 55% and an average increase of 14% in supplementary services prices).

Measured service charges increased 17% to P\$1,800 million in 2015 from P\$1,541 million in 2014. The increase was mainly due to the increase in plans prices (both in local and national long-distance), while customers remain stable.

Voice-wholesale revenues (including fixed and mobile interconnection revenues, together with the revenues generated by the subsidiary Telecom Argentina USA amounting to P\$151 million) amounted to P\$1,035 million in 2015 (an increase of 11% as compared to 2014). Interconnection services reached P\$689 million in 2015, an increase of P\$68 million or 11% as compared to 2014. Other wholesale revenues reached P\$346 million in 2015, an increase of P\$38 million or 12% compared to 2014. The increase was mainly due to higher prices related to cell sites rentals due to the variation of the P\$/US\$ exchange rate.

Personal Mobile services

Revenues from voice services represented 32% of our total Personal Mobile Services segment revenues attributable to third parties for 2015 compared to 31% for 2014.

Voice services mainly include revenues from monthly basic charges, airtime usage charges and roaming charges to our customers for their use of our and other carriers' networks, CPP, TLRD and roaming charges to other mobile service providers whose customers use our network.

Voice-retail revenues reached P\$6,964 million in 2015 (an increase of 31% as compared to 2014). The increase was mainly due to the increase in monthly charges prices in the post-paid and "Abono Fijo" subscribers (an increase of 30% as compared to 2014) and prepaid services (an increase of 22% as compared to 2014), and because of the positive variation of the subscribers base in "Abono Fijo" (an increase of 5.6% as compared to 2014).

Voice-wholesale revenues to third parties reached P\$1,884 million in 2015 (a decrease of 4% as compared to 2014). The decrease was mainly due to the decrease in interconnection traffic (TLRD and CPP).

In *Núcleo Mobile Services segment*, voice revenues decreased 5% to P\$667 million in 2015 compared to P\$701 million in 2014.

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Data and Internet

Revenues from data and Internet services increased 25% to P\$20,626 million in 2015 from P\$16,512 million in 2014. Revenues from data and Internet represented 51% of our total consolidated revenues for 2015 compared to 50% of our total consolidated revenues for 2014.

In the Mobile Services segments, data and Internet services mainly include SMS, contents via SMS, MMS, Browsing and Internet. Revenues from data and Internet in the Personal Mobile segment increased 22% to P\$13,410 million in 2015 from P\$11,001 million in 2014.

As a consequence of the increase in VAS consumption (Internet and data), the ARPU increased to P\$91.5 per month in 2015 (as compared to P\$74.2 per month in 2014) in the Personal Mobile Segment.

Data

Revenues from data services in the Fixed segment increased 21% to P\$1,780 million in 2015 from P\$1,470 million in 2014. These revenues were generated focusing on the Company's position as an integrated ICT 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 P\$/US\$ exchange rate (mainly due to an increase in prices of the product Integra by 16% as compared to 2014 and in prices of VPN-IP services by 34% as compared to 2014) and to the increase in the number of customers of *Innovation* services (mainly due to an increase in the number of customers of Integra of 8% as compared to 2014 and in the number of customers of VPN-IP services of 0.2% as compared to 2014).

Mobile data revenues reached P\$7,469 million (a decrease of 7% as compared to 2014). The decrease was due to lower revenues from the principal item of VAS revenues, SMS consumption in Personal Mobile Services Segment, which decreased 15%. 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 (where its inter-annual variation amounted to an increase of P\$192 million or 7%).

Internet

Internet revenues in the Fixed segment increased 40% to P\$4,556 million in 2015 from P\$3,254 million in 2014. The increase was mainly due to the substantial expansion of the Broadband service (an increase of 2% of access lines as compared to 2014), and an increase in average prices resulting in an improvement in the ARPU amounted to P\$207 per month in 2015 as compared to P\$153 per month in 2014. As of December 31, 2015 the number of Internet accesses reached approximately 1.8 million equivalent to 45% of fixed lines in service of Telecom Argentina (as compared to 43% in 2014), compared to approximately 1.8 million as of December 31, 2014.

Mobile Internet revenues in the Personal Mobile segment increased 88% to P\$6,254 million in 2015 from P\$3,335 million in 2014. 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 existing ones to higher-value plans and the increase in subscribers that acquired 3G and 4G handsets, which facilitate Internet browsing.

Equipment

Revenues from equipment increased by 19% to P\$6,016 million in 2015 from P\$5,063 million in 2014. Personal Mobile Services segment shows an increase of P\$876 million as compared to 2014 due to an increase in handset's average sale price (an increase of 56% as compared to 2014), partially offset by a decrease in handset units sold (a decrease of 23% as compared to 2014), resulting in a higher operating margin. Núcleo Mobile Services segment reached an increase of P\$69 million in 2015 (an increase of 77% as compared to 2014) due to higher sales of handset units and an increase in handset's average sale prices.

Other Income

Other income mainly includes penalties and indemnities collected from suppliers, as a result of delays in deliveries of goods or matters related to the quality of the services provided. During 2015, other income decreased 6% to P\$44 million from P\$47 million in 2014.

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Operating expenses (without depreciation and amortization)

Total operating expenses (without depreciation and amortization and gain on disposal and impairment of PP&E) increased by P\$4,988 million totaling P\$29,674 million in 2015, representing a 20% increase as compared to 2014.

	Years Ended December 31,		Total Change		Change by segment (1)		
	2015	2014			Fixed Services	Personal Mobile Services	Núcleo Mobile Services
	(P\$ million)		%		(P\$ million)		
Employee benefit expenses and severance payments	7,253	5,591	30	1,662	1,247	404	11
Interconnection costs and other telecommunications charges	2,170	2,074	5	96	41	89	(34)
Fees for services, maintenance, materials and supplies	3,919	3,333	18	586	352	219	15
Taxes and fees with the Regulatory Authority	3,943	3,297	20	646	95	544	7
Commissions	3,193	2,494	28	699	58	598	43
Cost of equipment and handsets	4,595	4,143	11	452	10	369	73
Advertising	814	792	3	22	(43)	65	—
Cost of VAS	1,256	936	34	320	22	280	18
Provisions	113	84	35	29	(98)	127	—
Bad-debt expense	564	424	33	140	(10)	147	3
Other operating expense	1,854	1,518	22	336	140	189	7
Total operating expenses (without depreciation and amortization)	29,674	24,686	20	4,988	1,814	3,031	143

(1) Net of the Intersegment transactions effect.

Employee benefit expenses and severance payments

During 2015, employee benefit expenses and severance payments were P\$7,253 million, representing a 30% increase from 2014. This was primarily due to salary increases that Telecom implemented across all segments with several trade unions with respect to the unionized employees and also to non-unionized employees, together with related social security charges.

With a total headcount of 16,224 at the end of 2015 (a decrease of 1% as compared to 2014), lines in service per employee reached 371 in the Fixed Services segment (slightly higher than 2014), 4,005 customers per employee in the Personal mobile services segment (an increase of 1% as compared to 2014) and 6,225 customers per employee in the Núcleo mobile services segment (an increase of 1% as compared to 2014).

Interconnection costs and other telecommunications 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 P\$2,170 million in 2015 compared with P\$2,074 million in 2014. The increase was mainly due to higher TLRD costs (an increase of 23% in traffic minutes and an increase of 15% in prices as compared to 2014).

Fees for services, maintenance, materials and supplies

Expenses related to fees for services, maintenance, materials and supplies increased 18% to P\$3,919 million in 2015 from P\$3,333 million in 2014. Maintenance, material and supplies costs increased 11% as compared to 2014 (including obsolescence of inventories) and fees for services increased 24% as compared to 2014. The increase was mainly due to higher maintenance costs of network, systems and buildings mainly due to higher costs recognized to suppliers and, as a result of the variation in the P\$/US\$ exchange rate. Also there was an increase in services, principally Call Center services, because of more calls attended (an increase of P\$156 million as compared to 2014).

Taxes and fees with the Regulatory Authority

Taxes and fees with the Regulatory Authority (including turnover tax, tax on deposits and withdrawals from bank accounts, municipal and other taxes) increased 20% to P\$3,943 million in 2015

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from P\$3,297 million in 2014, mainly influenced by the increase in revenues of fixed and mobile services and by the increase of equipment revenues in Argentina.

Commissions

Commissions (including agent, distribution of prepaid cards and other commissions) increased 28%, to P\$3,193 million in 2015 from P\$2,494 million in 2014. The increase was mainly due to the increase in agents' commissions (associated with higher revenues) as a result of higher customer acquisition and retention costs recognized to them and to an increase of outsourced sales commissions and collection commissions, especially in relation to equipment revenues and prepaid cards recharge.

Commissions are net of agents' commissions capitalized as SAC, which totaled P\$1,172 million in 2015 (an increase of P\$259 million or 28% as compared to 2014), and it's directly related to the increase in the "Abono Fijo" subscribers' base mainly in the Personal Mobile Services segment and the increase in the commissions prices.

Cost of equipment and handsets

During 2015, the cost of equipment and handsets increased to P\$4,595 million from P\$4,143 million in 2014, mainly due to an increase in the average unit cost of sales (an increase of 40% as compared to 2014) partially offset by a decrease in the units of handsets sold (a decrease of 23% as compared to 2014).

Cost of equipment and handsets are net of handset costs capitalized as SAC, which amounts to P\$93 million in 2015, P\$10 million or 10% lower than 2014, because of the reduction in subsidies in the Personal Mobile Services segment.

Advertising

Costs related to advertising increased by P\$22 million, or 3%, to P\$814 million in 2015, mainly due to higher commercial campaigns of Personal related to the launch of the 4G services throughout the country as compared to 2014, especially those related to the new slogan "Hagamos que todo suceda" ("Let's make it all happen").

Cost of VAS

Cost of VAS amounted to P\$1,256 million in 2015 (an increase of P\$320 million as compared to 2014), mainly due to the increase of VAS sales in the Personal Mobile Services segment (mainly the Contents via SMS service) as a consequence of several campaigns launched by Personal

Provisions

During 2015, we recorded P\$113 million in provisions compared to P\$84 million recorded in 2014, representing a 35% increase. The increase was mainly due to higher civil and commercial claims (an increase of P\$27 million as compared to 2014). See Note 17 to our Consolidated Financial Statements for more information.

Bad debt expenses

In 2015, bad debt expense amounted to P\$564 million, an increase of 33% as compared to 2014, representing 1.4% and 1.3% of consolidated revenues in 2015 and 2014, respectively. The major increase is observed in the Personal Mobile Services segment as a consequence of higher aging of the accounts receivables and higher incidence of handset sales directly financed by Personal to its post-paid and "Abono Fijo" subscribers.

Other Operating Expenses

Other operating expenses, which include transportation costs, energy and rentals, among others, increased 22% to P\$1,854 million in 2015 from P\$1,518 million in 2014 primarily as a result of higher prices on related services, especially in transportation, freight and travel expenses, net of SAC (an increase of P\$183 million or 37% as compared to 2014); and the increase of rent prices (an increase of P\$138 million or 34% as compared to 2014), as a result of new agreements and the renegotiation of some of the existing ones.

For a further breakdown of our consolidated operating expenses, see "—Results of Operations by Segment" below.

[Table of Contents](#)**Operating income before depreciation and amortization**

Our consolidated operating income before depreciation and amortization was P\$10,866 million in 2015, (representing an increase of P\$2,164 million or 25% from P\$8,702 million in 2014). It represented 27% and 26% of total consolidated revenues in 2015 and 2014, respectively. This growth was mainly fueled by the Fixed Services segment (an increase of P\$418 million or 20% as compared to 2014) and Personal Mobile Services segment (an increase of P\$1,756 million or 29% as compared to 2014).

Depreciation and Amortization

Depreciation of PP&E and amortization of intangible assets increased by P\$1,195 million, or 37% as compared to 2014, to P\$4,438 million during 2015. The increase was mainly due to the increase in PP&E depreciation of P\$657 million and the increase in the amortization of other intangible assets of P\$304 million (mainly due to 3G/4G licenses, which started their amortization in December 2014 and June 2015), and the increase in the amortization of SAC and Service connection costs of P\$234 million.

Gain on disposal of PP&E and impairment of PP&E

Gain on disposal of PP&E amounted to P\$31 million in 2015 and the impairment loss of PP&E amounted to P\$230 million related to projects of Telecom Argentina of P\$116 million (P\$107 million related to AFA Plus Project), and Telecom Personal of P\$114 million (Telecom Personal has assessed the recoverability of a group of former work in progress, recording an impairment of P\$44 million equivalent to its book value and an impairment of P\$49 million related to the total amount of works related to the discontinuation of the Orga Gold IT project and recorded an impairment of P\$21 million related to the mobile swap of Vendors in AMBA, and the simultaneous modernization of 2G/3G technology).

Gain on disposal of PP&E amounted to P\$9 million in 2014 and the impairment loss of PP&E amounted to P\$25 million (an impairment loss of PP&E for a total amount of P\$61 million relating to certain work in progress recorded in PP&E, and a partial reversal amounting to P\$36 million of the impairment loss recorded in 2013 relating to certain projects entered into by Telecom Argentina and the private sector).

Operating income

During 2015, consolidated operating income was P\$6,229 million, representing an increase of P\$786 million or 14% from 2014. Operating income represented 15% of consolidated revenues in 2015 versus 16% in 2014.

	Years Ended December 31,		% of Change
	2015	2014	2015-2014
	(P\$ million / %)		Increase/(Decrease)
Operating income before depreciation and amortization (1)	10,866	8,702	25
<i>As % of revenues</i>	<i>27</i>	<i>26</i>	
Depreciation and amortization	(4,438)	(3,243)	37
<i>As % of revenues</i>	<i>(11)</i>	<i>(10)</i>	
Gain on disposal of PP&E and impairment of PP&E	(199)	(16)	n/a
Operating income	6,229	5,443	14
<i>As % of revenues</i>	<i>15</i>	<i>16</i>	

(1) Although it is not specifically defined, this is a permitted measure under IFRS. See “—Management Overview” for a discussion of the use of this measure.

Financial results, net

During 2015, Telecom recorded a net financial loss of P\$1,102 million compared to a net financial gain of P\$253 million in 2014. This net loss is related to the net financial position, which turned into a net financial debt in 2015 as a consequence of Group’s higher investments. The variation is mainly due to higher foreign currency exchange losses net of NDF agreement of P\$865 million mainly due to the devaluation of local currency in December 2015 and higher interest on loans of P\$536 million, partially offset by higher interest on time deposits and other investments of P\$53 million.

Income tax expense

Income tax expense amounted to P\$1,692 million, and P\$1,967 million in 2015 and 2014, respectively.

The Company's income tax charge includes four effects: (i) the current tax payable for the year pursuant to tax legislation applicable to each company in the Telecom Group; (ii) the effect of applying the deferred tax method on temporary differences arising out of the asset and liability valuation according to tax versus financial accounting criteria; (iii) the analysis of recoverability of deferred tax assets; and (iv) the action for recourse filed by Telecom Argentina claiming income tax determined in excess with respect to fiscal year 2009.

(i) Regarding current tax expenses, Telecom Argentina, Telecom Argentina USA, Personal and Núcleo generated tax profit in fiscal year 2015, resulting in an income tax payable of P\$1,721 million versus P\$1,749 million in 2014. Fixed Segment income tax expense in 2015 amounted to P\$278 million as compared to P\$422 million in 2014; Personal's tax expense, in 2015, amounted to P\$1,410 million compared to P\$1,302 million in 2014; and Núcleo's tax expense, in 2015, amounted to P\$33 million compared to P\$25 million in 2014.

(ii) Regarding the deferred tax, in 2015 and 2014, the Fixed Segment recorded a deferred tax benefit of P\$25 million and P\$19 million, respectively; Personal recorded a deferred tax expense of P\$112 million and P\$267 million (mainly due to an increase in deferred tax liabilities of Fixed Assets and the deduction of deferred tax assets related to investments in bonds) in 2015 and 2014, respectively; and Núcleo generated a P\$18 million and P\$3 million gain in 2015 and 2014, totaling P\$69 million and P\$245 million expense of deferred tax in 2015 and 2014, respectively.

(iii) Regarding the analysis of recoverability of deferred tax assets, Personal recorded a recovery of the valuation allowance for deferred tax assets of P\$27 million in 2014, while no charges were recorded for Telecom Argentina, Telecom Argentina USA and Núcleo in such year.

(iv) In December 2015, Telecom Argentina filed an action for recourse to claim P\$98 million of income tax determined in excess in 2009, recording a non-current tax receivable. See Note 14 to our Consolidated Financial Statements.

Net Income

For 2015, we recorded net income of P\$3,435 million (8% of total consolidated revenues), of which P\$3,403 million is attributable to Telecom Argentina. The Fixed Services segment accounted for a gain of P\$564 million, the Personal Mobile Services segment accounted for a gain of P\$2,774 million and the Núcleo Mobile Services segment accounted for a gain of P\$97 million, representing 4%, 10% and 6% of the total segment revenues, respectively including intercompany transactions.

For 2014, we recorded net income of P\$3,729 million (11% of total consolidated revenues), of which P\$3,673 million is attributable to Telecom Argentina. The Fixed Services segment accounted for a gain of P\$742 million, the Personal Mobile Services segment accounted for a gain of P\$2,816 million and the Núcleo Mobile Services segment accounted for a gain of P\$171 million, representing 7%, 12% and 11% of the total segment revenues, respectively including intercompany transactions.

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(B) Results of Operations by Segment

(B.1) Fixed Services Segment

Results of operations for our Fixed Services segment for 2016, 2015 and 2014 are comprised as follows:

	Years Ended December 31,			% of Change	
	2016	2015 (P\$ million)	2014	2016-2015 Increase/(Decrease)	2015-2014
Revenues(1)	16,942	12,554	10,320	35	22
Other Income(2)	85	55	37	55	49
Operating expenses (without depreciation and amortization)(5)	(13,758)	(10,100)	(8,266)	36	22
Operating income before depreciation and amortization(3)	3,269	2,509	2,091	30	20
Depreciation and amortization	(1,897)	(1,526)	(1,230)	24	24
Impairment of PP&E	1	(91)	9	n/a	n/a
Operating income	1,373	892	870	54	3
Financial results, net (4)	(151)	(173)	275	(13)	n/a
Income tax expense	(59)	(155)	(403)	(62)	(62)
Net income	1,163	564	742	106	(24)

- (1) Includes intersegment revenues of P\$1,928 million, P\$1,818 million and P\$1,761 million in 2016, 2015 and 2014, respectively.
- (2) Includes intersegment other income of P\$19 million, P\$16 million and P\$11 million in 2016, 2015 and 2014, respectively.
- (3) Although it is not specifically defined, this is a permitted measure under IFRS. See “—Management Overview” above for a discussion of the use of this measure.
- (4) Includes intersegment financial income of P\$77 million, P\$90 million and P\$67 million in 2016, 2015 and 2014, respectively.
- (5) Includes intersegment financial income of P\$158 million, P\$137 million and P\$117 million in 2016, 2015 and 2014, respectively.

Revenues

During 2016, revenues from our Fixed Services segment increased by 35% to P\$16,942 million from P\$12,554 million in 2015. During 2015, revenues from our Fixed Services segment increased by 22% to P\$12,554 million from P\$10,320 million in 2014. The increase in each year was mainly due to an increase in data and Internet services. Also in 2016 Voice Sales increased substantially, particularly, due to the monthly charges to commercial customers since 2015 and to residential customers since May 2016.

Revenues from our Fixed Services segment for 2016, 2015 and 2014 are comprised as follows:

	Years Ended December 31,			% of Change	
	2016	2015 (P\$ million)	2014	2016-2015 Increase/(Decrease)	2015-2014
Voice-retail	4,654	3,304	2,853	41	16
Voice-wholesale	1,356	1,035	929	31	11
Data	2,919	1,780	1,470	64	21
Internet	5,994	4,556	3,254	32	40
Service Revenues	14,923	10,675	8,506	40	25
Equipment (1)	91	61	53	49	15
Subtotal third-party revenues	15,014	10,736	8,559	40	25
Intersegment	1,928	1,818	1,761	6	3
Total Fixed Services revenues	16,942	12,554	10,320	35	22

- (1) This item is composed of voice, data and Internet equipment in each year.

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Voice-retail

Revenues from voice-retail represented 27% of our total segment revenues for 2016 compared to 26% of our total segment revenues for 2015 and 28% of our total segment revenues for 2014. Revenues from voice-retail increased by 41% to P\$4,654 million in 2016 from P\$3,304 million in 2015 and increased by 16% in 2015 from P\$2,853 million in 2014.

Voice-retail mainly includes revenues from monthly charges (which differ for residential, professional and commercial customers), charges for supplementary services, measured service (national and international calls) and public telephone service. Charges for supplementary services include call-waiting, call-forwarding, three-way calling, caller ID, direct inwards dialing, toll-free service and voicemail, among others. Measured service charges are based on the number and duration of calls. Measured service revenues depend on the number of lines in service, the volume of usage, the number of new lines installed and applicable rates. Most of our customers are billed monthly.

Monthly charges increased by 76% to P\$2,480 million in 2016 from P\$1,406 million in 2015 and increased by 17% from P\$1,203 million in 2014. Such growth is mainly due to an increase in residential monthly basic charges prices since May 2016 and an increase in supplementary services mainly due to an increase in their prices.

Measured service charges increased by 15% to P\$2,073 million in 2016 from P\$1,800 million in 2015 and increased by 17% in 2015 from P\$1,541 million in 2014. The increase in both 2016 and 2015 was mainly due to the increase in plan prices (both in local and national long-distance).

Voice-wholesale

Revenues from voice-wholesale represented 8% of our total segment revenues for 2016 compared to 8% in 2015 and 9% in 2014. Revenues from voice-wholesale increased by 31% to P\$1,356 million in 2016 from P\$1,035 million in 2015 and increased by 11% from P\$929 million in 2014.

Voice-wholesale mainly includes interconnection services (which primarily include Access, termination and long-distance transport of calls), international long-distance services (which reflect payments made under bilateral agreements between Telecom Argentina and foreign telecommunications carriers covering inbound international long-distance calls) and revenues related to billing and collection services charged to other operators.

Interconnection services increased by 23% to P\$845 million in 2016 from P\$689 million in 2015 and increased by 11% in 2015 from P\$621 million in 2014.

Data and Internet

Revenues from data and Internet represented 53% of our total segment revenues in 2016 compared to 50% and 46% in 2015 and 2014, respectively. Revenues from data and Internet services increased by 41% to P\$8,913 million in 2016 from P\$6,336 million in 2015 and increased by 34% in 2015 from P\$4,724 million in 2014.

Data

Revenues from data services increased by 64% to P\$2,919 million in 2016 from P\$1,780 million in 2015 and increased by 21% in 2015 from P\$1,470 million in 2014. These revenues were generated by focusing on Telecom Argentina's position as an aggressive growth of symmetric Internet Accesses and an integrated ICT provider (Datacenter and 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 P\$/US\$ exchange rate and the increase in the number of customers of *Innovation* services.

Internet

Revenues from Internet increased by 32% to P\$5,994 million in 2016 from P\$4,556 million in 2015 and increased by 40% in 2015 from P\$3,254 million in 2014. The increases were mainly due to the increase in average prices. ARPU amounted to P\$270.9 per month in 2016 as compared to P\$207.4 per month in 2015. As of December 31, 2016, the number of Internet accesses decreased by approximately 4% to 1.74 million (of which 1,298,000 correspond to an increase in accesses over 3Mb as compared to 1,010,000 in 2015) from 1.81 million as of December 31, 2015 and increased approximately 2% from 1.77 million as of December 31, 2014.

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Equipment

Revenues from equipment amounted to P\$91 million in 2016 compared to P\$61 million in 2015 and P\$53 million in 2014. Equipment revenues include revenues on construction contracts recognized in 2014 that amounted to P\$7 million.

Intersegment

Intersegment revenues mainly include connectivity, corporate and operational service billed to Personal, interconnection services, which primarily include Access, termination and transportation of calls, leases of circuits, revenues related to billing and collection services charged.

During 2016, our intersegment revenues increased by 6% to P\$1,928 million from P\$1,818 million in 2015 which increased by 3% from P\$1,761 million in 2014. The intersegment revenues are eliminated at the consolidated level.

Other Income

Other income mainly includes penalties and indemnities collected from suppliers, as a result of delays in deliveries of goods or matters related to the quality of the services provided and gains on disposal of PP&E since 2016. During 2016, other income increased by 55% to P\$85 million from P\$55 million in 2015. During 2015, other income increased by 49% from P\$37 million in 2014.

Operating Expenses (without depreciation and amortization)

During 2016, total operating expenses (without depreciation and amortization) for the Fixed Services segment increased by 36% to P\$13,758 million from P\$10,100 million in 2015 and increased by 22% from P\$8,266 million in 2014. The increases were mainly due to increases in employee benefit expenses and severance payments, fees for services, maintenance, materials and supplies and taxes and fees with the Regulatory Authority.

Detailed below are the major components of our operating expenses for the years ended December 31, 2016, 2015 and 2014 related to our Fixed Services segment:

	Years Ended December 31,			% of Change	
	2016	2015 (P\$ million)	2014	2016-2015 Increase/(Decrease)	2015-2014
Employee benefit expenses and severance payments	7,220	5,268	4,021	37	31
Interconnection costs and other telecommunications charges	961	719	676	34	6
Fees for services, maintenance, materials and supplies	2,311	1,769	1,402	31	26
Taxes and fees with the Regulatory Authority	1,118	818	723	37	13
Commissions	327	268	210	22	28
Cost of equipment	136	82	72	66	14
Advertising	126	108	151	17	(28)
Cost of VAS	53	38	16	39	138
Provisions	78	17	115	359	(85)
Bad debt expenses	152	79	89	92	(11)
Other operating expenses	1,276	934	791	37	18
Total Fixed Services (1)	13,758	10,100	8,266	36	22

(1) Includes intersegment cost of P\$158 million, P\$137 million and P\$117 million in 2016, 2015 and 2014, respectively. These costs are eliminated at the consolidated level.

Employee benefit expenses and severance payments

During 2016, employee benefit expenses and charges for severance payments were approximately P\$7,220 million, representing a 37% increase from P\$5,268 million in 2015. In 2015, employee benefit expenses and charges for severance payments increased by 31% from P\$4,021 million in 2014. The increases were mainly due to salary increases that Telecom implemented with several trade unions with respect to the unionized employees and also to non-unionized employees,

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together with related social security charges. The Fixed Services segment had 10,901, 10,903 and 11,056 employees as of December 31, 2016, 2015 and 2014, respectively.

Interconnection costs and other telecommunications charges

Interconnection costs and other telecommunications charges includes interconnection costs, lease of circuits and costs of international outbound calls, which reflect payments made under bilateral agreements between Telecom Argentina and international carriers in connection with outgoing calls made by our customers. Interconnection costs and other telecommunications charges included intersegment costs of P\$103 million, P\$96 million and P\$94 million in 2016, 2015 and 2014, respectively, that are eliminated at the consolidated level.

In 2016 interconnection costs and other telecommunications charges amounted to P\$961 million, representing an increase of 34% from P\$719 million in 2015. In 2015 such costs increased by 6% from P\$676 million in 2014.

Fees for services, maintenance, materials and supplies

During 2016, fees for services, maintenance, materials and supplies increased by 31% to P\$2,311 million from P\$1,769 million in 2015 and increased by 26% from P\$1,402 million in 2014.

The increase was mainly due to higher maintenance costs of network, systems and buildings and to higher costs recognized to suppliers, mainly as a result of the variation in the P\$/US\$ exchange rate.

Fees for services, maintenance, materials and supplies are net of service connection fees capitalized (P\$55 million, P\$50 million and P\$37 million in 2016, 2015 and 2014, respectively).

Fees for services, maintenance, materials and supplies expenses included intersegment costs of P\$35 million, P\$25 million and P\$10 million in 2016, 2015 and 2014, respectively that are eliminated at the consolidated level.

Taxes and fees with the Regulatory Authority

Expenses related to taxes and fees with the Regulatory Authority increased by 37% to P\$1,118 million in 2016 from P\$818 million in 2015 and increased by 13% in 2015 from P\$723 million in 2014. The increase in 2016 and 2015 was mainly due to an increase in revenues. Also, in 2016, the increase in taxes is due to higher taxes on deposits and withdrawals from bank accounts related to higher collections and payments to suppliers.

Commissions

During 2016, costs related to commissions amounted to approximately P\$327 million, representing an increase of 22% as compared to P\$268 million in 2015. In 2015, these charges increased by 28% from P\$210 million in 2014. The increase during both years was mainly due to the increase in agents' commissions (associated with higher revenues) and the increase of collection commissions.

Cost of equipment

During 2016, 2015 and 2014 we recorded P\$136 million, P\$82 million and P\$72 million in cost of equipment, respectively. Cost of equipment includes P\$6 million related to equipment construction contract costs in 2014.

Advertising

During 2016, we recorded P\$126 million in costs of advertising representing an increase of 17% as compared to P\$108 million recorded in 2015. In 2015, these charges decreased by 28% from P\$151 million in 2014. Telecom Argentina continued its advertising campaigns as a result of competition in the Internet services market.

Cost of VAS

Cost of VAS increased to P\$53 million in 2016 from P\$38 million in 2015 and P\$16 million in 2014.

Provisions

During 2016, we recorded P\$78 million in provisions compared to P\$17 million recorded in 2015 and P\$115 million recorded in 2014. The increase in 2016 was mainly due to higher labor claims

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amounting to approximately P\$53 million. The decrease in 2015 was mainly due to lower regulatory and tax claims for approximately P\$75 million.

Bad debt expenses

Bad debt expenses amounted to P\$152 million in 2016, P\$79 million in 2015 and P\$89 million in 2014. In 2016 these charges increased by 92%. In 2015, these charges decreased by 11%. The increase in 2016 was mainly due to higher aging of accounts receivable.

Other Operating Expenses

Other operating expenses include accrued expenses, such as transportation costs, insurance, international and satellite connectivity, energy and rentals.

During 2016, our other operating expenses amounted to P\$1,276 million compared to P\$934 million in 2015 and P\$791 million in 2014. The increase in 2016 was mainly due to higher prices for related services, especially in transportation, freight and travel expenses; the increase of rent prices, as a result of new agreements and the renegotiation of some existing agreements and an increase in the energy consumption. The increase in 2015 was primarily due to the increase in prices of transportation, freight, energy, water and others to provide Telecom Argentina's services and rental expenses.

Operating Income before depreciation and amortization

Our operating income before depreciation and amortization from the Fixed Services segment was P\$3,269 million in 2016, P\$2,509 million in 2015 and P\$2,091 million in 2014, representing 19%, 20% and 20% of total segment revenues, respectively. The increase in each year was mainly due to higher growth in revenues, which was partially offset by increases in operating costs (before depreciation and amortization).

Depreciation and amortization

Depreciation and amortization expenses were P\$1,897 million in 2016, P\$1,526 million in 2015 and P\$1,230 million in 2014. The increase in each year was mainly due to assets acquired and transferred during 2016 and 2015, which was partially offset by a reduction in the level of depreciation due to the end of the useful life of certain assets.

Impairment of PP&E

Impairment of PP&E amounted to a P\$1 million gain in 2016 and a P\$116 million loss in 2015 mainly due to the AFA Plus project. The gain of P\$1 million was due to an impairment recovery of P\$4 million of former work in progress and others, partially offset by an impairment of P\$3 million related to the AFA Plus project.

Operating Income

Operating income represented 8%, 7% and 8% of total segment revenues in 2016, 2015 and 2014, respectively. In 2016, the operating income from our Fixed Services segment increased by 54% to P\$1,373 million from P\$892 million in 2015. In 2015, the operating income from our Fixed Services segment increased by 3% from P\$870 million in 2014.

The following table shows our operating income from the Fixed Services segment in 2016, 2015 and 2014 and its percentage of revenues in each year.

	Years Ended December 31,			% of Change	
	2016	2015	2014	2016-2015	2015-2014
	(P\$ million / %)			Increase / (Decrease)	
Operating income before depreciation and amortization (1)	3,269	2,509	2,091	30	20
<i>As % of revenues</i>	<i>19</i>	<i>20</i>	<i>20</i>		
Depreciation and amortization	(1,897)	(1,526)	(1,230)	24	24
<i>As % of revenues</i>	<i>(11)</i>	<i>(12)</i>	<i>(12)</i>		
Impairment of PP&E	1	(91)	9	n/a	n/a
Operating income	1,373	892	870	54	3
<i>As % of revenues</i>	<i>8</i>	<i>7</i>	<i>8</i>		

(1) Although it is not specifically defined, this is a permitted measure under IFRS. See “—Management Overview” above for a discussion of the use of this measure.

[Table of Contents](#)**Financial results, net**

During 2016, there was a net loss of P\$151 million compared to a P\$173 million loss in 2015. The 2016 net financial loss compared to 2015 was mainly due to lower foreign currency exchange net losses (a decrease of P\$198 million), which were partially offset by higher interest on loans (an increase of P\$117 million), and higher interest on provisions (an increase of P\$61 million).

During 2015, there was a net loss of P\$173 million. The net financial loss compared to the 2014 net financial gain of P\$275 million was mainly due to higher foreign currency exchange net losses (an increase of P\$470 million as compared to 2014).

Income tax expense

As previously mentioned, the income tax charge includes three effects (See “—Years ended December 31, 2016, 2015 and 2014—(A.1) Income tax expense”).

During 2016, our Fixed Services segment recorded an income tax expense of P\$59 million compared to P\$155 million in 2015 and P\$403 million in 2014. The decrease in 2016 was mainly due to the recognition of a P\$368 million gain in relation to the action for recourse filed (as compared to P\$98 million in 2015), which was partially offset by an increase in the current tax expense. The decrease in 2015 was mainly due to the decrease in our pre-tax income compared to previous year.

The income tax expense in 2016 was mainly attributable to the recognition of current income tax expense (amounting to P\$476 million), which was partially offset by income generated by deferred tax on temporary differences (amounting to P\$49 million), and by the action for recourse filed by Telecom Argentina claiming P\$368 million of income tax determined in excess from 2009 to 2016. See Note 14 to our Consolidated Financial Statements.

The income tax expense in 2015 was mainly attributable to the recognition of current income tax expense (amounting to P\$278 million), partially offset by income generated by deferred tax on temporary differences (amounting to P\$25 million), and by the action for recourse filed by Telecom Argentina claiming P\$98 million of income tax determined in excess in 2009. See Note 14 to our Consolidated Financial Statements.

The income tax expense in 2014 was mainly attributable to the recognition of current income tax expense (amounting to P\$422 million), partially offset by income generated by deferred tax on temporary differences arising out of the asset and liability valuations due to tax versus financial accounting criteria (amounting to P\$19 million).

Net Income

For 2016, 2015 and 2014, the Fixed Services segment recorded net income of P\$1,163 million, P\$564 million and P\$742 million, respectively. The increase in 2016 was mainly due to an increase in our operating income and a decrease in income tax expense, as detailed above. The decrease in 2015 was mainly due to a decrease in financial results, net partially offset by a decrease in income tax expense.

(B.2) Personal Mobile Services Segment

Results of operations from our Personal Mobile Services segment for 2016, 2015 and 2014 are comprised as follows:

	Years Ended December 31,			% of Change	
	2016	2015 (P\$ million)	2014	2016-2015 Increase/(Decrease)	2015-2014
Revenues (1)	35,750	28,198	23,332	27	21
Other Income	16	5	21	220	(76)
Operating expenses (without depreciation and amortization) (4)	(25,448)	(20,414)	(17,320)	25	18
Operating income before depreciation and amortization (2)	10,318	7,789	6,033	32	29

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	Years Ended December 31,			% of Change	
	2016	2015	2014	2016-2015	2015-2014
	(P\$ million)			Increase/(Decrease)	
Depreciation and amortization	(3,614)	(2,520)	(1,650)	43	53
Impairment of PP&E	(384)	(109)	(25)	252	336
Operating income	6,320	5,160	4,358	22	18
Financial results, net (3)	(2,064)	(864)	—	139	n/a
Income tax expense	(1,506)	(1,522)	(1,542)	(1)	(1)
Net income	2,750	2,774	2,816	(1)	(1)

- (1) Includes intersegment revenues of P\$166 million, P\$144 million and P\$128 million in 2016, 2015 and 2014, respectively.
- (2) Although it is not specifically defined, this is a permitted measure under IFRS. See “—Management Overview” above for a discussion of the use of this measure.
- (3) Includes intersegment financial loss of P\$77 million, P\$90 million and P\$67 million in 2016, 2015 and 2014, respectively.
- (4) Includes intersegment financial loss of P\$1,930 million, P\$1,829 million and P\$1,766 million in 2016, 2015 and 2014, respectively.

Revenues

During 2016, revenues from our Personal Mobile Services segment increased by 27% to P\$35,750 million from P\$28,198 million in 2015 and increased by 21% from P\$23,332 million in 2014. The increase in each year was mainly due to the increase in prices of our services and the increase in the monthly consumption of the offered services, primarily Internet services.

An important monthly operational measure used in the Personal Mobile Services segment is ARPU, which we calculate by dividing adjusted total service revenues—excluding outcollect wholesale roaming, cell site rental and reconnection fee revenues and others—(divided by 12 months) by the average number of subscribers during the period. ARPU is not a measure calculated in accordance with IFRS and our measure of ARPU may not be calculated in the same manner as similarly titled measures used by other companies. In particular, certain components of service revenues are excluded from Personal’s ARPU calculations presented in this Annual Report. Management believes that this measure is helpful in assessing the development of the subscriber base in the Personal Mobile Services segment. The following table shows the reconciliation of total service revenues to such revenues included in the ARPU calculations:

	Years Ended December 31,		
	2016	2015	2014
	(P\$ million)		
Total service revenues	28,215	22,402	18,412
Components of service revenues not included in the ARPU calculation:			
Outcollect wholesale roaming	(287)	(288)	(304)
Cell sites rental	(88)	(54)	(43)
Reconnection fees and others	(1,171)	(730)	(407)
Adjusted total service revenues included in the ARPU calculation (1)	26,669	21,330	17,658
Average number of subscribers during the year (thousands)	19,798	19,436	19,821

- (1) Certain components of service revenues are not included in the ARPU calculation. Includes Intersegment revenues for P\$166 million in 2016, P\$144 million in 2015 and P\$128 million in 2014.

During 2016, ARPU increased by 23% to approximately P\$112.3 per customer per month compared to approximately P\$91.5 per customer per month in 2015. ARPU reached P\$74.2 per customer per month in 2014.

The total number of Personal’s subscribers decreased by approximately 0.7% to 19.5 million as of December 31, 2016 from 19.7 million as of December 31, 2015 and increased 0.4% from 19.6 million as of December 31, 2014. As of December 31, 2016, our subscriber base amounted to

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approximately 13 million prepaid subscribers (customers that made at least one recharge in the previous thirteen months as of December 31, 2016), or 67% of the total subscriber base, approximately 2.3 million post-paid subscribers, or 11% of the total subscriber base and approximately 4.2 million “*Abono Fijo*” plan subscribers, or 22% of the total subscriber base.

At least a 65% of prepaid customers made a recharge in the 180 days prior to the date of the year end of this Annual Report.

Revenues from our Personal Mobile Services segment for 2016, 2015 and 2014 are comprised as follows:

	Years Ended December 31,			% of Change	
	2016	2015	2014	2016-2015	2015-2014
	(P\$ million)			Increase/(Decrease)	
Voice-retail	8,503	6,964	5,330	22	31
Voice-wholesale	2,078	1,884	1,953	10	(4)
Data	6,636	7,156	7,666	(7)	(7)
Internet	10,832	6,254	3,335	73	88
Services Revenues	28,049	22,258	18,284	26	22
Equipment	7,535	5,796	4,920	30	18
Subtotal third-party revenues	35,584	28,054	23,204	27	21
Intersegment	166	144	128	15	13
Total Personal Mobile Services Revenues	35,750	28,198	23,332	27	21

Voice-retail

Revenues from voice-retail represented 24% of our total segment revenues in 2016 compared to 25% and 23% of our total segment revenues in 2015 and 2014, respectively. Revenues from voice-retail increased by 22% to P\$8,503 million in 2016 from P\$6,964 million in 2015 and increased by 31% from P\$5,330 million in 2014.

Voice-retail mainly includes revenues from monthly basic charges, airtime usage charges and roaming charges billed to our customers for their use of our and other carriers’ networks.

Monthly basic charges increased by 28% to P\$5,113 million in 2016 from P\$4,009 million in 2015 and increased by 30% in 2015 from P\$3,074 million in 2014. Airtime usage charges increased by 2% to P\$2,007 million in 2016 from P\$1,977 million in 2015 and increased by 20% in 2015 from P\$1,654 million in 2014. Roaming charges and other services increased by 41% to P\$1,383 million in 2016 from P\$978 million in 2015 and increased by 62% in 2015 from P\$602 million in 2014.

The increase in 2016 was mainly due to the increase in monthly charges prices for the post-paid and “*Abono Fijo*” subscribers and prepaid services, net of the variation of the subscribers’ base.

The increase in 2015 was mainly due to the increase in monthly charges prices for the post-paid and “*Abono Fijo*” subscribers and prepaid services, and by the positive variation of the subscriber base.

Voice-wholesale

Revenues from voice-wholesale represented 6% of our total segment revenues in 2016 compared to 7% and 8% of our total segment revenues in 2015 and 2014, respectively. Revenues from voice-wholesale increased by 10% to P\$2,078 million in 2016 from P\$1,884 million in 2015 and decreased by 4% in 2015 from P\$1,953 million in 2014.

Voice-wholesale mainly includes revenues from CPP, TLRD and roaming charges to other mobile service providers whose customers use our network.

CPP and TLRD increased by 11% to P\$1,711 million in 2016 from P\$1,548 million in 2015 and decreased by 4% in 2015 from P\$1,611 million in 2014. Roaming charges and other services increased by 9% to P\$367 million in 2016 from P\$336 million in 2015, and decreased by 2% from P\$342 million in 2014.

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Data and Internet

Data and Internet services mainly include SMS and Internet. Data and Internet represented 49%, 48% and 47% of our total segment revenues for 2016, 2015, and 2014, respectively.

Data

Revenues from data mainly include contents via SMS, and other Value Added Services. Revenues from data decreased by 7% to P\$6,636 million in 2016 from P\$7,156 million in 2015. Revenues from data also decreased 7% in 2015 from P\$7,666 million in 2014. The decrease in 2016 and 2015 was due to lower revenues from the principal item of VAS revenues, SMS consumption, which was partially offset by an increase in Content via SMS revenues.

Internet

Revenues from Internet increased by 73% to P\$10,832 million in 2016 from P\$6,254 million in 2015 and increased by 88% in 2015 from P\$3,335 million in 2014. This increase is mainly explained by the increase in consumption by Personal's subscribers, which was mainly fueled by the increase in the offer of services, plan and packs (including VAS) launched by Personal. This growth was fueled by the migration of existing plans to higher-value plans and the increase of subscribers that acquired 3G and 4G handsets, which facilitate Internet browsing.

Equipment

Equipment revenues consist primarily of revenues from the mobile handsets sold to new and existing subscribers and to agents and other third-party distributors. The revenues associated with the sale of mobile handsets and related expenses are recognized when the products are delivered and accepted by the subscribers, agents and other third-party distributors.

During 2016, handset revenues increased by 30% to P\$7,535 million from P\$5,796 million in 2015 and increased by 18% in 2015 from P\$4,920 million in 2014. This increase in 2016 was due to a mix between the increase in the average price of handsets of 34% and the decrease of 4% in the handset units sold, resulting in a higher operating result.

Intersegment

Intersegment revenues mainly include services rendered to Telecom Argentina and primarily consist of GSM fixed services, Mobile Internet and monthly charges, airtime usage charges and Value Added Services. During 2016, our intersegment revenues increased by 15% to P\$166 million from P\$144 million in 2015 and increased by 13% in 2015 from P\$128 million in 2014. The intersegment revenues are eliminated at the consolidated level.

Other Income

Other income mainly includes penalties collected from suppliers, as a result of delays in deliveries of goods or matters related to the quality of the services provided and gains on disposal of PP&E since 2016. During 2016, other income was P\$16 million, compared to P\$5 million in 2015 and P\$21 million in 2014.

Operating Expenses (without depreciation and amortization)

Total operating expenses (without depreciation and amortization) in our Personal Mobile Services segment increased by 25% to P\$25,448 million in 2016 from P\$20,414 million in 2015 and increased by 18% in 2015 from P\$17,320 million in 2014. In line with our increases in revenues, during 2016 and 2015, all items in the cost structure of the Personal Mobile Services segment experienced increases. This trend reflects increases in certain costs related to acquiring and retaining customers, taxes, commissions.

Detailed below are the major components of the operating expenses for the years ended December 31, 2016, 2015 and 2014 in the Personal Mobile Services segment:

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	Years Ended December 31,			% of Change	
	2016	2015	2014	2016-2015	2015-2014
	(P\$ million)			Increase/(Decrease)	
Employee benefit expenses and severance payments	2,381	1,856	1,452	28	28
Interconnection costs and other telecommunications charges	2,721	2,686	2,592	1	4
Fees for services, maintenance, materials and supplies	2,975	2,417	2,145	23	13
Taxes and fees with the Regulatory Authority	3,925	3,071	2,527	28	22
Commissions	3,286	2,774	2,181	18	27
Cost of equipment and handsets	5,749	4,328	3,959	33	9
Advertising	644	628	563	3	12
Cost of VAS	1,329	1,136	856	17	33
Provisions	109	96	(31)	14	n/a
Bad debt expenses	951	462	315	106	47
Other operating expenses	1,378	960	761	44	26
Total Personal Mobile Services(1)	25,448	20,414	17,320	25	18

1) Includes intersegment costs of P\$1,929 million, P\$1,829 million and P\$1,766 million in 2016, 2015 and 2014, respectively. These costs are eliminated at the consolidated level.

Employee benefit expenses and severance payments

During 2016, employee benefit expenses and severance payments charges increased by 28% to P\$2,381 million from P\$1,856 million in 2015 and also increased by 28% in 2015 from P\$1,452 million in 2014. The increase in 2016 was mainly due to increases in salaries agreed by Telecom Personal with several trade unions for the unionized employees and also non-unionized employees, together with related social security charges.

The Personal Mobile Services segment had 4,661, 4,908 and 4,958 employees as of December 31, 2016, 2015 and 2014, respectively.

Interconnection costs and other telecommunications charges

During 2016, interconnection costs and other telecommunications charges increased by 1% to P\$2,721 million from P\$2,686 million in 2015 and increased by 4% in 2015 from P\$2,592 million in 2014. The increase in 2016 was mainly due to an increase in Roaming traffic and higher TLRD costs. The increase in 2015 was mainly due to higher TLRD costs.

Interconnection costs and other telecommunications charges amounted to P\$1,200 million, P\$1,275 million and P\$1,274 million in 2016, 2015 and 2014, respectively, that are eliminated at the consolidated level.

Fees for services, maintenance, materials and supplies

In 2016, fees for services, maintenance, materials and supplies expenses increased by 23% to P\$2,975 million from P\$2,417 million in 2015 and increased by 13% from P\$2,145 million in 2014.

The increase in 2016 was mainly due to higher maintenance costs of radiobases, network, identification sites costs and storage costs. There was an increase of maintenance and fees for services mainly due to higher costs recognized to suppliers.

The increase in 2015 was mainly due to higher maintenance costs of network, systems and buildings mainly due to higher costs recognized to suppliers and, as a result of the variation in the P\$/US\$ exchange rate. Also there was an increase in services, principally call center services, because of more calls attended.

Fees for services, maintenance, materials and supplies expenses includes intersegment costs of P\$468 million, P\$389 million and P\$332 million in 2016, 2015 and 2014, respectively, that are eliminated at the consolidated level.

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Taxes and fees with the Regulatory Authority

During 2016, taxes and fees with the Regulatory Authority increased by 28% to P\$3,925 million from P\$3,071 million in 2015 and increased by 22% in 2015 from P\$2,527 million in 2014. The increase in 2016 was influenced mainly by the increase in revenues and higher taxes on deposits and withdrawals from bank accounts related to higher collections and payments to suppliers. The increase in 2015 was influenced mainly by the increase in revenues and the increase in equipment sales.

Commissions

In 2016, commissions increased by 18% to P\$3,286 million from P\$2,774 million in 2015 and increased by 27% in 2015 from P\$2,181 million in 2014. The increase was mainly due to the increase in agents' commissions of P\$122 million (associated with higher revenues) and the increase of collection commissions of P\$273 million.

Commissions include intersegment costs of P\$59 million, P\$48 million and P\$53 million in 2016, 2015, and 2014, respectively, that are eliminated at the consolidated level.

Cost of equipment and handsets

During 2016, the cost of equipment and handsets sold increased by 33% to P\$5,749 million from P\$4,328 million in 2015 and increased by 9% from P\$3,959 million in 2014. The increase in cost of mobile handsets in 2016 is related to the increase in the average unit cost of sales (an increase of 39% as compared to 2015), which was partially offset by a decrease in units of handsets sold (a decrease of 4% as compared to 2015). The increase in cost of mobile handsets in 2015 is related to the increase in the average unit cost of sales (an increase of 40% as compared to 2014), which was partially offset by a decrease in units of handsets sold (a decrease of 23% as compared to 2014). Cost of equipment and handsets are net of costs capitalized as SAC (P\$83 million in 2016, which is P\$46 million, or 124%, higher than in 2015).

Advertising

During 2016, advertising expenses including media, promotional and institutional campaigns, amounted to P\$644 million, representing an increase of 3% from P\$628 million in 2015. During 2015, advertising expenses increased by 12% from P\$563 million in 2014.

Cost of VAS

Cost of VAS amounted to P\$1,329 million in 2016 (an increase of 17% as compared to 2015), mainly due to the increase of VAS (mainly the Contents via SMS service) as a consequence of several campaigns launched by Personal. Such costs were P\$1,136 million and P\$856 million in 2015 and 2014, respectively.

Provisions

During 2016, we recorded a loss of P\$109 million in provisions compared with a loss of P\$96 million and a gain of P\$31 million recorded in 2015 and 2014, respectively. The increase in 2016 was mainly due to higher regulatory, tax and municipal claims (an increase of P\$40 million as compared to 2015). The increase in 2015 was mainly due to higher regulatory and municipal claims (an increase of P\$70 million as compared to 2014) and higher civil and commercial claims (an increase of P\$44 million as compared to 2014).

Bad debt expenses

In 2016 bad debt expenses amounted to P\$951 million (an increase of 106% as compared to 2015). In 2015, bad debt expenses amounted to P\$462 million representing an increase of 47% from P\$315 million in 2014. The major increase in 2016 as compared with 2015 was a consequence of higher aging of the accounts receivables and higher incidence of handset sales directly financed by Personal to its post-paid and "Abono Fijo" subscribers.

Other operating expenses

Other operating expenses include accrued expenses such as costs associated with the provision of transportation costs, insurance, energy and costs of site leases.

Other operating expenses increased by 44% to P\$1,378 million in 2016 from P\$960 million in 2015 and increased by 26% from P\$761 million in 2014. The increase in 2016 was primarily a result of higher prices of related services, especially transportation, freight and travel expenses; and the increase in rent prices, as a result of new agreements and the renegotiation of some existing ones.

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Other operating expenses included intersegment costs of P\$202 million, P\$117 million and P\$107 million in 2016, 2015, and 2014, respectively, that are eliminated at the consolidated level.

Operating Income before depreciation and amortization

Our operating income before depreciation and amortization from the Personal Mobile Services segment reached P\$10,318 million in 2016, P\$7,789 million in 2015 and P\$6,033 million in 2014, representing 29%, 28% and 26% of total segment revenues in 2016, 2015 and 2014, respectively. The increase in each year was mainly due to higher growth in revenues, which were partially offset by increases in operating costs (before depreciation and amortization).

Depreciation and Amortization

During 2016 depreciation of PP&E and amortization of intangible assets increased by 43% to P\$3,614 million from P\$2,520 million in 2015 and increased by 53% from P\$1,650 million in 2014. During 2016, the increase in PP&E depreciation amounted to P\$709 million, the increase in amortization of SAC amounted to P\$370 million and the increase in amortization of other intangible assets amounted to P\$15 million.

Impairment of PP&E

Impairment loss of PP&E amounted to P\$384 million in 2016, mainly due to the mobile access modernization for the introduction of 4G technology. Impairment of PP&E amounted to P\$114 million in 2015 related to the assessment of recoverability of a group of former work in progress, recording an impairment of P\$44 million equivalent to its book value; an impairment of P\$49 million related to the total amount of works related to the discontinuation of the Orga Gold IT project and the impairment of P\$21 million related to the mobile access modernization for the introduction of 4G technology.

Operating Income

In 2016, our operating income from the Personal Mobile Services segment was P\$6,320 million, representing an increase of 22% from P\$5,160 million in 2015, and increased of 18% from P\$4,358 million in 2014. Operating income represented 18% of revenues in 2016 and 2015 for this segment, and 19% of revenues in 2014. The increase in operating income was mainly due to the growth in service and equipment revenues, partially offset by increases in operating expenses and depreciation and amortization costs as explained above.

The following table shows our operating income from the Personal Mobile Services segment in 2016, 2015 and 2014 and its percentage of revenues in each year:

	Years Ended December 31,			% of Change	
	2016	2015	2014	2016-2015	2015-2014
	(P\$ million / %)			Increase / (Decrease)	
Operating income before depreciation and amortization (1)	10,318	7,789	6,033	32	29
<i>As % of revenues</i>	<i>29</i>	<i>28</i>	<i>26</i>		
Depreciation and amortization	(3,614)	(2,520)	(1,650)	43	53
<i>As % of revenues</i>	<i>(10)</i>	<i>(9)</i>	<i>(7)</i>		
Impairment of PP&E	(384)	(109)	(25)	252	336
Operating income	6,320	5,160	4,358	22	18
<i>As % of revenues</i>	<i>18</i>	<i>18</i>	<i>19</i>		

(1) Although it is not specifically defined, this is a permitted measure under IFRS. See “—Management Overview” above for a discussion of the use of this measure.

Financial results, net

During 2016, the Personal Mobile Services segment financial results, net amounted to a loss of P\$2,064 million. The loss is mainly attributable to higher interest on loans of P\$1,437 million (an increase of P\$897 million as compared to 2015), higher foreign currency exchange losses, net that amounted to P\$929 million (an increase of P\$180 million as compared to 2015) and lower interest on

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time deposits and other investments (a decrease of P\$244 million as compared to 2015), partially offset by higher interest on receivables of P\$124 million.

During 2015, the Personal Mobile Services segment financial results, net amounted to a loss of P\$864 million. The loss is mainly attributable to higher foreign currency exchange losses, net of P\$749 million (an increase of P\$340 million as compared to 2014) and interest on loans of P\$540 million (an increase of P\$537 million as compared to 2014), and lower interest on time deposits of P\$209 million, which was partially offset by gains on other investments of P\$519 million (an increase of P\$255 million as compared to 2014).

Income Tax Expense

During 2016, our Personal Mobile Services segment recorded an income tax expense of P\$1,506 million compared to P\$1,522 million in 2015 and P\$1,542 million in 2014. The decrease was mainly due to lower pre-tax income. The income tax expense in 2016 was mainly attributable to the recognition of current income tax expense amounting to P\$1,586 million, and by the gain generated by the deferred tax on the temporary differences amounting to P\$80 million.

The income tax expense in 2015 was mainly attributable to the recognition of current income tax expense amounting to P\$1,410 million, and by the loss generated by the deferred tax on the temporary differences amounting to P\$112 million.

The income tax expense in 2014 was mainly attributable to the recognition of current income tax expense amounting to P\$1,302 million, and by the loss generated by the deferred tax on the temporary differences amounting to P\$267 million (mainly due to an increase in deferred tax liabilities of Fixed Assets and the deduction of deferred tax assets related to investments in bonds) and P\$27 million of an allowance recovery.

Net Income

During 2016, our Personal Mobile Services segment reported net income of P\$2,750 million as compared to P\$2,774 million during 2015 and P\$2,816 million in 2014. The decrease in net income in 2016 and 2015 was mainly due to higher financial losses, partially offset by higher operating income, as explained above.

(B.3) Núcleo Mobile Services Segment

The Núcleo Mobile Services Segment includes Núcleo and Personal Envíos, which is a company controlled by Núcleo that was authorized by the Central Bank of Paraguay to operate as an Electronic Payment Company (EMPE) through Resolution No.6 issued on March 30, 2015 and its corporate purpose is restricted to such service.

Results of operations from our Núcleo Mobile Services segment for 2016, 2015 and 2014 are comprised as follows:

	Years Ended December 31,			% of Change	
	2016 (3)	2015 (4)	2014	2016-2015	2015-2014
	(P\$ million)			Increase / (Decrease)	
Revenues (1)	2,648	1,717	1,588	54	8
Other Income	1	—	—	100	—
Operating expenses (without depreciation and amortization)	(1,812)	(1,149)	(1,010)	58	14
Operating income before depreciation and amortization (2)	837	568	578	47	(2)
Depreciation and amortization	(687)	(392)	(363)	75	8
Gain on disposal of PP&E	—	1	—	(100)	n/a
Operating income	150	177	215	(15)	(18)
Financial results, net	(29)	(65)	(22)	(55)	195
Income tax expense	(29)	(15)	(22)	93	(32)
Net income	92	97	171	(5)	(43)

- (1) Includes intersegment revenues of P\$6 million, P\$11 million and P\$10 million in 2016, 2015 and 2014, respectively.
(2) Although it is not specifically defined, this is a permitted measure under IFRS. See “—Management Overview” above for a discussion of the use of this measure.

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- (3) Includes operations of Personal Envíos that are not material (Revenues P\$25million, Operating income before depreciation and amortization (P\$7million), Operating income (\$9million) and Net loss (P\$9million)).
- (4) Includes operations of Personal Envíos. Its operations are not material (Revenues P\$9 million, Operating income before depreciation and amortization (P\$2million), Operating income (P\$4million) and Net loss (P\$4million)).

Revenues and Other Income

During 2016, total revenues from Núcleo increased by 54% to P\$2,648 million from P\$1,717 million in 2015. This increase was mainly due to a 46% appreciation of Guaraní as compared to P\$, to an increase in Internet revenues (an increase of 72% as compared to 2015) as a consequence of subscribers that acquired 3G and 4G handsets, which facilitate Internet browsing, and an increase in voice retail revenues (an increase of 50% as compared to 2015). As of December 31, 2016, Núcleo had approximately 2.1 million prepaid subscribers, representing 82% of Núcleo's total mobile subscriber base.

Value Added Services sales (included in Data and Internet services) grew by 60% in 2016 as compared to 2015.

During 2015, total revenues from Núcleo increased by 8% to P\$1,717 million from P\$1,588 million in 2014. This increase was mainly due to an increase of 3% in Núcleo's subscriber base that reached approximately 2.5 million mobile subscribers as of December 31, 2015. As of December 31, 2015, Núcleo had approximately 2 million prepaid subscribers, representing 80% of Núcleo's total mobile subscriber base.

Value Added Services sales (included in Data and Internet services) grew by 12% in 2015 as compared to 2014.

During 2016, handset revenues increased by 64% to P\$260 million from P\$159 million in 2015 and increased by 77% from P\$90 million in 2014.

Revenues from our Núcleo Mobile Services segment for 2016, 2015 and 2014 are comprised as follows:

	Years Ended December 31,			% of Change	
	2016	2015	2014	2016-2015	2015-2014
	(P\$ million)			Increase/(Decrease)	
Voice	975	667	701	46	(5)
Data	429	313	331	37	(5)
Internet	978	567	456	72	24
Service revenues	2,382	1,547	1,488	54	4
Equipment	260	159	90	64	77
Subtotal third-party revenues	2,642	1,706	1,578	55	8
Intersegment	6	11	10	(45)	10
Total revenues	2,648	1,717	1,588	54	8

Operating expenses (without depreciation and amortization)

Total operating expenses in our Núcleo Mobile Services segment increased by 58% to P\$1,812 million in 2016 from P\$1,149 million in 2015 (mainly due to the appreciation of the Guaraní as compared to P\$ of 46% in 2016) and increased 14% in 2015 from P\$1,010 million in 2014. In line with our increases in revenues, during 2016 and 2015, all items in the cost structure of the Núcleo Mobile Services segment experienced increases. This trend reflected increases in certain costs of acquiring and retaining subscribers, and commissions directly associated with sales and expansions of the customer service staff. Detailed below are the major components of the operating expenses for the years ended December 31, 2016, 2015 and 2014 related to Núcleo Mobile Services segment:

	Years Ended December 31,			% of Change	
	2016	2015	2014	2016-2015	2015-2014
	(P\$ million)			Increase/(Decrease)	
Employee benefit expenses and severance payments	199	129	118	54	9
Interconnection costs and other telecommunications charges	200	154	192	30	(20)

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	Years Ended December 31,			% of Change	
	2016	2015	2014	2016-2015	2015-2014
	(P\$ million)			Increase/(Decrease)	
Fees for services, maintenance, materials and supplies	229	152	137	51	11
Taxes and fees with the Regulatory Authority	82	54	47	52	15
Commissions	295	199	156	48	28
Cost of equipment and handsets	303	185	112	64	65
Advertising	104	78	78	33	—
Cost of VAS	117	82	64	43	28
Bad debt expense	125	23	20	443	15
Other operating expenses	158	93	86	70	8
Total Núcleo Mobile Services(1)	1,812	1,149	1,010	58	14

(1) Includes intersegment cost of P\$32 million, P\$23 million and P\$27 million in 2016, 2015 and 2014, respectively. These costs are eliminated at the consolidated level.

Employee benefit expenses and severance payments

During 2016, employee benefit expenses and severance payments increased 54% to P\$199 million from P\$129 million in 2015. During 2015, these costs increased 9% from P\$118 million in 2014. Núcleo had 408 employees as of December 31, 2016. As of December 31, 2015 and 2014 it had 413 and 402, respectively.

Interconnection costs and other telecommunication charges

During 2016, interconnection costs and other telecommunication charges increased 30% to P\$200 million from P\$154 million in 2015 and decreased 20% in 2015 from P\$192 million in 2014. The increase in 2016 was mainly due to an increase in TLRD costs. The decrease in 2015 was mainly due to a decrease in TLRD costs.

Fees for services, maintenance, materials and supplies

During 2016, fees for services and maintenance, materials and supplies totaled P\$229 million, representing an increase of 51% from P\$152 million in 2015. During 2015, they increased 11% from P\$137 million in 2014.

Taxes and fees with the Regulatory Authority

During 2016, taxes and fees with the Regulatory Authority increased 52% to P\$82 million from P\$54 million in 2015 and increased 15% from P\$47 million in 2014. The increase in each year was mainly attributable to the increase in total segment revenues.

Commissions

During 2016, commissions increased 48% to P\$295 million from P\$199 million in 2015. During 2015, commissions increased 28% from P\$156 million in 2014. The increase in 2016 was mainly due to an increase in agent commissions and commissions for distribution of prepaid cards. The increase in 2015 was mainly due to the growth in the subscriber base and an increase in the commissions for distribution of prepaid cards.

Cost of equipment and handsets

During 2016, the cost of equipment and handsets increased to P\$303 million from P\$185 million in 2015, representing an increase of 64%. During 2014, the cost of equipment and handsets was P\$112 million. The increase in 2016 and 2015 was mainly due to the increase of the customer upgrade of mobile handsets as a result of technological advances and new service offerings.

Advertising

During 2016, advertising expenses including media, promotional and institutional campaigns, increased 33% as compared to 2015 and amounted to P\$104 million.

During 2015 and 2014, advertising expenses including media, promotional and institutional campaigns, amounted to P\$78 million.

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Cost of VAS

Cost of VAS increased 43% million to P\$117 million in 2016 from P\$82 million in 2015. Such costs were P\$64 million in 2014.

Bad debt expenses

In 2016 bad debt expenses amounted to P\$125 million, representing an increase of 443% from P\$23 million in 2015 and an increase of 15% in 2015 from P\$20 million in 2014. The major increase in 2016 as compared with 2015 was a consequence of higher incidence of handset sales directly financed by Núcleo to its post-paid and “Plan *Control*” subscribers.

Other operating expenses

Other operating expenses include accrued expenses such as costs associated with the provision of transportation costs, insurance, energy and costs of site leases.

Other operating expenses increased 70% to P\$158 million in 2016 and increased 8% in 2015 to P\$93 million from P\$86 million in 2014.

Operating income before depreciation and amortization

Operating income before depreciation and amortization was P\$837 million in 2016, P\$568 million in 2015 and P\$578 million in 2014, representing 32%, 33% and 36% of total revenues, respectively. The increase was mainly due to growth in service revenues, partially offset by increases in costs, such as employee benefit expenses and severance payments, fees for services and maintenance, materials and supplies, cost of equipment and handsets and commissions.

Depreciation and Amortization

During 2016, depreciation of PP&E and amortization of intangible assets increased 75% to P\$687 million from P\$392 million in 2015. During 2015, depreciation of PP&E and amortization of intangible assets increased 8% from P\$363 million in 2014. The increase was mainly due to the appreciation of the Guaraní of 46% as compared to P\$ in 2016, and the result of higher investment in PP&E and intangible assets, partially offset by a reduction in the level of depreciation due to the end of the amortization period for certain assets.

Operating Income

In 2016, our operating income from the Núcleo Mobile Services segment was P\$150 million, representing a decrease of 15% from P\$177 million in 2015, which represent 6% and 10% of total revenues for this segment in 2016 and 2015, respectively. In 2014, our operating income was P\$215 million, representing 14% of total revenues for this segment.

The following table shows our operating income from the Núcleo Mobile Services segment in 2016, 2015 and 2014 and its percentage of total revenues in each year:

	Years Ended December 31,			% of Change	
	2016	2015	2014	2016-2015	2015-2014
	(P\$ million / %)			Increase / (Decrease)	
Operating income before depreciation and amortization (1)	837	568	578	47	(2)
<i>As % of total revenues</i>	<i>32</i>	<i>33</i>	<i>36</i>		
Depreciation and amortization	(687)	(392)	(363)	75	8
<i>As % of total revenues</i>	<i>(26)</i>	<i>(23)</i>	<i>(23)</i>		
Gain on disposal of PP&E	—	1	—	(100)	n/a
Operating income	150	177	215	(15)	(18)
<i>As % of total revenues</i>	<i>6</i>	<i>10</i>	<i>14</i>		

(1) Although it is not specifically defined, this is a permitted measure under IFRS. See “—Management Overview” above for a discussion of the use of this measure.

Financial results, net

During 2016, the Núcleo Mobile Services segment recorded a net financial loss of P\$29 million, compared to a net financial loss of P\$65 million in 2015 and P\$22 million in 2014. The decrease in the

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loss in 2016 was mainly due to lower foreign currency exchange losses. The increase in the loss in 2015 was mainly due to higher foreign currency exchange losses.

Income Tax Expense

During 2016, our Núcleo Mobile Services segment recorded an income tax expense of P\$29 million compared to P\$15 million in 2015 and P\$22 million in 2014. The income tax expense in 2016 was attributable to the recognition of current income tax expense amounting to P\$29 million.

The income tax expense in 2015 was mainly attributable to the recognition of current income tax expense amounting to P\$16 million, which was partially offset by the gain generated by the deferred tax on the temporary differences arising out of the asset and liability valuations according to tax versus financial accounting criteria amounting to P\$1 million.

The income tax expense in 2014 was mainly attributable to the recognition of current income tax expense amounting to P\$25 million, which was partially offset by the gain generated by the deferred tax on the temporary differences arising out of the asset and liability valuations according to tax versus financial accounting criteria amounting to P\$3 million.

Net Income

During 2016, our Núcleo Mobile Services segment reported net income of P\$92 million as compared to P\$97 million during 2015, representing 3% and 6% of total revenues in 2016 and 2015, respectively. In 2014, our net income was P\$171 million, representing 11% of total revenues. The decrease in 2016 was mainly due to a decrease in the operating income as a consequence of a strong increase in depreciation and amortization that offset the improvement in Operating income before depreciation and amortization, and an increase in income tax expense, partially offset by a decrease in the net financial losses. The decrease in 2015 was mainly due to a decrease in the operating income and higher net financial losses, partially offset by lower income tax expense.

Liquidity and Capital Resources

Sources and Uses of Funds

We expect that the main source of Telecom Argentina's liquidity in the near term will be cash flows from Telecom Argentina's operations and the dividends that Personal may pay to it. Telecom Argentina's principal uses of cash flows are expected to be for capital expenditures, operating expenses and dividends to its shareholders. Telecom Argentina expects working capital, funds generated from operations, dividend payments from its subsidiaries and financing from third parties to be sufficient for its present requirements.

We expect that the principal source of Personal's liquidity in the near term will be cash flows from operations, dividends that Núcleo may pay to it and cash flow from financing from third parties. During 2014 and 2015, Personal's working capital was impacted by 3G and 4G licenses' acquisitions. Personal's principal uses of cash flows are expected to be for capital expenditures, operating expenses, dividend payments to its shareholders and payment of financial debt, interests and related expenses.

The Ordinary and Extraordinary Shareholders' Meeting of Telecom Argentina held on December 15, 2011, approved the creation of a Medium-Term Notes Global Program for a maximum outstanding amount of US\$500 million or its equivalent in other currencies for a term of five years.

Also, the Ordinary and Extraordinary Shareholders' Meeting of Personal held on December 2, 2010, approved the creation of a Medium-Term Notes Global Program for a maximum outstanding amount of US\$500 million or its equivalent in other currencies for a term of five years. On October 13, 2011, the CNV approved this program. Personal's Ordinary Shareholders' Meeting held on May 26, 2016 authorized to extend the due date of the Program until October 31, 2021, and to expand the Program's maximum circulation amount to US\$1,000 million or its equivalent in other currencies. On October 20, 2016, the CNV authorized the extension and expansion of the aforementioned Program through Resolution No. 18,277.

Under this program, on December 10, 2015, Telecom Personal has successfully completed the issuance of Series I and Series II notes for a total nominal value of P\$720.5 million. Additionally, on November 16, 2016 Telecom Personal also completed the issuance of Series III and Series IV notes

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for a total nominal value of almost P\$722.0 million and US\$77.9 million, respectively. See “—Debt Obligations and Debt Service Requirements” below.

Additionally, during October 2016 Personal and the IFC signed a loan agreement for an amount of US\$ 400 million.

We do not expect any implications on the sources of liquidity and the sources of funds as a result of the Reorganization. See “Item 4—Information on the Company—Introduction—Recent Developments—The Reorganization.”

The table below summarizes, for the years ended December 31, 2016, 2015 and 2014, Telecom’s consolidated cash flows:

	Years ended December 31,		
	2016	2015	2014
	(P\$ million)		
Cash flows provided by operating activities	11,365	6,812	5,721
Cash flows used in investing activities	(11,340)	(9,651)	(9,426)
Cash flows provided by (used in) financing activities	2,828	2,950	(1,340)
Net foreign exchange differences on cash and cash equivalents	222	75	505
Increase/(Decrease) in cash and cash equivalents	3,075	186	(4,540)
Cash and cash equivalents at the beginning of the year	870	684	5,224
Cash and cash equivalents at the end of the year	3,945	870	684

As of December 31, 2016, 2015 and 2014, we had P\$3,945 million, P\$870 million and P\$684 million in cash and cash equivalents, respectively.

Cash flows from operating activities: The breakdown of the net cash flow provided by operating activities is as follows:

	Years ended December 31,		
	2016	2015	2014
	(P\$ million)		
Collections			
Collections from customers	55,928	41,930	34,396
Interests from customers	366	182	160
Interests from investments	59	190	400
Mobile operators collections	885	843	330
Subtotal	57,238	43,145	35,286
Payments			
For the acquisition of goods and services and others	(17,120)	(12,784)	(7,821)
For the acquisition of inventories	(5,383)	(6,343)	(4,167)
Salaries and social security payables and severance payments	(9,113)	(6,885)	(5,146)
CPP payments	(393)	(413)	(475)
Income taxes (includes tax returns and payments in advance)	(1,700)	(1,631)	(2,277)
Other taxes and taxes and fees with the Regulatory Authority	(10,731)	(7,775)	(8,902)
Foreign currency exchange differences related to the payments to suppliers	(1,433)	(502)	(777)
<i>of which: Inventory suppliers</i>	<i>(295)</i>	<i>(182)</i>	<i>(343)</i>
<i>PP&E suppliers</i>	<i>(1,467)</i>	<i>(188)</i>	<i>(311)</i>
<i>Other suppliers</i>	<i>(144)</i>	<i>(31)</i>	<i>(154)</i>
<i>NDF</i>	<i>473</i>	<i>(101)</i>	<i>31</i>
Subtotal	(45,873)	(36,333)	(29,565)
Net cash flow provided by operating activities	11,365	6,812	5,721

Cash flows used in investing activities were P\$11,340 million, P\$9,651 million and P\$9,426 million in 2016, 2015 and 2014, respectively, and includes the payment for the acquisition of 4G licenses of P\$2,256 million and P\$3,091 million in 2015 and 2014, respectively. The increase of P\$1,689 million in 2016 was mainly due to an increase in PP&E capital expenditures (mainly due to the modernization of the Mobile technology).

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Cash flows provided by financing activities were P\$2,828 million and P\$2,950 million in 2016 and 2015, respectively while cash flows used in financing activities were P\$1,340 million in 2014. The decrease in 2016 was mainly due to higher payments of loans and dividends, partially offset by higher proceeds of financial debts. The positive cash flows from financing activities in 2015 as compared to 2014 were mainly due to the increases in proceeds of financial debt to acquire, among others, 4G licenses by P\$2,256 million.

NDF and US Dollar bonds

Due to the existence of commitments denominated in US Dollars as of December 31, 2016, the Company entered into several NDF agreements during 2016 to purchase a total amount of US\$ 7 million. The purpose of these NDF is to eliminate the risks associated to the fluctuation of the future exchange rate and to align the payment currency of Telecom Argentina's and Personal's commitments (hedged item) to its functional currency. As the effect of the fluctuation of the exchange rate over the hedged items is recognized in the Income Statement, changes in the fair value of NDF in 2016 (net gain of approximately P\$2 million) have also been recognized in the Income Statement, within Finance expenses — Exchange Differences with counterpart in current assets (Other receivables), maturing in February 2017.

During 2016, Personal entered into several NDF agreements for US\$9 million, maturing in March 2017 in order to hedge the first interest installment of the IFC Loan. These NDF agreements were qualified as “effective” cash flow hedges for accounting purposes. The Telecom Group recognizes the hedging instruments results, distinguishing between gains and losses of such agreements that generate assets and liabilities, as appropriate, without offsetting balances with different counterparties. As of December 31, 2016, the Telecom Group has a current liability amounting to P\$2 million, of which P\$1 million (before income tax) has been recorded within Other Comprehensive Income and a net loss amounting to P\$1 million has been included in Finance expenses — Exchange Differences related to the US\$9 million outstanding NDF to such date, which will mature in March 2017.

During 2016 Personal also settled US\$ 159 million of NDF agreements in US dollars that had as of December 31, 2015, which resulted in a gain of P\$2 million recognized in the Income Statement, within Other operating costs. The purpose of these NDF was also to eliminate the risks associated to the fluctuation of the future exchange rate and to align the payment currency of Personal's commercial commitments (hedged item) to its functional currency.

As part of their financial risk management and reduction of exchange rate risk policies, during 2016 Personal acquired National Government bonds denominated in US dollars (Discount 2033) for a total cost of P\$715 million, which bear interest at a rate of 8.28% per annum, also in US dollars. These bonds were valued at fair value and generated a P\$5 million gain recognized in the Income Statement, within Finance profits—Investments. In addition, in 2016, Personal acquired National Government bonds denominated in US dollars, Global 2021 and Bonar 2024, for a total cost of P\$255 million, bearing interest at annual rates of 6.875% and 8.75%, respectively, also in US dollars. These bonds were valued at amortized cost and generated a P\$1 million gain recognized in the Income Statement, within Finance profits—Investments.

Additional information regarding Financial Instruments is set forth in Note 20 to our Consolidated Financial Statements.

Debt Obligations and Debt Service Requirements

Telecom Argentina has no indebtedness as of December 31, 2016, except for bank overdrafts amounting to P\$41 million.

The Indebtedness of Telecom Argentina's subsidiaries as of December 31, 2016 was as follows:

Telecom Personal:

On January 28, 2015, Personal entered into a loan with a foreign bank for a total amount of US\$40.8 million (equivalent to P\$353 million at such date). This loan is a 27-months bullet loan with three-month interest payment at a weighted average rate of three-month LIBO plus 8.75% (a financial cost of 9.6309% as of December 31, 2016). The funds were used for the acquisition of inventories. Subsequently, on February 7, 2017, with the maturity of the interest service, Personal proceeded to fully prepay the loan, paying US\$40.8 million in capital (equivalent to P\$643 million), US\$1 million of

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interest (equivalent to P\$16 million) and US\$0.3 million in pre-cancellation fees (equivalent to P\$5 million).

On July 5, 2016, Personal accepted an offer from the IFC for the assessment and transfer of funds for purposes of financing investment needs, working capital and debt refinancing for an amount of up to US\$400 million.

In October 2016, Personal and the IFC signed the loan agreement (“IFC Loan”) for an amount of US\$400 million and for a six-year period, payable in eight equal half-yearly installments since the 30th month, with a 6-month LIBO rate + 400bp. This loan was used to deploy the 4G network and refinance short-term financial liabilities. The loan terms include standard commitments for this type of financial transaction.

On October 26, 2016 Personal received the loan proceeds for an amount of US\$392.5 million (net of expenses of US\$7.5 million).

The balance of these loans as of December 31, 2016 amounted to approximately P\$6,953 million. During 2017, Personal entered into various hedging agreements (NDF) to cover fluctuations in the LIBOR rate of the loan with IFC. These NDF allow fixing the variable rate to be set for the life of the loan.

Additionally, in April 2017, Personal and the Inter-American Investment Corporation (“IIC”), a member of the Inter-American Development Bank (“IDB”) Group, signed a loan agreement (“IIC Loan”) for an amount of US\$100 million and for a six year period, payable in 8 equal half-yearly installments since the 24th month, with a 6 month LIBO rate + 400bp. The funds of this loan will be allocated to deploy the 4G network and for financing working capital and other financial needs. The loan terms include standard commitments and covenants for this type of financial transactions.

On December 10, 2015 Personal issued notes in two series for a total nominal amount of P\$720.5 million, under the Medium Term Notes Global Program mentioned in “Sources and Uses of Funds” above, with the following terms and conditions:

- Series I: with a maturity of 18 months from the date of issuance and settlement for a nominal value of P\$571.5 million, at a combined rate (fixed rate of 28.5% up to the 6th month and variable rate from the 7th month, BADLAR rate + 375bps).
- Series II: with a maturity of 36 months from the date of issuance and settlement, with a nominal value of P\$149 million, at a combined rate (fixed rate of 28.75% up to the 9th month and variable rate from the 10th month, BADLAR rate + 400bps).

Additionally, on November 16, 2016 Personal issued notes in two series for a total nominal amount of almost P\$722.0 million and US\$77.9 million, also under the Medium Term Notes Global Program mentioned in “Sources and Uses of Funds” above, with the following terms and conditions:

- Series III, denominated in pesos at a floating rate and with a maturity of 18 months from the date of issuance and settlement, and for a nominal value of P\$722 million, at a variable rate (BADLAR Privada rate + 290bps).
- Series IV, denominated in U.S. dollars, at a fixed rate and with a maturity of 24 months from the same date of issuance and settlement as Series III, for a nominal value of US\$77.9 million, at a nominal fixed annual rate equivalent to 4.85%.

The aforementioned notes have a local risk rating issued by FIX SCR S.A. (Fitch Ratings) of “AA+ (arg)”, due to the credit quality and financial strength of Personal.

The funds arising from the Series I and II notes were used to refinance short-term liabilities through the partial settlement of bank overdrafts that Personal had taken to finance the acquisition of 3G and 4G frequencies bands, and the Series III notes and Series IV notes funds were applied to the refinancing of short-term liabilities.

The balance of Series I, II, III and IV notes of Personal as of December 31, 2016 amounted to approximately P\$2,690 million. Finally, as of December 31, 2016 Personal has bank overdrafts amounting to P\$1,672 million (including P\$6 million of interest).

In connection with the Reorganization, Telecom will assume, by universal succession, all of Personal’s rights and obligation arising from the Notes and their trust or fiscal agency agreements, if

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any. The Reorganization is a merger authorized by the terms and conditions of the Notes and their holders have no opposition rights with respect to the Reorganization. For information on the Reorganization, see “Item 4—Information on the Company—Introduction—Recent Developments—The Reorganization.”

Núcleo:

As of December 31, 2016, Núcleo’s outstanding debt (bank loans and bank overdrafts) is denominated in Guaraníes and amounted to approximately P\$554 million.

Additional information regarding terms and conditions of the Telecom Group’s loans as of December 31, 2016 is set forth in Note 12 to our Consolidated Financial Statements.

Liquidity

The liquidity position for each of Telecom Argentina, Personal and Núcleo is and will be significantly dependent on each individual company’s operating performance, its indebtedness, capital expenditure programs and receipt of dividends, from its subsidiaries, if any.

The Group’s working capital breakdown and its main variations are disclosed below:

	2016	2015 (P\$ million)	Variation
Trade receivables	7,577	5,663	1,914
Other receivables	1,011	1,336	(325)
Inventories	1,278	2,193	(915)
Current liabilities (not considering financial debt)	(13,245)	(13,463)	218
Operative working capital - negative	(3,379)	(4,271)	892
<i>As % of Revenues</i>	<i>(6.4)%</i>	<i>(10.5)%</i>	
Cash and cash equivalents	3,945	870	3,075
Investments	1,751	1,430	321
Current financial debt	(3,266)	(3,451)	185
Net Current financial asset / (debt)	2,430	(1,151)	3,581
Negative working capital (current assets — current liabilities)	(949)	(5,422)	4,473
Liquidity rate	0.94	0.68	0.26

The Telecom Group has a typical working capital structure corresponding to a company with intensive capital that obtains spontaneous financing from its suppliers (especially PP&E) for longer terms than those provided to its customers. According to this, the negative working capital amounted to P\$949 million as of December 31, 2016 (decreasing P\$4,473 million as compared to December 31, 2015), improving its level in relation to revenues (6.4% of consolidated revenues as of December 31, 2016 as compared to 10.5% of consolidated revenues as of December 31, 2015).

During the fiscal year 2016 the Telecom Group renewed its demand for funds coming from the financial and capital markets in Argentina, which allowed the Company to finance the growth of its PP&E and Intangible assets at very competitive rates. The Telecom Group has an excellent credit rating (the notes issued by Telecom Personal were rated “AA + (arg)” by FIX SCR SA) thanks to its solid cash flows provided by operating activities and reduced levels of leverage. Moreover, total working capital (current assets - current liabilities) amounted to a net debt of P\$949 million as of December 31, 2016, due to a decrease in negative operative working capital and of the current net financial debt of P\$892 million and P\$3,581 million, respectively.

These increases in absolute terms have enhanced our consolidated liquidity ratio (current assets/current liabilities), which amounted to 0.94.

The Group has several financing sources and several offers from first-class international institutions to diversify its current short-term funding structure, which includes accessing to domestic and international capital market and obtaining competitive bank loans in what relates to terms and financial costs.

The low financial debt of the Group makes it possible to obtain financial resources for longer terms at a reasonable cost. The Group’s management evaluates the national and international macroeconomic context to take advantage of market opportunities that allows it to preserve its financial health for the benefit of its investors.

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The Telecom Group manages its cash and cash equivalents and its financial assets, matching the term of investments with those of its obligations. The average term of its investments should not exceed the average term of its obligations. Cash and cash equivalents position is invested in highly-liquid short-term instruments through first-class financial entities.

The Telecom Group maintains a liquidity policy that results in a significant volume of available cash through its normal course of business as it is shown in the consolidated statement of cash flows. As of December 31, 2016, Telecom Argentina and its consolidated subsidiaries had approximately PS3,945 million (equivalent to US\$250 million) in cash and cash equivalents (in 2015, P\$870 million or the equivalent of US\$67 million). Of this amount, approximately P\$244 million of cash and cash equivalents was held by Telecom Argentina on a stand-alone basis. The Telecom Group has approximately P\$66 million of restricted cash in connection with legal proceedings. Such restricted cash has been classified as “Other Receivables, net” on our balance sheet. The Telecom Group has credit lines with banks and a global notes program that allow the financing of its short-term obligations and its investment plan, in addition to the expected cash flow in the coming years.

Telecom Argentina’s Board of Directors, at its meeting held on March 16, 2017, called an Ordinary and Extraordinary Shareholders’ meeting to be held on April 27, 2017, to consider among other issues the allocation of Telecom Argentina’s retained earnings as of December 31, 2016, (P\$3,975 million). The proposal of the Board of Directors is to allocate the total amount of said retained earnings to the “Reserve for Future Cash Dividends.” In addition, the Board of Directors proposed the withdrawal of P\$2,730 million from the “Voluntary Reserve for Capital Investments” and the withdrawal of the “Voluntary Reserve for Future Investments” (P\$2,904 million), increasing in turn the “Reserve for Future Cash Dividends” by P\$5,634 million.

Our ability to generate sufficient cash from our operations in order to satisfy our indebtedness and capital expenditure needs may be affected by macroeconomic factors influencing our business, including, without limitation, the exchange rate of Argentine Pesos to U.S. dollars and rates of inflation; among others. These factors are not within our control. Certain statements expressed in this section constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and involve risks and uncertainties, including those described in this Annual Report in “Item 3—Key Information—Risk Factors.” Actual results may differ materially from our expectations described above as a result of various factors.

Capital Expenditures

We estimate that our capital expenditures for the year 2017 will be approximately 20% of consolidated revenues.

In the Personal Mobile Services segment, the capital expenditures were mainly oriented towards the deployment of the 4G technology and the extension of the coverage and capacity of our network in numerous cities across Argentina. The objectives were reached mainly through new sites, together with replacement plans and the upgrade of the current network. At the same time, new investments were made in connection with the swap of the Core Platform.

In the Fixed Services segment, specifically in the access area, the investment in deployment of new technologies continued to provide higher bandwidth to customers, mainly over Gigabit-capable Passive Optical Network (GPON) technology whose deployment has begun in 2016 and continued with the deployment of FTTC.

Following the strategy of previous years, in the transportation area, investments were made in the deployment of interurban trunk optical fiber, the increase in the capacity and security of the WDM (Dense Wavelength Division Multiplexing) Centurión network, the increase in the capacity of the Backbone IP and the addition of new POPs of content.

Also, investments continued in the installation of equipment for the Metro Ethernet network and the evolution of the capacity and capillarity of regional transportation, especially on the Packet Transport Network.

In both business segments, major investments were made on IT projects such as the implementation of a new rating system by the end of 2016. In addition, the Company started to contract the suppliers for the new systems of customer relationship management, order manager, billing and collection.

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See “Item 3—Key Information—Risk Factors—Risks associated with Telecom and its Operations—We operate in a competitive environment that may result in a reduction in our market share in the future.” We expect to finance our capital expenditures through cash generated from our operations, cash on hand and financing from third parties; therefore, our ability to fund these expenditures is dependent on, among other factors, our ability to generate sufficient funds internally. Telecom’s ability to generate sufficient funds for capital expenditures is also dependent on its ability to increase its service prices, the increase of its operating costs due to inflation and the increase of the cost of imported materials as they may increase in peso terms (as a result of the decline in the peso/U.S. dollar exchange rate and higher inflation).

Taxes

Turnover Tax

Under Argentine tax law, Telecom is subject to a tax levied on gross revenues. Rates differ depending on the jurisdiction where revenues are earned for tax purposes. Rates in effect ranged from 2.5% to 8.0% for the years ended December 31, 2016, 2015 and 2014, depending on the jurisdiction or goods and services subject to the tax.

Income Tax

Our income tax rate is currently 35% of net taxable income for the companies located in Argentina, 10% for Núcleo and Envíos and 39.5% (34% Federal Tax and 5.5% State Florida Tax) for Telecom Argentina USA. The amount of income subject to tax is calculated according to tax regulations which contain a different methodology for calculating net taxable income than the methodology used for the preparation of our Consolidated Financial Statements under IFRS. The differences between the methodology of computing income under the tax regulations and under IFRS make it difficult to determine the taxable net income from our income statements. For instance, some deductions from income normally accepted for accounting purposes are not deductible and, accordingly, must be added back to income for tax purposes.

Pursuant to Law No. 26,893, *dividends* and other profits paid in cash or in kind —except for stock dividends or quota dividends—by companies and other entities incorporated in Argentina referred to in the Argentine Income Tax Law (the “Income Tax Law”), Sections 69 (a)(1), (2), (3), (6) and (7), and Section 69(b), were subject to income tax at a 10% rate except for those beneficiaries that were domestic corporate taxpayer. Law No. 27,260 repealed this withholding tax as of July 23, 2016. Consequently, there is currently no withholding tax levied on dividends distributed to either Argentine or non-Argentine resident shareholders.

Additionally, under Argentine Income Tax Law, a corporation that makes a distribution of dividends to its shareholders in excess of the amount of its accumulated net taxable income at the close of the previous taxable year, as determined by application of the Argentine Income Tax Law, shall have to withhold a 35% tax from such excess. This withholding income tax is known as the “equalization tax.” See “Item 10—Additional Information—Taxation—Argentine Taxes—Taxation of Dividends.”

Tax on cash dividends received from a foreign subsidiary is calculated according to the statutory income tax rate. As per Paraguayan tax law, an additional income tax rate of 5% is imposed on dividends that are paid by a Paraguayan company. Additionally, under such law, when dividends are being paid to foreign shareholders, there is a withholding tax of 15%, which is deducted from the amounts which are paid to such shareholders.

As per Argentine tax law, income tax paid abroad and withholding tax are recognized as tax credit with certain quantitative limits.

Net losses in Argentina can generally be carried forward and applied against future taxable income for five years. However, Paraguayan law does not permit the carry-forward of such losses.

Thin Capitalization Rules

Argentine Law No. 25,784, modified the limitation on the deduction of interest expense by stating that the limit will only be applied to interest expense on debt owed to non-resident entities that control the borrowing entity (except for interest expense subject to the 35% withholding tax) in proportion to the amount of debt that exceeds by two times the company’s equity, and the excess of interest over this ratio will be treated as dividend payments. During fiscal years 2016, 2015 and 2014, Telecom’s

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deduction of interest expenses was not limited because Telecom was able to meet the conditions required for such deduction.

Tax on Minimum Presumed Income

Our companies located in Argentina are required to pay an amount equal to the greater of the income tax or the tax on minimum presumed income. The tax on minimum presumed income is computed based on 1% of the value of our assets. The value of our assets is determined in accordance with the criteria established under the tax laws. The amount of any income tax paid during the year may be applied against the tax on minimum presumed income that would be payable in such year. The amount of any tax on minimum presumed income paid in excess of the income tax for such year may be carried forward for a period of up to ten years. This excess may be treated as a credit to be applied against the income tax payable in a future year to the extent the tax on minimum presumed income for the year does not exceed income tax payable for such future year. During fiscal years 2016, 2015 and 2014, income tax was higher than tax on minimum presumed income. Shares and other equity participations in companies subject to the tax on minimum presumed income are exempt from the tax on minimum presumed income.

According to Law No. 27,260, Tax on Minimum Presumed Income is abolished for fiscal years beginning from January 1, 2019.

Value Added Tax (VAT)

VAT does not have a direct impact on our results of operations. VAT paid by us to our suppliers is applied as a credit toward the amount of VAT charged by Telecom to its customers and the net amount is passed through to the Argentine government. VAT rates are 21%, 27% and 10.5%, depending on the type of the transaction and tax status of the customer.

The import of services (including financial services) by Argentine VAT taxpayers registered for VAT purposes, or *responsables inscriptos*, such as Telecom Argentina and Personal, is subject to VAT. In the case of loans, if the lender is a bank or a financial entity located in a country whose central bank has adopted the Banking Supervision Standards of the Basel Committee, the rate is 10.5%. If the foreign lender is one other than those mentioned above, the rate is 21%.

The burden of paying VAT is borne by the Argentine taxpayer.

Law No. 27,346 states that since January 1, 2017, VAT for Argentinean residents, such as Telecom Argentina and Telecom Personal will be considered “responsables sustitutos” (substitutes) of the VAT tax that levies services rendered in Argentina by non-residents.

Tax on Deposits to and Withdrawals from Bank Accounts

The tax on deposits to and withdrawals from bank accounts under Law No. 21,526 applies to certain deposits to and withdrawals from bank accounts with Argentine financial institutions and to other transactions that, due to their special nature and characteristics, are similar or could be used in lieu of a deposit to or withdrawal from a bank account. Therefore, any deposit to or withdrawal from a bank account opened in an institution regulated by Law No. 21,526, or any transaction deemed to be used in lieu of a deposit to or withdrawal from a bank account, is subject to the tax on deposits and withdrawals unless a particular exemption is applicable. The tax rate in effect since August 1, 2001 has been 0.6% of the transaction volume.

During 2016, 2015 and 2014, we charged to our income statement P\$539 million, P\$403 million and P\$343 million, respectively, of this tax.

On February 6, 2003, the Ministry of Economy and Public Finance, through General Resolution No. 72/03, authorized us to increase the Basic Telephone Services reflecting the impact of IDC. The Company determined an amount of approximately P\$23 million had not yet been recovered that arose prior to the issuance of Resolution No.72/03 and that was not used to offset payment of other taxes. Such amount was recorded under “Other receivables” during 2007 and can be offset with existing and/or future regulatory duties. See “Item 4—Information on the Company—Regulatory and Legal Framework—Regulatory Framework—Tax on deposit to and withdrawals from bank accounts charged to customers.”

Decree No. 534/2004 provides that owners of bank accounts subject to the general tax rate of 0.6% may take into account as a tax credit 34% of the tax originated in credits on such bank accounts.

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This amount may be computed as a credit for the Income Tax and Tax on Minimum Presumed Income. The amount computed as a credit is not deductible for income tax purposes.

Personal Assets Tax

Argentine companies, such as us, have to assess and pay the personal assets tax corresponding to their shareholders that are Argentine individuals and non-Argentine resident persons (natural and legal persons). The tax rate in effect through December 31, 2015 was 0.50%. As of December 31, 2016, Law No. 27,260 lowered the rate to 0.25%, which is to be assessed on the proportional net worth value (*valor patrimonial proporcional*), of the shares as per the Argentine entity's last financial statements prepared under Argentine GAAP. Pursuant to the Personal Assets Tax Law, an Argentine company is entitled to seek reimbursement for such paid tax from the applicable Argentine domiciled individuals and/or foreign domiciled shareholders. As a result, until shareholders reimburse Telecom Argentina for the amounts paid on their behalf, the payment of this tax constitutes a receivable for Telecom Argentina.

Telecom Argentina has, from time to time, requested that its shareholders reimburse the amounts of personal assets tax paid on their behalf and has received partial reimbursement of such taxes. The amount paid by Telecom Argentina and pending collection from its shareholders as of December 31, 2016, was approximately P\$26 million, of which P\$18 million are included in the allowance for doubtful accounts, based on the recoverability assessment made by Telecom Argentina. Whenever applicable, personal assets tax paid on behalf of Telecom Argentina's shareholders is deducted from the cash dividend payment.

Pursuant to Law No. 27,260, Argentine companies that have properly fulfilled their tax obligations during the two fiscal year periods prior to the 2016 fiscal year and complied with certain other requirements may qualify for an exemption from the personal asset tax paid on behalf of the Shareholders for the 2016, 2017 and 2018 fiscal years. The request for this tax exemption should be filed before March 31, 2017. Telecom Argentina has filed the request. Notwithstanding, we cannot assure that in the future, Telecom Argentina can fulfill those requirements and maintain the referred exemption.

Other Taxes and Levies

We are subject to a levy of 0.5% of our monthly revenues from telecommunications services. The proceeds of this levy are used to finance the activities of the Regulatory Bodies. The amount of this levy is included in our consolidated income statement within "Taxes and fees with the Regulatory Authority."

Law No. 25,239 imposes a tax on Personal of 4% (tax on mobile and satellite services) of amounts invoiced excluding VAT but including the excise tax, which results in an effective tax rate of up to 4.167%.

Law No. 26,539 amends the excise tax and establishes that the importation and sale of technological and computer goods, including mobile phones, is subject to the excise tax at a rate of 17%, resulting in an effective tax rate of up to 20.48%, effective from December 1, 2009.

Since the beginning of 2001, telecommunication services companies have been required to pay a Universal Service tax to fund Universal Service requirements. See "Item 4—Information on the Company—Regulatory and Legal Framework—Regulatory Framework—Universal Service Regulation."

Law No. 26,573, which was regulated in 2010, imposes a levy of 1% of the monthly revenues from telecommunication services, excluding prepaid services, which must be collected from the customers. The proceeds of this levy are used to finance the activities of the Ente Nacional de Alto Rendimiento Deportivo — ENARD (National Board of High Performance Sport).

Stamp tax is a provincial tax that is levied based on the formal execution of public or private instruments. Documents subject to stamp tax include, among others, various types of contracts, notarial deeds and promissory notes. Each province and the City of Buenos Aires has its own stamp tax legislation. Stamp tax rates vary according to the jurisdiction and type of agreement involved.

Local municipalities establish various taxes and fees such as "Safety and hygiene", "Habilitation and inspection of structures" and "Advertising" rates, among others.

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Personal is subject to a radioelectric spectrum fees that are paid to the Regulatory Authority for the use of the radio spectrum.

Research and Development, Patents and Licenses, etc.

None.

Trend Information

We believe that the fiscal year 2017 will be a more favorable macroeconomic context in terms of level of activity, salary and consumption recovery. In particular, a significant reduction of the inflation rate is expected as compared to fiscal year 2016. Regarding regulatory matters, it is expected that some adjustments will continue to be made with respect to the telecommunications industry regulations, promoting convergence of ICT services and industry competition. We are optimistic that the Regulatory Authority will provide symmetrical rules between different operators that promote long-term investments and the closing of claims started in previous years.

We expect moderate economic growth rates for 2017 amounting to approximately 3.5% annually (GDP in real terms), with inflation rates that should not exceed 20% annually. However, we believe that the demand of our products and services will remain at positive levels, especially those product and services related to the use of the Internet, 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 enjoying our services at their home or company, or while mobile through Personal services. We will continue working to enrich our innovative offers with products and services to encourage the increase of our ARPU in all business segments, with pricing policies segmented to align with each type of customer, without neglecting the global profitability of our business.

In 2017 we expect the evolution of fixed telephone to continue in line with the trend in recent years, influenced by the maturity of the market.

In order to continue improving the Internet at home, UBB (high bandwidth) will continue to be developed with new technologies that replace copper with fiber optic in different network points, allowing our customers to access to speeds over 100 mgs. These infrastructure investments will not only improve the existing Internet services, but they will also allow the Telecom Group to improve its positioning and offers when the distribution of content in real time (in particular TV) begins, in the terms and markets allowed by regulations.

We will continue developing convergent offers, under modalities allowed by current defense of competition regulations, providing our customers with Internet services, fixed and mobile calling, with differential benefits provided by joint subscribing services. In this way, the level of service subscriptions will be maximized when we leverage the positioning of other services and of our competitiveness in each area of the country. Simplification of service offerings focused on data and Internet services will continue characterizing our positioning in mobile services.

In the mobile business we will continue focusing on service quality and the nationwide deployment of the 4G LTE network, improving coverage and network speeds. 4G services will also be expanded with new frequencies and more investment, continuing with technological conversion and the expansion of the network capacity, obtaining LTE capacity in over 80% of our sites. The ambitious investment plan assumes that we will be able to develop these activities in a symmetrical competition framework with the remaining operators. The distribution of content in real time through mobile devices will be one of our competitive advantages in providing this service.

For the high value mobile segment, we will seek to improve the user experience, working on simplifying customer service and management, through more flexible and differential processes. These actions will also go along with the convenience of the offer and a “1 to 1” relationship model, repositioning “Personal Black” as a different offer with special benefits for high value subscribers.

We plan to work more deeply at a regional level, advancing with a differentiated offering according to the competitiveness level of each region, to enhance positioning and/or leveraging of the customer base development on convergent customers.

For prepaid subscribers, we plan to continue working on a social network-oriented offer, coupled

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with real-time campaigns that promote our prepaid subscribers base and improve ARPU of such subscribers.

Our mobile subscribers' loyalty program, *Club Personal*, will maintain its goal of extending the customer's life cycle through an interactive, continuous and positive relationship. In 2017, this program will join a single loyalty club of the Telecom Group through a cross-selling strategy that will allow the customer to have access to different offers and exclusive benefits by choosing us as an integral ICT provider.

Quality in customer service will continue to focus on the efficiency of communication channels and care segmentation with a "central customer" vision. It will also continue promoting the self-management channel (through the use of social networks), to simplify the administration and control of each customer of its services.

For the corporate segment, we will continue to focus on the provision of converged solutions, with a portfolio that we believe will provide customers with next-generation datacenter services, as well as Value Added Services associated with cloud computing and security solutions.

The corporate reorganization between Sofora, Nortel, Telecom Argentina and Personal, with Telecom Argentina as the surviving company, will seek to simplify the shareholding structure of Telecom Argentina. See "Item 4—Information on the Company—Introduction—Organizational Structure—Recent Developments—The Reorganization".

We will continue working on our goal of promoting operational excellence, and looking for a better use of the Company's physical, human and technological resources, so as to continue meeting the expectations of our investors' profitability. In order to achieve this goal, we have developed an ambitious multi-year business plan that foresees for 2017, increases in services revenues over the projected inflation rate, improvements in profit margins over consolidated revenues, the execution of a capital expenditures plan of approximately 20% of such revenues.

The strategy implemented by the Company's Management lays out the basic necessary fundamentals for the Telecom Group to pursue its objectives of continuously improving the quality of service, strengthening its market position and adequately rewarding the invested capital of those who finance our businesses. Our strategy and important investment plan are based on this forward-looking vision and on the commitment of the Telecom Group with our country and its people.

Contractual Obligations

Our consolidated contractual obligations and purchase commitments as of December 31, 2016 were as follows:

	<u>Less than 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>More than 5 years</u>	<u>Total</u>
	(in millions of Argentine Pesos)				
Debt obligations (1)	3,869	4,907	3,560	1,652	13,988
Finance Lease Obligations	49	12	—	—	61
Operating lease obligations	636	849	320	74	1,879
Purchase obligations (2)	5,637	270	118	41	6,066
Other long-term liabilities (3)	171	150	66	137	524
Total	<u>10,362</u>	<u>6,188</u>	<u>4,064</u>	<u>1,904</u>	<u>22,518</u>

(1) Includes P\$2,076 million of future interest.

(2) Other than operating lease obligations. It includes PP&E purchase obligations, inventories purchase obligations, and other services purchase obligations, among others.

(3) Includes voluntary retirement program, pension benefits and other long-term payables.

Additional relevant information on the possible application of IAS 29 in the Telecom Group as of December 31, 2016, 2015 and 2014

As explained in Note 1.e) to our Consolidated Financial Statements, we believe that the periodic assessment of the macroeconomic environment of the countries in which the Company operates and the possible restatement of financial statements in accordance to IAS 29, represent an element of care and concern for investors, analysts and regulators of capital markets where Argentine companies list

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their equity and debt securities, related to the impact that such restatement might have on their financial position and results of operations of Argentine companies, including the Telecom Group.

In Argentina, section 62 of LGS *in fine*, Adjustment section, provides that financial statements corresponding to full years or intermediate periods within the same year must be stated in constant currency. This legal requirement was last applied by Argentine companies in February 2003, when PEN Decree No. 664/03 was issued, preventing Controlling Authorities from receiving financial statements restated or adjusted by inflation. From 2003 to 2015, although inflation levels were increasing, they had not reached levels that required accounting standards to reinstall the accounting inflation adjustment.

Since the mandatory application of IFRS for issuers listed in public offering (2012), year 2016 was the first one to experience inflation rates, which, combined with those of the previous two years, exceeded the expected quantitative indicator stated in section e) of IAS 29. Consequently, since fiscal year 2016, the application of inflation adjustment under IFRS for companies with operations in Argentina and having the Argentine peso as its functional currency has become a significant matter.

By the end of 2016, our Management acknowledged certain assessments performed by international audit firms and the IPTF which have agreed that, for 2016, the Argentine economy does not qualify as “hyperinflationary” in accordance with IAS 29 or “highly inflationary” in accordance with US GAAP. As a result, and as explained in Note 1.e) to our Consolidated Financial Statements, we continued to prepare its financial statements in historical currency as provided by IFRS in those circumstances.

However, as inflation rates reached high levels in the first half of 2016, the Company prudently estimated the impact of the possible financial information restatement provided by IAS 29 and disclosed it in the notes to its interim financial statements as of June 30, 2016 and September 30, 2016.

While Management understands that in 2017 inflation rates will be significantly reduced, IAS 29 and the IPTF recommended Argentine issuers to continue monitoring the Argentine economy qualification as highly inflationary (or not). Given the retroactive nature of the potential financial information restatement, we provide to our stakeholders the following aggregate estimation of IAS 29 as applied for the amounts reported in accordance with IFRS as of December 31, 2016, 2015 and 2014, taking into account that the restatement for inflation should be made from February 2003 only for Argentine entities of the Telecom Group and using the IPIM evolution published by the INDEC (which increased by approximately 513% in the period from February 2003 to December 2016, assuming an inflation rate of 7.8% from November to December 2015 period, as explained in Note 1. e) to our Consolidated Financial Statements.

The table below shows the evolution of the consolidated shareholders’ equity estimating that IAS 29 is applied for the years 2016, 2015 and 2014:

Consolidated statements of changes in equity restated for inflation according with IAS 29 (*)	12/31/16	12/31/15	12/31/14
<i>(in billions of Argentine pesos and in constant currency as of December 31, 2016)</i>			
Equity at the beginning of the year	35.2	33.5	32.9
Dividends	(2.3)	(1.3)	(2.2)
Net income	1.4	2.9	2.8
Other Comprehensive Results	(0.2)	0.1	—
Comprehensive Income	1.2	3.0	2.8
Equity at the end of the year applying IAS 29	34.1	35.2	33.5
<i>Capital + Adjustment of Capital</i>	22.5	22.5	22.5
<i>Treasury shares acquisition cost</i>	(1.0)	(1.0)	(1.0)
<i>Legal Reserve + Special reserve for IFRS implementation</i>	2.9	2.9	2.9
<i>Voluntary Reserves + Retained Earnings</i>	9.4	10.3	8.7
Other Comprehensive Results	(0.2)	—	(0.1)
Attributable to Telecom Argentina (Controlling Company)	33.6	34.7	33.0
Attributable to non-controlling interest	0.5	0.5	0.5

(*) These figures represent the best estimation of the Management as of the date of this Annual Report. An estimation of the restatement of financial statements with more detail and precision as required by IAS 29 could generate different figures. However, the Management believes that the figures would be similar to those presented in the table above with the same trends and impacts. The estimation includes the effect of the adjustment for inflation not taxable/ deductible under income tax law, which was recorded as a temporary difference resulting in a deferred tax liability.

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The table below shows a brief reconciliation of the main differences reported between amounts according to IFRS and those that would be required applying IAS 29 for 2016 and comparative years:

<u>Equity reconciliation between IFRS and possible application of IAS 29(*)</u> (in billions of Argentine pesos and in constant currency as of December 31, 2016)	<u>12/31/16</u>	<u>12/31/15</u>
Consolidated equity according to IFRS included in the Statements of Financial Position	19.9	17.6
<u>Eventual Inflation adjustment effects provided by IAS 29</u>		
Inventory restatement	0.1	0.9
PP&E restatement	15.2	19.2
Intangible asset restatement	6.8	7.5
Deferred income tax liability from non-monetary items (non-taxable) restatement	(7.9)	(6.3)
Previous year monetary items restatement for comparative purpose	—	(3.7)
Total inflation adjustments effects of IAS 29	14.2	17.6
Consolidated equity as of December 31, 2016 applying IAS 29	34.1	35.2

Consolidated equity would have increased because of the restatement of non-monetary items located in Argentina (Inventories, PP&E and Intangible assets), net of the income tax deferred liability related to the non-deduction of such restatement.

<u>Consolidated Net income reconciliation between IFRS and possible application of IAS 29 (*)</u> (in billions of Argentine pesos and in constant currency as of December 31, 2016)	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>
Consolidated net income according to IFRS included in the Income Statements	4.0	3.4	3.7
<u>Eventual Inflation adjustment effects provided by IAS 29</u>			
Sales restatement	4.1	20.3	24.2
Other income restatement	0.1	0.1	—
Operating costs (without depreciation and amortization) restatement	(3.8)	(15.1)	(18.2)
Operating income before D&A effect	0.4	5.3	6.0
Depreciation and amortization and PP&E impairment restatement	(4.8)	(5.4)	(5.4)
Operating income effect	(4.4)	(0.1)	0.6
Net Financial income (costs) restatement	(0.2)	(0.4)	0.2
REI (Inflation adjustment) restatement	3.9	2.4	1.6
Income before income tax effect	(0.7)	1.9	2.4
Income tax restatement	(1.9)	(2.4)	(3.3)
<i>Of which inflation adjustment accounting effect (non-taxable)</i>	<i>(1.8)</i>	<i>(0.6)</i>	<i>(0.8)</i>
Total inflation adjustments effects of IAS 29	(2.6)	(0.5)	(0.9)
Consolidated net income applying IAS 29	1.4	2.9	2.8
<i>Attributable to Telecom Argentina</i>	<i>1.4</i>	<i>2.9</i>	<i>2.7</i>
<i>Attributable to non-controlling shareholders</i>	<i>—</i>	<i>—</i>	<i>0.1</i>

Net income for the years reported would be reduced mainly due to the restatement of depreciation and the consumption of non-monetary assets (which restated value increased considerably) and the non-deduction of income taxes of those higher depreciation and consumption of non-monetary assets. Financial results would instead be benefited from a positive REI (Result from Inflation Exposure) in all years reported since the Telecom Group has a net liability position. Operating income before D&A, in margin over sales terms, would face slight declines as compared to historical amounts reported according to IFRS and operating income margin over sales would be deteriorated in 2016, 2015 and 2014 as a result of higher restated depreciations.

Off-Balance Sheet Arrangements

None.

Safe Harbor

See the discussion at the beginning of this Item 5 and “Forward-Looking Statements” in the introduction of this Annual Report, for forward-looking statement safe harbor provisions.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The Board of Directors

Management of the business of the Telecom Group is vested in the Board of Directors. Telecom Argentina’s bylaws provide for a Board of Directors consisting of (i) no fewer than three and no more than eleven directors and (ii) no more than eleven alternate directors. As of the date of this Annual Report, Telecom Argentina has eleven directors and seven alternate directors. Four of the directors and two of the alternate directors qualify as independent directors under SEC regulations. Six of the directors and five of the alternate directors also qualify as independent directors under CNV rules. According to Telecom Argentina’s bylaws, the Board of Directors has all of the required authority to manage the corporation, including those for which the law requires special powers. The Board of Directors operates where there is a quorum of the absolute majority of its members and resolves issues by simple majority of votes present. According to Telecom Argentina’s bylaws, the chairman of the Board of Directors (the “Chairman”) has a double vote in the case of a tie. Under CNV regulation, in order to be independent, a director must neither be employed by, nor affiliated with, Telecom Argentina, Nortel, Sofora, W de Argentina Inversiones, the Telecom Italia Group until March 8, 2016 or with Fintech since March 8, 2016 (See “Item 7—Major Shareholders and Related Party Transactions—Major Shareholders—Shareholders of Nortel.”). Directors and alternate directors are normally elected at annual ordinary general meetings of shareholders (“Annual Ordinary Shareholders’ Meetings”) and serve a renewable three-year term. None of Telecom Argentina’s directors have services contracts with Telecom Argentina (or any subsidiary) providing for benefits upon termination of employment as a director.

Because a majority of our shares are owned by Nortel, Nortel, as a practical matter, may have the ability to elect the majority of our directors and alternate directors. In the absence of a director, the corresponding alternate director may attend and vote at meetings of the Board of Directors.

See “Item 7—Major Shareholders and Related Party Transactions—Major Shareholders—Shareholders’ Agreement” for a description of certain agreements relating to the appointment of members of the Board of Directors.

The following table lists our directors and alternate directors as of December 31, 2016 and, otherwise mentioned, as of the date of this Annual Report:

Name	Position on the Board of Directors	Date Director joined the Board of Directors
Mariano Marcelo Ibáñez	Chairman of the Board of Directors	March 8, 2016
Gerardo Werthein	Vice Chairman of the Board of Directors	December 19, 2003
David Manuel Martínez (1)	Director	March 8, 2016
Carlos Alejandro Harrison	Director	March 8, 2016
Martín Héctor D’Ambrosio	Director	March 8, 2016
Pedro Chomnalez	Director	March 8, 2016
Alejandro Macfarlane	Director	March 8, 2016
Esteban Gabriel Macek	Director	April 27, 2007
Enrique Horacio Boilini (2)	Director	April 29, 2016
Pedro Ángel Costoya	Director	April 29, 2016
Darío Leandro Genua	Director	April 29, 2016
Baruki Luis Alberto González (5)	Alternate Director	April 8, 2016
Saturnino Jorge Funes	Alternate Director	March 8, 2016
Bernardo Saravia Frías (3)	Alternate Director	March 8, 2016
Gabriel Hugo Fissore	Alternate Director	March 8, 2016
José Luis Galimberti	Alternate Director	March 8, 2016
Ignacio Villarroel	Alternate Director	March 8, 2016
Eduardo Federico Bauer	Alternate Director	April 27, 2007
Pablo Alberto Gutierrez	Alternate Director	November 30, 2010
Germán Ariel Zunini (4)	Alternate Director	April 29, 2016
Martín Alberto Breinlinger (4)	Alternate Director	April 29, 2016
Luis María Abbá (2)	Alternate Director	April 29, 2016

- (1) On April 5, 2017, Mr. David Manuel Martínez submitted his resignation to the Board of Directors of Telecom Argentina, which was accepted by the Board of Directors of Telecom Argentina on April 18, 2017.
- (2) Mr. Enrique Boilini and Mr. Luis María Abbá submitted their resignations as regular and alternate members of the Board of Directors, respectively, with effectiveness as of the date on which the next Shareholders’ Meeting is held. On March 16, 2017, the Board of Directors accepted the resignations of Mr. Boilini and Mr. Abbá, with effectiveness as of the date on which the next Shareholders’ Meeting will be held, April 27, 2017.

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- (3) On February 2, 2017, Mr. Bernardo Saravia Frías presented his resignation as Alternate Director and the Board of Directors accepted it on February 16, 2017.
- (4) The Board of Directors of Telecom Argentina in its meeting held March 16, 2017 accepted the resignations of Mr. Zunini and Mr. Breinlinger as alternate directors of Telecom Argentina.
- (5) On April 18, 2017, the Board of Directors appointed Mr. Baruki González as a director to replace Mr. David Martínez.

Mariano Marcelo Ibáñez is a lawyer with a degree from the Universidad de Buenos Aires, UBA. He is currently the Chairman of Telecom Argentina. Previously, he served as Director of Cablecom and as President and CEO of Cablevisión S.A.. He was Director of Multimedios América (Cablevisión, Radio América, Radio del Plata, El Cronista and América TV). He was born on August 25, 1959.

Gerardo Werthein is a veterinarian. He was a director on Personal Boards of Directors from December 2003 until April 10, 2013. Since that date he is alternate director of Personal. He is Chairman of Haras El Capricho S.A. and of the Argentine Olympic Committee. He is a member of the International Olympic Committee. He is Vice Chairman of Ente Nacional de Alto Rendimiento Deportivo and La Estrella S.A. Compañía de Seguros de Retiro. He is a Director of Gregorio, Numo y Noel Werthein S.A. and Los W S.A. He was born on December 3, 1955.

David Manuel Martínez holds a degree in electrical and mechanical engineering from the Universidad Nacional Autónoma de México and a degree in philosophy from the Pontifical Gregorian University of Rome. He also holds a postgraduate degree in Business Administration from Harvard Business School. Currently, he is a director of Alfa S.A.B. de C.V., Vitro S.A.B. de C.V. and Cemex S.A.B. de C.V. in Mexico and Banco Sabadell in Spain. He was born on May 8, 1957.

Carlos Alejandro Harrison holds a degree in Business Administration from the Universidad de Buenos Aires and completed postgraduate studies at IAE Business School. Previously he was President of Producciones YAQ S.A. and President of Business Development for AMC Networks International. Before that, he was the CEO of Chello Latin America and Pramer SCA (both Liberty Global plc controlled companies). Mr. Harrison also worked for Grupo Clarín S.A. as a business development manager and was the COO of International Operations at Multicanal S.A. He was born on January 19, 1963.

Martín Héctor D'Ambrosio is a lawyer with a degree from the Universidad de Buenos Aires. He is currently the President of BA Property Managers Inc., a managing partner at GS1 S.R.L. and a legal adviser of BA Property Managers S.R.L.. He is also a lawyer at his own law firm. Previously, he worked with Dellepiane & Asociados, also as a lawyer, and for many years he was in charge of the legal area of US Equities Realty. He was born on March 9, 1974.

Pedro Chomnalez is a private investor and advisor based in New York City. Prior to founding CH EM Holdings in 2014, he worked for more than 22 years in investment banking. He joined Credit Suisse (formerly Credit Suisse First Boston) in 1999 after spending nine years at Lehman Brothers. During his 13-year tenure at Credit Suisse, he was the head of Latin American Investment Banking, co-head of Global Emerging Markets and served on the firm's Investment Banking Operating Board. Mr. Chomnalez also worked in private equity for Credit Suisse's International Merchant Banking Fund. Prior to joining Lehman Brothers in 1991, he spent four years as a management consultant at Andersen Consulting (currently Accenture). Mr. Chomnalez holds a BS in econometrics and an MS in economics from the Université Paris II — Assas, and an MBA from INSEAD. He was born on September 4, 1964.

Alejandro Macfarlane studied economics and management. Mr. Macfarlane is Chairman and CEO of Disvol Investment S.A. and Chairman of Camuzzi Gas Pampeana S.A. and Camuzzi Gas del Sur S.A. Previously, Mr. Macfarlane was owner and Chairman of both, Edelap S.A. and Edea S.A., Chairman and CEO of Edenor S.A., Chairman of EMDERSA and its subsidiaries (EDESA S.A., EDESAL S.A., EDELAR S.A. and ESED S.A.). He was born on August 16, 1965.

Esteban Gabriel Macek is a public accountant. He is Chairman of Fiduciaria Internacional Argentina S.A. He is a director of Inmobiliaria Madero S.A. He is also member of the Supervisory Committees of Banelsip S.A. and alternate member of Prisma Medios de Pago S.A. and Botón de Pago S.A. He was born on November 8, 1960.

Enrique Horacio Boilini is an engineer with a degree from the Universidad de Buenos Aires in December 1984, where he received the Honor Diploma award. He is a member of Telecom Argentina's

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Board of Directors nominated by ANSES. He is also a graduate of Columbia Business School in New York City, which he attended on a full tuition scholarship and where he earned an MBA in 1988, also with honors. He also attended different executive programs held by Harvard Business School in Corporate Governance, Agribusiness and Behavioral Finance. He is currently a Senior Managing Director of Lone Star Latin American Acquisitions LLC, an affiliate of Lone Star Funds, a private investment firm based in Dallas, Texas. Previously, he was the managing partner of Yellow Jersey Capital LLC, which he founded in 2002, to act initially as exclusive advisor to Farallon Capital Management LLC, an investment firm in San Francisco. From 1994 to September 2002, he was a partner at Farallon Partners LLC, where his primary responsibility was investments in Latin America. Mr. Boilini is also a member of the board of directors of Bunge Limited, where he is the Chairman of its Finance and Risk Policy Committee. He is also a member of the board of directors of the Bunge & Born Foundation and the Chairman of its Investment Committee. Mr. Boilini holds both US and Argentine citizenship. He was born on June 16, 1961.

Pedro Angel Costoya is an accountant with a degree from the Universidad de Buenos Aires and completed postgraduate studies in finance at Wharton School (Univ. of Pennsylvania) and “Negotiation and Valuation of Corporations” at Harvard Business School. He has also a PAD from IAE. He is a Director in Zafari Advertising S.A., Los Soles Internacional S.A. and Servicio Satelital S.A. He also worked at Grupo Velox in different positions, including Chairman of investment funds, operating manager, finance manager and commercial manager until 1998. From 1998 to 2003, he was a partner at SWW Consultores Asociados (Enrique Szewach and Nicolas Weisz Wassing). He was born on August 9, 1952.

Darío Leandro Genua has a Master’s degree in administrative, financial and accounting processes from the Universidad Católica Argentina. He was controlling and finance director at Pilar Country Government from 2013 to 2016. From 2007 to 2013, he was co-founder and director at Openagro SA, and for the last five years he has been working in politics, involved in local lobby, political relations and field work. He worked at several companies with ERP implementation projects, in consulting assignments associated with business processes reengineering, for companies dedicated to different branches of the industrial, commercial and services activities, such as Skanka LA, Verizon MCI International, SC Johnson & Son., Tenaris Group, Interbaires, Unilever and Hewlett Packard, among others. He also worked at Pricewaterhouse Coopers from 1998 to 2001. He was born on December 16, 1972.

Baruki González is a lawyer with a degree from the Universidad de Buenos Aires. Mr. González joined the Board of Directors of Nortel, Telecom Argentina and Personal in April 2016. Mr. González is a founding member of the Argentine law firm Errecondo, González & Funes. Between 1995 and 1996, he worked as an international associate at the United States law firm White & Case LLP. He was born on July 29, 1967.

Saturnino Jorge Funes is a lawyer with a degree from the Universidad del Salvador and a Master’s degree in business law from the Universidad Austral, with honors. He is a founding partner of the law firm “*Errecondo, González & Funes — Abogados.*” He worked at Shearman & Sterling LLP between 2000 and 2001 as an international associate. He is professor of corporate law at the *Universidad del Salvador* Law School in Buenos Aires, and a professor at the Masters in Finance and Masters in Law and Economics, both at the *Universidad Torcuato Di Tella* in Buenos Aires. He is a member of the Public Bar Association of the City of Buenos Aires (*Colegio Público de Abogados de la Capital Federal*) and of the Buenos Aires City Bar (*Colegio de Abogados de la Ciudad de Buenos Aires*). He was born on August 6, 1968.

Bernardo Saravia Frías is a lawyer with a degree from the Universidad de Buenos Aires and a Master’s degree in business law from Universidad Austral and a Master in corporate finance from the University of Illinois. He was the general counsel of Bank of America Argentina until 2008. Since then, he has been a partner at Saravia Frias Abogados Law Firm. He is a professor at Universidad Austral and has published several books and articles in different law journals and newspapers during the last years. He was born on July 12, 1973.

Gabriel Hugo Fissore is a lawyer with a degree from the Universidad de Buenos Aires and completed postgraduate studies at Harvard Law School with a Master of Laws. He also works in its own firm at “*Estudio Alegria, Buey Fernández, Fissore y Montemerlo.*” He is currently professor at the Universidad Argentina de la Empresa and Universidad del Salvador. He was born on February 22, 1961.

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Jose Luis Galimberti is a partner at the Buenos Aires office of Curtis, Mallet-Prevost, Colt & Mosle. He was formerly a partner at Brons & Salas. Mr. Galimberti is a professor at Universidad Austral in the Corporate Law Postgraduate Program, and has been a professor at Palermo University and Universidad de Buenos Aires Law School. Mr. Galimberti got his law degree from the Universidad Nacional de Rosario (1992), and has a Master's Business Law from the Universidad Austral (1994), an LLM from the University of Chicago (2000) and a Master in Finance from the Universidad del CEMA (2004). He was born on April 22, 1969.

Ignacio Villarroel is a lawyer with a degree from the Universidad Católica Argentina. He is a partner at Lopez Saavedra & Villarroel Law Firm. Between 2012 and 2014, he was Project Manager at the Ministry of Modernization of the Government of the City of Buenos Aires. Mr. Villarroel also served as a legal adviser to the Port Authority of the City of Mar del Plata between 2009 and 2011 and as a legal advisor to the Secretary of Tourism of the Government of the Province of Buenos Aires between 2008 and 2009. Also, he worked for Clyde & Co International Law Firm in London, United Kingdom, Insurance and Reinsurance Department, Office for Latin America. He was born on March 9, 1974.

Eduardo Federico Bauer is a lawyer. He is Vice Chairman of the Board of Directors of Nortel and Micro Sistemas. He is a director of Sofora and an alternate director of Personal, Experta Aseguradora de Riesgos del Trabajo S.A., Experiencia ART S.A., Experta Seguros de Retiro S.A. and La Estrella S.A. Cía. de Seguros de Retiro. He was born on January 14, 1950.

Pablo Alberto Gutiérrez is a public accountant. He is an advisor for many companies. He is Director of Fiduciaria Internacional Argentina S.A. He is a vocal of CAFIDAP — Cámara Argentina de Fideicomisos y Fondos de Inversión Directa en Actividades Productivas. He was born on January 4, 1968.

Germán Ariel Zunini is an economist. He is an alternate director on Telecom' Board of Directors appointed in representation of "ANSES-Fondo de Garantía de Sustentabilidad". He was born on March 8, 1976.

Martín Alberto Breinlinger is an economist. He is an alternate director on Telecom' Board of Directors appointed in representation of "ANSES-Fondo de Garantía de Sustentabilidad". He was born on May 4, 1985.

Luis María Abbá is an economist. He is an alternate director on Telecom' Board of Directors appointed in representation of "ANSES-Fondo de Garantía de Sustentabilidad". He was born on July 22, 1972.

Senior Management

As of December 31, 2016, the Telecom Group's senior Management team includes the individuals listed below. Unless otherwise noted, these individuals are members of the Telecom Group's senior Management as of the date of this Annual Report.

Name	Position (1)	Date of Designation
Germán H. Vidal	Chief Executive Officer ("CEO")	April 29, 2016
Pedro L. López Matheu	Director of Government Relations, Communications and Media	June 14, 2016
Gerardo H. Maurer	Director of Corporate Security	November 27, 2014
María F. Bonelli	Director of Strategy, Innovation and Development of Business	September 1, 2016
Alejandro D. Quiroga López	Director of Legal and Public Affairs	June 1, 2011
Ignacio C. Morán (2)	Chief Financial Officer ("CFO")	May 12, 2016
Sebastián Palla	Director of Procurement	August 8, 2016
Alejandro Miralles	Director of Human Capital	June 6, 2016
Roberto D. Nóbile	Chief Operating Officer ("COO")	May 12, 2016
Nestor G. Bergero	Chief Technology Officer ("CTO")	December 19, 2016
Juan C. Pepe	Telecom Personal Paraguay Direction	January 1, 2016
Héctor D. Cazzasa	Chief Audit Executive	August 1, 2016

(1) The designation of Director does not imply that the officers mentioned above are members of the Board of Directors of Telecom Argentina, which is composed of the persons stated in "—Directors, Senior Management and Employees—The Board of Directors" above. The term of officer of Telecom's Senior Management is contractual in nature. Such contracts do not include a specified expiration date.

(2) As of the date of this Annual Report, Ignacio C. Morán no longer holds the position of CFO. Beginning on March 9, 2017, this position was segregated in two: (i) Financial Direction (which provisionally assumes the duties of the CFO), to which Mr. Pedro G. Insussarry was appointed and (ii) the Direction of Planning, Administration and Control, to which Mr. Héctor G. Buscalia was appointed.

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Germán Horacio Vidal is an industrial engineer graduated from the Universidad Católica Argentina. He has been the CEO of Telecom Argentina since May 12, 2016, appointed by the Board of Directors of Telecom Argentina on April 29, 2016. Since the same date, he has been Chairman of the Operations Committee of Telecom Argentina. Mr. Vidal has 18 years of experience in the technology and telecommunications sector. Between 1987 and 1997, he worked in different management positions at IBM in Argentina and Europe. From 1997 to 2004, he worked at MetroRED, a company of Fidelity, where he was Marketing and Sales Director and CEO of the Argentine branch, and Vice Chairman and CEO of the operations in Argentina, Brazil, and Mexico. In 2003, he participated on the CTI board of directors. Afterwards, he was Director of Marketing, Products, Customer Care and Data Center in Telmex Argentina. Since 2005 until his current appointment with Telecom Argentina, he worked at Korn Ferry consultants as a Senior Client Partner, General Director and Chairman. He was born on December 27, 1963.

Pedro Lopez Matheu is a lawyer with a degree from the Universidad Católica Argentina. Mr. Lopez Matheu has 20 years of experience in the institutional relations in first-line multinational and national companies. From 1996 to 2006 worked at Grupo Clarín as Public Affairs Manager. He was Chairman of the Newspaper Publisher Association of the City of Buenos Aires, and of the Press Freedom Commission of ADEPA (Asociación de Entidades Periodísticas Argentinas), Vice Chairman of the Association of Argentine Private Radios, and of other national and multinational entities of that sector. From 2006 to 2014 he was Corporate and Government Affairs at Kraft Foods and Mondelez, leading company of food and, for Argentina, Chile, Uruguay and Paraguay. Also, since 2014, he has been Corporate Affairs Director at AXION energy. He has skills at government relations, corporate and social responsibility, press and corporate communication, crisis management and internal communication. He was born on May 23, 1966.

Gerardo Maurer is an engineer with a degree from the Universidad de Buenos Aires. He joined Telecom Argentina in August 2006 and since then has held various positions within Internal Audit and Corporate Security. In November 2014, he was appointed as Corporate Security Director. Previously, he worked at the United Nations Conference on Trade and Development (UNCTAD) in Geneva, Venezuela and Central America. He returned to Argentina in 1996 and joined the Audit Unit at La Caja de Ahorro y Seguro S.A. He was born on May 11, 1959.

María Fabiola Bonelli Is an engineer with a degree from the Universidad de Buenos Aires, with a specialization in telecommunications. She has been Director of Strategy, Innovation and Development of Business since 2016 at Telecom Argentina. Ms. Bonelli has almost 30 years of experience in the technology and telecommunications sector. Since 2012, she has been CEO at SOLS Technologies, a technology outsourcing of the public sector. Before that, she was CEO Negocios Digitales del Grupo UNO and Commercial manager at Compañía de Medios Digitales, of the Grupo Clarín. Ms. Bonelli has been Commercial Manager at Iron Mountain Argentina from 2007 to 2010, and from 2003 to 2007, she has been Commercial Director at Ertach (ex Millicom). She started her professional career at IBM Argentina in 1998, and for 12 years she has develop her commercial career until she accepted the position of Marketing and Sales Manager at MetroRED Telecomunicaciones, of Fidelity group. In 2002 she has been Marketing Director at Internet Solutions and since 2003, she has been Marketing and Sales Manager Director at Metrored Telecomunicaciones S.A. of Coinvest group in Argentina. She was born on August 15, 1962.

Alejandro D. Quiroga Lopez is a lawyer with a degree from the Universidad de Buenos Aires. He joined Telecom Argentina in June 2011 as General Counsel. From 2010 to 2011, he was an associate at Curutchet-Odrizola law firm. From 2001 until February 2010, he was General Counsel and Secretary of the Board of Directors of YPF S.A. He was a partner at the Nicholson & Cano law firm from 1986 to 1997, a foreign associate at Davis Polk & Wardwell in 2000, and Undersecretary of Banking and Insurance at the Ministry of Economy and Public Finance from 1997 to 1999. He was professor of banking and commercial law at the Universidad del CEMA. He was a member of the Executive Board of the Universidad de Buenos Aires School of Law. He is also a graduate of the Wharton Advanced Management Program. He was born on June 9, 1962.

Ignacio C. Morán is an accountant with a degree from the Universidad de Buenos Aires. He was CFO of Telecom Argentina from May, 2016 to March, 2017. He started his professional career in Arthur Andersen (currently E&Y) in the financial institutions and capital markets area, becoming an audit and advice manager. In 1998, he worked at Banco de San Juan, as Internal Auditor and then he

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became a member of the Board of Directors of four banks of Banco de San Juan Group (Banco de San Juan S.A., Banco de Santa Cruz S.A., Nuevo Banco de Santa Fe S. A. and Nuevo Banco de Entre Ríos S.A.). In 2008, he became CFO at YPF and, in 2010, he held the position of COO. In those years, Mr. Morán was also member of the Board of Director of different local subsidiaries of YPF. He was born on August 5 1970.

Pedro Insussarry holds a degree in Business Administration from the Universidad de Belgrano and completed his postgraduate studies at the Universidad de San Andres. Mr. Insussarry is a Board Member of Núcleo, Personal Envíos and Telecom Argentina USA. He has worked for the Telecom Argentina Group since 1993. After covering several management positions in the Finance Area, in December 2007 he was promoted to Head of Finance, where Investor Relations, Treasury, Financial Resources, and Financial Planning were under his responsibility. With an extensive experience in the Company and specifically in the Finance Area, he has participated in several financing, capital markets and M&A transactions where the Telecom Argentina Group was involved. In March 2017, Pedro was appointed Finance Director of Telecom Argentina, reporting to the CEO and assuming the responsibilities of CFO in an interim manner. In addition, the Corporate Risk Management area was included in his responsibilities. Previous to Telecom Argentina, Mr. Insussarry was Financial Planning Manager at Massuh S.A. (a pulp and paper company in Argentina). He was born on December 21, 1968.

Héctor Gaspar Buscalia is an accountant with a degree from the Universidad de Buenos Aires (1988), where he received the Honor Diploma award. He completed his postgraduate studies in Telecommunications Industry at the Universidad de San Andrés. Mr. Buscalia is a Board Member of Núcleo and Personal Envíos. He has worked for the Telecom Argentina Group since 1991. In 2009 he was promoted to Head of Planning and Control of Telecom Group, where planning, costs, M&A and controlling activities were under his responsibilities. He has led many M&A transactions where Telecom Argentina Group was involved. In March 2017, Mr. Buscalia was appointed Planning, Administration and Controlling Director of Telecom Argentina, reporting to the CEO. He also worked at Arthur Andersen until 1988. He was born on June 8, 1966.

Sebastian Palla is an economist with a degree from the Universidad Torcuato Di Tella. He is Director of Procurement of Telecom Argentina since August 8, 2016. He has 21 years of experience, from 2009 to 2016, he has worked at Macro Bank as an advisor of the Chairman first, later in the Investment Banking Management area and finally in the Government Banking Management area. From 2006 to 2009, he was in charge of AFJP, first as Executive Director, and later as a Chairman. From 2002 to 2005, he worked in the public administration, as a Chief of Advisors of the Ministry of Finance and then as Sub-secretary of Finance of the Ministry of Economy and Public Finance. Mr. Palla was honored as a member of the Young Global Leaders Forum in 2005 (created by the World Economic Forum), also a member of the Eisenhower Fellowship in 2008; and was chosen as one of the most influential people of 2007, in Luciana Vazquez' s book "The Education of Those Who Influence". He was born on June 12, 1974.

Alejandro Miralles is an economist with a degree from the Universidad de Buenos Aires. He is Director of Human Resources of Telecom Argentina since June 6, 2016. Before that, he has been Client Partner for five years at Korn Ferry, leading company in executive talent searches. He also has worked as a CFO at Cablevisión and CEO at Teledigital Cable. Previously, he has been Investment Officer at CEI Citicorp Holdings and has worked at Citibank N.A. and at Manufacturers Hannover Trust. He was born on December 29, 1963.

Roberto Nobile is an accountant with a degree from the Universidad de Buenos Aires and an AMP (Advanced Management Program) at Harvard Business School. He has been COO of Telecom Argentina since May 2016, with responsibility on Marketing, Sales and Operation Directions. Mr. Nobile has many years of experience in the telecommunication and media sector. He joined Cablevisión in October 2006 as a COO and deputy CEO, as part of the merger of Cablevisión and Multicanal. He has been worked at Cablevisión, company with more than 10,500 employees for 10 years. He has worked at Arthur Andersen in 1989 and after that, he has worked at Honeywell as a South Regional Controller (Brazil, Argentina and Chile). Also, in 1997, Mr. Nobile has worked as CFO of Grupo Clarín. He was born on September 27, 1967.

Nestor Gustavo Bergero is an electrical engineer with a degree from the Universidad Nacional de Córdoba and with a Senior Management Program post graduated from the IAE-Universidad Austral, in 2002. He has been working as a CTO of Telecom Argentina since December 2016. Mr. Bergero has 34 years of experience in the technology and telecommunication sector. From 1983 to 1986, he has

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been working as a Manager Telecommunications at SANCOR CUL, in a rural telephony project. From 1986 to 1991 he worked at Communication Director at the province of Córdoba Government. From 1991 to 1994, he has worked as a Marketing Manager at Telintar and as Line Manager of the Northern Region of Telecom Argentina, as part of the first stage of the privatization of ENTEL. From 1994 to 2002, he has worked in different managing positions at CTI, as a Planning Manager, Engineering Director, Engineering and Operating Director and assuming also the IT Direction. From 2000 to 2002, he has been member of the Board of Directors at CTI, and in 2003 at Iusacell, a mobile telecommunication company in Mexico. In 2012 Mr. Bergero returned to Argentina and worked as a Responsible of Network Creation at Telecom Argentina. In 2013 he worked in Brazil as a Vice Chairman of Engineering of Nextel Brasil. Also, he was professor of Universidad Nacional, Universidad Católica de Córdoba, ITBA (Instituto Tecnológico de Buenos Aires) and other universities. He was born on September 19, 1957.

Juan C. Pepe is an electrical engineer with a degree from the Universidad Tecnológica de Córdoba and has a Master in Business from the Universidad de San Andres. He is CEO of Núcleo in Paraguay since April, 2009. Mr. Pepe joined Telecom Group in 1994 and since then, he has worked in different areas, including planification and development of projects with high quality standards. From 1999 to 2009, he was CTO of Núcleo. He was born on October 18, 1967.

Héctor Daniel Cazzasa is an accountant and an administrative system information specialist from the Universidad de Buenos Aires. He has obtained the designation as a C.I.S.A. (Certified Information Systems Auditor). He has been Telecom Group's Internal Audit Director since August 1, 2016. Mr. Cazzasa has more than 30 years as a professional dedicated to auditing and consulting. Since 1987, he has worked at different international and national firms, such as Bertora & Asociados, Grant Thornton and PricewaterhouseCoopers, throughout Latin America, including Argentina. In 2004, he was appointed Internal Audit Director at Grupo IRSA until 2012. He was Chairman during 2000 and 2001 of the ISACA (Information Systems Audit and Controls Association). Since 1990, he has been a university professor in both undergraduate and postgraduate programs. He was born on June 4, 1958.

Supervisory Committee

Argentine law requires any corporation with share capital in excess of P\$10,000,000 or which provides a public service or which is listed on any stock exchange or is controlled by a corporation that fulfills any of the aforementioned requirements, to have a Supervisory Committee. The Supervisory Committee is responsible for overseeing Telecom Argentina's compliance with its bylaws and Argentine law and, without prejudice of the role of external auditors, is required to present a report on the accuracy of the financial information presented to the shareholders by the Board of Directors at the Annual Ordinary Shareholders' Meeting. The members of the Supervisory Committee are also authorized:

- to call ordinary or extraordinary Shareholders' Meetings;
- to place items on the agenda for meetings of shareholders;
- to attend meetings of shareholders; and
- generally to monitor the affairs of Telecom Argentina.

Telecom Argentina's bylaws provide that the Supervisory Committee is to be formed by three or five members and three or five alternate members, elected by the majority vote of all shareholders. Members of the Supervisory Committee are elected to serve one year terms and may be reelected.

The following table lists the members and alternate members of the Supervisory Committee as of the date of this Annual Report:

Name	Position on the Supervisory Committee	Profession
Pablo Buey Fernández	Member	Lawyer
Ernesto Juan Cassani	Member	Accountant
Gerardo Prieto	Member	Accountant
Diego Emilio Rangugni	Member	Lawyer
Gabriel Andrés Carretero	Member	Accountant
Javier Alegría	Alternate Member	Lawyer
Pablo Cinque	Alternate Member	Lawyer
Juan Facundo Genis	Alternate Member	Lawyer
Mirta Silvia Maletta	Alternate Member	Accountant
Raúl Alberto Garré	Alternate Member	Accountant and Lawyer

PART I - ITEM 6 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

TELECOM ARGENTINA S.A.

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Pablo Andrés Buey Fernández is a lawyer with a degree from the Universidad de Buenos Aires (1979) and a Master of Laws from Harvard University Law School (1985). He is a member of the Supervisory Committee of Sofora, Nortel and Telecom Personal. He is Managing Partner at “*Estudio Alegria, Buey Fernández, Fissore & Montemerlo*” law firm. He acted as an associate foreign lawyer with the firm Finley, Kumble, Wagner, Heine, Underberg, Manley & Casey in 1985. He has actively participated in a number of foreign transactions, including, among others, private placements of convertible notes, initial public offerings (Royce Laboratories Inc.), foreign investments in the United States, project finance transactions and corporate counseling. He is a member of the following professional associations: Associate Member of the International Bar Association (Banking and Insolvency Committees); International Associate Member of the American Bar Association (Banking and Business Committees); International Associate Member of the American Society of International Law; Member of the Argentine Institute of Commercial Law (*Instituto Argentino de Derecho Comercial*); Member of the Institute of Commercial Law (*Instituto de Derecho Comercial*) of Universidad del Salvador Law School; and Member of the Committee of Lawyers of Banks of the Argentine Republic (*Comité de Abogados de Bancos de la República Argentina*). He was a professor of Comparative Law in the Master’s program in Financial and Capital Markets at the Escuela Superior de Economía y Administración de Empresas; a professor of post-graduate courses and seminars at the Universidad de Buenos Aires Law School and Economic Sciences School and at the Universidad del Salvador Law School. He was born on August 8, 1957.

Ernesto Juan Cassani is a certified public accountant with a degree from the University of Belgrano (1976). He is a member of the Supervisory Committee of Telecom Argentina and an alternate member of the Telecom Personal’ Supervisory Committee. He was a partner (1991) of the Financial Services sector of the Assurance division of Pistrelli, Henry Martin & Asociados S.R.L., a member firm of Ernst & Young Global until 2013. He is an independent Director of Banco Patagonia S.A. and alternate member of the Supervisory Committee of Molinos Río de la Plata S.A.. He is also a member of the Supervisory Committees of different companies of the Perez Companc Group and provides consulting services to La Pampa Bank. He was assistant professor of Auditing in the School of Economic Sciences of Universidad de Lomas de Zamora; teaching assistant of the Audit course at the School of Economics of the Universidad de Buenos Aires; and associate professor of the Financial Statements course at the School of Economic Sciences, Universidad Católica Argentina and Associate professor of the Accounting III course at the School of Economic Sciences, Universidad del Salvador. He was born on December 16, 1952.

Gerardo Prieto is an accountant. He has been a member of the Supervisory Committee since 2004. He is also a member of the Supervisory Committees of Sofora, Nortel, Personal and Micro Sistemas. He is Chairman of Campofin S.A., Polifin S.A., Cabaña Doble G del Litoral S.A., Experta Aseguradora de Riesgos del Trabajo S.A. and Experta Seguros de Retiro S.A.. He is President of Caminos Protegidos ART S.A. He is a Director of Industrial and Commercial Bank of China (Argentina) S.A. He is also an alternate director of La Estrella S.A. Compañía de Seguros de Retiro. He was born on March 3, 1951.

Diego Emilio Rangugni is a lawyer with a degree from the Universidad del Salvador. He owns his own law firm. He is a member of the Supervisory Committee of Nortel. He has worked at the Argentine Superintendence of Insurance (*Superintendencia de Seguros de la Nación*) since 1992 and was the Manager of Legal Affairs between 2010 and 2012. Between 2012 and 2015, he worked as a legal advisor at the Municipality of San Antonio de Areco. He also worked at the *Dirección Nacional de los Registros Seccionales de la Propiedad del Automotor y de Créditos Prendarios* between 1987 and 1994. He was born on July 10, 1965.

Gabriel Andrés Carretero is an accountant. He is a member of the Supervisory Committee appointed in representation of “ANSES-Fondo de Garantía de Sustentabilidad.” He was born on April 18, 1937.

Javier Alegria is a lawyer with a degree from the Universidad Católica Argentina. He is an alternate member of the Supervisory Committee of Nortel and Telecom Personal. He is also a partner at the law firm Estudio Alegria, Buey Fernández, Fissore & Montemerlo. He received a Master of Law from Northwestern University and a certificate in Business Administration from the Kellogg School of Management at Northwestern University. He acted as an international lawyer with Cleary, Gottlieb, Steen & Hamilton LLP law firm from 2003 to 2004. Mr. Alegria is a member of the Public Bar

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Association of the City of Buenos Aires. He is a professor at the Universidad de Buenos Aires Law School and Universidad del CEMA. He was born on August 7, 1974.

Pablo Cinque is a lawyer with a degree from the Universidad Católica Argentina. He is member of the Supervisory Committee of Sofora. He is an associate at “*Errecondo, González & Funes — Abogados*” law firm. He serves as a member of the Board of Directors and member of the supervisory committee of other Argentine companies, mainly in the energy and gas distribution sectors. Mr. Cinque is a member of the Public Bar Association of the City of Buenos Aires. He was born on April 29, 1984.

Juan Facundo Genis is a lawyer with a degree from the Universidad del Salvador. He specializes in business and labor law. He is an alternate member of the Supervisory Committee of Nortel. He is a member of the Public Bar Association of the City of Buenos Aires. He was born on September 18, 1967.

Mirta Silvia Maletta, is an accountant. She was elected as an alternate member of the Supervisory Committee on April 29, 2016, by the Extraordinary and Ordinary Shareholders’ meeting. Currently, she is an alternate member of the Supervisory Committee of Telecom Personal, Sofora and Micro Sistemas. She was born on March 7, 1959.

Raúl Alberto Garré is a public accountant and a lawyer with a degree from the Universidad de Buenos Aires and holds a degree in Marketing, Organizational Management and Finances from the University of California, Berkeley Business School. He also holds a degree as a Certified Mediator from the Universidad Maimónides. He is alternate member of the Supervisory Committee of Telecom Argentina, Gas Natural Ban S.A., ARSAT S.A. and the Dirección General de Fabricaciones Militares. He was the Director General of the Dirección General de Rentas de la Municipalidad de la Ciudad de Buenos Aires, the President of the Confederación Organismos Tributarios de Estados Americanos (COTEA) and the Vicepresident of C.E.A.M.S.E. (Coordinación Ecológica Área Metropolitana Sociedad del Estado). He was also Internal Auditor of the Department of Internal Affairs, Delegate to the Convención Constituyente of Buenos Aires City and member of the Consejo Directivo del Colegio Público de Abogados de la Ciudad de Buenos Aires. He was Cabinet Chief of the Department of Defense and the Department of Security and the Executive Secretary of the Consejo de Seguridad Interior. He was born on May 9, 1951.

There is no family relationship between any director, alternate director, member of the Supervisory Committee or executive officer and any other director, alternate director, member of the Supervisory Committee or executive officer.

Compensation

The compensation of the members of the Board of Directors and the Supervisory Committee is established for each fiscal year at the Annual Ordinary Shareholders’ Meeting.

The aggregate compensation paid by the Telecom Group to the members of the Board of Directors and the Supervisory Committee, acting since April 29, 2016, and the executive officers described under “—Senior Management” above, was approximately P\$152.1 million for the year ended December 31, 2016.

As of December 31, 2016, the accrued compensation to the members of the Board of Directors and Supervisory Committee in connection with their duties performed since April 29, 2016 was approximately P\$41.0 million and P\$9.1 million, respectively. Such accrued compensation is subject to approval by the Annual Ordinary Shareholders’ Meeting, which will be held on April 27, 2017.

As of December 31, 2016, compensation paid as advance payments to members of the Board of Directors and Supervisory Committee acting since April 29, 2016 was P\$16.2 million and P\$3.9 million, respectively. Those advance payments were authorized by the Annual Ordinary Shareholders’ Meeting held on April 29, 2016, and will be deducted from the final compensation determined by the Annual Ordinary Shareholders’ Meeting of 2017, based on the amount proposed by the Board of Directors to the shareholders, with the prior opinion of the Audit Committee of Telecom Argentina (the “Audit Committee”).

Compensation for the executive officers described under “—Senior Management” above, amounted to approximately P\$198.0 million for the year ended December 31, 2016 (including fixed

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and variable compensation, retention plan benefits and, in some cases, severance payments and non-compete agreements), of which approximately P\$132.0 million were paid as of December 31, 2016.

The Company's managers (including Senior Management) receive fixed and variable compensation. A manager's fixed compensation corresponds with the level of responsibility required for his or her position and the market rate for similar positions. Variable compensation is tied to annual performance goals. Certain managers are beneficiaries of retention plan benefits.

During the year ended December 31, 2016, Telecom Argentina was not required to set aside or accrue any amounts to provide pension, retirement or similar benefits.

Telecom Argentina has no stock option plans for its personnel, or for its members of the Board of Directors or the Supervisory Committee.

Board Practices

Under Argentine law, directors have the obligation to perform their duties with loyalty and the diligence of a prudent business person. Directors are jointly and severally liable to Telecom Argentina, our shareholders and third-parties for the improper performance of their duties, for violations of law, our bylaws or regulations and for any damage caused by fraud, abuse of authority or gross negligence. Under Argentine law, specific duties may be assigned to a director by the bylaws or regulations or by resolution of the Shareholders' Meeting. In these cases, a director's liability will be determined with reference to the performance of these duties, provided that certain recording requirements are met. Under Argentine law, directors are prohibited from engaging in activities in competition with Telecom Argentina without express authorization of a Shareholders' Meeting. Certain transactions between directors and Telecom Argentina are subject to ratification procedures established by Argentine law.

The Supervisory Committee is responsible for overseeing our compliance with our bylaws and Argentine law and, without prejudice to the role of external auditors, is required to present to the shareholders at the Annual Ordinary General Shareholders' Meeting a report on the accuracy of the financial information presented to the shareholders by the Board of Directors. See "—Supervisory Committee" for further information regarding the Supervisory Committee.

On May 22, 2001 the Argentine government issued Decree No. 677/01, entitled "Regulation of Transparency of the Public Offering," or the "Transparency Decree" (replaced since January 28, 2013 by equivalent articles included in Law No. 26,831. See "Item 9—The Offer and Listing—The Argentine Securities Market—Capital Markets Law—Law No. 26,831" below). The intention of this decree, which is also stated within Law No. 26,831, was to move towards the creation of an adequate legal framework that may strengthen the level of protection of investors in the market. The main objectives of the Transparency Decree were to promote the development, liquidity, stability, solvency and transparency of the market, generating procedures to guarantee the efficient reallocation from savings to investments and good practices in the administration of corporations.

Law No. 26,831 (previously, the Transparency Decree) vests in members of the Board of Directors:

- the duty to disclose certain events, such as any fact or situation capable of affecting the value of the securities or the course of negotiation;
- the duty of loyalty and diligence;
- the duty of confidentiality; and
- the duty to consider the general interests of all shareholders over the interest of the controlling shareholder.

A director will not be liable if, notwithstanding his or her presence at a meeting at which a resolution was adopted or his or her knowledge of the resolution, a written record exists of his opposition thereto and he or she reports his opposition to the Supervisory Committee before any complaint against him or her is brought before the Board of Directors, the Supervisory Committee, the Annual Ordinary Shareholders' Meeting, the competent governmental agency or the courts. Any liability of a director vis-à-vis Telecom Argentina terminates upon approval of the directors' performance by the Shareholders' Meeting, provided that shareholders representing at least 5% of our

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capital stock do not object and provided that this liability does not result from a violation of the Telecom Argentina's bylaws, the Argentine law or regulations.

Additionally, Law No. 26,831 provides that those who infringe upon the provisions set forth therein shall be subject, in addition to civil and criminal liability (as applicable), to certain sanctions including warnings, fines, disqualification, suspension or prohibition from acting under the public offering regime.

In July 2012, Decree No. 1,278/12 approved a regulation of officers and directors appointed by the shares or equity interests of the Argentine government, under the scope of the Secretary of Economic Policy and Development Planning of the Ministry of Economy and Public Finance. On July 28, 2016 Decree No. 894/16 was published, which modifies Decree No. 1,278/12, establishing that in those companies whose shares integrate the investment portfolio of the FGS, the corporate, political, and economic rights pertaining to such shares shall not be exercised by the Secretary of Economic Policy and Development Planning, but they are to be exercised by the ANSES.

In addition, Decree No. 894/16 established that the directors appointed by the ANSES shall have the functions, duties and powers set out by the General Companies Law No. 19,550, the Law of Capital Market No. 26,831 and its complementary and regulatory provisions, all the regulations applicable to the company in which they perform duties, their bylaws and internal regulations, and shall have all the responsibilities they might be liable for under these rules; as a result the provisions of Decrees No. 1,278/12 and 196/15 (the latter in respect of delimitation of responsibility) are no longer applicable.

Telecom Argentina maintains an officers' and directors' insurance policy covering claims brought against the officers and/or directors relating to the performance of their duties. At present, the total amount covered by this insurance is US\$75,000,000.

Also, at Telecom Argentina Shareholders' Meeting held on April 8, 2016, the shareholders approved the grant of indemnity to: (1) the regular and alternate members of the Board of Directors and of Supervisory Committee that have resigned their positions due to the change of the indirect controlling shareholder and (2) the former directors and supervisory committee members nominated or appointed, directly or indirectly, by the former controlling shareholder (the "persons subject of indemnity") in relation to their acts and omissions before or on March 8, 2016, in the case of the directors, and before or on April 8, 2016, in the case of Supervisory Committee members, to the extent and as far as it is allowed by Argentine law and by the by-laws, and for a six-year period beginning on the abovementioned dates.

In May 2004, the Board of Telecom Argentina resolved to create the Steering Committee ("Consejo de Dirección"), which served as an internal body of the Board of Directors and was comprised of four members of the Board of Directors.

In March 2009, the Board of Directors of Telecom Argentina resolved to dissolve the Steering Committee. However, on April 7, 2010, the Board of Directors of Telecom Argentina resolved to reestablish this Committee, maintaining the same pre-dissolution structure. The Steering Committee, consisting of four members or alternate members of the Board of Directors of Telecom Argentina and Personal, resumed its duties on October 26, 2010. On such date, the Board of Directors issued a new *Regulation of Authority and Operation of the Steering Committee*. The Steering Committee fulfills, among others, the functions of approving the Business Plan of Telecom Argentina and its subsidiaries previous to the presentation to the Board of Directors; approving the general remuneration policy of Telecom Argentina and Personal employees; and approving the Media Budget for its presentation to the Board of Directors.

Pursuant to the *Regulation of Authority and Operation of the Steering Committee*, a quorum shall consist of a majority of members of the Steering Committee, including those who attend by teleconference or video teleconference. All members shall adopt decisions unanimously. In the event no resolution is adopted on any of the issues submitted for consideration of the Steering Committee, the matter shall be referred to the Board of Directors.

As of the date of this Annual Report, the members of the Steering Committee are: Gerardo Werthein, Adrián Werthein, Mariano M. Ibáñez and Carlos A. Harrison.

Telecom Argentina's bylaws grant the Board of Directors the power to appoint an Executive Committee formed by some of its members and be in charge of Telecom Argentina's day-to-day

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affairs, in each case under the supervision of the Board of Directors. However, the Board of Directors decided not to appoint an Executive Committee.

Operating Committee

In April 2013, the Boards of Directors of Telecom Argentina and Personal decided to create the Operating Committee as an internal body of both entities, with the following duties: (i) approving any transactions determined by the authorization regime within the limits that may be prescribed, as a tier above the level assigned to the CEO and prior to the Board of Directors; and (ii) approving transactions with related parties up to P\$10,000,000.

The Operating Committee's members are the CEO of Telecom and two regular members and two alternate members, who must be regular or alternate directors of Telecom Argentina or Personal, appointed by the Board of Directors of Telecom Argentina. Members of the Operating Committee serve during the time they serve as members of the Board of Directors of Telecom Argentina or Personal.

Regulatory Compliance Committee

According to the New Shareholders' Agreement and to the TI-W Commitment (See "Item 7—Major Shareholders and Related Party Transactions—Major Shareholders—"Telco" and "TI-W" Commitments" and "—Shareholders' Agreement"), in October 2010, a Regulatory Compliance Committee was created consisting of three members or alternate members of the Board of Directors of Telecom Argentina and Personal not taking into account those members appointed at the request of Telecom Italia and those members appointed jointly by Telecom Italia and W de Argentina Inversiones, if any.

The main duty of the Regulatory Compliance Committee was to verify that Telecom Argentina and Personal were in compliance with the requirements (hereinafter, "the Requirements") assumed or derived for both companies from the "Telco" and the "TI-W" Commitment.

Due to the change in the indirect controlling shareholder of Telecom Argentina resulting from the March 8, 2016 sale of the Telecom Italia Group's majority stake in Sofora to Fintech, on April 15, 2016, Telecom Argentina and Telecom Personal notified the CNDC that "*the Telco and TI-W Commitments had become moot.*"

Last members of the Regulatory Compliance Committee were Adrián Werthein (Chairman); Eduardo Federico Bauer and Esteban Gabriel Macek.

Audit Committee

Law No. 26,831 provides that companies with publicly-listed shares shall appoint an Audit Committee to be formed by three or more members of the Board of Directors. Under CNV rules, the majority of the members of the Audit Committee must be independent. In order to qualify as independent, the director must be independent with respect to the company, any controlling shareholders or any shareholders that are significant participants in the company and cannot carry out executive duties for the company. A member of the Board of Directors cannot qualify as an independent director if he or she is a relative of a person who would not qualify as an independent director if such relative were appointed as a member of the Board of Directors.

Pursuant to General Resolution No. 400/02 of the CNV, published in the Official Gazette on April 5, 2002, the provisions of the Transparency Decree, which are now part of Law No. 26,831, relating to the Audit Committee were applicable for the financial years beginning on or after January 1, 2004.

At the Board of Directors meeting held on April 29, 2004, the Board of Directors resolved the final composition of the Audit Committee, and the Audit Committee came into effect.

According to the Regulation for the implementation of the Audit Committee ("*Normativa de Implementación del Comité de Auditoría*") which is a set of guidelines for the Audit Committee filed with the CNV, in case of resignation, dismissal, death or lack of capacity of any of the members of the Audit Committee, the Board of Directors shall immediately appoint a replacement, who shall remain in office until the following Annual Shareholders Meeting.

According to Law No. 26,831 the duties of the Audit Committee are:

- providing the market with complete information on transactions in which there might be a conflict of interest with the members of the corporate bodies or controlling shareholders;

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- giving an opinion on the fulfillment of legal requirements and reasonableness of the conditions for the issuance of shares or securities convertible into shares, in the case of capital increases where preemptive rights have been excluded or limited;
- giving an opinion regarding transactions with related parties in certain cases;
- supervising internal control systems and verifying the fulfillment of norms of conduct; and
- giving an opinion regarding the Board of Directors' proposal to designate external auditors and evaluating their independence, among others.

Additionally, according to the Regulation for the Implementation of the Audit Committee, the Audit Committee also reviews the plans of internal auditors, supervising and evaluating their performance.

On March 8, 2016 Telecom Argentina's Board of Directors accepted the resignation of Mr. Oscar Carlos Cristianci and Mr. Enrique Llerena as members of the Board of Directors and as members of Telecom's Audit Committee. On that same date the Board of Directors appointed Mr. Martín Hector D'Ambrosio and Mr. Alejandro Macfarlane to replace them as members of Telecom's Audit Committee until the date of the Annual Shareholders' Meeting that considered Telecom Argentina's 2015 Financial Statements. At its meeting on April 29, 2016, the Board of Directors elected Mr. Esteban Gabriel Macek, Mr. Alejandro Macfarlane and Mr. Martín Hector D'Ambrosio as members of the Audit Committee for fiscal year 2016. Furthermore, the Board of Directors determined that Mr. Macek qualifies as the audit committee financial expert under SEC guidelines.

Under SEC and NYSE regulations, Mr. Martín Hector D'Ambrosio qualifies as independent director and Mr. Alejandro Macfarlane relies on Rule 10A-3(b)(1)(iv)(B) exemption, otherwise meeting the independence requirements of Rule 10A-3(b)(1)(ii). Under CNV regulations, only Mr. D'Ambrosio qualifies as independent director.

The Board of Directors' meeting appointing the Audit Committee members for year 2017 has not yet been held. Therefore, as of the date of this Annual Report, the following members of Telecom Argentina's Audit Committee are still in office: Mr. Esteban Gabriel Macek, Mr. Martín Hector D'Ambrosio and Mr. Alejandro Macfarlane.

Pursuant to the Law No. 26,831, the Audit Committee may seek the advice of lawyers and other outside professionals at Telecom Argentina's expense, so long as the shareholders have approved expenditures for the services of such professionals. For fiscal year 2016, a budget of P\$2,700,000 was approved for Audit Committee expenditures. As of the date of this Annual Report, the Annual Shareholders' Meeting approving the Audit Committee expenditures for year 2017 has not yet been held.

Risk Management Committee

In 2012, the Board of Directors of Telecom Argentina approved the implementation of an Enterprise Risk Management Process at the Telecom Group, and the creation of a Risk Management Committee. The Committee is chaired by the CEO, and is composed by Senior Managers, led and coordinated by the CFO. The Board of Directors of Telecom Argentina also approved the creation of the Risk Management function (at the managerial level), whose responsible person also serves as Secretary of the Risk Management Committee and reports directly to the CFO.

The duties of the Risk Committee include reviewing and implementing policies, mechanisms and procedures to identify, to measure and to mitigate risks for Telecom Argentina and its subsidiaries, and also recommend any steps or adjustments it deems necessary to reduce the risk profile of the organization, based on the "Organizational Procedure for Enterprise Risk Management."

The Company follows the guidelines provided under the Enterprise Risk Management — Integrated Framework 2004 issued by COSO, in order to carry on its Enterprise Risk Management process. Financial reporting risks are reviewed and certified under section 404 of the Sarbanes Oxley Act.

Telecom Argentina and its subsidiaries have different action plans that endeavor to mitigate, in whole or in part, high impact risks for the Telecom Group. However, it cannot be assured that such plans are totally effective, or other events, unforeseen at the date of this Annual Report, could arise and affect the performance of the Telecom Group.

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Disclosure Committee

Telecom Argentina has also established a Disclosure Committee, which is responsible for monitoring the gathering, processing and submission to the CEO and CFO of consolidated financial and non-financial information that is required to be included in disclosure reports in order to ensure timely and accurate disclosure of material information. The duties of the Disclosure Committee include the following:

- assisting the CEO and the CFO in evaluating the effectiveness of Telecom Argentina's disclosure controls and procedures prior to the filing of Annual Reports both in Argentina and the United States;
- suggesting any improvements in disclosure procedures as a result of this evaluation;
- verifying that Telecom Argentina's processes for information collection, processing and control are in compliance with its disclosure procedures such that the accuracy of its disclosures can be verified; and

providing assistance in determining what information may be considered material to Telecom Argentina.

Employees and Labor Relations

As of December 31, 2016, the total number of employees of the Telecom Group was 15,970, out of which (i) 10,901 corresponded to Telecom Argentina, (ii) 4,661 corresponded to Telecom Personal, (iii) 401 corresponded to Núcleo and (iv) 7 corresponded to Personal Envíos (with no temporary employees). Out of the total number of employees, 80% are party to collective labor agreements and, therefore, represented by unions. The management and senior positions are covered by non-unionized employees. In Núcleo and Personal Envíos, employees are non-unionized.

In Telecom Argentina and Telecom Personal there are 10,051 and 2,806 unionized employees, respectively.

As to the distribution of trade union representation, see below:

- 1) The first-degree union with the highest number of employees is *FOETRA Sindicato Buenos Aires* ("FOETRA"), with 4,473 employees. FOETRA, is associated with FATEL Federation, which together with other six first-degree unions, represent approximately 7,373 Telecom Argentina and Personal employees (5,769 and 1,604 employees of Telecom Argentina and Personal, respectively).
- 2) FOESITRA ("*Federación de Obreros, Especialistas y Empleados de los Servicios e Industrias de las Telecomunicaciones de la República Argentina*" or "FOESITRA") represents the rest of the unionized employees, with greater geographic dispersion and smaller population than FATEL, amounting 3,257 Telecom Argentina and Personal employees (2,269 and 988 employees of Telecom Argentina and Personal, respectively).
- 3) FOPSTTA ("*Federación de Organizaciones de Personal de Supervisión y Técnicos Telefónicos Argentinos*") and UPJET ("*Unión de Personal Jerárquico de Empresas de Telecomunicaciones*") represent 656 and 1,281 employees of Telecom Argentina and Personal, respectively.
- 4) In Telecom, professional employees are represented by CePETel, which represents 290 employees. This trade union, although recognized as legitimate by mobile telephony companies, does not have effective representation in the sector and, therefore, in Telecom Personal.

In 2016, the inflationary environment continued, as well as the consequent union claims with significant percentages of salary increases, and additional bonus or compensatory amounts. Such claims were combined with forceful measures of various nature as a consequence of the new structure of union leadership.

On the other hand, the claims of social organizations, in pursuit of subsidies and other benefits, were also intensified.

During 2016, Telecom Argentina, for more than six years, continued to negotiate with telecommunication labor organizations through the "*Mesa de Unidad Sindical de las Telecomunicaciones*" (the "MUS" or Board of Trade Union Unity), which brings together FOESITRA,

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FATEL, FOPSTTA and UPJET. The negotiations were aimed to reach a collective labor agreement for the basic telephony. Additionally, in 2016 the CePETel, which organizes professional employees, was incorporated into this negotiation.

Together with the MUS, the Company carried out the search for collective wage agreements in the field of basic telephony. In this regard, a 30% non-remunerative and non-cumulative wage increase was agreed to as of July 2016. An additional 5% was added to such increase as from February 2017 with the same characteristics. In January 2017, a one-time special bonus of P\$5,500 was agreed to and the amount unionized employees received on the ‘Day of the Telephone Worker’ was increased, representing 2% of the total payroll.

In the same terms, agreements were reached in the joint negotiations with respect to call center collective agreements, which are subscribed with FOETRA SITRATel and FOEESITRA.

In relation with Personal’s unionized employees, collective labor agreements for the mobile telephony subscribed with FATEL (Collective Labor Agreement (CCT) N° 614/15), FOEESITRA (CCT N° 712/15), FOPSTTA (CCT N° 615/15), and UPJET (CCT N° 714/15) continue in effect.

Regarding the evolution of salary scales in Telecom Personal, for the first time the negotiations were carried out within the framework of the MUS and the companies of the activity.

It is worth mentioning that, as of the date of this Annual Report, CePETel -union gathering professionals of the sector-, has raised its claim of representation and negotiation of a CCT for mobile activity, having initiated administrative proceedings within the scope of the Ministry of Labor, Employment, and Social Security.

In relation to non-bargaining unit employees (“FC”), in May, July and August 2016, a general adjustment was set forth, with the exception of population occupying positions reporting directly to the CEO or the Chairman. Those adjustments were supplemented for the same population, with a pattern of selective increase applied in August based on the concept of meritocracy, thus allowing award and acknowledgment for outstanding performances. For the population occupying positions reporting directly to the CEO or the Chairman, a selective adjustment was defined in August as well as in November.

See “Item 8—Financial Information—Legal Proceedings—Labor Claims” for more detail on labor claims filed against Telecom Argentina and Personal.

Employees by Segment

The table below shows the number of employees as of December 31, 2016, 2015 and 2014 by segment:

	December 31, 2016	December 31, 2015	December 31, 2014
Fixed Services	10,901	10,903	11,056
Personal Mobile Services	4,661	4,908	4,958
Núcleo Mobile Services (1)	408	413	402
Total	15,970	16,224	16,416

(1) Includes Envíos employees.

Share Ownership

Share Ownership by directors, executive officers, and Supervisory Committee members

No current member of the Board of Directors and no current member of the Supervisory Committee directly holds obligations or capital stock of Telecom Argentina. See “Item 7—Major Shareholders and Related Party Transactions—Major Shareholders—Shareholders of Nortel” for additional information regarding indirect holdings in Telecom Argentina of certain members of its Board of Directors.

Mr. Gaspar Buscalia holds 2,000 Class B Shares and 650 ADS of Telecom Argentina; Mr. Alejandro Quiroga López holds 4,450 Class B Shares of Telecom Argentina and Mr. Roberto Nobile holds 4,000 ADS of Telecom Argentina. No other member of Telecom Argentina’s senior management holds obligations or capital stock of Telecom Argentina.

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Share Ownership Plan

At the time of the privatization of ENTel in 1990, the Argentine government created a Share Ownership Plan (“SOP”), for the employees of ENTel and CAT, which were acquired by Telecom Argentina, Telintar and Startel. Pursuant to the Privatization Regulations, 10% of Telecom Argentina’s then-outstanding shares, consisting of 98,438,098 Class C Shares, were transferred by the Argentine government to Telecom Argentina, Telintar, and Startel employees previously employed by ENTel and CAT. This transfer was made through a general transfer agreement signed on December 29, 1992 (the “General Transfer Agreement”). Our Class C Shares consist exclusively of shares originally sold in connection with the SOP. According to applicable law, to be eligible to continue to participate in the SOP, the employees had to remain employed by Telecom Argentina, Telintar and Startel. Employees who terminated their employment with Telecom Argentina, Telintar or Startel before the deferred purchase price was fully paid were required to sell their Class C Shares to another employee under the SOP or, if no other employee was available to purchase these shares, to a guaranty and repurchase fund (the “Guaranty and Repurchase Fund”) at a price calculated according to a formula provided in the General Transfer Agreement.

On December 9, 1999, Decree No. 1,623/99 was issued, authorizing the accelerated repayment of the outstanding balance of the deferred purchase price for all Class C Shares, and lifting the transfer restrictions on the Class C Shares upon the satisfaction of certain precedent conditions. However, the shares held in the Guaranty and Repurchase Fund were still subject to transfer restrictions until an injunction prohibiting the trading or selling of these shares was lifted. Decree No. 1,623/99 provided that once the injunction was lifted, the sale of an amount of shares in the Guaranty and Repurchase Fund, would take place in order to cancel the debt owed to the former employees for the acquisition of shares transferred to the Guaranty and Repurchase Fund. The remaining shares held in the Guaranty and Repurchase Fund would then be distributed in accordance with the decision of the majority of the employees taken in a special meeting of the SOP.

In accordance with Decree No. 1,623/99, at the extraordinary and special Class C Shareholders’ Meeting held on March 14, 2000, Telecom Argentina’s shareholders approved the conversion of up to 52,505,360 Class C Shares into Class B Shares in one or more tranches from time to time, as determined by the trustee of the SOP, Banco de la Ciudad de Buenos Aires, based on the availability of Class C Shares that were not affected by judicial restrictions on conversion.

A first tranche of 50,978,833 Class C Shares was converted into Class B Shares for public resale. This transaction was authorized in Argentina by the CNV and was registered in the United States with the SEC on May 3, 2000. The rest of the Class C Shares authorized for conversion were converted into Class B Shares in four more tranches ending in 2005.

As requested by the Executive Committee of the SOP, the Ordinary, Extraordinary and Special Class C Shareholders’ Meetings held on April 27, 2006, approved the delegation of authority to Telecom Argentina’s Board of Directors for the conversion of up to 41,339,464 ordinary Class C Shares into an equal quantity of Class B Shares, in one or more conversions. As of December 31, 2011, all the 41,339,464 shares were converted into Class B Ordinary Shares in eleven tranches.

The remaining 4,593,274 Class C Shares were affected by an injunction measure recorded in file “*Garcías de Vicchi, Amerinda y otros c/ Sindicación de Accionistas Clase C del Programa de Propiedad Participada s/mulidad de acto jurídico*”, which has been lifted. Therefore, the General Ordinary and Extraordinary and Special Class C Shares Meetings held on December 15, 2011 approved the delegation of authority to Telecom Argentina’s Board of Directors for the conversion of up to 4,593,274 Class C ordinary shares into an equal quantity of Class B ordinary shares in one or more tranches. As a result, 4,358,526 Class C Shares have been converted to Class B Shares in ten tranches. As of the date of this Annual Report, the outstanding number of Class C Shares is 234,748.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major Shareholders

Our principal shareholder is Nortel. As of December 31, 2016, Nortel owned all of Telecom Argentina's Class A Ordinary Shares (51% of Telecom Argentina's total capital stock) and approximately 7.64% of the Class B Ordinary Shares (3.74% of Telecom Argentina's total capital stock) which, in the aggregate, represented approximately 54.74% of the total capital stock or 55.6% of the total outstanding shares considering the 15,221,373 Class B Ordinary Shares which were repurchased and are held in treasury. Telecom Argentina is directly controlled by Nortel by virtue of Nortel's ownership of a majority of Telecom Argentina's capital stock. However, Nortel's controlling interest is subject to certain agreements among Sofora's shareholders. See "—Shareholders of Nortel" below.

Nortel was incorporated in Buenos Aires, Argentina on October 19, 1990 and registered with the Public Registry of the City of Buenos Aires on October 31, 1990 under No. 8,025, book 108, Volume "A" of Corporations. Nortel is a holding company that was formed in 1990 by a consortium including the Telecom Italia Group and FCR in connection with the privatization of ENTel and formation of Telecom Argentina.

In the event of certain payment defaults or breaches of covenants, holders of Nortel's preferred stock collectively have the right to elect one director of Nortel and obtain voting rights.

Nortel's offices are located at Alicia Moreau de Justo 50, 13th floor, Buenos Aires, Argentina.

Shareholders of Nortel

As of December 31, 2016, Nortel's capital stock was composed of (i) ordinary shares (78.38% of the capital stock) all of them owned by Sofora, and (ii) Preferred Series B shares (21.62% of the capital stock), which do not grant voting rights.

In 2003, W de Argentina Inversiones, Telecom Italia, and Telecom Italia International N.V. signed a shareholders' agreement for the joint management of Sofora, Nortel, Telecom Argentina and its subsidiaries, including Personal, which was amended in August 2010, October 2010, March 2011, November 2013 and October 2014. See "—Shareholders' Agreement" below.

On November 14, 2013 Telecom Italia and Telecom Italia International N.V. (collectively, the "Sellers") and Tierra Argentea S.A. ("Tierra Argentea", a company controlled by the Sellers) accepted an offer made by Fintech to acquire Telecom Italia's controlling stake in Telecom Argentina owned by the Sellers through their subsidiaries Sofora, Nortel, and Tierra Argentea pursuant to the terms of a purchase agreement by and among, Fintech, Tierra Argentea and the Sellers (the "2013 Purchase Agreement"), subject to prior Argentine regulatory approvals.

The total aggregate consideration and payments to be received by the Sellers under the 2013 Purchase Agreement and other agreements among Fintech and other persons was approximately US\$960.0 million. On October 25, 2014, Telecom Italia announced the acceptance of an offer made by Fintech to amend and restate the 2013 Purchase Agreement.

The amended and restated 2013 Purchase Agreement provided that: (i) the same total aggregate consideration and payments to be received by the Sellers from Fintech and other persons pursuant to the 2013 Purchase Agreement and other agreements executed in connection therewith at approximately US\$960.0 million, (ii) the transfer of a 51% controlling interest in Sofora as subject to the approval of the telecommunications regulatory body (formerly, SC, subsequently AFTIC and currently its successor, ENACOM), and (iii) a 17% minority interest in Sofora would be sold to Fintech during October 2014.

Of the total aggregate amount to be received by the Sellers, an aggregate amount of US\$ 867.9 million would be paid by Fintech as consideration for the sale of:

- 68% of the ordinary shares of Sofora held by the Sellers, divided between 17% of the ordinary shares of Sofora (US\$208.6 million) and 51% of the ordinary shares in Sofora (US\$550.6 million);
- 15,533,834 Class B Shares of Telecom Argentina held by Tierra Argentea, representing 1.58% of the outstanding shares, (US\$61.2 million); and

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- 2,351,752 American Depositary Shares, representing 117,588 Preferred Class B Shares of Nortel held by Tierra Argentea, equal to 8% of the outstanding Preferred Class B Shares of Nortel (US\$47.5 million).

The remaining amount would be paid pursuant to additional agreements related to the transaction, including: (i) the waiver by the Sellers of certain rights under, as well as amendments to, the Shareholders' Agreement relating to Telecom Argentina and the Wertheim Group, which would retain 32% of the voting shares of Sofora; (ii) an agreement granting the right to continue providing technical support and other services to the Telecom Argentina companies for up to three years following the closing date; and (iii) the commitment of Fintech to pay amounts already reserved for the payment of dividends by Telecom Argentina ("Reserved Dividends"), if such dividends were not paid outside Argentina to its shareholders prior to the closing of the purchase and sale of Sofora shares.

In implementing the above-mentioned agreements, on December 10, 2013, the Class B Shares of Telecom Argentina and the American Depositary Shares representing Class B Shares of Nortel owned by Tierra Argentea were transferred to Fintech for an aggregate amount of US\$108.7 million and on October 29, 2014 Telecom Italia International N.V. transferred 17% of the capital stock of Sofora to Fintech.

On October 16, 2015 AFTIC's Resolution No. 491/15 was published in the Official Gazette denying the requested authorization for the transfer to Fintech of the controlling interest that Telecom Italia Group held in Sofora, Fintech, the Telecom Italia Group, W de Argentina Inversiones, Telecom Argentina and Telecom Personal filed a recourse of reconsideration against Resolution No. 491/15 requesting AFTIC to revoke such resolution and grant the authorization for the transfer.

On February 17, 2016 Telecom Argentina was notified of ENACOM Resolution No. 64/16 pursuant to which ENACOM partially granted the above mentioned requests revoking the denial in AFTIC Resolution No. 491/15 and deciding to continue the analysis of the transfer of Telecom Italia's interest in Sofora to Fintech.

On February 24, 2016, Telecom Argentina was notified of Fintech's intention to launch a Mandatory Tender Offer (the "OPA") resulting from a change of control event for all Class B Shares of Telecom Argentina which are traded on the BCBA, or Merval, promoted and formulated by Fintech. In addition, Fintech launched an OPA in the United States, which offers' reception period expired on November 23, 2016. For further information of the OPAs launched by Fintech and their results, see "Item 4—Information on the Company—Introduction—History."

On March 7, 2016, ENACOM Resolution No. 277/16 authorized the transfer of Sofora's majority shareholder stake to Fintech and on March 8, 2016, the transfer of the Telecom Italia Group's 51% stake in Sofora to Fintech was completed. As a result, the Telecom Italia Group was replaced by Fintech as indirect controlling shareholder of Telecom Argentina.

As of the date of this Annual Report, Sofora's shares belong to Fintech (68%) and to W de Argentina Inversiones (32%). Additionally, Fintech has 58,173,522 Class B Shares that represent 5.91% of Telecom Argentina's total capital stock.

In March 2017, W de Argentina Inversiones offered to Sofora and Sofora accepted with the consent of Fintech, the controlling shareholder of Sofora, an offer to amortize, in two tranches, all of the shares of capital stock issued by Sofora and owned by W de Argentina Inversiones, equal to 140,704,640 shares. As a result of the amortization, Sofora agreed to pay W de Argentina Inversiones an amount equal to the par value of W de Argentina Inversiones' shares of capital stock issued by Sofora, such amount being equivalent to P\$140,704,640, and issue in the name of W de Argentina Inversiones one or more dividend certificates (any such certificate, a "Bono de Goce") evidencing W de Argentina Inversiones' rights to dividends up to an aggregate amount of up to US\$470 million less the amounts paid to amortize the shares of Sofora owned by W de Argentina Inversiones, plus certain incremental amounts, with preference over the Telecom Argentina Class A Shares to be received by the shareholders of Sofora in the Reorganization. The amortization of the first tranche of shares of capital stock of Sofora owned by W de Argentina Inversiones and representing 17% of the issued and outstanding capital stock of Sofora is scheduled to occur on May 2, 2017, after which a Bono de Goce in the amount of US\$249,687,500 less the U.S. dollar equivalent of P\$74,749,340 will be issued to W de Argentina Inversiones. The amortization of the second tranche of shares of capital stock of Sofora owned by W de Argentina Inversiones and representing an additional 15% of the issued and outstanding capital stock of Sofora as of the date of this Annual Report is subject to the approval of ENACOM. If this second amortization occurs, an additional Bono de Goce will be issued in an amount equal to U.S.\$220,312,500 less the U.S. dollar equivalent of P\$65,955,300. Upon the completion of the amortizations, Fintech will be the sole shareholder of Sofora.

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Consequently, on March 28, 2017 Sofora's Shareholders' Meeting approved the amortization of all of W de Argentina Inversiones' shares in Sofora in two tranches (17% on or before May 2, 2017 and 15% subject to the ENACOM's release from the obligation to be maintained as part of the principal nucleus ("núcleo principal")). See "Item 4—Information on the Company—Introduction—Recent Developments—The Reorganization."

More information is available in the "Relevant Facts" Section of the CNV at www.cnv.gov.ar, and in the "Company filings search" Section (company Telecom Argentina) of the SEC at www.sec.gov. Unless specifically incorporated by reference herein, the information contained or accessible through such websites should not be considered a part of this Annual Report.

Fintech

Fintech Telecom LLC, a Delaware (United States) limited liability company, is a wholly-owned direct subsidiary of Fintech Advisory Inc. and its primary purpose is to hold, directly and indirectly, the securities of Telecom Argentina. Fintech Advisory Inc., a Delaware (United States) corporation, is directly controlled by Mr. David Martínez. Fintech Advisory Inc. is an investor and investment manager in equity and debt securities of sovereign and private entities primarily in emerging markets.

W de Argentina — Inversiones S.A.

W de Argentina — Inversiones, a company of the Werthein Group, is a company owned by Daniel Werthein, Adrián Werthein, Gerardo Werthein (a member of Telecom Argentina's Board of Directors) and Darío Werthein. The Werthein Group's main lines of business include farming and oil operations, insurance and real estate activities, as described below:

- **Farming and Oil Operations.** Gregorio, Numo y Noel Werthein S.A.A.G.C. e I. ("GNNW") is the company that handles the businesses of the Werthein Group, mainly related to agribusiness activities and food products. GNNW owns more than 217,141 acres in the primary farming areas of Argentina, harvesting more than 28,587 tons of different crops and owns more than 20,223 heads of cattle dedicated to meat production. GNNW is also involved in the manufacturing of processed fruits as well as teas and other infusions. Most of its products are aimed at the international markets with important exports worldwide.

- **Insurance Activities.** The Werthein Group has a 100% interest in Experta Aseguradora de Riesgos del Trabajo S.A., a leading work risk insurance company in Argentina, and Experta de Retiro S.A., a retirement insurance company in Argentina. Additionally, together with certain third-party individuals, the Werthein Group detain control of La Estrella S.A. Compañía de Seguros de Retiro, a leading retirement insurance company in Argentina.

- **Real Estate Activities.** The Werthein Group conducts real estate, construction, consulting, public works and other real estate-related activities through its interests in other companies.

- **Gas Transportation Activities.** The Werthein Group has a minority stake in Transportadora de Gas del Sur S.A., one of the largest gas pipeline companies in Argentina.

Ownership of Telecom Argentina Common Stock

The following table sets forth, as of March 31, 2017, each beneficial owner of 5% or more of each class of Telecom Argentina's shares. However, as of the date of this Annual Report, current holdings may differ.

	Number of Shares Owned	Percent of Class	Percent of Total Capital Stock (1)
Class A Ordinary Shares:			
Nortel	502,034,299	100.00%	51.00%
Class B Ordinary Shares (listed in BCBA):			
ANSES - FGS	246,018,839	51.03%	24.99%
Nortel	36,832,408	7.64%	3.74%
Treasury Shares	15,221,373	3.16%	1.55%
Others (2)	184,039,311	38.17%	18.69%
Class C Ordinary Shares:			
Others	234,748	100.00%	0.03%

(1) Represents the respective percentage over the total of Telecom Argentina's ordinary shares, regardless their class.

(2) Includes 58,173,522 Class B Shares owned by Fintech representing 12.07% of total Class B Shares (including Treasury Shares) and 5.91% of Telecom Argentina's total capital stock.

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As of March 31, 2017, there were approximately 28.2 million American Depositary Shares outstanding (representing rights to 141.2 million Class B Shares or 32.84% of total Class B Shares, excluding those held by Nortel and Treasury Shares). Further, as of March 31, 2017, there were approximately 63 registered holders of American Depositary Shares in the United States and approximately 17,500 holders of Class B Shares in Argentina. Because some Class B Shares are held by representatives, the number and domicile of registered shareholders may not exactly reflect the number and domicile of beneficial shareholders.

All shares have equal voting rights. Nevertheless, pursuant to Section 221 of the GCL, the rights of treasury shares shall be suspended (including voting rights) while held by Telecom.

“Telco” and “TI-W” Commitments

On October 25, 2007, a consortium made up of Assicurazioni Generali S.p.A., Intesa Sanpaolo S.p.A., Mediobanca S.p.A., Sintonia S.A. (Benetton) and Telefónica, S.A. (of Spain) bought Olimpia S.p.A.’s entire stock through the Italian company Telco S.p.A., which held approximately 23.6% of Telecom Italia’s voting shares (the “Telco Transaction”). On December 22, 2009, Sintonia S.A. (Benetton) left the consortium and its participation was assumed by the remaining shareholders of Telco S.p.A. on a pro rata basis. As of December 31, 2014, Telco held 22.3% of Telecom Italia’s voting shares, according to its Financial Statements.

The Telco Transaction has generated different opinions with respect to its impact on Argentina’s telecommunications market in light of the Argentine Antitrust Law and the existing regulatory framework.

Consequently, the Telco Transaction led to the intervention of various administrative bodies whose decisions have been subject to various presentations and complaints before administrative and judicial courts.

On August 5, 2010, Telecom Italia, Telecom Italia Internacional N.V. and W de Argentina agreed to:

- A settlement agreement to end all legal proceedings existing between the parties as direct shareholders of Sofora and indirect shareholders of the remaining companies of the Telecom Argentina Group (Sofora, Nortel, Telecom Argentina and its subsidiaries and Personal and its subsidiaries), which originated as a result of the Telco Transaction.
- Amend the 2003 Shareholders’ Agreement. The amendment includes, among other things, certain measures to guarantee a more efficient corporate governance of the Telecom Argentina Group companies. As part of the agreement, a Telecom Argentina and Personal’s Regulatory Compliance Committee was created and will remain in place for as long as Telefónica, S.A. (of Spain) owns any subsidiaries in Argentina and concurrently maintains any direct or indirect participation in the Telecom Italia Group and maintains corporate rights similar to those provided by the Telco Transaction.
- The transfer of 8% of the capital stock of Sofora from W de Argentina Inversiones to Telecom Italia Internacional N.V., subject to the applicable authorizations. This increased Telecom Italia Group’s participation to 58% of the capital stock of Sofora (the “TI-W Transaction”).

On October 6, 2010, Telefónica, S.A. (of Spain), Assicurazioni Generali S.p.A., Intesa Sanpaolo S.p.A., Mediobanca S.p.A., Telco S.p.A, and, as intervening parties, Telecom Italia, Telecom Italia Internacional N.V., Sofora, Nortel, Telecom Argentina, Personal, Telefónica de Argentina S.A. and Telefónica Móviles Argentina S.A., submitted before the CNDC an agreement (the “Telco Commitment”).

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The Telco Commitment ensures the separation and independence of the activities in the Argentine telecommunications market, of Telefónica, S.A. (of Spain) and its controlled subsidiaries, on one hand, and Telecom Italia, Telecom Italia International N.V., Sofora, Telecom Argentina and Personal, on the other hand, preserving and encouraging the competitive conditions of such companies' activities in the Argentine market.

In addition, in connection with the TI-W Transaction, Sofora's shareholders submitted before the CNDC an agreement in relation to the administration and governance of the Telecom Argentina Group (the "TI-W Commitment").

On June 24, 2015 Telefónica, S.A. (of Spain) informed to the CNV and the BCBA the "*divestment of its entire stake in Telecom Italia S.p.A.*"

According to clause 9.2 of the Telco Commitment and to clause 3 of the TI-W Commitment, the divestment of Telefónica, S.A. (of Spain) and the end of the validity of the Telco S.p.A. shareholders' agreement implied the end of the validity of the Telco and TI-W Commitments.

Consequently, on July 6, 2015, Telecom Italia filed a note before the CNDC informing the end of the validity of the Telco and TI-W Commitments.

On July 7, 2015, Telecom Argentina and Personal filed a note before the CNDC adhering to the presentation made by Telecom Italia and requesting that the extinction of the validity of the Commitments be declared for the same reasons exposed by Telecom Italia in its note. On February 18, 2016 Telecom Argentina and Telecom Personal submitted another note to the CNDC reiterating their request.

On April 15, 2016, Telecom Argentina and Telecom Personal notified the CNDC that the Telco and TI-W Commitments had become moot due to the change in the indirect controlling shareholder of Telecom Argentina, resulting from the sale of the Telecom Italia Group's majority stake in Sofora to Fintech on March 8, 2016.

Shareholders' Agreement

On August 5, 2010, the Telecom Italia Group and W de Argentina Inversiones (jointly with the Telecom Italia Group, the "Parties") entered into the *2010 Amended and Restated Shareholders' Agreement*, that amended the provisions and terms of the *2003 Amended and Restated Shareholders' Agreement* (the "2003 Shareholders' Agreement"), as amended on: (i) October 13, 2010 — as a consequence of the TI-W Commitment — (ii) March 9, 2011, (iii) November 13, 2013 and (iv) October 24, 2014 (the "Amended and Restated Third Amendment"). The 2010 Shareholders' Agreement as amended and restated by the modifications listed above is hereinafter referred to as the "New Shareholders' Agreement."

As a result of the acquisition of the 17% of Sofora's shares held by the Telecom Italia Group which was concluded on October 29, 2014, Fintech adhered as a party to the New Shareholder's Agreement by means of execution of a deed of adherence (the "Deed of Adherence"). On March 8, 2016, following the acquisition of the remaining 51% of Sofora's shares from the Telecom Italia Group, and as per the terms and conditions of the Amended and Restated Third Amendment and the Deed of Adherence, Fintech acquired all the rights and obligations of the Telecom Italia Group under the New Shareholders' Agreement.

Below is a brief summary of the main terms and conditions of the New Shareholders' Agreement and the principal amendments to the 2003 Shareholders' Agreement:

With respect to Sofora:

- Fintech shall have the right to appoint five Board members out of nine and W de Argentina Inversiones shall have the right to appoint the remaining four Board members. Decisions will be made by the majority of directors present at each meeting.
- W de Argentina Inversiones shall have the right to nominate the Chairman of the Supervisory Committee.

With respect to Nortel:

- W de Argentina Inversiones has the right to appoint two board members out of seven and Fintech has the right to appoint four. In case the Preferred Class B Shares of Nortel would acquire voting rights in accordance with their respective terms and conditions of issuance, the

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seventh board member would be appointed by the shareholders of the Preferred Class B Shares of Nortel. In case those shares confer no voting rights, as it is currently the case, Fintech and W de Argentina Inversiones have the right to jointly appoint the remaining board member. Decisions will be made by the majority of directors present at each meeting. In case of a tie, the chairman shall cast the deciding vote.

- W de Argentina Inversiones shall be entitled to nominate the Chairman of the Audit Committee of Nortel.

With respect to Telecom Argentina:

- As a general rule, Fintech shall have the right to nominate a majority of the members of the Board of Directors through Nortel. Currently, the Board of Directors is composed of eleven (11) members appointed in March 2016 for a term of three (3) years of which six (6) have been nominated by Fintech, two (2) have been nominated by W de Argentina Inversiones and three (3) have been nominated by ANSES. Decisions will be made by the majority of directors present at each meeting. In case of a tie, the Chairman shall cast the deciding vote.
- W de Argentina Inversiones shall be entitled to nominate the Chairman of the Audit Committee of Telecom Argentina. The New Shareholders' Agreement also provides that the resolutions of the Audit Committee shall be taken by the unanimous vote of its members.
- The Chairman of Telecom Argentina's Board of Directors shall meet the following requirements: (i) be an Argentine professional of recognized reputation and (ii) shall not have served as member of the Board of Directors or officer at any direct or indirect competitor of any company of the Telecom Argentina Group in the Argentine telecommunications market within the previous twelve months from his appointment.

The New Shareholders' Agreement also provides for the establishment of a Steering Committee for Telecom Argentina, which shall be composed of four members, two appointed by Fintech and two appointed by W de Argentina Inversiones. See "Item 6—Directors, Senior Management and Employees—Board Practices."

The New Shareholders' Agreement still provides for meetings between Fintech and W de Argentina Inversiones (set forth in Section 4 of the New Shareholders' Agreement) before the Shareholders' meeting or the Board of Directors' meeting of Sofora, Nortel, Telecom Argentina or its subsidiaries regarding matters that must be treated at shareholders' meetings or those related to preferred shareholders of Nortel, but it excludes resolutions to be adopted by certain non-executive committees, such as the Audit Committee and the Supervisory Committee which will follow the rules of their respective committees.

Similar to the 2003 Shareholders' Agreement, two members of Fintech and one member of W de Argentina Inversiones shall attend the meetings and the decisions will be taken through the affirmative vote of the majority of its members who attend the meeting.

W de Argentina Inversiones shall maintain substantially similar veto rights as provided for in the 2003 Shareholders' Agreement, upon the following matters:

- the approval of any amendment to the bylaws, other than the amendments expressly set forth in the New Shareholders' Agreement;
- dividend policy;
- any capital increase or decrease, except for any capital increase or decrease connected to any possible debt restructuring;
- changing the location of the headquarter offices;
- any acquisition of subsidiaries and/or creation of subsidiaries;
- the sale, transfer, assignment or any other disposition of all or substantially all of the assets or any of its subsidiaries;
- decisions relating to the establishment of joint ventures;

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- constitution of any charges, liens, encumbrance, pledge or mortgage over assets, exceeding the amount of US\$20,000,000 (twenty million U.S. dollars);
- any change of external auditors, to be chosen among auditors of international reputation;
- any related party transaction which is not carried out according to usual market conditions, exceeding the amount of US\$5,000,000, with the exception of (i) any correspondent relationships, traffic agreement and/or roaming agreements with any national and/or international telecommunications carriers/operators, including the establishment, expansion or amendment of such correspondent relationships with any new telecommunications carriers; and (ii) any transaction connected with the debt restructuring;
- any extraordinary transaction involving the Telecom Argentina Group, exceeding the amount of US\$30,000,000, except for any operation connected with the debt restructuring of the Telecom Argentina Group; and
- any change to the rules of the Steering Committee or the Audit Committee; and the creation, changes or dissolution of any committee of the Telecom Argentina Group with similar functions.

Regarding the New Shareholders' Agreement, on March 17, 2017 Fintech and W de Argentina Inversiones agreed: upon the earlier of (i) the consummation of the amortization of the shares of Sofora held by W de Argentina Inversiones representing 17.00% of the capital stock of Sofora (the "Initial Shares") and (ii) the date on which W de Argentina Inversiones would cease to hold any of the Initial Shares (whether as a result of the amortization and subsequent cancellation and annulment thereof or otherwise), the Shareholders' Agreement shall be automatically terminated and have no further force and effect, without further action by the parties; provided, however, that the tag-along rights and drag-along rights under the Shareholders' Agreement and the provisions of section 2 of the fourth amendment pertaining to creation of a new section 7.9 to the Shareholders' Agreement shall survive the termination of the Shareholders' Agreement until the earlier of (i) consummation of the amortization of the shares of Sofora held by W de Argentina Inversiones representing 15.00% of the capital stock of Sofora (the "Nucleum Shares") and the cancellation and annulment of such Nucleum Shares and (ii) the date on which W de Argentina Inversiones cease to hold any of the Nucleum Shares (whether as a result of the amortization and subsequent cancellation and annulment thereof or otherwise).

Related Party Transactions

We have been involved in a number of transactions with our related parties since the Transfer Date.

Our policy is to make transactions with related parties on arm's-length basis. In addition, Section 72 of Law No. 26,831 provides that before a publicly-listed company may enter into an act or contract involving a "relevant amount" with a related party or parties, the publicly-listed company must obtain approval from its Board of Directors and obtain a valuation report from its Audit Committee or two independent valuation firms that demonstrates that the terms of the transaction are consistent with those that could be obtained at an arm's-length basis. If the Audit Committee or two independent valuation firms do not find that the terms of the contract are consistent with those that could be obtained on an arm's-length basis, approval must be obtained from the shareholders. "Relevant amount" means an amount which exceeds 1% of the issuers' equity as contained in the latest approved financial statements.

Transactions with related parties of Sofora (including Telecom Italia (indirect controlling company up to March 8, 2016), Fintech (indirect controlling company as from March 8, 2016), W de Argentina Inversiones and/or their respective affiliates) and other related parties resulted in expenses, finance costs or purchases of approximately P\$304 million for the year ended December 31, 2016. Of that amount, P\$90 million were incurred with Telecom Italia and its affiliates for telecommunications services received by Telecom, including international outbound calls and others, fees for services, roaming and purchases of equipment and materials (that amount is related to the transactions made with the Telecom Italia Group performed until March 8, 2016, date when the Telecom Italia Group ceased to be a related party of the Telecom Group); P\$209 million were incurred with W de Argentina Inversiones for insurance, advertising, labor costs and finance costs; and P\$5 million were incurred with other parties.

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Transactions with related parties of Sofora (including Telecom Italia (indirect controlling company up to March 8, 2016), Fintech (indirect controlling company as from March 8, 2016), and other related parties resulted in income for services rendered by us of approximately P\$123 million for the year ended December 31, 2016, corresponding to telecommunication services rendered to Telecom Italia and its affiliates of approximately P\$111 million, services rendered to W de Argentina Inversiones of approximately P\$7 million and services rendered to other related parties of approximately P\$5 million.

In addition, P\$1 million of other income (rental services) rendered to Nortel is recorded for the year ended December 31, 2016.

Transactions with related parties of Fintech for the year ended December 31, 2016 resulted in income for telecommunication services rendered by us of approximately P\$41 million and expenses for telecommunications services received of approximately P\$90 million.

As of December 31, 2016, we had no loans outstanding to the executive officers of Telecom Argentina.

Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

Consolidated Statements and Other Financial Information

See Item 18 for Telecom Argentina’s Consolidated Financial Statements. For a description of events that have occurred since the date of the Company’s Financial Statements, see “Item 4—Information on the Company—Introduction—Recent Developments.”

Legal Proceedings

We are parties to several civil, tax, commercial, labor and regulatory proceedings and other claims that have arisen in the ordinary course of business. As of December 31, 2016, Telecom has established provisions, excluding asset retirement obligations, in an aggregate amount of P\$1,382 million to cover potential losses related to these claims and proceedings in its Consolidated Financial Statements (P\$57 million for regulatory deducted from assets and P\$1,325 million included under liabilities). In addition, as of December 31, 2016, the Company had P\$66 million deposited in its bank accounts and restricted for some judicial proceedings.

See Note 17 to our Consolidated Financial Statements for additional information.

Labor Claims

- *Profit-Sharing Bonds*

Various legal actions have been brought, mainly by former employees of Telecom Argentina, against the Argentine government and Telecom Argentina, requesting that Decree No. 395/92—which expressly exempts Telefónica and Telecom Argentina from issuing the profit sharing bonds provided in Law No. 23,696—be struck down as unconstitutional. The plaintiffs have claimed compensation for damages they allegedly suffered because such bonds have not been issued.

In August 2008, the Argentine Supreme Court of Justice declared Decree No. 395/92 unconstitutional when resolving a similar case against Telefónica and ordered that the proceedings be remanded back to the court of origin so that such court could decide which defendant was compelled to pay—the licensee and/or the Argentine government—and the parameters that were to be taken into account in order to quantify the remedies requested (percent of profit sharing, dismissals of claims due to expiration of the applicable statute of limitations and distribution method between the beneficiaries of the program). The Argentine Supreme Court of Justice deemed the ruling against Telefónica as applicable to Telecom Argentina when resolving the appeal filed by Telecom Argentina. That criterion has been followed by lower courts.

The Argentine Supreme Court of Justice has left the determination of incidental issues to the lower courts and requested that such courts to take into account that it was the Argentine government who issued the legal rule later declared unconstitutional. On that basis, most appellate courts have also declared the Argentine government liable and established different methods to calculate compensation. Telecom Argentina has filed motions regarding, for example, the statute of limitations and the method to calculate compensation.

On June 9, 2015, in “Ramollino Silvana c/Telecom Argentina S.A.”, the Argentine Supreme Court of Justice ruled that the profit-sharing bonds do not correspond to employees who joined Telecom Argentina after the Transfer Date and that were not members of the share ownership plan (Share Ownership Plan or “SOP”). This judicial precedent is consistent with the criteria followed by Telecom Argentina based on the advice of its legal counsel, by which it considered remote the chances of paying compensation to employees not included in the SOP. As of December 31, 2016, Telecom Argentina’s Management, with the advice of its legal counsel, has recorded provisions for contingencies that it estimates are sufficient to cover the risks associated with the claims filed by employees included in the SOP, having considered the legal background.

On June 3, 2013, Telecom Argentina was notified of a lawsuit filed by four unions claiming the issuance of profit sharing bonds for future periods and for periods for which the statute of limitations has not expired. Plaintiffs request that Decree No. 395/92 should be declared unconstitutional.

This collective lawsuit is for an unspecified amount. The plaintiffs presented the criteria that should be applied for the determination of the percentage of participation in Telecom Argentina’s profit. If the lawsuit requiring the issuance of a profit-sharing bond were to lead to an adverse result for the Company, it would have a potential future economic impact on Telecom Argentina.

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In June 2013, Telecom Argentina filed its answer to the claim, arguing that the labor courts lack jurisdiction. On October 30, 2013, the court rejected the lack of jurisdiction plea, established a ten-year period as statute of limitation and deferred ruling on the defenses of *res judicata*, *lis pendens* and the request for third-party citation until after a hearing be hold by the court. Telecom Argentina appealed the court's ruling.

In the hearing of December 12, 2013, the intervening court further deferred the defense based on statute of limitations filed by Telecom Argentina to the moment of the final ruling. The court also ordered the plaintiff to prove that they have legal standing to bring the case on behalf of Telecom Argentina's employees included in the claim, and the suspension of the trial until plaintiff complied with this order. The plaintiff appealed the ruling and the court deferred this issue to the time of sentencing.

As of the date of this Annual Report, the appeal regarding lack of jurisdiction raised by Telecom Argentina is pending until the documentation requested by the court to the plaintiffs is resolved.

The Company, based on the advice of its legal counsel, believes that there are strong arguments in its favor in relation with this claim based, among other things, in the expiration of the statute of limitations of the claim for the unconstitutionality of Decree No. 395/92, the lack of active legal standing for collective claim for bond issuance -due to the existence of individual claims-, among other reasons regarding lack of active legal standing.

Regarding profit sharing bonds two cases initiated against Telefónica set precedents as described below:

1. Statute of limitation criteria: "Domínguez c/ Telefónica de Argentina S.A."

In December 2013, the Argentine Supreme Court of Justice ruled on the case, "Domínguez c/ Telefónica de Argentina S.A.", overturning a lower court ruling that had barred the claim declaring it had exceeded the applicable statute of limitations since ten years had passed since the issuance of Decree No. 395/92.

The Argentine Supreme Court of Justice ruled that the Civil and Commercial Court must hear the case again to consider the arguments concerning the statute of limitations raised by the appellants. In the criteria of the Argentine Supreme Court of Justice, these arguments were not considered by the lower court and are relevant to the case.

As of the date of this Annual Report, two chambers of the Civil and Commercial Federal Proceedings Court have issued opinions interpreting the doctrine developed by the Argentine Supreme Court of Justice in its ruling, acknowledging that the statute of limitations must be applied periodically —as of the time of each balance sheet- but is limited to five years; and Chamber III ruled, by a majority of votes, that the statute of limitations must not be applied periodically, but instead, it was exceeded in ten years after the issuance of Decree No. 395/92.

2. Criteria for determining the relevant profit to calculate compensation: "Parota c/ Estado Nacional y Telefónica de Argentina S.A."

On February 27, 2014, the Civil and Commercial Court of Appeals issued its decision in a case against Telefónica, ruling that: "*the amount of profit-sharing bonds corresponding to former employees of Telefónica de Argentina S.A. should be calculated based on the taxable income of Telefónica de Argentina S.A. on which the income tax liability is to be assessed.*"

The Court of Appeals explained that in order to make such determination "*it is necessary to clarify that "taxable income" (pre-tax income) means the amount of income subject to the income tax that the company must pay, which generally means gross income, including all revenue obtained during the fiscal year (including contingent or extraordinary revenue), minus all ordinary and extraordinary expenses accrued during such fiscal year.*"

After it was notified of both rulings, the Management adjusted the provisions for contingencies to align them with the criteria established by the courts regarding relevant profit and the statute of limitations.

- *Labor claims brought by employees of suppliers, contractors and commercial agents*

Certain contractors' and subcontractors' employees have continued initiating lawsuits against contractors and Telecom Argentina claiming direct or indirect liability based on a broad interpretation of the rules of labor law. The plaintiffs claimed for the application of the telecommunications collective

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labor agreement instead of the telecommunication section of the construction collective labor agreement, which results in wage differences.

Similar legal actions have been brought by employees of commercial suppliers and agents, who have also requested the application of the telecommunications collective labor agreement instead of collective labor agreement applicable to them.

As of the date of this Annual Report, Company's Management, based on the advice of its legal counsel, has recorded provisions that it estimates are adequate to hedge the risks associated with these claims.

In certain circumstances and in accordance to certain jurisprudence and regulations, the Company may be obliged to assume labor liabilities in connection with claims initiated by suppliers' employees against the supplier and/or the Company. Although the Company seeks the recovery from suppliers of any amount it had to pay in its behalf, we cannot give assurances that the Company may succeed in recovering these amounts from the relevant supplier.

- *Wage differences due to non-remunerative sums*

The Company is subject to various lawsuits initiated by some current and former employees who claim wage differences caused by the impact of the concept of "non-remunerative sums" (amounts not subject to social security contributions) on the settlement of items such as overtime, productivity, vacations, supplementary annual salary and other additional benefits provided by the collective labor agreement. In this regard, the Argentine Supreme Court of Justice in a case against *Cerveceria y Malteria Quilmes* ruled that non-remunerative items resulting from collective labor agreements should be considered salaries for all purposes, declaring Section 103 bis, Subsection c) of the Labor Law (which considers non-remunerative items as social benefits) as unconstitutional. As of December 31, 2016, considering the judicial precedents, the Company's management, based on the advice of its legal counsel, has recorded a provision that it estimates is sufficient to cover the risks associated with these claims.

- *Telecommunication unions claim*

Some telecommunication unions have initiated claims against Telecom Argentina seeking compensation for the alleged non-compliance of certain provisions of the respective collective bargaining agreements that could allow them to negotiate the inclusion of some suppliers' employees in their collective bargaining agreements. The claims are for unspecified amounts. The Company believes there are strong defenses by which the claims would not be sustained.

- *Sales representative claims*

Former sales representatives of Personal have brought legal actions for alleged improper termination of their contracts and claiming the payment of several items such as commission differences, value of the customers' portfolio and lost profit. Personal believes, based on the advice of its legal counsel, that certain items included in the claims would not be sustained while other items, if sustained, would result in significantly lower amounts than those claimed.

Some legal actions are in the discovery phase and some expert opinions are in progress. Personal's management, based on the advice of its legal counsel, has recorded provisions that it estimates are sufficient to cover the risks associated with these claims. However, we cannot guarantee the outcome of these proceedings.

- *Interest rate applicable to the matters under labor courts of the City of Buenos Aires*

In addition, on May 21, 2014, the National Labor Court of Appeals agreed, as a result of a divided vote, that the interest rate applicable to the matters under its jurisdiction in the City of Buenos Aires shall be the nominal annual rate for personal loans with free use of funds of the Banco de la Nación Argentina for a 49 to 60 month term (currently 3% per month). The Court of Appeals also ruled that, in those cases where final sentences are still pending, this new rate shall be applied as from the date on which each amount is due.

Since 2002, the National Labor Court of Appeals had resolved to apply the interest rate resulting from the monthly average of the interest rate used by the Banco de la Nación Argentina for the granting of loans (currently 2.055% per month). Therefore, this new disposition represents an increase in the interest rate, which the Company has reflected in its assessment of the provisions for pending labor claims. Although the National Labor Court of Appeals' decision is not compulsory for lower

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courts, an additional risk exists since the courts might intend to apply such rate retroactively to labor credits not yet acknowledged by a court sentence.

The Telecom Group's management, with the advice of its legal counsel, considers that there are solid legal arguments against the retroactive application of this new rate. As of the date of this Annual Report, our management cannot assure a favorable decision by the Court of Appeals until the lower courts issue future rulings, clarifying their position. As a result, the Company has classified this matter as a possible contingency. Nevertheless, should a disadvantageous resolution prevail, we estimate that it shall not have a significant impact on the financial position, results of operations and cash flows of the Telecom Group.

Tax Matters

- *Tax matters relating to Telecom Argentina*

In December 2008, the National Congress passed Law No. 26,476, the "Law on Tax Regularization and Repatriation of Capital" establishing a regime for the regularization of tax liabilities, the repatriation of funds and the registration of employees. Title I of the law provides taxpayers a complete exemption from penal responsibilities in tax matters and from fines, and a partial exemption from interest arising out of tax or social security liabilities prior to December 31, 2007.

As discussed in previous Annual Reports, Telecom Argentina was party to various legal proceedings arising from claims by AFIP with regard to:

(a) AFIP's claim for income tax for fiscal years 1993 to 1999 arising from its disagreement with Telecom Argentina's calculation of the depreciation of its fiber optic network;

(b) AFIP's claims for income tax for fiscal years 1997 to 2000 challenging Telecom Argentina's certain deductions it made for bad debt expenses; and

(c) AFIP's claims regarding invoices for certain kinds of services.

Upon detailed analysis of the regularization regime, on April 30, 2009, Telecom Argentina decided to settle the AFIP's claims in the time frame established by Title I of Law No. 26,476. The settlement for the abovementioned tax claims was complete except for item (b), which was partially settled.

In order to qualify for the regularization regime, Telecom Argentina had to voluntarily dismiss legal proceedings previously initiated against AFIP's claims. As a result of the regularization regime, regarding the matter mentioned in item (c) above, Telecom Argentina has requested the respective court to suspend the penal proceedings and dismiss the claims against officers and employees who had been called to give testimony, since the law provides for the suspension of penal proceedings upon adoption of the regularization regime, and complete extinguishment of a penal case upon cancellation of all amounts due under the payment plan pursuant to the regularization regime. In October 2014, the court declared the extinguishment of the penal proceedings despite not having cancelled the installments of the payment plan. The prosecutor appealed such resolution. In September 2015, the appeals court ratified the trial court's ruling, resulting in the termination of the penal proceeding.

Telecom Argentina's compliance with the regularization regime generated recognition of a debt owed to AFIP in the amount of P\$38 million (nominal value) payable in 120 monthly installments at an annual interest rate of 9%. Telecom Argentina also recognized a debt for legal fees in connection with these regularized processes in the amount of P\$14 million (nominal value). The value of both liabilities has been set forth under the captions "Income Tax Payables" and "Other Liabilities" classified by the nature and due date of each liability. As of December 31, 2016, such liabilities amounted to P\$12 million and P\$4 million, respectively.

- *Provincial taxes*

Some provincial tax authorities have filed claims regarding turnover tax and stamp tax. As of the date of this Annual Report, the Company's management has recorded provisions that it estimates are adequate to hedge these risks.

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- *Municipal fees*

Since 2005, the Company has seen a noticeable increase in legal and extrajudicial claims seeking the collection of various municipal fees in the City of Buenos Aires and various municipalities. As of the date of this Annual Report, the Company has recorded provisions that estimate sufficient to cover these claims.

- *Alleged omission in Telecom Argentina's income tax declaration*

On December 17, 2014, the AFIP notified Telecom Argentina of an alleged omission in reporting the balances of two bank accounts, held with the HSBC Private Bank (Swiss) S.A, in Telecom Argentina's income tax declaration corresponding to the fiscal year 2006. On February 6, 2015, Telecom Argentina denied this allegation, providing documentary proof which certifies that such balances had been reported in a timely manner on the tax declaration and were recorded in Telecom Argentina's financial statements.

On July 7, 2015 Telecom Argentina was notified of the AFIP tax assessment in connection with only one of the bank accounts previously claimed.

Although this carryforward could not be applied against future taxable incomes, Telecom Argentina initiated a legal proceeding against AFIP's claim at the National Tax Court (*Tribunal Fiscal de la Nación*).

Individuals holding a power of attorney to manage those accounts on behalf of Telecom Argentina, were also notified of the same alleged omission regarding their personal tax declarations. However during 2015, some of these cases were closed and others were suspended.

- *Income tax - Action for recourse filed with the AFIP*

Article 10 of Law No. 23,928 and Article 39 of Law No. 24,073 suspended the application of the provisions of Title VI of the Income Tax Law relating to the income tax inflation adjustment since April 1, 1992.

Accordingly, Telecom Argentina and its domestic subsidiaries determined its income tax obligations in accordance with those provisions, without taking into account the income tax inflation adjustment.

After the economic crisis of 2002, many taxpayers began to question the legality of the provisions suspending the income tax inflation adjustment. Also, the Argentine Supreme Court of Justice issued its opinion in the case "Candy" (07/03/2009) in which it ruled that, for the fiscal year 2002 in particular and considering the serious state of disturbance at that time, the taxpayer could demonstrate that not applying the income tax inflation adjustment resulted in confiscatory income tax rates.

More recently, the Argentine Supreme Court of Justice applied a similar criteria to the 2010, 2011 and 2012 fiscal years in the cases "Distribuidora Gas del Centro" (10/14/2014, 06/02/2015 and 10/04/2016), enabling the application of income tax inflation adjustment for periods not affected by a severe economic crisis, such as 2002.

According to the abovementioned new legal background of which Telecom Argentina had knowledge during 2015, and after making the respective assessments, in fiscal year 2015 and 2016 Telecom Argentina filed actions for recourse with the AFIP to claim the full tax overpaid for fiscal year 2009, 2010 and 2011 estimated in an amount of P\$371 million plus interests, alleging that the lack of application of the income tax inflation adjustment is confiscatory.

As of the date of this Annual Report, the actions for recourse filed are pending of resolution by the AFIP. However, Telecom Argentina's management, with the assessment of its tax advisor, considers that the argument presented in this recourse follows the same criteria as the established by the Argentine Supreme Court of Justice jurisprudence mentioned above, among others, which we believe should allow Telecom Argentina to obtain a favorable resolution of the actions for recourse filed.

Consequently, the income tax determined in excess qualifies as a tax credit in compliance with IAS 12 and Telecom Argentina recorded a non-current tax credit of P\$466 million as of December 31, 2016 (P\$98 million were recorded in fiscal year 2015 and P\$368 million in fiscal year 2016, reducing Income tax cost). For the calculation of the tax credit, Telecom Argentina has estimated the amount of the tax determined in excess for all fiscal years not covered by the statute of limitation (2009-2016), weighing the likelihood of certain variables according to the jurisprudential precedents known until December 31, 2016. Telecom Argentina's management will assess the AFIP's resolutions related to

actions of recourse filed as well as the jurisprudence evolution in order to at least annually re-measure the tax credit recorded.

Regulatory Proceedings

- *Regulator's Penalty Activities*

Telecom Argentina is subject to various penalty procedures, in most cases promoted by the Regulatory Authority, for delays in the reparation and installation of service to fix-line customers. Although generally a penalty considered on an individual basis does not have a material effect on Telecom Argentina's equity, there is a significant disproportion between the amounts of the penalty imposed by the Regulatory Authority and the revenue that the affected customer generates to Telecom Argentina.

Since fiscal year 2013, the CNC (Regulatory Authority in effect at that time) significantly increased the severity of its penalties, increasing the amount of charges and sanctions, as well as the individual amount of each. In several cases, the sanctions imposed as from 2013 had twice the economic value of those imposed on Telecom Argentina in previous periods for the same alleged infringements and such tendency continued during 2014 and 2015 but decreased in 2016.

In determining the provisions for regulatory charges and sanctions, Telecom Argentina's management, with the assistance of its legal counsel, determines the likelihood of such sanctions being imposed, the amount thereof based on historical information and judicial precedents, also contemplating various probable scenarios of statute of limitation for charges and sanctions received, the current levels of execution of sanctions and the eventual results of legal actions that Telecom Argentina has undertaken to demonstrate, among other things, the disproportionate sanctions imposed by the Regulatory Authority since 2013.

Telecom Argentina has recorded certain provisions that it deems sufficient to cover the abovementioned sanctions and charges, estimating that they should not prosper in amounts individually higher than 200 thousand UT (P\$9,380) per each alleged violation against its clients in the normal course of business, in accordance with the legal and regulatory analysis performed as of December 31, 2016. If Telecom Argentina and its legal advisors' arguments do not prevail, the management of Telecom Argentina estimates that the amount of provisions for regulatory charges and sanctions may be increased to approximately P\$154 million as of December 31, 2016.

Recently, the Company has been subject to various penalty procedures related to the infringement of Resolution No. 5/13 regarding quality of service rules. The Company has estimated and recorded provisions that it deems sufficient to cover those charges in the case that they become sanctions imposed on the Company.

- *Radioelectric Spectrum Fees*

In October 2016 Personal modified the criteria used for the statement of some of its commercial plans ("*Abono Fijo*") for purposes of paying the radioelectric spectrum fees (*derecho de uso de espectro radioeléctrico* or "DER"), taking into account certain changes in such plans' composition. This meant a reduction in the amount of fees paid by Personal. In March 2017, the ENACOM demanded Personal to rectify its statements, requiring that such plans' statements continue to be prepared based on the previous criteria. Personal believes that it has solid legal arguments to defend its position, by filing the applicable administrative recourse. However, we cannot give assurances that such arguments will be accepted by the ENACOM. The difference resulting from both sets of liquidation criteria is of approximately P\$23 million per month from October 2016, plus interests.

- *Claims by some content providers*

In the framework of the general reorganization of the content business started out by Personal in 2016, and given the upcoming expiration of agreements with content providers, some of the latter have been notified that such agreements will not be renewed.

By virtue of that communication, three of those companies initiated and obtained in court (between January 12, 2017 and February 24, 2017), precautionary measures against Personal, in order to avoid that the duly notified decision of not renewing the agreements be effective, and thus, forcing Personal to refrain from disconnecting or interrupting the contractual relationship on the scheduled dates.

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All of these precautionary measures were timely appealed by Personal, with only one of them remaining in force at the date of this Annual Report. On February 7, 2017, the ENACOM decided that Personal should refrain from disrupting the services of the companies nucleated in CAVAM as well as from modifying the existing business conditions.

On February 24, 2017, the ENACOM notified Personal of the Resolution No. 2017-1122-APN-ENACOM#MCO, which we believe to be unclear, establishing specific rules that apply to the content providers who initiated the claims against Personal as follows: (i) mobile operators may receive, for every service they provide, a percentage that should not exceed 40% of the services invoiced by the content providers, and (ii) the application of the same rules for providers of audiotext and mass calling value added services..

In addition, the resolution sets forth a 30-day period to file under the ENACOM the interconnection contracts or the addenda to the existing ones, that ensure adjustments to the contracts already in force and with relation to the services rendered by the members of CAVAM.

On March 22, 2017, Personal based on the advice of its legal counsel and due to its solid arguments, filed a recourse requiring the revocation of Resolution No. 2017-1122-APN-ENACOM # MCO. However, if the recourse is not successful, Personal's revenues could be negatively impacted. If this occurs, we cannot guarantee that it will not have an adverse effect on our results of operations, financial condition and cash flows.

General Proceedings

- *Environmental proceedings*

In 1999, the Argentine national environmental agency (*Secretaría de Medio Ambiente y Desarrollo Sustentable*) initiated an administrative proceeding against us in connection with our waste management. This agency alleged that there were problems with our liquid drainage at an underground chamber, and such problem was in violation of Argentine environmental law. The agency sought to require Telecom Argentina's registration with the National Register of Generators and Operators of Hazardous Waste. This registration would require Telecom Argentina to pay an annual fee calculated in accordance with a formula that takes into consideration the extent of a hazard and the quantity of waste. Telecom Argentina believes that its activities did not generate the alleged waste, and that the waste in the underground chamber was generated by other parties. Telecom Argentina nonetheless removed the liquid drainage in accordance with environmental law. We have filed the requisite official responses, and we believe that we will not have to register with any environmental agency as a result of this liquid drainage.

In February 2009, Telecom Argentina received a notification from the Argentine national environmental agency requesting that Telecom Argentina be registered in the National Registry of Generators and Operators of Hazardous Waste. In March 2009, Telecom Argentina filed a request for administrative review seeking to obtain rejection of the agency's notification. As of the date of this Annual Report, there has yet to be a resolution on the matter.

Considering the evolution and development of environmental legislation and related agencies, Telecom Argentina is in the process of reviewing its interpretation in relation to the registration as a hazardous waste generator that in any case will refer to a reduced number of materials that we use in our operations. Based on the information available to us, we believe that the environmental proceedings and the potential registration of Telecom Argentina as a hazardous waste generator will not have a significant impact on our financial position, results of operations and cash flows.

Consumer Trade Union Proceedings

The Company has been notified of the following complaints filed by consumer trade unions. Although Personal believes there are strong defense arguments for which the claims should not succeed, in the absence of jurisprudence on the matter, Personal's management, with the assistance of its legal counsel, has classified the claims as possible until a judgment is rendered:

- i) "*Consumidores Financieros Asociación Civil para su Defensa*" claim:

In November 2011, Personal was notified of a lawsuit filed by "Consumidores Financieros Asociación Civil para su Defensa" claiming that Personal made allegedly abusive charges to its

customers by implementing per-minute billing and setting an expiration date for prepaid telecommunication cards.

The plaintiff requests Personal to (i) cease such practices and bill its customers only for the exact time of telecommunication services used; (ii) reimburse the amounts collected in excess in the ten years preceding the date of the lawsuit; (iii) credit its customers for unused minutes on expired prepaid cards in the ten years preceding the date of the lawsuit; (iv) pay an interest equal to the lending rate charged by the Banco de la Nación Argentina; and (v) pay punitive damages pursuant to Section 52 bis of Law No. 24,240.

Personal responded in a timely manner, arguing for the dismissal of the lawsuit, emphasizing the regulatory framework that explicitly endorses Personal's practices then being challenged by the plaintiff in disregard of such framework.

The plaintiffs are seeking damages for unspecified amounts. Although Personal believes there are strong defenses to the claim, in the absence of jurisprudence on the matter, Personal's management, with the assistance of its legal counsel, has classified the claim as possible until a judgment is rendered.

As of the date of this Annual Report, this claim is in the discovery phase. However, the court has ordered the joining of this claim with two other similar claims against Telefónica Móviles Argentina S.A. and AMX Argentina S.A. Consequently, the three legal actions will continue before the Federal Civil and Commercial Court No. 9.

ii) *“Asociación Protección Consumidores Del Mercado Común Del Sur - Proconsumer” claim:*

In June 2012 the consumer trade union “Asociación Protección Consumidores Del Mercado Común Del Sur - Proconsumer” filed a lawsuit against Personal claiming that the company did not provide the clients with enough information regarding new prices for the services provided by Personal between May 2008 and May 2011. It demands the reimbursement of the increase in the price billed to customers for a period of two months. The plaintiff is seeking damages for unspecified amounts. In August 2012, Personal answered the complaint arguing that the Personal adequately informed its clients the modifications of the terms and conditions in which the service would be provided. For these reasons, Personal believes this claim should be dismissed.

Personal also filed a jurisdictional plea and a motion alleging the lack of active legal standing of the plaintiff. The Commercial Court declared itself as incompetent in the matter. Accordingly, the case was sent to the Administrative and Contentious Court, which ruled that the jurisdiction corresponded to the Commercial Court. That decision was appealed by Personal through an extraordinary motion, which was denied. Consequently, Personal filed a complaint before the Argentine Supreme Court of Justice, which on May 27, 2016 ruled that the lawsuit will continue at the Commercial Court. As of the date of this Annual Report, the claim is at discovery phase.

While Personal's management believes that there are solid arguments for the favorable resolution of this lawsuit, in the event of an unfavorable result, it would not have a significant impact on our financial position, results of operations and cash flows.

iii) *Proceedings related to the definition of the scope of fixed and mobile telephone services under Broadcasting Law No. 22,285, repealed by Law No. 26,522 of Audiovisual Communication Services:*

The Group offers a wide range of telecommunications services, including, among others, those referred to as VAS, which consists in providing additional functionality to the basic services of voice transmission through a telecommunications network.

Certain legal developments took place during the second quarter of 2014 and in 2015 in connection with the VAS, which could have an effect on two existing claims initiated against Telecom Argentina as detailed below:

- *Supercanal Case*

Within the context of a claim filed by Supercanal S.A. in 2003, an injunction was ordered against fixed and mobile telephone companies, by which the court ordered them to abstain from “*providing supplementary broadcasting services or issuing any kind of broadcasting contents and programming*”, as well as “*making any advertisement relating to future services to be provided, or the provision of television services as VAS or any other kind of technical method through the fixed or mobile telephone and Internet services that they provide.*”

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In 2012, a lower court ruled that the case was without merit and in favor of the termination of the injunction. However, on February 18, 2014, the Court of Appeals overruled the decision, and the court had to issue a decision on the appeal filed against the injunction that was pending.

On June 16, 2014, Telecom Argentina filed before the courts a request to terminate the injunction, arguing among other reasons that new Law No. 26,522 of Audiovisual Communication Services has repealed the former law, under which the injunction had been ordered.

In March 2015, Telecom Argentina reported the issuance of Law No. 27,078 (LAD) and its effect on the injunction, which became moot.

As a result, on June 3, 2015 the plaintiff, Supercanal S.A., informed the court that it had no complaints that the case was moot considering the new legal framework introduced by Laws No. 26,522 and 27,078.

On May 10, 2016, the court declared the claim was moot and ruled to terminate the injunction.

- *Claim by the Argentine Association of Cable Television*

Within the context of a claim filed by the Argentine Association of Cable Television in 2006, an injunction was ordered against the fixed and mobile telephone companies, by which the court ordered them to abstain from “*transmitting, repeating and/or providing directly or indirectly broadcasting services or their supplementary services*”, based on the former Broadcasting Law No. 22,285.

Subsequently, such injunction was extended to the marketing of the “Superpack” service (joint offer of satellite television services provided by DirecTV and telephone and Internet services provided by Telecom Argentina, where each entity invoiced the services provided by it directly to the final customer), which was suspended by an appeal filed by Telecom Argentina before the Argentine Supreme Court of Justice. However, on June 3, 2014, the Argentine Supreme Court of Justice rejected such appeal because it did not refer yet to a final decision on the substantial issue that must be resolved by the court. Accordingly, Telecom Argentina prudentially suspended the marketing of the above referred joint offer with DirecTV from June 4, 2014. The suspension of this joint offer only meant to the Telecom Group a decrease in commissions revenues for new subscribers that our network marketed in favor of DirecTV, and a decrease in costs from commissions conceded to DirecTV for subscribers that the latter captured for the Telecom Group, which were not material during the year ended December 31, 2014.

On June 10, 2014, Telecom Argentina claimed to the courts that the substantive issues underlying the claim were without merit and that the injunction has become ineffective as a result of the new Law No. 26,522 of Audiovisual Communication Services—which repealed the former law under which the injunction had been ordered.

On October 7, 2014, the court notified Telecom Argentina and Personal of a breach complaint related to the above referred injunction. Telecom Argentine answered the notification by rejecting its whole content and requesting that the CNC and the SC become part of the process. The court had to make a joint decision on these two issues presented by the parties.

On December 19, 2014, Law No. 27,078 came into force. Article 9 paragraph 2 states that licensees of services under the law, such as Telecom Argentina and Personal, may provide audiovisual media services. This legislation reinforces the legal arguments used by Telecom Argentina to continue providing the VAS analyzed in this case.

On June 18, 2015 a lower court decided to postpone the declaration that the claim was moot and to limit the term of the injunction for six months. The decision was appealed by Telecom Argentina and other defendants. On October 8, 2015, the Court of Appeals decided the revocation of the court’s decision, to turn the case moot and to rule that the injunction had ceased to apply. The plaintiff has filed an extraordinary resource against this ruling, which was rejected on March 17, 2016, by the Court of Appeals. The claim was dismissed on August 4, 2016, thus terminating the claim.

iv) Proceedings related to value added services - mobile contents:

On October 1, 2015, Personal was notified of a claim seeking damages for unspecified amounts initiated by consumer trade union “Cruzada Cívica para la defensa de los consumidores y usuarios de

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servicios públicos.” The plaintiff invokes the collective representation of an undetermined number of Personal customers.

The plaintiff’s claims the way that content and trivia are contracted, in particular the improper billing of messages sent offering those services and their subscription. Additionally, the plaintiff requests the application of a civil penalty.

This claim has a similar object to other claims made by a consumer association (Asociación Protección Consumidores Del Mercado Común Del Sur - Proconsumer) where collective representation of customers is also invoked. As of the date of this Annual Report, the discovery phases of those claims have not been initiated.

Personal has answered the claims through the presentation of legal and factual defenses, requesting the citation of third parties involved in the provision of VAS. Personal, with the assistance of its legal counsel, believes it has strong arguments against these claims. However, given the absence of jurisprudential precedents, we cannot assure the final outcome of these claims.

v) *Claim by “Asociación por la Defensa de Usuarios y Consumidores c/Telecom Personal S.A.”:*

In 2008, the “Asociación por la Defensa de Usuarios y Consumidores” sued Personal, in representation of an undetermined number of Personal customers, seeking damages for unspecified amounts. The plaintiff claimed the billing of calls ending in automatic answering machines and the collection system called “send to end” (traffic billed to the customer until the receiver answer the call). As of the date of this Annual Report, this lawsuit is at the discovery phase.

In the third quarter of 2015, Personal took knowledge of an adverse court ruling in a similar trial, promoted by the same consumers association against other mobile operator. Taking into consideration this new jurisprudential precedent, the claim has been classified as a possible contingency.

Personal’s management, with the assistance of its legal counsel, believes that it has strong arguments for its defense, but given the new jurisprudential precedent, the outcome of this claim cannot be assured.

Remote Proceedings

The Telecom Group faces other legal proceedings, fiscal and regulatory considered normal in the development of its activities. Although we cannot guarantee the outcome of these proceedings, the Company and its legal advisors estimate these legal proceedings will not generate an adverse impact on our financial position and the result of our operations, or our liquidity. In accordance with IAS 37 “Provisions”, no provision has been constituted related to the resolution of these proceedings, as they have been classified as remote.

Contingency Asset

- *“AFA Plus Project” Claim*

On July 20, 2012, Telecom Argentina entered into an agreement with the Argentine Football Association (“AFA”) for the provision of services to a system called “Argentine Football System Administration” (“AFA Plus Project”) related to the secure access to first division football stadiums whereby Telecom Argentina should provide the infrastructure and systems to enable the AFA to manage the AFA Plus Project. The recovery of investments and expenses incurred by Telecom Argentina and its profit margin would proceed from charging AFA with a referring price stated in 20% of the popular ticket price to attend football matches during the term of the AFA-Telecom Argentina agreement, so the recoverability of Telecom Argentina’s assets related with the AFA Plus Project depended on its implementation by AFA.

From 2012 and in compliance with its contractual obligations, Telecom Argentina made investments and incurred in expenses amounting to P\$182 million, of which P\$143 million are included in PP&E (as of December 31, 2015, those amounts were P\$179 million and P\$140 million, respectively) for the provision and installation of equipment and the execution of civil works for improving the football stadiums, registration centers equipment, inventories and material storage and attend other expenses directly associated with AFA Plus Project.

The AFA Plus system was not implemented, even partially, by AFA. Consequently, Telecom Argentina has not been able to collect the agreed price.

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Finally, based on the AFA-Telecom Argentina agreement, Telecom Argentina received no compensation from AFA for the services provided and the work performed. In September 2014, AFA notified Telecom Argentina of its decision to terminate the agreement with Telecom Argentina, to modify the AFA Plus Project, and it informed that it will assume the payment of the investments and expenditures incurred by Telecom Argentina. Accordingly, negotiations between AFA and Telecom Argentina have started.

In February 2015, AFA made a proposal to compensate the investments and expenditures incurred by Telecom Argentina through advertising exchange exclusively related to the AFA Plus Project (or the project that replaces it in the future), in the amount of US\$12.5 million. If the advertising compensation was not operating in a year term, AFA would pay to Telecom Argentina the mentioned amount. Telecom Argentina analyzed the quality of the assets offered by AFA in its offer of advertising exchange, and rejected the offer as insufficient.

New negotiations were conducted in 2015 to improve the AFA's offer (requiring a combination of cash payments and advertising) but a satisfactory agreement was not reached and negotiations were suspended due to AFA's internal affairs.

In October 2015, Telecom Argentina formally demanded that AFA pay the amounts due (P\$179.2 million plus interest) from the execution of the AFA-Telecom Argentina agreement. AFA rejected the claim but agreed to resume negotiations for a closing agreement which was then suspended by the AFA electoral process.

In January 2016, both parties resumed conciliatory negotiations. However, Telecom Argentina reserved its right to exercise legal claims on the amounts due.

In June 2016, Telecom Argentina initiated a compulsory pre-judicial mediation procedure. The first mediation was held on July 12, 2016 and was attended by both parties. A second mediation was held on August 3, 2016 and a third mediation was held on August 23, 2016. No agreement was reached through this pre-judicial mediation.

As of the date of this Annual Report, Telecom Argentina is preparing the lawsuit to claim the amounts due. Telecom Argentina, with the assistance of its external advisor, believes it has solid factual and legal arguments for its claim and is evaluating the actions to follow for the recovery of the investments and expenses incurred.

It is worth mentioning that the impairment recorded by Telecom Argentina arising from the uncertainties related to the recoverable value of assets recognized by the AFA Plus Project (works in progress and materials amounting to P\$143 million as of December 31, 2016) have been only recorded for the purpose to comply with accounting standards and in no way imply a renunciation of, waiver of or a limit to the rights of Telecom Argentina as a genuine creditor of the AFA Plus Project agreement.

Dividend Policy

The declaration, amount and payment of dividends are determined by a majority vote at a shareholders' ordinary meeting of Telecom Argentina's capital stock. Under the GCL, dividends may only be declared out of liquid and realized profits determined based on non-consolidated financial statements prepared in accordance with GAAP effective in Argentina (IFRS in the case of listed companies as Telecom Argentina) and other applicable regulations issued by the CNV and other regulatory bodies. Furthermore, liquid and realized profits can only be distributed when all accumulated losses from past periods have been absorbed and the legal reserve has been constituted or reconstituted.

According to CNV rules ("New Text 2013"), Shareholders' Meetings that approve financial statements in which retained earnings are positive must make a specific determination on the use of such earnings in accordance with the GCL and, as a result, must resolve on its distribution as cash dividends, capitalization with issuance of paid-in shares, use to create reserves other than statutory reserves, or a combination of such alternatives. As a result of this rule the balance of retained earnings after the allocation approved by the Annual Shareholders' Meeting should be zero.

In preparing the Annual Report in compliance with Argentine requirements, at the end of each fiscal year, the Board of Directors analyzes Telecom Argentina's economic and financial position and its compliance with the abovementioned restrictions. The Board of Directors also takes into account the funds needed for operative purposes for the following fiscal year. The Board of Directors then

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proposes a course of action with respect to retained earnings, which may or may not include a dividend distribution. The decision with regards to the proposal of the Board of Directors is made by Telecom Argentina's shareholders at the Shareholders' Meeting.

Telecom Argentina's Board of Directors, at its meeting held on March 16, 2017, called an Ordinary and Extraordinary Shareholders' meeting to be held on April 27, 2017, to consider among other issues, the allocation of Telecom Argentina's retained earnings as of December 31, 2016, (P\$3,975 million). The proposal of the Board of Directors is to allocate all the retained earnings to the "Reserve for Future Cash Dividends". In addition the Board of Directors proposed the withdrawal of P\$2,730 million from the 'Voluntary Reserve for Capital Investments' and to withdraw the total amount of the 'Voluntary Reserve for Future Investments' (of P\$2,904 million), increasing the 'Reserve for Future Cash Dividends' with these withdrawals.

Telecom Argentina's Shareholders' Meeting held on April 29, 2016 approved the allocation of all retained earnings of Telecom Argentina as of December 31, 2015 (P\$3,403 million) to the "Reserve for Future Cash Dividends". The Shareholders' Meeting also approved the delegation of authority to Telecom Argentina's Board of Directors to determine the reduction, in one or more times and according with the business evolution, up to P\$2,000 million of the "Reserve for Future Cash Dividends" and its distribution to the shareholders as cash dividends.

Significant Changes

No undisclosed significant changes have occurred since the date of the Consolidated Financial Statements.

ITEM 9. THE OFFER AND LISTING

On May 22, 2013, Telecom Argentina's Board of Directors, based on the authority delegated by the Ordinary Shareholders' meeting held on May 21, 2013 to allocate the Voluntary Reserve for Capital Investments, approved the terms and conditions of Telecom Argentina's Treasury Shares Acquisition Process. The acquisition process has to be made in Argentine pesos in the market in order to avoid any possible damages to Telecom Argentina and its shareholders derived from fluctuations and imbalances between the shares' price and Telecom Argentina's solvency.

The main terms and conditions of the Treasury Shares acquisition process are:

- Date of announcement: May 22, 2013.
- Maximum amount to be invested: P\$1,200 million.
- Maximum amount of shares subject to the acquisition: the amount of Class B Ordinary Shares of Telecom Argentina, P\$1 of nominal value and with one vote each, that may be acquired with the maximum amount to be invested, which amount may never exceed a limit of 10% of the capital stock.
- Price to be paid by share: between a minimum of P\$1 and a maximum of P\$32.50 per share. On August 29, 2013, the maximum price was raised by Telecom Argentina's Board of Directors to P\$40 per share.
- Deadline for the acquisition process: April 30, 2014.

By virtue of the offer made by Fintech on November 7, 2013, for the acquisition of the controlling interest of Telecom Italia Group in Telecom Argentina, Telecom Argentina suspended the acquisition of treasury shares. In addition, Telecom Argentina's Board of Directors considered it was appropriate to require the opinion of the CNV regarding the interpretation of the provisions of the CNV rules on this matter. The CNV did not answer Telecom Argentina's request and its Board of Directors, at its meeting held on May 8, 2014 decided to conclude the request considering that the Treasury Shares Acquisition Program finished on April 30, 2014. Such Program had been approved by Telecom Argentina's Board of Directors Meeting held on May 22, 2013.

Telecom Argentina's Board of Directors, at its meeting held on June 27, 2014, decided to request a new opinion from the CNV to confirm whether Telecom Argentina is obliged to refrain from acquiring treasury shares in the market under Section 13, Chapter I, Title II of the CNV rules (New Text 2013). As of the date of this Annual Report, no response from the CNV has been received.

Pursuant to Section 67 of Law No. 26,831, Telecom Argentina must sell its treasury shares within three years of the date of acquisition, unless such period is extended by a decision of the Shareholders' Meeting. The Telecom Argentina's Shareholders Meeting held on April 29, 2016 resolved to extend for three years the period for which the treasury shares are held. Pursuant to Section 221 of the GCL, the rights of treasury shares shall be suspended until such shares are sold, and shall not be taken into account to determine the quorum or the majority of votes at the Shareholders' Meetings. No restrictions apply to Retained Earnings as a result of the creation of a specific reserve for such purposes named "Voluntary Reserve for Capital Investments."

The last acquisition made by Telecom Argentina was on November 5, 2013. The total treasury shares acquired were 15,221,373 by a total amount of P\$461 million (P\$30.29 average per share). Such acquisitions were recorded at the acquisition cost and deducted from equity under the caption "Treasury shares acquisition cost." No profit or loss resulting from holding the treasury shares has been recognized in the income statement. See Note 19.d) and Note 3.s) to the Consolidated Financial Statements.

As of December 31, 2016, the capital stock of Telecom Argentina was divided into three classes: Class A Ordinary Shares, nominal value P\$1.00 each ("Class A Shares"), representing 51.00% of the total capital stock of Telecom Argentina, Class B Ordinary Shares, nominal value P\$1.00 each ("Class B Shares"), representing approximately 48.97% of the total capital stock of Telecom Argentina, and Class C Ordinary Shares, nominal value P\$1.00 each ("Class C Shares"), representing approximately 0.03% of Telecom Argentina's total capital stock.

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The number of shares as of December 31, 2016, was as follows:

Class of shares	Outstanding Shares	Treasury shares	Total capital stock
Class A Shares	502,034,299	—	502,034,299
Class B Shares	466,890,558	15,221,373	482,111,931
Class C Shares	234,748	—	234,748
Total	969,159,605	15,221,373	984,380,978

The Class B Shares are currently listed on the BCBA. The ADSs are currently listed on the NYSE under the symbol TEO. Each ADS issued by the Depositary represents rights to five Class B Shares.

The table below shows the high and low closing prices of the Class B Shares in pesos for the periods indicated on the Mercado de Valores de Buenos Aires S.A., Stock Market (the “MERVAL”) currently succeeded by Bolsas y Mercados Argentinos S.A. (“BYMA”), the current principal non-U.S. trading market for such securities. See “—The Argentine Securities Market.” See “Item 3—Key Information—Exchange Rates” for the exchange rates applicable during the periods set forth below.

	Pesos per Class B Share (1)	
	High	Low
<i>Annual</i>		
2012	20.40	12.30
2013	39.50	16.40
2014	62.30	28.00
2015	63.00	38.50
2016	59.40	38.50
<i>Quarterly</i>		
2015		
First Quarter	63.00	45.15
Second Quarter	55.00	44.45
Third Quarter	49.50	38.50
Fourth Quarter	56.95	39.25
2016		
First Quarter	58.75	38.50
Second Quarter	57.00	48.50
Third Quarter	58.00	53.00
Fourth Quarter	59.40	54.40
<i>Monthly</i>		
2016		
October	57.20	55.30
November	58.60	54.50
December	59.40	54.40
2017		
January	65.00	57.90
February	74.00	65.40
March	72.40	66.80
April (through April 24, 2017)	71.50	67.60

(1) Reflects peso nominal amounts as of that date.

Source: *Bolsa de Comercio de Buenos Aires*.

The ADSs issued by the Depositary under the Deposit Agreement dated as of November 8, 1994, among Telecom Argentina, the Depositary and the registered holders from time to time of the ADSs issued thereunder (the “Deposit Agreement”) trade on the NYSE. Each ADS represents rights to five Class B Shares.

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The table below shows the high and low closing prices of the ADSs in U.S. dollars on the NYSE for the periods indicated.

	US\$ per ADS	
	High	Low
<i>Annual</i>		
2012	21.94	9.37
2013	21.19	12.13
2014	25.09	14.78
2015	26.04	13.85
2016	19.52	14.44
<i>Quarterly</i>		
2015		
First Quarter	26.04	18.85
Second Quarter	22.87	17.95
Third Quarter	18.69	13.85
Fourth Quarter	19.99	13.90
2016		
First Quarter	19.10	14.44
Second Quarter	19.52	16.75
Third Quarter	19.50	17.64
Fourth Quarter	18.82	17.40
<i>Monthly</i>		
2016		
October	18.82	18.06
November	18.71	17.40
December	18.55	17.50
2017		
January	19.60	18.00
February	23.98	20.32
March	23.30	21.45
April (through April 24, 2017)	23.00	22.25

On April 24, 2017, the reported last sale price of the ADSs on the NYSE was US\$ 22.90.

Plan of Distribution

Not applicable.

The Argentine Securities Market

As of March 2017, eleven securities exchanges exist in Argentina, of which five (including the BCBA) have affiliated stock markets and are authorized to quote publicly-offered securities. The oldest and largest of these exchanges is the BCBA, founded in 1854. For the year ended December 31, 2016, the ten most actively traded equity issues represented approximately 69% of the total volume of equity traded on the market. Trading in securities listed on an exchange is conducted through a *Mercado de Valores* (the “Stock Market”) affiliated with such exchange.

On April 17, 2017, Bolsas y Mercados Argentinos S.A. (BYMA), a stock market authorized by CNV, who shall succeed the Mercado de Valores de Buenos Aires S.A. or MERVAL, started the automatic transfer of all the species listed in the MERVAL to BYMA.

BYMA was created after the merger of the MERVAL and the capital contribution of the BCBA, with the purpose of incorporating the Argentine Stock Exchange System (SBA) under Law No. 26,831 of the Capital Markets.

Securities may also be listed and traded on the *Mercado Abierto Electrónico S.A.* (the “MAE”), an electronic over-the-counter market trading system that functions independently from the BCBA and the MERVAL. However, in March 1992, the BCBA, the MERVAL and representatives of the dealers on the MAE implemented an agreement that causes trading in equity and equity-related securities to be conducted

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exclusively on the Merval, while all corporate debt securities listed on the BCBA may also be traded on the MAE. Trading in Argentine government securities, which are not covered by the agreement, is expected to be conducted principally on the MAE. The agreement does not extend to other Argentine stock exchanges.

The CNV is responsible for the regulation and supervision to ensure the correct application of the rules governing the Argentine Securities Market, which acts under the regulatory framework described as follows.

Capital Markets Law — Law No. 26,831

On December 28, 2012, the Capital Markets Law No. 26,831 was published in the Official Gazette. Law No. 26,831 eliminates capital markets' self-regulation and grants new powers to the CNV, including the ability to request reports and documents, conduct investigations and inspections of natural and legal persons under its control, call to testify and take informative and testimonial declaration. Likewise, if as a result of investigations performed, it is determined that non-controlling interests or the interests of holders of securities subject to public offering have been harmed, the CNV, according to the severity of the harm determined, may appoint overseers with the power to veto resolutions adopted by the Board of Directors and/or discontinue the Board of Directors for a maximum period of 180 days until deficiencies found are remedied.

Law No. 26,831 supersedes Law No. 17,811 and Decree No. 677/01, among other rules, and became effective on January 28, 2013.

In August 2013, the PEN issued Decree No. 1,023/13 regulating certain sections of Law No. 26,831, and in September 2013, the CNV issued the Resolution No. 622/13 which established the new comprehensive rules of the CNV and also implements regulation related to certain sections of Law No. 26,831.

The Buenos Aires Stock Market

The Merval, entity succeeded by BYMA, is the largest stock market in Argentina. The Merval is a corporation, whose approximately 183 shares are held by individuals and entities authorized to trade in the securities listed on the BCBA. Trading on the BYMA is conducted by continuous open auction, from 11:00 a.m. to 5:00 p.m. each business day. The BYMA also operates a continuous electronic market system each business day, on which privately arranged trades are registered and made public.

Although the BCBA is one of Latin America's largest securities exchanges in terms of market capitalization, it remains relatively small and illiquid compared to major world markets, and therefore, is subject to greater volatility. To control price volatility, the BYMA operates a system which suspends dealing in a particular issuer's shares for fifteen minutes when the price changes 10% with respect to that day's opening price. Once trading resumes, the trading is then suspended for another fifteen minutes if the price changes more than 15% with respect to that day's opening price. If the price then changes 20% with respect to that day's opening price, and for every 5% fluctuation in price thereafter, the trading of such shares is interrupted for an additional ten minutes. Investors in the Argentine securities market are mostly individuals, mutual funds and companies. Institutional investors that trade securities on the BYMA, which represent a relatively small percentage of trading activity, consist of a limited number of investment funds.

Certain historical information regarding the BCBA is set forth in the table below.

	2016	2015	2014	2013	2012
Market capitalization (P\$ billions) (1)	4,512	3,292	3,893	3,356	2,314
As percent of GDP (2)	56	56	85	100	88
Volume (P\$ million) (1)	1,333,260	749,829	621,831	367,830	242,324
Average daily trading volume (P\$ million) (1)	5,420	3,098	2,580	1,526	1,006
Number of traded companies (including Cedears)	189	194	202	256	267

(1) End-of-period figures for trading on the BCBA (includes domestic and non-domestic public companies).

(2) According to INDEC revised figures of GDP at current prices for the selected period, published as of March 2017.

Source: Instituto Argentino de Mercado de Capitales

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Selling Shareholders

On March 22, 2017, Telecom Argentina filed a registration on Form F-3 (File No. 333-216890) through the selling shareholder to be identified in a prospectus supplement may offer and sell from time to time our Class B Shares underlying ADSs or ADSs. As of the date of this Annual Report, this registration statement has not been declared effective by the SEC.

Dilution

Not applicable.

Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

MEMORANDUM AND ARTICLES OF ASSOCIATION

Register

Telecom Argentina's bylaws were registered before the Public Registry (*Inspección General de Justicia*) on July 13, 1990, under number 4,570, book 108, volume "A" of Corporations. Telecom Argentina's bylaws with all subsequent amendments were registered before the Public Registry on January 8, 2016, under number 447, book 77 of Corporations.

Object and Purpose

Article I, Section 3 of Telecom Argentina's bylaws was amended by Ordinary and Extraordinary Shareholders' Meeting held on June 22, 2015, with the approval of AFTIC. Pursuant to this amendment, Telecom Argentina's object and purpose is to provide, directly or through third parties, or in association with third parties, ICT Services, whether these ICT services are fixed, mobile, wired, wireless, national or international, with or without its own infrastructure, and to provide Audiovisual Communication Services ("AC Services").

Pursuant to its object and purpose, Telecom Argentina may supply, lease, sell and market in any manner, all kinds of equipment, infrastructure, goods and services related to or supplementary with ICT Services and AC Services. Telecom Argentina may undertake works and provide all kinds of services, including advisory and safety services, in connection with ICT Services and AC Services.

To fulfill its object and purpose, Telecom Argentina has full legal capacity to acquire rights, undertake obligations and take any action that is not forbidden by law and by its bylaws, including the capacity to borrow funds, publicly or privately, through the issue of debentures and negotiable obligations. Telecom Argentina may constitute companies, acquire equity interests in other companies and enter into any kinds of association agreements.

Any amendment to the corporate object and purpose shall be in compliance with the respective legal regulations in force.

On April 30, 2003, Telecom Argentina's shareholders voted not to adhere to the regime established by Decree No. 677/01, the Statutory Regime of Public Offer of Mandatory Acquisition, and approved the consequent modification of Article 1 of Telecom Argentina's bylaws.

However, since January 28, 2013, when Law No. 26,831 became effective, the Statutory Regime of Public Offer of Mandatory Acquisition has a mandatory universal scope. Article 90 Law No. 26,831 states: "*Universal scope. The Statutory Regime of Public Offer of Mandatory Acquisition regulated in this chapter and the residual participation regime regulated in the following chapter includes all listed companies, even those that, under the previous regime, have opted to be excluded of its application.*"

On February 18, 2004, Telecom Argentina's shareholders voted to change the company's name to "Telecom Argentina S.A."

Telecom Argentina's capital stock

The following is a summary of the rights of the holders of Telecom Argentina shares. These rights are set out in Telecom Argentina's *estatutos sociales* (bylaws) or are provided for by applicable Argentine law. These rights may differ from those typically provided to shareholders of U.S. companies under the corporation laws of some states of the United States.

Limited liability of shareholders

Under Argentine law, a shareholder's liability for losses of a company is generally limited to the value of his or her shareholdings in the company. Under Argentine law, however, a shareholder who votes in favor of a resolution that is subsequently declared void by a court as contrary to Argentine law or a company's bylaws (or regulations, if any) may be held jointly and severally liable for damages to such company, to other shareholders or to third parties resulting from such resolution. In connection with recommending certain actions for approval by shareholders, the Board of Directors of Telecom Argentina occasionally obtained opinions of internal and/or external counsel concerning the compliance of the actions with Argentine law and our bylaws (or regulations, if any). We currently intend to obtain similar opinions in the future as the circumstances require it. Although the issue is not free from doubt, based on advice of counsel, we believe that a court in Argentina in which a case has been properly presented would hold that a non-controlling shareholder voting in good faith and without

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a conflict of interest in favor of such a resolution based on the advice of counsel that such resolution is not contrary to Argentine law or our bylaws or regulations, would not be liable under this provision.

Voting Rights

Pursuant Telecom Argentina's bylaws, each share entitles the holder thereof to one vote at the shareholders' meetings. All of Telecom Argentina's directors are appointed jointly by shareholders in an Ordinary General Shareholders' Meeting.

Under Argentine law, shareholders are entitled to cumulative voting rights for the election of up to one-third of the vacancies to be filled on the Board of Directors and the Supervisory Committee. If any shareholder notifies the company of its decision to exercise its cumulative voting rights not later than three business days prior to the date of the Shareholders' Meeting, all shareholders are entitled, but not required, to exercise their cumulative voting rights as well.

Through the exercise of cumulative voting rights, the aggregate number of votes that a shareholder may cast is multiplied by the number of vacancies to be filled in the election, and each shareholder may allocate the total number of its votes among a number of candidates not exceeding one-third of the number of vacancies to be filled. Shareholders not exercising cumulative voting rights are entitled to cast the number of votes represented by their shares for each candidate. The candidates receiving the most votes are elected to the vacancies filled by cumulative and non-cumulative voting. In case of tie between the candidates voted under the same system, the two candidates that received the most votes will participate in a run-off election, and the candidate receiving the most votes in the run-off election will be deemed elected.

In addition, any person who enters into a voting agreement with other shareholders in a public company must inform the CNV of that voting agreement and must file a copy of that voting agreement before the CNV.

Shareholders' Meetings

Shareholders' Meetings may be ordinary meetings or extraordinary meetings. Telecom Argentina is required to hold an Annual Ordinary Shareholders' Meeting in each fiscal year to consider the matters outlined in Article 234 of the GCL, Article 71 of Law No. 26,831 and CNV rules, including but not limited to:

- approval of Telecom Argentina's financial statements and general performance of the directors and members of the Supervisory Committee for the preceding fiscal year;
- election, removal and remuneration of directors and members of the Supervisory Committee;
- allocation of profits; and
- appointment of external auditors.

Matters which may be considered at these or other ordinary meetings include, but are not limited to:

- consideration of the responsibility of directors and members of the Supervisory Committee; and
- capital increases and the issuance of negotiable obligations.

Extraordinary Shareholders' Meetings may be called at any time to consider matters beyond the scope of the ordinary shareholder's meetings, including amendments to the bylaws, issuances of certain securities that permit profit sharing, anticipated dissolution, merger and transformation from one type of company to another, etc.

Shareholders' Meetings may be convened by the Board of Directors or the members of the Supervisory Committee. The Board of Directors or the members of the Supervisory Committee are also required to convene shareholders' meetings upon the request of any shareholder or group of shareholders holding at least 5% in the aggregate capital stock of Telecom Argentina. If the Board of Directors or the members of the Supervisory Committee fail to do so, the meeting may be called by the CNV or by the Argentine courts.

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Notice of the Shareholders' Meeting must be published in the Official Gazette of the Republic of Argentina (the "Official Gazette") and in a widely circulated newspaper in Argentina, at least twenty days before the shareholder's meeting. In order to attend a meeting, shareholders must submit proper evidence of their ownership of shares via book-entry account held at the Caja de Valores S.A. If entitled to attend the meeting, a shareholder may be represented by proxy.

Holders of ADSs are not entitled to attend or vote at a shareholders' meeting but its Deposit Agreement provides for certain procedures to instruct the Depository to vote deposited Class B Shares in accordance with instructions provided by the holders of the ADSs. For voting instructions to be valid, the depository must receive them on or before the date indicated in the relevant notice. There is no guarantee that an ADS holder will receive voting materials in time to instruct the depository to vote.

The quorum for Ordinary Shareholders' Meetings consists of a majority of the capital stock entitled to vote. In Ordinary Shareholders' Meetings, resolutions may be adopted by the affirmative vote of a majority of the shareholders present that have issued a valid vote, without counting voluntary abstentions. If there is no quorum at the meeting, a second Ordinary Shareholders' Meeting may be called. The meeting in a second call can be held whatever the number of the shareholders at the meeting, and resolutions may be adopted by a majority of the shareholders present.

The quorum for Extraordinary Shareholders' Meetings is 60% of the capital stock entitled to vote. If there is no quorum at the extraordinary shareholders' meeting, a second extraordinary shareholders' meeting may be called. The quorum for extraordinary shareholders' meeting in a second call is the 30% of the present capital stock. In both cases, decisions are adopted by a majority of valid votes, except for certain fundamental matters, including:

- mergers and spin-offs, when Telecom Argentina is not the surviving entity;
- anticipated liquidation;
- change of Telecom Argentina's domicile to a domicile outside Argentina;
- total or partial repayment of capital; or
- a substantial change in the corporate object and purpose.

Each of these actions requires a favorable vote of more than 50% of all the capital stock entitled to vote.

In some of these cases, a dissenting shareholder is entitled to appraisal rights.

Any resolution adopted by the shareholders at Ordinary or Extraordinary Shareholders' Meetings that affects the rights of one particular class of capital stock must also be ratified by a special meeting of that class of shareholders. The special meeting will be governed by the rules for Ordinary Shareholders' Meetings.

Dividends

Dividends can be lawfully paid and declared only out of our realized and liquid profit.

For these purposes, the Board of Directors must submit our financial statements for the previous fiscal year, together with a report thereon by the Board of Directors, to the shareholders for their approval at an Ordinary Shareholders' Meeting.

Upon the approval of the financial statements, the shareholders determine the allocation of Telecom Argentina's net profits (if any). Under CNV rules, a Shareholders' Meeting convened to approve the financial statements in which retained earnings are positive must make a specific decision on the use of such earnings in accordance with the GCL. The Shareholders' Meeting must resolve on its distribution as cash dividends, capitalization with issuance of paid-in shares, use to create reserves other than statutory reserves, or a combination of such alternatives. In addition, the GCL requires Argentine companies to allocate 5% of any net profits to a legal reserve, until the amount of this reserve equals 20% of our capital stock. The legal reserve is not available for distribution. The remainder of net profits may be paid as dividends on common stock or retained as a voluntary reserve or other account, or a combination thereof, all as determined by the shareholders. As provided by CNV Resolution No. 609/12, positive retained earnings generated by the mandatory adoption of IFRS as from January 1, 2012, should be assigned to a special reserve that can only be utilized for its capitalization or to absorb negative retained earnings.

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Dividends may not be paid if the legal reserve has been impaired, nor until it has been fully replenished. Shareholders' rights to collect dividends expire three years after the distribution date pursuant to Section 17 of Telecom Argentina's bylaws, as amended by the Shareholders' Meeting held on April 24, 2002.

Argentine law permits the Board of Directors of certain companies, such as Telecom Argentina, to approve the distribution of anticipated dividends on the basis of financial statements especially prepared for the purpose of paying such dividends, provided that both the external auditors and the Supervisory Committee have issued an opinion report. The actual payment of these dividends is made on an interim basis, and they are paid on account of the dividends to be determined in the Annual Ordinary Shareholders' Meeting on the basis of the financial statements for the year.

See Note 30 to our consolidated financial statements regarding restrictions on distributions of profits and dividends.

Capital increase and reduction

Telecom Argentina may increase its capital upon authorization of an Ordinary Shareholders' Meeting. All capital increases must be registered before the CNV, published in the Official Gazette and registered before the Public Registry. Capital reductions may be voluntary or mandatory. Shares issued in connection with any capital increase must be divided among the various classes in proportion to the number of shares of each class outstanding at the date of the issuance, provided that the number of shares of each class actually issued may vary based on the exercise of preemptive rights and additional accretion rights in accordance with the procedure described under "—Preemptive Rights" below.

A voluntary capital reduction must be approved by an Extraordinary Shareholders' meeting and may take place only after notice thereof is published and creditors are given an opportunity to obtain payment or collateralization of their claims, or attachment, except in redemption cases (with liquid and realized profits).

In accordance with Article 206 of the GCL, reduction of a company's capital stock is mandatory when losses have exceeded reserves and at least 50% of the stated capital (capital stock plus inflation adjustment).

Currently, Telecom Argentina is not required to reduce its capital stock.

Preemptive Rights

Under Argentine law, holders of a company's common shares of any given class have preferential or preemptive rights, proportional to the number of shares owned by each shareholder, to subscribe for any shares of capital stock of the same class as the shares owned by the shareholder or for any securities convertible into such shares issued by the company.

In the event of a capital increase, shareholders of Telecom Argentina of any given class have a preemptive right to purchase any issue of shares of such class in an amount sufficient to maintain their proportionate ownership of Telecom Argentina's capital stock. For any shares of a class not preempted by any holder of that class, the remaining holders of the class will assume *pro rata* the preemptive rights of those shareholders that are not exercising their preemptive rights. Pursuant to Telecom Argentina's bylaws, if any Class B or Class C Shares are not preempted by the existing shareholders of each such class, the other classes may preempt such class. However, if any shares of Class A are not preempted by the existing holders of such class, holders of Class B or Class C Shares shall have no preemptive rights with respect to such shares of Class A unless otherwise approved by the regulatory authorities.

A notice to the shareholders of their opportunity to preempt the capital increase must be published for three days in the Official Gazette and a widely circulated newspaper in Argentina. The period for the exercise of preemptive rights is 30 days following the last day of publication and may be reduced to 10 days by resolution of an extraordinary shareholders' meeting.

Pursuant to the GCL, preemptive rights may only be restricted or suspended in certain particular and exceptional cases by a resolution of an Extraordinary Shareholders' Meeting when required by the interest of the company.

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Conflicts of Interest

A shareholder that votes on a business transaction in which its interest conflicts with that of Telecom Argentina may be liable for damages under Argentine law, but only if the transaction would not have been approved without his or her vote. See “Item 3—Key Information—Risk Factors—Risks Relating to Argentina—Shareholders may be liable under Argentine law for actions that are determined to be illegal or ultra vires.” See also “—Powers of the Directors” below for a description of conflict of interest regarding Directors.

Redemption or Repurchase

Telecom Argentina’s stock is subject to redemption in connection with a reduction of capital by a majority vote of shareholders at an Extraordinary Shareholders’ Meeting. Pursuant to the GCL, Telecom Argentina may repurchase the stock with liquid and realized profits or available reserves, upon a determination of the Board of Directors that the repurchase is necessary in order to avoid severe damage to our business (subject to shareholder consideration) or in connection with a merger or acquisition. In addition, Telecom Argentina can purchase up to 10% of its capital stock in the BCBA pursuant to Law No. 26,831, complying with the requirements and procedures stated therein. If the purchase is made pursuant to Law No. 26,831, Telecom Argentina must resell the repurchased shares within three years and its shareholders will have preemptive rights to purchase the shares, except in case of an employee compensation program or plan, or in case the shares are distributed among all the shareholders proportionately or regarding the sale of an amount of shares that in any period of 12 months does not exceed 1% of the Telecom Argentina’s capital stock. In such cases, the three-year period can be extended with the previous approval by a Shareholders’ Meeting.

Appraisal Rights

Whenever certain extraordinary resolutions are adopted at an Extraordinary Shareholders’ meeting, such as a merger of Telecom Argentina into another entity, a change of corporate object and purpose, transformation from one type of corporate form to another, or the voluntary withdrawal from the public offering regime or listing of Telecom Argentina’s shares, any shareholder dissenting from the adoption of any resolution may withdraw from Telecom Argentina and receive the book value of his or her shares determined on the basis of Telecom Argentina’s annual financial statements (as approved by the Annual Ordinary Shareholders’ Meeting), provided that the dissenting shareholder exercises its appraisal rights within five days following the Shareholders’ Meeting at which the resolution was adopted. This right may be exercised within 15 days following the meeting if the dissenting shareholder was absent and provided he or she can prove that he or she was a shareholder on the day of the Shareholders’ Meeting at which the resolution was adopted. In the case of a merger of Telecom Argentina or a spin-off of Telecom Argentina, no appraisal rights may be exercised if Telecom Argentina is the surviving company or if the shares that Telecom shareholders would receive as a result of such merger or spin-off would also be admitted to the public offering regime or listed in Argentina.

Appraisal rights are extinguished if the resolution is subsequently overturned at another Shareholders’ Meeting held within sixty days of the expiration of the time period during which absent shareholders may exercise their appraisal rights.

Payment on the appraisal rights must be made within one year of the date of the Shareholders’ Meeting at which the resolution was adopted. In the case of voluntary withdrawal from the public offering regime or listing of Telecom Argentina’s shares, the payment period is reduced to sixty days from the date of the approval of the voluntary withdrawal.

Notwithstanding the foregoing, should Telecom Argentina decide to voluntarily withdraw its shares from the public offering regime or listing in Argentina, pursuant to Article 97 of Law No. 26,831, a tender offer by Telecom Argentina at a fair price (*precio equitativo*) to be determined in accordance with certain parameters must be conducted before such withdrawal.

Liquidation

Upon liquidation of Telecom Argentina, one or more liquidators may be appointed to wind up its affairs. All outstanding shares of common stock will be entitled to participate equally in any distribution upon liquidation.

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In the event of liquidation, the assets of Telecom Argentina shall be applied to satisfy its debts and liabilities. If any surplus remains, it shall be distributed to the holders of shares in proportion to their holdings.

Acquisitions of 5% or more of the voting stock of a public company

Under Argentine law, any person acquiring 5% or more of the voting stock of a public company must inform the CNV in writing of the acquisition of such voting stock. Additionally, such person must inform the CNV in writing of each additional acquisition of 5% of the voting stock of that particular company, until such person acquires control of that company.

Powers of the Directors

The bylaws of Telecom Argentina do not contain any provision regarding the ability to vote on a proposal, arrangement or contract where a director is an interested party. Under Argentine law, a director may sign contracts with the company related to the company's activities so long as the conditions are on an arm's-length basis. If such contract does not meet such conditions, the agreement may only be subscribed with the prior approval of the Board of Directors or, in absence of quorum, with the approval of the Supervisory Committee. Such transactions must be dealt with at the following Shareholders' Meeting, and if such meeting does not approve them, the Board of Directors or the Supervisory Committee (as the case may be) are jointly responsible for any damages caused to the company. Argentine law also requires that if a director has a personal interest contrary to Telecom Argentina's, he or she must notify the Board of Directors and to the Supervisory Committee. The director must refrain from participating in any deliberations or he or she may be held jointly and severally liable for all damages caused to Telecom Argentina as a result of the conflict of interests.

Additionally, Law No. 26,831 dictates that the contracts between a company and a director (that qualifies as a "related party") when they exceed 1% of the shareholders' equity of the company, it must be submitted to prior approval of the Audit Committee or of two independent evaluation firms to ensure that the transaction is in accordance with market conditions. Such transactions must also be approved by the Board of Directors and reported to the CNV and the exchanges on which the shares of the company are listed. If the Audit Committee or the independent evaluation firms have not determined the terms of the transaction to be "according to market conditions", then the contract in question must be submitted for consideration at a Shareholders' Meeting.

Section 10 of the bylaws of Telecom Argentina establishes that the remuneration of the members of the Board of Directors is to be determined by the shareholders at their Annual Ordinary Shareholders' Meeting. The Audit Committee is to issue a prior opinion on the reasonability of the proposed remuneration, which the Board of Directors submits for approval to the shareholders. Directors cannot vote on the resolution concerning their compensation or the compensation of any other director.

The bylaws of Telecom Argentina do not contain any provision regarding the possibility of granting loans to members of the Board of Directors or to the company executives.

Members of the Board of Directors of Telecom Argentina or its subsidiaries or parent company cannot be appointed as members of the Supervisory Committee.

The bylaws of Telecom Argentina do not establish a maximum age to be member of the Board of Directors.

Neither the bylaws of Telecom Argentina nor any Argentine law require the members of the Board of Directors to be shareholders.

Limitations on foreign investment in Argentina

Under the Argentine Foreign Investment Law, as amended (the "FIL"), the purchase of stock by an individual or legal entity domiciled abroad or by a local company of foreign capital (as defined in the FIL) constitutes a foreign investment subject to the FIL. Foreign investments generally are unrestricted. However, foreign investments in certain industries, such as broadcasting, are restricted as to percentage. No approval is necessary to purchase Class B Shares. The FIL does not limit the right of non-resident or foreign owners to hold or vote the Class B Shares, and there are no restrictions in Telecom Argentina's bylaws limiting the rights of non-residents or non-Argentines to hold or to vote on Telecom Argentina's Class B Shares. Notwithstanding the foregoing, regulations implemented by the CNV require that all shareholders that are companies who are registered to participate at a Shareholders' Meeting should provide details of their registration before the Public Registry of

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Argentina. To acquire participation in a company in Argentina, non-Argentine companies are required to comply with the share ownership registration requirements as provided for under Section 123 of the GCL.

Change of Control

There are no provisions in the bylaws of Telecom Argentina which may have the effect of delaying, deferring or preventing a change in control of Telecom Argentina and that would only operate with respect to a merger, acquisition or corporate restructuring involving Telecom Argentina or any of its subsidiaries, except for the regulatory authorization required for the transfer of Nortel's Class A Shares stated in Section 9 of our Bylaws.

Under Law No. 26,831 a party that wishes to obtain either a majority or a significant equity ownership interest (with the intention of acquiring control) in a publicly traded corporation must offer a fair price (*precio equitativo*) as defined in Law No. 26,831 to acquire all shares of voting stock or securities convertible into voting stock of such corporation. Until the enactment of Law No. 26,831, this regulation applied to all Argentine corporations with listed securities unless the corporation's shareholders specifically voted not to adopt the regime. On January 28, 2013, Law No. 26,831 became effective. This law states in its Article 90: "*Universal scope. The Statutory Regime of Public Offer of Mandatory Acquisition regulated in this chapter and the residual participation regime regulated in the following chapter includes all listed companies, even those that, under the previous regime, have opted to be excluded of its application.*"

Under Decree No. 764/2000, as amended by Decree No. 267/2015, the loss of control of a licensee company such as Telecom Argentina is subject to the approval of ENACOM.

MATERIAL CONTRACTS

For information regarding the Shareholders' Agreement, see "Item 7—Major Shareholders and Related Party Transactions—Major Shareholders—Shareholders' Agreement." We are not a party to the Shareholders' Agreement.

FOREIGN INVESTMENT AND EXCHANGE CONTROLS IN ARGENTINA

Due to the deterioration of the economic and financial situation in Argentina throughout 2001, the difficulties in dealing with the servicing of the public foreign debt and the decrease of the total level of deposits in the financial system, the Argentine government issued Decree No. 1,570/01, which, as of December 3, 2001, established a number of monetary and currency exchange control measures that included restrictions on the free disposition of funds with banks and restrictions on transferring funds abroad, with certain exceptions for transfers related to foreign trade and certain other transfers subject to the prior authorization of the BCRA.

On February 8, 2002, the BCRA issued tight restrictions on the transfer of funds abroad in order to make payments of principal and/or interest by requiring prior authorization from the BCRA. Since 2003, these restrictions were progressively curbed.

In June 2005, the Argentine government imposed certain restrictions on inflows and outflows of foreign currency to the local foreign exchange market. New indebtedness entered into the foreign exchange market and debt renewals with non-Argentine residents from the private sector entered in the local foreign exchange market had to be agreed upon and canceled in terms not shorter than 365 calendar days (the "Minimum Holding Term"), whatever the form of cancellation thereof (i.e. with or without access to the local foreign exchange market). The following transactions, among others, were exempted from this restriction: (i) foreign trade financings (i.e., exports advance payments, pre-financing of exports and imports financing); (ii) balances of foreign exchange transactions with correspondent exchange entities (which are not credit lines); and (iii) primary debt security issuances with a public offering and listing.

In addition, certain inflow of funds were subject to the creation of a nominative, nontransferable and non-compensated deposit, for 30% of the amount involved in the relevant transaction (the "Mandatory Deposit"), for a term of 365 calendar days, pursuant to the terms and conditions established in the regulations.

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However, beginning in December 17, 2015, the Argentine government implemented a series of measures to progressively deregulate and implement more flexible rules for foreign exchange controls. The following amendments, along with certain other reforms, were introduced by communications including Communications “A” 5850, “A” 5861, “A” 5899, “A” 6037, “A” 6058, “A” 6067, “A” 6137, “A” 6150 and “A” 6174 in each case as amended. Collectively, these new regulations are referred to as the “New Regulations.”

The following is a description of the main aspects of BCRA’s regulations concerning inflows and outflows of funds in Argentina as of the date hereof. Additional information regarding all current foreign exchange restrictions and exchange control regulations and regarding the applicable rules mentioned herein, as well as any amendments and complementary regulations, is available at the Ministry of the Treasury’s website: www.economia.gob.ar, or the BCRA’s website: www.bcra.gov.ar.

Inflow of capital

Foreign financial indebtedness

Inflow and settlement through the foreign exchange market

Foreign financial indebtedness incurred by the private non-financial sector, the financial sector and Argentine local governments are no longer subject to the requirement of having the proceeds from such indebtedness transferred and settled through the foreign exchange market (Communication “A” 6037).

Whether funds enter the foreign exchange market or not, in transactions involving the private non-financial sector and the financial sector, it is mandatory to register such debt in the “Report of Issuances of Securities and Other Foreign Indebtedness of the Private Financial and Non-Financial Sector” (Communication “A” 3602 as amended and restated), if applicable.

Outflow of capital

Payment of interest, earnings, dividends, services and import of goods

No limitations are imposed to access the foreign exchange market to pay interests, earnings, dividends, services, import of goods and non-financial non-produced assets acquisition, under whichever concept it may be (shipping, insurance, royalties, technical advice, professional fees, etc.) abroad. Access to the foreign exchange market for this purpose requires the presentation of an affidavit declaring compliance with the reporting regimes established by Communication “A” 3602 (as amended and supplemented) and Communication “A” 4237 (as amended and supplemented), as applicable.

Notwithstanding the above, as of December 31, 2016, pursuant to General Resolution No. 3,417/12, as amended, of the AFIP, Argentine residents who accessed the foreign exchange market to pay dividends and interests abroad (among other items), were obliged to previously inform in advance the payment of interests through the AFIP’s website and obtain an Advanced Sworn Statement of Payments made Abroad (*Declaración Jurada de Pagos al Exterior*) (“DAPE”). However, on March 6, 2017, this resolution was abrogated by General Resolution AFIP 4008/17.

Non-residents have access to the foreign exchange market for payment of, among others, services, earnings and current transfers collected in Argentina according to the specific regulations that apply to non-residents to access the foreign exchange market.

Cancellation of services of foreign financial debts

In the case of access to the foreign exchange market for capital services of foreign financial indebtedness, including cancellation of financial standby arrangements granted by Argentine banking entities, applicable regulations require: (i) a sworn affidavit by the debtor confirming the presentation, if applicable, of the “Report of Issuances of Securities and Other Foreign Indebtedness of the Private Financial and Non-Financial Sector” established by Communication “A” 3602 (as amended and supplemented).

Access to the foreign exchange market for payment for services in the issuance of local debt securities in foreign currency

For access to the foreign exchange market for payment for services in the issuance of Argentine debt securities in foreign currency, applicable regulations require a sworn affidavit by the debtor confirming the presentation, if applicable, of the “Report of Issuances of Securities and Other Foreign

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Indebtedness of the Private Financial and Non-Financial Sector” established by Communication “A” 3602 (as amended and supplemented).

Transactions by non-residents

The New Regulations, as amended, sets forth the regulations applicable to access to the foreign exchange market by non-residents.

In this respect, financial entities can grant access to the foreign exchange market with a sworn affidavit by the client regarding the reason for which the foreign exchange market is being accessed in the case of transactions involving the transfer of foreign currency abroad, and the sale of cash, checks and travelers checks in foreign currency, to the following non-resident clients:

- a) International organizations and institutions acting as official export credit agencies;
- b) Diplomatic and consular representatives and diplomatic staff authorized in the country to the extent that such transfers are made in the exercise of their respective functions; and
- c) Representations from courts, authorities or departments, special missions, bilateral commissions or bodies established by international treaties or agreements, to which Argentina is a party, to the extent that such transfers are made in the exercise of their respective functions.

Access to the foreign exchange market by non-residents can be also granted for transfers of funds collected in Argentina to overseas accounts, provided that the non-resident files a sworn affidavit declaring that the funds correspond to:

- Argentine import payments.
- Foreign debt with residents for Argentine imports of goods.
- Services, rents and other overseas current transfers.
- Financial indebtedness originating in external loans of non-residents.
- Earnings from bonds and secured loans issued by the Argentine government issued in pesos.
- Recovery of claims in local bankruptcy proceedings and collection of debts under reorganization proceedings to the extent that the non-resident client has been recognized as creditor by a final non-appealable decision of the court of such proceedings.
- Inheritance, in accordance with the declaration of inheritance.
- Benefits or funds from services and sales of received securities, granted by the Argentine government in the framework established by laws No. 24,043, No. 24,411 and No. 25,914.
- Indemnifications awarded by local courts in favor of non-residents.
- Repatriations of direct investments in companies in the private, non-financial sector that do not control local financial institutions and/or real estate, provided that the foreign beneficiary is either a natural or legal entity residing or incorporated and established in, or the payment is performed, in domains, jurisdictions, territories or associated states that are considered “cooperators for the purposes of fiscal transparency” according to the provisions of section 1 of Decree 589/2013, as amended and supplemented for the following purposes:
 - a. sale of the direct investment;
 - b. final liquidation of the direct investment;
 - c. capital reduction decided by the local company; and
 - d. reimbursement of irrevocable contributions by the local company.

The intervening entity must verify compliance with the “Report of Direct Investments,” if applicable.

- Collections of services or sales proceeds of other portfolio investments (and their profits) provided that the foreign beneficiary is either a natural or legal person residing in or incorporated and established in domains, jurisdictions, territories or associated states that are considered “cooperators for the purposes of fiscal transparency” according to the provisions of Art. 1 of Decree 589/2013, as amended and supplemented. These portfolio investment repatriations include, but are not limited to, portfolio investments in shares and ownership interests in local companies, investments in mutual funds and local trusts, purchases of portfolios of loans granted to residents by local banks, purchases of invoices and promissory

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notes for local business transactions, investments in local bonds issued in pesos and in foreign currency payable locally, as well as purchases of other internal receivables.

In each of the cases listed above, access to the foreign exchange market is also possible for residents for the transfer of funds to a non-resident. In all cases, before accessing the foreign exchange market, the intervening authority must ensure that the requirements established by the regulations are complied with. When access to the foreign exchange market is granted to the resident, an exchange ticket will be created in his name, and the reason for declaration will be the one corresponding to the type of operation.

The remaining sale transactions of currency, cash, checks and travelers checks in foreign currency to non-residents shall be subject to the prior authorization of the BCRA when the amount exceeds the equivalent of US\$10,000 per calendar month across all entities authorized to deal in foreign currency transactions. For transactions below that amount, only identity validation will be required pursuant to applicable regulations under “Valid Identification Documentation” issued by the BCRA.

For capital services and income from public bonds issued by the Argentine government in foreign currency and other bonds issued by residents in foreign currency that are deposited by non-residents in Argentine custody accounts, the non-resident can choose among the following options: the collection in foreign currency, crediting the funds in an Argentine account in foreign currency on his behalf or the transfer of funds to his own account abroad. In these cases, no exchange tickets will be issued.

If, after payment, the beneficiary of the funds wants to convert the collected funds in foreign currency into pesos, the purchase must be done in the foreign exchange market in accordance with the general regulations relating to portfolio investments by non-residents.

Transactions carried out on behalf of and for non-resident clients by intermediaries contemplated in the Financial Entities Law, that are not “Pension and Retirement Fund Managers” or mutual funds, must take place on behalf of the non-resident client that is granted the access to the foreign exchange market.

Formation and Repatriation or sale of external assets by residents

Pursuant to the New Regulations, resident individuals, legal entities from the private sector organized in Argentina and not authorized to deal in foreign exchange, certain trusts and other estates domiciled in Argentina, as well as Argentine local governments will be allowed access to the FX Market without the prior authorization of the BCRA with respect to, among others, the following types of transactions: direct investments by residents, portfolio investments abroad by residents, loans to non-residents, purchases of foreign currency in Argentina, purchases of traveler checks and purchases of foreign currency to transfer it to other residents. In each case, the following conditions must be met: in the case of foreign currency sales the transfer of the purchased amounts cannot be made to countries or jurisdictions considered non-cooperative for fiscal transparency purposes under section 1 of Executive Decree No. 589/13, as amended, or to countries or jurisdictions where the Recommendations of the Financial Action Task Force are not sufficiently followed. Non-cooperative countries or jurisdictions will be designated as such by the Financial Action Task Force (www.fatf-gafi.org). The identification of the foreign entity where the client’s account has been created and the account number must be recorded in the applicable exchange ticket.

Capital markets

As of December 31, 2016, securities-related transactions carried out through stock exchanges and authorized securities markets were to be paid in any of the following: (i) in pesos; (ii) in foreign currency through electronic fund transfers from and to sight accounts in local financial institutions; or (iii) through wire transfers against foreign accounts. Under no circumstances was the settlement of these securities purchase and sale transactions to be made in foreign currency bills or through deposits in escrow accounts or in third-party accounts (Communication “A” 4308). However, this provision was repealed by Communication “A” 6220 on April 12, 2017.

Reporting Regimes

Report of issuances of securities and other foreign indebtedness of the private financial and non-financial sector

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Pursuant to Communication “A” 3602 dated May 7, 2002, as amended, all individuals and legal entities in the private financial and non-financial sector must report their outstanding foreign indebtedness (whether peso or foreign currency-denominated) at the end of each quarter. The debts incurred and repaid within the same calendar quarter need not be reported.

Direct investments report

Communication “A” 4237 dated November 10, 2004 established reporting requirements in connection with direct investments made by local residents abroad and by non-residents in Argentina. Direct investments are defined as those that reflect the long-standing interest of a resident in one economy (direct investor) in another economy’s resident entity, such as an ownership interest representing at least 10% of a company’s capital stock or voting rights. The reporting requirements prescribed by Communication “A” 4237 are to be met on a bi-annual basis.

Notwithstanding the above, there can be no assurance that the BCRA will not require again its prior authorization for, or restrict in some other way, the transfer of funds abroad for principal and/or interest payments by Telecom Argentina to its foreign creditors or for dividend payments by Telecom Argentina to its foreign shareholders.

TAXATION

Argentine taxes

The following summary of certain Argentine tax matters is based upon the tax laws of Argentina and regulations thereunder as of the date of this Annual Report and is subject to any subsequent changes in Argentine laws and regulations which may come into effect after such date. This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a holder of such securities. No assurance can be given that the courts or tax authorities responsible for the administration of the laws and regulations described in this Annual Report will agree with this interpretation. Holders should carefully read “Item 3—Key Information—Risk Factors—Risks Relating to Telecom Argentina’s Shares and ADSs—Changes in Argentine tax laws may adversely affect the tax treatment of our Class B Shares underlying ADSs or ADSs” in this Annual Report and consult their tax advisors regarding the tax treatment of the Class B Shares underlying ADSs and ADSs.

Taxation of Dividends

Pursuant to Law No. 26,893, dividends and other profits paid in cash or in kind —except for stock dividends or quota dividends—by companies and other entities incorporated in Argentina referred to in the Argentine Income Tax Law (the “Income Tax Law”), Sections 69 (a)(1), (2), (3), (6) and (7), and Section 69(b), were subject to income tax at a 10% rate except for those beneficiaries that were domestic corporate taxpayer. Law No. 27,260 repealed this withholding tax as of July 23, 2016. Consequently, there is currently no withholding tax levied on dividends distributed to either Argentine or non-Argentine resident shareholders.

Under the Argentine Income Tax Law, a corporation that makes a distribution of dividends to its shareholders in excess of the amount of its accumulated taxable net income at the close of the previous taxable year, as determined by application of the Argentine Income Tax Law, must withhold a 35% tax from such excess (the “Equalization Tax”). For purpose of this rule, the amount of income to be considered shall be determined by (1) deducting from taxable income, calculated under the general rules of the Argentine Income Tax Law, the income tax paid by the company and (2) adding the dividends and profits not subject to tax received as distributions from other corporations. If the distribution is in-kind, then the corporation must pay the tax to the Argentine tax authorities and will be entitled to seek reimbursement from the shareholders.

Capital gains

The results derived from the transfer of shares and other equity interests, bonds and other securities of Argentine companies are subject to Argentine capital gains tax, regardless of the type of beneficiary who realizes the gains. Capital gains obtained by Argentine taxpayers (in general, entities organized or incorporated under Argentine law and local branches of non-Argentine entities) derived from the sale, exchange or other disposition of shares are subject to income tax at the rate of 35% on net income.

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Income derived by Argentine resident individuals from the sale of shares and other securities is subject to income tax at a 15% rate on the net gain, unless such securities were traded in stock markets and/or have public offering authorization, in which case an exemption applies. The implementing Decree No. 2,334/13 introduced a provision stating that the exemption applies to gains derived from the sale of shares and other securities made through a stock exchange market duly authorized by the CNV.

It is not clear whether the term “includes” (as used in the implementing Decree No. 2,334/13) means that the exemption only refers to sales of securities made through a stock exchange market duly authorized by the CNV, or whether the implementing Decree No. 2,334/13 intended to clarify that such sales were just one of the possibilities that may be covered by the exemption (in addition to publicly offering authorized securities, as provided in the Argentine Income Tax Law).

Capital gains obtained by non-Argentine residents from the sale, exchange or other disposition of shares and other equity interests, bonds and other securities of Argentine companies are subject to capital gains tax. In such cases, gains are subject to Argentine tax at a rate of 15% on the net presumed gain provided by the Argentine Income Tax Law for this type of transaction, which is 90% of the transaction’s price, resulting in an effective rate of 13.5%. The non-resident seller may opt to be taxed on the net gain resulting from the deduction of the expenses incurred in Argentina necessary for its obtaining, maintenance and conservation, as well as the deductions admitted by the Argentine Income Tax Law. For that purpose, the non-resident seller has to furnish the purchaser with supporting evidence of the amounts to be deducted from the transaction’s price, which may or may not be accepted by the purchaser. There is currently no regulation under Argentine law with respect to how this election can be made. When both the seller and the buyer are non-Argentine residents, the person liable to pay the tax shall be the buyer of the shares, equity interests or other securities transferred.

However, as of the date of this Annual Report, no regulations have been issued stipulating the withholding and payment mechanism for transactions between nonresidents. Following the amendments made by Law No. 26,893, and its implementing Decree No. 2,334/13, the tax treatment applicable to gains obtained by non-residents from the sale of ADSs is open to interpretation. Additionally, should the sale of ADSs take place between non-Argentine parties and such sale were deemed to give rise to Argentine source income, as of the date of this Annual Report, no regulations have been issued regarding the mechanism through which payment would be effectuated to satisfy such obligation. Conversely, if the sale of ADSs were deemed to give rise to foreign source income, no income tax would apply. Therefore, holders of the Class B Shares underlying ADSs or ADS are encouraged to consult a tax advisor as to the particular Argentine income tax consequences derived from holding and disposing of not only the Class B Shares underlying ADSs but also the ADSs.

Personal assets tax

Argentine companies, such as us, have to assess and pay the personal assets tax corresponding to their shareholders that are Argentine individuals and non-Argentine resident persons. The tax rate in effect through December 31, 2015 was 0.50%. As of December 31, 2016, Law No. 27,260 lowered the rate to 0.25%, which is to be assessed on the proportional net worth value (*valor patrimonial proporcional*), of the shares as per the Argentine entity’s last financial statements prepared under Argentine GAAP. Pursuant to the Personal Assets Tax Law, the Argentine company is entitled to seek reimbursement of such paid tax from the applicable Argentine domiciled individuals and/or foreign domiciled shareholders.

Pursuant to Law No. 27,260, Argentine companies that have properly fulfilled their tax obligations during the two fiscal year periods prior to the 2016 fiscal year and comply with other requirements may qualify for an exemption from the personal assets tax for the 2016, 2017 and 2018 fiscal years. The request for this tax exemption should be filed before March 31, 2017. Telecom Argentina has already filed this request. Notwithstanding, we cannot assure that in the future, Telecom Argentina can fulfill those requirements and maintain the referred exemption.

Telecom Argentina has, from time to time, requested that its shareholders reimburse the amounts of personal assets tax paid on their behalf and has received partial reimbursement of such taxes, however no assurances can be made that Telecom Argentina will be successful in seeking reimbursement of all such taxes paid from holders of ADSs and Class A, B, and C shares. The amount paid by Telecom Argentina and pending collection from its shareholders as of December 31, 2016, was approximately P\$26 million, of which P\$18 million are included in the allowance for doubtful

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accounts, based on the recoverability assessment made by Telecom Argentina. Whenever applicable, personal assets tax paid on behalf of Telecom Argentina's shareholders is deducted from the cash dividend payment.

Value added tax

The sale, exchange or other disposition of Telecom Argentina shares and ADSs, and the distribution of dividends in connection therewith are exempted from the value added tax.

Tax on deposits to and withdrawals from bank accounts

The tax on deposits to and withdrawals from bank accounts under Law No. 21,526 applies to certain deposits to and withdrawals from bank accounts with Argentine financial institutions and to other transactions that, due to their special nature and characteristics, are similar or could be used in lieu of a deposit to or withdrawal from a bank account. Therefore, any deposit to or withdrawal from a bank account opened in an institution regulated by Law No. 21,526, or any transaction deemed to be used in lieu of a deposit to or withdrawal from a bank account, is subject to the tax on deposits and withdrawals, unless a particular exemption is applicable. The tax rate in effect since August 1, 2001 has been 0.6% of the transaction volume.

Decree No. 534/04 provides that owners of bank accounts subject to the general tax rate of 0.6% may take into account as a tax credit of 34% of the tax originated in credits on such bank accounts. This amount may be computed as a credit for the income tax and tax on minimum presumed income. The amount computed as a credit is not deductible for income tax purposes.

Tax on minimum presumed income

Companies located in Argentina are required to pay an amount equal to the greater of the income tax or the tax on minimum presumed income. The tax on minimum presumed income is computed based on 1% of the value of our assets. The value of our assets is determined in accordance with the criteria established under Argentine tax laws. The amount of any income tax paid during the fiscal year may be applied against the tax on minimum presumed income that would be payable in such fiscal year. The amount of any tax on minimum presumed income paid in excess of the income tax for such fiscal year may be carried forward for a period of up to ten years. This excess may be treated as a credit to be applied against the income tax payable in a future year to the extent the tax on minimum presumed income for the year does not exceed income tax payable for such future year.

According to Law No. 27,260, the tax on minimum presumed income is abolished for the fiscal years beginning from January 1, 2019.

Turnover tax

In addition, gross turnover tax could be applicable to Argentine residents on the transfer of shares and on the perception of dividends to the extent such activity is conducted on a regular basis within an Argentine province or within the City of Buenos Aires. However, under the Tax Code of the City of Buenos Aires, any transactions with shares, as well as the perception of dividends are exempt from gross turnover tax. Holders of the Class A, B and C Shares or ADSs are encouraged to consult a tax advisor as to the particular Argentine gross turnover tax consequences derived from holding and disposing of the Class A, B and C Shares or ADSs or ADSs.

Stamp taxes

Stamp tax is a provincial tax that is levied based on the formal execution of public or private instruments. Documents subject to stamp tax include, among others, all types of contracts, notarial deeds and promissory notes. Each Argentine province and the City of Buenos Aires have its own stamp tax legislation. Stamp tax rates vary according to the jurisdiction and type of agreement involved. In certain jurisdictions, acts or instruments related to the negotiation of shares and other securities duly authorized for its public offering by the CNV are exempt from stamp tax.

Other taxes

There are no Argentine federal inheritances or succession taxes applicable to the ownership, transfer or disposition of Class A, B and C Shares.

Tax treaties

Argentina has signed tax treaties for the avoidance of double taxation with several countries, although there is currently no tax treaty or convention in effect between Argentina and the United

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States. On December 23, 2016, Argentina and the United States signed an agreement for the exchange of information relating to taxes.

United States federal income taxes

The following discussion is a summary of certain U.S. federal income tax consequences for a U.S. holder (as defined below) of the acquisition, ownership and disposition of our ADSs or Class B Shares underlying ADSs, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a holder of such securities, including alternative minimum tax and Medicare contribution tax on net investment income. This summary applies only to U.S. holders that hold ADSs or Class B Shares underlying ADSs as capital assets for U.S. federal income tax purposes and does not address investors that are members of a class of holders subject to special rules, such as:

- financial institutions;
- dealers in securities or currencies;
- dealers or traders in securities who use a mark-to-market method of tax accounting;
- life insurance companies;
- persons that hold ADSs or Class B Shares underlying ADSs that are a hedge or that are hedged against interest rate or currency risks;
- persons that hold ADSs or Class B Shares underlying ADSs as part of a hedging transaction, straddle, wash sale, conversion transaction or integrated transaction or persons entering into a constructive sale with respect to the ADSs or Class B Shares underlying ADSs;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- tax-exempt entities;
- persons that own or are deemed to own 10% or more of any class of Telecom Argentina's capital stock;
- persons who acquired ADSs or Class B Shares underlying ADSs pursuant to the exercise of an employee stock option or otherwise as compensation; or
- persons holding ADSs or Class B Shares underlying ADSs in connection with a trade or business conducted outside of the United States.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds ADSs or Class B Shares underlying ADSs, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships holding ADSs or Class B Shares underlying ADSs and partners in such partnerships should consult their tax advisors as to the particular U.S. federal income tax consequences of holding and disposing of the ADSs or Class B Shares underlying ADSs.

This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed regulations promulgated thereunder, published rulings and court decisions, all as currently in effect. These authorities are subject to change, possibly on a retroactive basis. In addition, this summary assumes the deposit agreement, and all other related agreements, will be performed in accordance with their terms. As mentioned above, there is currently no income tax treaty or convention in effect between Argentina and the United States.

U.S. holders should consult their tax advisors regarding the U.S., Argentine or other tax consequences of the acquisition, ownership and disposition of ADSs or Class B Shares underlying ADSs in their particular circumstances, including the effect of any state or local tax laws.

As used herein, the term "U.S. holder" means a holder that, for U.S. federal income tax purposes, is a beneficial owner of ADSs or Class B Shares underlying ADSs and is:

- a citizen or individual resident of the United States;
- a U.S. domestic corporation; or

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- otherwise subject to U.S. federal income tax on a net income basis with respect to income from the ADS or Class B Share.

In general, for U.S. federal income tax purposes, holders of ADSs will be treated as the owners of the underlying Class B Shares represented by those ADSs. Accordingly, no gain or loss will be recognized if such holder exchanges ADSs for the underlying Class B Shares represented by those ADSs.

These statements assume that Telecom Argentina is not, and will not become, a Passive Foreign Investment Company (PFIC), as described below.

Distributions

To the extent paid out of current or accumulated earnings and profits of Telecom Argentina (as determined in accordance with U.S. federal income tax principles), the gross amount of distributions made with respect to ADSs or Class B Shares underlying ADSs will generally be included in the income of a U.S. holder as ordinary dividend income. Because Telecom Argentina does not maintain calculations of its earnings and profits under U.S. federal income tax principles, U.S. holders should expect that a distribution will generally be treated as a dividend. Dividends will generally be treated as foreign-source and “passive category” income to U.S. holders and will not be eligible for the “dividends-received deduction” generally allowed to U.S. corporations under the Code. Dividends will be included in a U.S. holder’s income on the date of the U.S. holder’s (or in the case of ADSs, the depository’s) receipt of the dividend. The amount of the distribution will equal the U.S. dollar value of the pesos received (including amounts withheld in respect of Argentine taxes), calculated by reference to the exchange rate in effect on the date such distribution is received (which, for holders of ADSs, will be the date such distribution is received by the depository), whether or not the depository or U.S. holder in fact converts any pesos received into U.S. dollars. If the distribution is converted into U.S. dollars on the date of receipt, U.S. holders should not be required to recognize foreign currency gain or loss in respect of the dividend income. Any gains or losses resulting from the conversion of pesos into U.S. dollars after the date on which the distribution is received will be treated as ordinary income or loss of the U.S. holder and will be U.S.-source income or loss for foreign tax credit purposes.

Subject to certain exceptions for short-term (60 days or less) and hedged positions, the U.S. dollar amount of dividends paid to certain individuals or other non-corporate U.S. holders will be taxable at the preferential rates if the dividends are “qualified dividends.” Dividends paid on the ADSs are generally treated as “qualified dividends” if (1) the ADSs are readily tradable on a securities market in the United States (such as the NYSE, where our ADSs are currently traded) and (2) we were not, in the year prior to the year in which the dividend was paid, and are not in the year in which the dividend is paid, a PFIC. Based on our consolidated financial statements and relevant market data, we believe that Telecom Argentina was not a PFIC for U.S. federal income tax purposes with respect to our 2016 taxable year. In addition, based on our current expectations regarding the value and nature of our assets, the sources and nature of our income, and relevant market data, we do not anticipate becoming a PFIC for our 2017 taxable year or the foreseeable future, although there can be no assurance in this regard. If we were a passive foreign investment company for U.S. federal income tax purposes for any taxable year, U.S. holders of our ADSs could be subject to adverse U.S. federal income tax consequences. Based on existing guidance, it is not entirely clear whether dividends received with respect to the Class B Shares underlying ADSs will be treated as qualified dividends, because the Class B Shares underlying ADSs are not themselves listed on a U.S. exchange. U.S. holders should consult their tax advisors regarding the availability of the preferential dividend tax rates in light of their particular circumstances.

Distributions of additional shares in respect of ADSs or Class B Shares underlying ADSs that are made as part of a pro rata distribution to all of our shareholders generally will not be subject to U.S. federal income tax.

Sale or other disposition

Gain or loss realized by a U.S. holder on the sale or other disposition of ADSs or Class B Shares underlying ADSs will be subject to U.S. federal income tax as U.S.-source capital gain or loss, and will be long-term capital gain or loss if the U.S. holder has held the ADSs or Class B Shares underlying ADSs for more than one year. The amount of the gain or loss will be equal to the difference between the U.S. holder’s tax basis in those ADSs or Class B Shares and the amount realized on the disposition, in each case as determined in U.S. dollars. Long-term capital gains recognized by non-corporate taxpayers are subject to reduced tax rates. The deductibility of capital losses is subject to

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limitations. If an Argentine tax is withheld, or otherwise paid, on the sale or disposition of ADSs or Class B Shares underlying ADSs, a U.S. holder's amount realized will include the gross amount of the proceeds of the sale or disposition before deduction of the Argentine tax. See “—Argentine Taxes—Capital gains” for a description of when a disposition may be subject to taxation by Argentina.

Foreign tax credit considerations

Because any gain realized on the sale or other disposition of ADSs or Class B Shares underlying ADSs will be treated as U.S. source, an investor generally would not be able to use the foreign tax credit arising from any Argentine tax imposed on such disposition unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from foreign sources.

In addition, amounts paid on account of the personal assets tax (as described in “—Argentine Taxes—Personal assets tax”) generally will not be treated as an income tax for U.S. federal income tax purposes and will consequently not be eligible for credit against a U.S. holder's federal income tax liability. The rules governing foreign tax credits are complex, and U.S. holders should consult their tax advisors regarding the creditability and deductibility of foreign taxes in their particular circumstances.

Foreign financial asset reporting

Certain U.S. holders that own “specified foreign financial assets” with an aggregate value in excess of US\$50,000 are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. “Specified foreign financial assets” include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer that are not held in accounts maintained by financial institutions. The understatement of income attributable to specified foreign financial assets in excess of US\$5,000 extends the statute of limitations with respect to the tax return to six years after the return was filed. U.S. holders that fail to report the required information could be subject to substantial penalties. Prospective investors are encouraged to consult with their own tax advisors regarding the possible application of these rules, including the application of the rules to their particular circumstances.

Information reporting and backup withholding

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless the U.S. holder (1) provides a correct taxpayer identification number and certifies that it is not subject to backup withholding or (2) otherwise establishes an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. holder will be allowed as a credit against such holder's U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the internal revenue service.

DOCUMENTS ON DISPLAY

Telecom Argentina files annual and special reports and other information before the SEC. You may read and copy any document that Telecom Argentina files at the public reference room of the SEC at 100 F Street NE, Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site at www.sec.gov that contains reports and other information regarding issuers that file electronically with the SEC.

You may request a copy of these filings by writing or telephoning the offices of Telecom Argentina at Alicia Moreau de Justo 50, (C1107AAB) Buenos Aires, Argentina. Telecom Argentina's telephone number is 011-54-11-4968-4000.

Telecom Argentina maintains a website at www.telecom.com.ar. The contents of the website are not part of this Annual Report.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Summarized below are the financial instruments we held as of December 31, 2016, that are sensitive to changes in foreign exchange rates and interest rate, if any. As a matter of policy, we may enter into forward exchange contracts, foreign currency swaps or other derivatives to manage the exposure attributed to foreign exchange rate and interest rate fluctuations associated with the principal amount of our liabilities in foreign currencies. We use these instruments to reduce risk by creating offsetting market exposures. The instruments we hold are not held for financial trading purposes. No foreign exchange forward or other derivatives for speculative purposes were outstanding during the reporting periods covered by this Annual Report.

We do not have any other material market risk exposure.

(a) Foreign Exchange Rate Risk

Foreign exchange exposure arises from our funding operations and, to a lesser extent, our capital expenditures and expenses denominated in foreign currencies. The peso/U.S. dollar exchange rate is determined by a free market with certain controls. See “Item 10—Additional Information—Foreign Investment and Exchange Controls in Argentina.”

Our results of operations are sensitive to changes in the peso/dollar exchange rates because our primary assets are in Argentina and most of our revenues are denominated in pesos (our functional currency) while some part of our liabilities are denominated in foreign currencies. However, Telecom Argentina, Personal and Núcleo had commercial debt nominated in U.S. dollars and Euros. Moreover, Personal and Núcleo’s overdrafts and Series 1 to 3 of Personal Notes are denominated in their functional currencies (pesos and guaraníes, respectively) and accrue interest at a variable rate. In addition, Personal maintains financial debt denominated in U.S. dollars at a variable rate and Series 4 of Notes is also denominated in U.S. dollars, but at a fixed rate, while Núcleo maintains guaraní denominated financial debt and accrues interest at a fixed rate. See “Item 5—Operating and Financial Review and Prospects—Liquidity and Capital Resources—Sources and Uses of Funds.”

Additionally the Company has cash and cash equivalents, and investments denominated in U.S. dollars and Euros (approximately 53% of total cash and equivalents and investments) that are also sensitive to changes in peso/U.S. dollar exchange rates and contribute to reduce the exposure to commercial and financial obligations in foreign currency. As of December 31, 2016, the Company had investments adjustable to the variation of the peso/U.S. dollar exchange rate (“Dollar Linked”), which are also sensitive to variations in exchange rates, and which contribute to reduce the commercial and financial exposure in foreign currency. The Dollar Linked investments totaled approximately 1% of the cash, cash and equivalents and investments.

Actions taken by the Argentine government could cause future exchange rates to vary significantly from current or historical exchange rates. Fluctuations in exchange rates may adversely affect the value, translated or converted into U.S. dollars, of our net assets, earnings and any declared dividends. We cannot give any assurance that any future movements in the exchange rate of the peso against the U.S. dollar and other foreign currencies will not adversely affect our results of operations, financial condition and cash flows. However, we believe that a significant depreciation in the peso against major foreign currencies may have a material adverse impact on our capital expenditure program and in our operating expenses denominated in foreign currencies.

(b) Sensitivity to Interest Rate Risk

Within its financial debt structure, the Telecom Group has short term peso-denominated overdrafts that have interest rates that rollover at maturity, notes at composite interest rate (fixed plus floating rate) and at fixed rate and a bank loan from abroad denominated in U.S. dollars and guaraníes at floating rate.

Management believes that any variation of 10 basis points in annual interest rates would yield the following results:

Financial Debt	Amount (in millions)		Effect (in millions)	
Overdrafts	P\$	1,707	P\$	1.7
Notes	P\$	1,442	P\$	1.4
Bank Loans	US\$	440	P\$	7.0

This analysis is based on the assumption that this change in interest rates occurs at the same time and for the same period.

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This sensitivity analysis shows only a limited view to market risk sensitivity of some of the outstanding financial instruments. The actual impact of changes in interest rates on financial instruments may differ significantly from the analyzed impact.

(c) Sensitivity to Exchange Rates Risk

We estimate, based on the composition of the statement of financial position as of December 31, 2016, and on the net foreign currency liability position, which amounts P\$9,779 million, equivalent to US\$630 million, that every variation in the exchange rate of P\$0.10 against the U.S. dollar and proportional variations in other foreign currencies against the Argentine peso, plus or minus, would result in an variation of approximately P\$63 million of the net foreign currency liabilities. This analysis is based on the assumption that this variation of the Argentine peso occurred at the same time against all other currencies.

If we consider only the portion not covered by derivative financial instruments and other assets adjusted by the variation of the U.S. dollar, the net liability position amounts to P\$9,450 million equivalent to US\$595 million, and a variation of the exchange rate of P\$0.10 as described in the previous paragraph, would generate a variation of approximately P\$60 million in the net foreign currency liability position.

This sensitivity analysis provides only a limited, point-in-time view of the market risk sensitivity of certain of our financial instruments. Consequently the actual impact of market foreign exchange rate changes on our financial instruments may differ significantly from the impact shown in the sensitivity analysis.

See Note 26 to our Consolidated Financial Statements for a description of financial risk management.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Depository Fees and Charges

JPMorgan Chase Bank, N.A. (formerly Morgan Guaranty Trust Company of New York), as depository for the ADSs (the “Depository”) collects its fees for delivery directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal. The Depository also collects taxes and governmental charges from the holders of ADSs. The Depository collects these fees and charges by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees (after attempting by reasonable means to notify the holder prior to such sale).

Persons depositing or withdrawing shares must pay US\$5.00 for each 100 ADSs or portion thereof for issuances of ADSs, including issuances resulting from a distribution, sale or exercise of shares or rights or other property. Investors depositing shares or holders withdrawing deposited securities are charged fees and expenses in connection with stock transfers, taxes and other governmental charges, cable, telex and facsimile transmission and delivery charges imposed at such person’s request, transfer or registration fees for the registration of transfer of ADSs on any applicable register in connection with the deposit or withdrawal of ADSs and the Depository’s expenses in connection with the conversion of foreign currency.

The Depository reimburses Telecom Argentina for certain expenses we incur in connection with the American depository receipt program (the “ADR program”), subject to the agreement between us and the Depository from time to time. These reimbursable expenses currently include listing fees, investor relations expenses and fees payable to service providers for the distribution of material to ADR holders. For the year ended December 31, 2016, the Depository reimbursed Telecom Argentina approximately US\$173.0 thousand (gross amount of withholding tax) in connection with the ADR program.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None of Telecom Argentina, Personal, Núcleo or Telecom Argentina USA are currently in default on any outstanding indebtedness.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

Telecom's Management, with the participation of our chief executive and financial officers, evaluated the effectiveness of the Company's "disclosure controls and procedures" (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of December 31, 2016 (the "Evaluation Date"). Based upon that evaluation, our chief executive and financial officers have concluded that as of the Evaluation Date, the Company's disclosure controls and procedures were effective.

Management's Report on Internal Control over Financial Reporting

Telecom's Management is responsible for establishing and maintaining adequate internal control over financial reporting for Telecom 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 IFRS.

Telecom's Management conducted an evaluation of the effectiveness of Telecom's internal control over financial reporting based on the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO"). Based on this evaluation and as set forth in its report dated March 8, 2017, and included in Item 18, Telecom's Management concluded that Telecom's internal control over financial reporting was effective as of December 31, 2016. The effectiveness of Telecom's internal control over financial reporting as of December 31, 2016 has been audited by PriceWaterhouse & Co. S.R.L., an independent registered public accounting firm, as stated in their report which is included herein. See the complete Management's Report on Internal Control Over Financial Reporting in Item 18.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the period covered by this Annual Report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

On April 29, 2016, the Board of Directors of Telecom Argentina appointed the members of the Audit Committee for the fiscal year 2016 and determined that Esteban Gabriel Macek qualifies as Audit Committee financial expert. In conducting this evaluation, the Board of Directors took into account Mr. Macek's professional background and educational training.

Mr. Macek is an accountant from the Universidad de Buenos Aires (1982). He was a partner at Coopers & Lybrand/PriceWaterhouseCoopers until 2002, where he was an auditor and tax consultant. He assisted companies in the private (domestic and international) and public sector in tax matters related to corporate restructuring and business development. He participated in many professional training activities and attended graduate courses at the Universidad Austral and the West Ontario University Business School (Canada), among others. He was an accounting and law professor at the Universidad de Buenos Aires and at the Universidad Católica Argentina. He is Chairman of Fiduciaria Internacional Argentina S.A. He was a member of the Board of Directors and of the Supervisory Committee of several domestic corporations. He served as an alternate director of Telecom Argentina during 2007 and since 2008 he has been serving as a director of Telecom Argentina.

Mr. Macek is an independent director under CNV and SEC rules and under the NYSE listing standards. See "Item 6—Directors, Senior Management and Employees—Board Practices—Audit Committee."

The Board of Directors' meeting for the appointment of the Audit Committee members for the fiscal year 2017 has not yet been held. Therefore, as of the date of this Annual Report, Esteban Gabriel Macek, Martín Hector D'Ambrosio and Alejandro Macfarlane remain members of the Audit Committee. See "Item 6—Directors, Senior Management and Employees—The Board of Directors."

ITEM 16B. CODE OF ETHICS

On November 2, 2015, the Board of Directors of Telecom Argentina and Personal (later on other companies of the Telecom Group) approved a New Code of Ethics and Conduct, a Conflict of Interests Policy and an Anticorruption Policy. These documents provide, respectively: (i) the ethical principles to which the Telecom Group and all members of the Board of Directors, the Supervisory Committee, the CEO, Managers and in general all those who work in the Company must abide; (ii) regulations to prevent and manage conflicts of interests; and (iii) the framework for the prohibition of corrupt practices.

Taken together, these documents replace the Code of Business Conduct and Ethics applicable until November 2, 2015 that was originally approved by the Board of Directors in 2003 and was modified in 2005 and 2010, and which, as stated by the Board of Directors and the Audit Committee of Telecom Argentina, has been a very valuable tool for corporate governance and has adequately satisfied the objectives that the Board of Directors pursued on the moment of its adoption.

Adjustments made to regulations in recent years and in matters of corporate governance, organization and implementation of preventive measures aimed at reducing the risk of conflict of interest and corrupt practices, and that are applicable to the Telecom Group as company subject to regime of public offering both in Argentina and the United States, have been taken into account for the formulation and approval of the New Code of Ethics and Conduct and the Policies. In turn, it has reflected changes occurred in the organizational structure of the Telecom Group with the purpose of defining the responsibilities in the management of this New Code of Ethics and Conduct and associated policies.

No waivers, express or implicit, have been granted to any senior officer or member of the Board of Directors of the Telecom Group with respect to any provision of the New Code of Ethics and Conduct.

It is also encouraged that suppliers, contractors, advisers and consultants of the Telecom Group, accept the ethical principles of the New Code of Ethics and Conduct.

The New Code of Ethics and Conduct is available on our website at www.telecom.com.ar and was also filed with the SEC on Form 6-K on November 2, 2015.

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In addition, the Board of Directors of Telecom Argentina approved on February 16, 2017, the update of the anti-fraud policy (the “Anti-Fraud Policy”). The Anti-Fraud Policy aims to establish guidelines that promote a culture of transparency and prevention against any dishonest conduct or fraudulent acts and irregularities that could affect the interests of the Group.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table provides information on the aggregate fees for services rendered by our principal accountants (in millions of pesos) for the years ended December 31, 2016 and 2015.

Services Rendered	2016	2015
Audit fees (1)	23.0	16.8
Tax fees (2)	1.8	1.5
All other fees (3)	0.6	2.1
Total	25.4	20.4

- (1) Includes fees related to the integrated audit of the Consolidated Financial Statements as of December 31, 2016 and 2015, limited reviews of interim financial statements presented during 2016 and 2015, SEC filing reviews and other attestation services.
- (2) Includes fees for permitted tax compliance and tax advisory services.
- (3) Includes fees for subscription to business publications and other non-audit related permitted services.

Audit Committee Pre-approval Policies and Procedures

On March 22, 2004, Telecom Argentina’s Board of Directors approved policies and procedures relating to the pre-approval of auditors’ services and other permitted services (collectively, “Pre-Approval Procedures”) for the engagement of any service provided by external auditors to Telecom Argentina and its subsidiaries. Telecom Argentina’s Board of Directors performed Pre-Approval Procedures until April 2004. As of April 2004, the date on which the Audit Committee came into effect, Pre-Approval Procedures were performed by the Audit Committee. Consequently, since that date, all auditors’ services were pre-approved by the Audit Committee.

The Pre-Approval Procedures provide for services that require:

- specific pre-approval—to be approved on a case-by-case basis; and
- general pre-approval—any category or general kind of service that come within the guidelines established to safeguard auditor independence and come within the maximum amounts set by the Audit Committee.

The Pre-Approval Procedures also provide for the following categorization of services:

“Prohibited services” are those services that external auditors are not allowed to provide based on prohibitions contained in the statutory rules of Argentina and the United States (i.e., bookkeeping; financial information system design and implementation; appraisal or valuation services, fairness opinions or contribution-in-kind reports; actuarial services; internal audit outsourcing services; management functions; broker/dealer, investment adviser, or investment banking services; or expert services unrelated to the audit).

“Permitted Services” include (i) audit services; (ii) audit-related services; (iii) tax services; and (iv) other services such as permitted internal control advice. Moreover, the services included in each category were also detailed, and, where appropriate, any limits imposed on the provision thereof to ensure external auditors’ independence.

The Pre-Approval Procedures also require pre-approval for the following services:

- Annual audit and quarterly reviews of Telecom Argentina’s financial statements: the Audit Committee is required to approve the terms for the engagement and remuneration of such services.
- Other “Audit Services”: the Audit Committee is required to define the services that will be subject to general pre-approval on an annual basis, setting the annual service fee amount, or the annual amount allocated to each individual service category, or to each service, within which fee caps the provision shall receive general pre-approval.

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- “Audit-related Services” and “Tax Services”: the Audit Committee is required to define the categories or types of services that will receive general pre-approval, provided that they fall within the annual fee cap set for that service and establish the guidelines for prior engagement of these services.
- Other Permitted Services: are not subject to general pre-approval, and any other services require specific pre-approval by the Audit Committee for each service.
- Delegation: the Audit Committee may solely delegate the specific pre-approval of services with any of its members that qualify as an independent director. An independent director must immediately report to the Audit Committee after engaging any service by delegation. Under no circumstances may the authority to either approve or pre-approve services be delegated to the Management.
- Disclosure of overall billed fees: external auditors shall include in their audit reports the information about the relationship between the overall fees paid in respect of Audit Services and in respect of services other than Audit Services. In addition, the Audit Committee shall, on a yearly basis, prepare a report to the Board of Directors, which will be included in this Annual Report, providing a detailed account of all fees invoiced by external auditors to Telecom Argentina and to its subsidiaries, grouped into four categories, namely: audit fees, audit related fees, tax consultation fees and all other fees.
- Additional requirements: the Audit Committee is required to adopt additional measures to fulfill its supervisory obligations related to external auditors’ duties, in order to ensure the independence from the Company, such as the review of a formal written statement by the external auditors outlining all relations existing between them and Telecom Argentina, in accordance with Rule No. 1 of the Independence Standards Board, and discussions with the external auditors and the methods and procedures that have been designed to ensure their independence.
- Amendments: the Audit Committee has authority to amend the pre-approval procedures (the “Pre-Approval Procedures”), rendering an account of any such amendment to the Board of Directors during the first meeting of the Board of Directors held after making the amendments.

If Telecom Argentina’s external auditors are to provide any service, the service must either be granted as general pre-approval or specific pre-approval under the Pre-Approval Procedures. The Pre-Approval Procedures require the Audit Committee to consider whether the services to be provided are consistent with the legal and professional rules in effect in Argentina and the United States relating to external auditors’ independence.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE COMPANY AND AFFILIATED PURCHASERS

Not applicable.

ITEM 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

Telecom Argentina's corporate governance practices differ from corporate governance practices of U.S. companies. Telecom Argentina maintains a detailed description of the significant differences in corporate governance practices on its website at www.telecom.com.ar, last updated in April 2017.

The following is a summary of the material aspects in which Telecom Argentina's corporate governance policies differ from those followed by U.S. companies under NYSE listing standards.

- **Composition of the Board of Directors:** The NYSE requires each Board of Directors to be composed of a majority of independent directors. Although this is not required under Argentine law, as of the date of this Annual Report, the eleven-member Board of Directors of Telecom Argentina has four regular directors and two alternate directors who qualify as "independent" according to SEC Rules.
- **Annual Self-Evaluation of the Board of Directors:** The NYSE requires the Boards of Directors of listed companies to conduct a self-evaluation at least annually, and report thereon, informing whether it and its committees are functioning effectively. Under Argentine law, the Board of Directors' performance is evaluated at the Annual Ordinary Shareholders Meeting.
- **Nominating/Corporate Governance Committee:** NYSE listed companies are required to have a nominating/corporate governance committee. Neither Argentine law nor Telecom Argentina's Bylaws require the creation of a nominating/corporate governance committee. In Argentina, it is unusual (though possible) for the Board of Directors to nominate new directors and the Board of Directors of Telecom Argentina refrains from making such proposals. Under Argentine law, the right to nominate and appoint directors is granted to shareholders. On certain occasions, the GCL delegates the right to designate directors to the Supervisory Committee.
- **Compensation committee:** NYSE listed companies are required to have a compensation committee composed entirely of independent directors. Neither Argentine law nor Telecom Argentina's Bylaws require the creation of a Compensation committee. Telecom Argentina's executive compensation matters are undertaken by the Board of Directors and the Steering Committee. The compensation of the members of Telecom Argentina's Board of Directors is determined by the shareholders at the Annual Ordinary Shareholders' Meeting.
- **Audit Committee hiring policies:** The NYSE requires listed companies to have an Audit Committee which sets clear hiring policies for employees or former employees of the independent auditors. There is no such provision regarding the hiring of external auditors' employees contained in Argentine law or Telecom Argentina's bylaws.

According to the provisions of Annex IV, Title IV of CNV rules (New Text 2013) Telecom Argentina prepares and submits to the CNV, on an annual basis, a report which indicates and details the CNV's recommended corporate governance practices as set forth in the CNV public offer regime, explains the practices followed by Telecom Argentina, and the reasons for any variation from practices recommended by the CNV. Telecom Argentina's 2016 Corporate Governance Report was submitted to the CNV as part of the Statutory Annual Report dated March 8, 2017. Telecom Argentina's Corporate Governance Reports submitted to the CNV can be accessed through the CNV's website, www.cnv.gob.ar and Telecom Argentina's website, www.telecom.com.ar.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

The Registrant has responded to Item 18 in lieu of responding to this Item.

ITEM 18. FINANCIAL STATEMENTS

Reference is made to pages F-1 through F-109.

The following financial statements are filed as part of this Annual Report:

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ITEM 19. EXHIBITS

Exhibits:

- 1.1 *Estatutos Sociales* (Bylaws) of Telecom Argentina, as amended (English translation) (incorporated by reference to Telecom's report on Form 6-K filed on February 5, 2016).
- 4.1 Deposit Agreement, dated November 8, 1994 (incorporated by reference to Telecom's registration statement on Form F-6 (No. 333-07452)).
- 4.2 Form of Amendment No. 1 to Deposit Agreement, dated August 28, 1997 (incorporated by reference to Telecom's registration statement on Form F-6 (No. 333-07452)).
- 8.1 List of Subsidiaries.
- 12.1 Certification of Germán Vidal of Telecom Argentina S.A. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 12.2 Certification of Pedro Insussarry of Telecom Argentina S.A. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 13.1 Certification of Germán Vidal and Pedro Insussarry pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 15.1 2010 Amended and Restated Shareholders' Agreement between Telecom Italia S.p.A., Telecom Italia International N.V. and W de Argentina — Inversiones S.L., dated August 5, 2010 ("Shareholders' Agreement") (incorporated by reference to Exhibit 3 to Telecom Italia S.p.A.'s Schedule 13D filed on October 22, 2010).
- 15.2 First Amendment to the Shareholders' Agreement, dated October 13, 2010 (incorporated by reference to Exhibit 4 to Telecom Italia S.p.A.'s Schedule 13D, filed on October 22, 2010).
- 15.3 Second Amendment to the Shareholders' Agreement, dated March 9, 2011 (incorporated by reference to Exhibit 3 to Telecom Italia S.p.A.'s Schedule 13D/A, filed on March 10, 2011).
- 15.4 Third Amendment to the Shareholders' Agreement, dated November 13, 2013 (incorporated by reference to Exhibit 6 to Telecom Italia S.p.A.'s Schedule 13D, filed on November 14, 2013).

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- 15.5 Amended and Restated Amendment No. 3 to the Shareholders' Agreement, dated October 24, 2014 (incorporated by reference to Exhibit 15 to Telecom Italia S.p.A.'s Schedule 13D, filed on October 27, 2014).
- 15.6 Fourth Amendment to the Shareholders' Agreement, dated March 17, 2017 (incorporated by reference to Exhibit 26 to Fintech Telecom, LLC's Schedule 13D/A, filed on March 20, 2017).
- 15.7 Mutual Shareholder Release to the Shareholders' Agreement dated, November 13, 2013 (incorporated by reference to Exhibit 7 to Telecom Italia S.p.A.'s Schedule 13D, filed on November 14, 2013).
- 15.8 Deed of Adherence to the Shareholders' Agreement, dated November 13, 2013 (incorporated by reference to Exhibit 8 to Telecom Italia S.p.A.'s Schedule 13D, filed on November 14, 2013).

PART III

TELECOM ARGENTINA S.A.

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

Telecom Argentina S.A.

By: /s/ Pedro Insussarry

Name: Pedro Insussarry

Title: Interim Chief Financial Officer

Date: April 26, 2017

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**Consolidated Financial Statements as of December 31, 2016 and 2015 and
for the years ended December 31, 2016, 2015 and 2014**

**Alicia Moreau de Justo 50
(1107) Ciudad Autónoma de Buenos Aires
Argentina**

**\$: Argentine peso
US\$: US dollar
\$15.89 = US\$1 as of December 31, 2016**

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 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO 2013"). Based on its evaluation, Management concluded that the Telecom Group's internal control over financial reporting was effective as of December 31, 2016. The effectiveness of Telecom Group's internal control over financial reporting as of December 31, 2016 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
March 8, 2017

/s/ German H. Vidal
Chief Executive Officer

/s/ Ignacio C. Moran
Chief Financial Officer

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of Argentine pesos)

	Note	As of December 31,	
		2016	2015
ASSETS			
Current Assets			
Cash and cash equivalents	4	3,945	870
Investments	4	1,751	1,430
Trade receivables	5	7,577	5,663
Other receivables	6	1,011	1,336
Inventories	7	1,278	2,193
Total current assets		15,562	11,492
Non-Current Assets			
Trade receivables	5	208	481
Other receivables	6	360	272
Income tax assets	14	680	265
Investments	4	347	333
Property, plant and equipment	8	23,165	17,963
Intangible assets	9	7,592	7,659
Total non-current assets		32,352	26,973
TOTAL ASSETS		47,914	38,465
LIABILITIES			
Current Liabilities			
Trade payables	10	8,979	9,873
Deferred revenues	11	443	477
Financial debt	12	3,266	3,451
Salaries and social security payables	13	1,610	1,261
Income tax payables	14	724	439
Other taxes payables	15	1,149	1,153
Other liabilities	16	69	53
Provisions	17	271	207
Total current liabilities		16,511	16,914
Non-Current Liabilities			
Trade payables	10	152	52
Deferred revenues	11	445	457
Financial debt	12	8,646	1,449
Salaries and social security payables	13	184	157
Deferred income tax liabilities	14	569	550
Income tax payables	14	7	10
Other liabilities	16	170	101
Provisions	17	1,352	1,165
Total non-current liabilities		11,525	3,941
TOTAL LIABILITIES		28,036	20,855
EQUITY			
Equity attributable to Telecom Argentina (Controlling Company)		19,336	17,194
Equity attributable to non-controlling interest		542	416
TOTAL EQUITY (See Consolidated Statements of Changes in Equity)	19	19,878	17,610
TOTAL LIABILITIES AND EQUITY		47,914	38,465

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

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CONSOLIDATED INCOME STATEMENTS

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

	Note	For the years ended		
		December 31,		
		2016	2015	2014
Revenues	21	53,240	40,496	33,341
Other income	21	83	44	47
Total revenues and other income		53,323	40,540	33,388
Employee benefit expenses and severance payments	13	(9,800)	(7,253)	(5,591)
Interconnection costs and other telecommunication charges	22	(2,553)	(2,170)	(2,074)
Fees for services, maintenance, materials and supplies	22	(5,006)	(3,919)	(3,333)
Taxes and fees with the Regulatory Authority	22	(5,125)	(3,943)	(3,297)
Commissions	22	(3,849)	(3,193)	(2,494)
Cost of equipments and handsets	7	(6,188)	(4,595)	(4,143)
Advertising	22	(874)	(814)	(792)
Cost of VAS	22	(1,499)	(1,256)	(936)
Provisions	17	(187)	(113)	(84)
Bad debt expenses	5	(1,228)	(564)	(424)
Other operating expenses	22	(2,590)	(1,854)	(1,518)
Depreciation and amortization	22	(6,198)	(4,438)	(3,243)
Impairment of PP&E	22	(383)	(199)	(16)
Operating income	23	7,843	6,229	5,443
Finance income	24	1,006	1,130	1,459
Finance expenses	24	(3,250)	(2,232)	(1,206)
Income before income tax expense		5,599	5,127	5,696
Income tax expense	14	(1,594)	(1,692)	(1,967)
Net income for the year		4,005	3,435	3,729
Attributable to:				
Telecom Argentina (Controlling Company)		3,975	3,403	3,673
Non-controlling interest		30	32	56
		4,005	3,435	3,729
Earnings per share attributable to Telecom Argentina				
Basic and diluted	25	4.10	3.51	3.79

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions of Argentine pesos)

	For the years ended December 31,		
	2016	2015	2014
Net income for the year	4,005	3,435	3,729
Other components of the Statements of Comprehensive Income			
<u>Will be reclassified subsequently to profit or loss</u>			
Currency translation adjustments (no effect on Income Tax)	288	245	227
Subsidiaries' NDF effects classified as hedges (Note 20)	(9)	8	-
<u>Will not be reclassified subsequently to profit or loss</u>			
Actuarial results (Notes 3. I and 16)	(24)	7	24
Tax effect	8	(3)	(8)
Other components of the comprehensive income, net of tax	263	257	243
Total comprehensive income for the year	4,268	3,692	3,972
Attributable to:			
Telecom Argentina (Controlling Company)	4,142	3,580	3,837
Non-controlling interest	126	112	135
	4,268	3,692	3,972

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Argentine pesos)

	Equity attributable to Telecom Argentina (Controlling Company)														Equity attributable to non-controlling interest	Total Equity	
	Owners contribution				Reserves							Other comprehensive results	Retained earnings	Total			
	Outstanding shares		Treasury shares		Treasury shares acquisition cost (2)	Legal reserve	Special reserve for IFRS implementation	Voluntary reserve for capital investments (2)	Voluntary reserve for future investments	Voluntary reserve for future dividends payments							
Capital nominal value (1)	Inflation adjustment	Capital nominal value (1) (2)	Inflation adjustment (2)														
Balances as of December 31, 2013	969	2,646	15	42	(461)	725	351	1,200	2,904				190	3,202	11,783	268	12,051
Dividends from Núcleo (3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(52)	(52)
Dividends (4)	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,202)	(1,202)	-	(1,202)
Legal Reserve (4)	-	-	-	-	-	9	-	-	-	-	-	-	-	(9)	-	-	-
Voluntary reserve for capital investments (4)	-	-	-	-	-	-	-	1,991	-	-	-	-	-	(1,991)	-	-	-
Comprehensive income:																	
Net income for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	3,673	3,673	56	3,729
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	164	-	164	79	243
Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	164	3,673	3,837	135	3,972
Balances as of December 31, 2014	969	2,646	15	42	(461)	734	351	3,191	2,904				354	3,673	14,418	351	14,769
Dividends from Núcleo (5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(47)	(47)
Dividends (6)	-	-	-	-	-	-	-	-	-	-	-	-	-	(804)	(804)	-	(804)
Voluntary reserve for future dividends payments (6)	-	-	-	-	-	-	-	-	-	-	2,869	-	-	(2,869)	-	-	-
Comprehensive income:																	
Net income for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	3,403	3,403	32	3,435
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	177	-	177	80	257
Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	177	3,403	3,580	112	3,692
Balances as of December 31, 2015	969	2,646	15	42	(461)	734	351	3,191	2,904	2,869			531	3,403	17,194	416	17,610

(1) As of December 31, 2015 and 2014, total shares (984,380,978), of \$1 Argentine peso of nominal value each, were issued and fully paid. As of the same dates; 15,221,373 were treasury shares.

(2) Corresponds to 15,221,373 shares of \$1 Argentine peso of nominal value each, equivalent to 1.55% of total capital. The treasury shares acquisition costs amounted to 461. See Note 19 – Equity to the consolidated financial statements.

(3) As approved by the Ordinary Shareholders' Meeting of Núcleo held on March 28, 2014.

(4) As approved by the Company's Ordinary Shareholders' Meeting held on May 21, 2014 (second tranche).

(5) As approved by the Ordinary Shareholders' Meeting of Núcleo held on March 26, 2015 and the Board of Directors' meeting of Núcleo held on December 17, 2015.

(6) As approved by the Company's Ordinary Shareholders' Meeting held on April 29, 2015.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Cont.)

(In millions of Argentine pesos)

	Equity attributable to Telecom Argentina (Controlling Company)														Equity attributable to non-controlling interest	Total Equity
	Owners Contribution				Reserves							Other comprehensive results	Retained earnings	Total		
	Outstanding shares		Treasury shares		Treasury shares acquisition cost (2)	Legal reserve	Special reserve for IFRS implementation	Voluntary reserve for capital investments (2)	Voluntary reserve for future investments	Voluntary reserve for future dividends payments						
Capital nominal value (1)	Inflation adjustment	Capital nominal value (1) (2)	Inflation adjustment (2)													
Balances as of January 1, 2016	969	2,646	15	42	(461)	734	351	3,191	2,904	2,869	531	3,403	17,194	416	17,610	
Voluntary reserve for future dividends payments (3)	-	-	-	-	-	-	-	-	-	3,403	-	(3,403)	-	-	-	
Dividends (4)	-	-	-	-	-	-	-	-	-	(2,000)	-	-	(2,000)	-	(-2,000)	
Comprehensive income:																
Net income for the year	-	-	-	-	-	-	-	-	-	-	-	3,975	3,975	30	4,005	
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	167	-	167	96	263	
Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	167	3,975	4,142	126	4,268	
Balances as of December 31, 2016	969	2,646	15	42	(461)	734	351	3,191	2,904	4,272	698	3,975	19,336	542	19,878	

(1) As of December 31, 2016, total shares (984,380,978), of \$1 Argentine peso of nominal value each, were issued and fully paid. As of December 31, 2015; 15,221,373 were treasury shares.

(2) Corresponds to 15,221,373 shares of \$1 Argentine peso of nominal value each, equivalent to 1.55% of total capital. The treasury shares acquisition costs amounted to 461. See Note 19 – Equity to the consolidated financial statements.

(3) As approved by the Company's Ordinary Shareholders' Meeting held on April 29, 2016.

(4) As approved by the Company's Board of Directors' Meeting held on April 29, 2016.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of Argentine pesos)

	Note	For the years ended		
		2016	December 31, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the year		4,005	3,435	3,729
Adjustments to reconcile net income to net cash flows provided by operating activities				
Bad debt expenses	5	1,228	564	424
Allowance for obsolescence of inventories, materials and other		77	72	88
Depreciation of property, plant and equipment	22	4,358	3,046	2,389
Amortization of intangible assets	9	1,840	1,392	854
Consumption of materials	8	507	294	227
Gain on disposal of property, plant and equipment	21/22	(17)	(31)	(9)
Impairment of property, plant and equipment	22	383	230	25
Net book value of property, plant and equipment		21	35	45
Provisions	17	187	113	84
Other financial results		1,721	351	(8)
Income tax expense	14	1,594	1,692	1,967
Income tax paid	4.b	(1,700)	(1,631)	(2,277)
Net increase in assets	4.b	(1,660)	(4,640)	(1,854)
Net increase (decrease) in liabilities	4.b	(1,179)	1,890	37
Total cash flows provided by operating activities	4.b	11,365	6,812	5,721
CASH FLOWS FROM INVESTING ACTIVITIES				
Property, plant and equipment acquisitions	4.b	(9,541)	(5,148)	(4,895)
3G/4G licenses acquisitions	4.b	-	(2,256)	(3,091)
Other intangible asset acquisitions	4.b	(1,798)	(1,310)	(1,118)
Proceeds from the sale of property, plant and equipment		19	39	17
Investments not considered as cash and cash equivalents	4.b	(20)	(976)	(339)
Total cash flows used in investing activities		(11,340)	(9,651)	(9,426)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from financial debt	4.b	9,337	4,301	-
Payment of financial debt	4.b	(2,936)	(31)	(12)
Payment of interests and related expenses	4.b	(1,573)	(471)	(29)
Payment of cash dividends and related withholding tax	4.b	(2,000)	(849)	(1,299)
Total cash flows provided by (used in) financing activities		2,828	2,950	(1,340)
NET FOREIGN EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS				
		222	75	505
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		3,075	186	(4,540)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	4.b	870	684	5,224
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4.b	3,945	870	684

See Note 4.b for additional information on the consolidated statements of cash flows.
The accompanying notes are an integral part of these consolidated financial statements.

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Glossary of terms

The following explanations are not intended as technical definitions, but to assist the general reader to understand certain terms as used in these consolidated financial statements.

AMBA (Área Metropolitana de Buenos Aires): the Metropolitan Area of Buenos Aires.

ADS: Telecom Argentina's American Depositary Share, listed on the New York Stock Exchange, each representing 5 Class B Shares.

ADSL (Asymmetric Digital Subscriber Line): A modem technology that converts existing twisted-pair telephone lines into access paths for multimedia and high-speed data communications.

BCBA (Bolsa de Comercio de Buenos Aires): The Buenos Aires Stock Exchange.

BCRA (Banco Central de la República Argentina): The Buenos Aires Central Bank.

CAPEX (Inversiones en bienes de capital): Capital expenditures.

CNC (Comisión Nacional de Comunicaciones): The Argentine National Communications Commission.

CNDC (Comisión Nacional de Defensa de la Competencia): Argentine Antitrust Commission.

CNV (Comisión Nacional de Valores): The Argentine National Securities Commission.

Company or Telecom Argentina: Telecom Argentina S.A.

CONATEL (Comisión Nacional de Telecomunicaciones del Paraguay): The Regulatory Authority of Paraguay.

CPCECABA (Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires): The Professional Council of Economic Sciences of the City of Buenos Aires.

CPP: Calling Party Pays.

"Cuentas claras": Under the "Cuentas claras" plans, a subscriber pays a set monthly bill and, once the contract minutes per month have been used, the subscriber can obtain additional credit by recharging the phone card through the prepaid system.

D&A: Depreciation and amortization.

DLD: Domestic long-distance.

ENARD (Ente Nacional de Alto Rendimiento Deportivo): National High Sport Performance Organization.

ENTel (Empresa Nacional de Telecomunicaciones): Argentine State Telecommunication Company, which was privatized in November, 1990.

FACPCE (Federación Argentina de Consejos Profesionales en Ciencias Económicas): Argentine Federation of Professional Councils of Economic Sciences.

FFSU or SU Fund (Fondo Fiduciario del Servicio Universal): Universal Service Fiduciary Fund

Fintech: Fintech Telecom LCC, Sofora's parent company.

IAS: International Accounting Standards.

IASB: International Accounting Standards Board.

IDC (Impuesto a los débitos y créditos bancarios): Tax on deposits to and withdrawals from bank accounts.

IFRS: International Financial Reporting Standards, as issued by the International Accounting Standards Board.

IGJ (Inspección General de Justicia): General Board of Corporations.

LAD (Ley Argentina Digital): Argentine Digital Law No. 27,078.

Lebacs (Letras del BCRA): Bonds issued by the BCRA.

LGS (Ley de General de Sociedades): Argentine Corporations Law No. 19,550 as amended. Since the enforcement of the new Civil and Commercial Code its name was changed to "General Corporations Law".

Micro Sistemas: Micro Sistemas S.A.

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NDF: Non-Deliverable Forward.

Nortel: Nortel Inversora S.A., the parent company of the Company.

Núcleo: Núcleo S.A.

NYSE: New York Stock Exchange.

OCI: Other Comprehensive Income.

PCS: Personal Communications Service. A mobile communications service with systems that operate in a manner similar to cellular systems.

PEN: National Executive Power.

Personal: Telecom Personal S.A.

PPP (Programa de Propiedad Participada): Share Ownership plan.

PP&E: Property, plant and equipment.

Price Cap: rate regulation mechanism applied to determine rate discounts based on a formula made up by the U.S. Consumer Price Index and an efficiency factor. The mentioned factor was established initially in the List of Conditions and afterwards in different regulations by the SC.

Publicom: Publicom S.A.

Regulatory Authority: Previously, the SC and the CNC. Since the issuance of the Decree of Need and Urgency No.267/15, the Regulatory Authority is the National Communications Agency (ENACOM).

Roaming: a function that enables mobile subscribers to use the service on networks of operators other than the one with which they signed their initial contract. The roaming service is active when a mobile device is used in a foreign country (included in the GSM network).

RT: Technical resolutions issued by the FACPCE.

RT 26: Technical resolution No. 26 issued by the FACPCE, amended by RT29 and RT43.

SAC: Subscriber Acquisition Costs.

SBT (Servicio básico telefónico): Basic telephone service.

SC (Secretaría de Comunicaciones): The Argentine Secretary of Communications.

SEC: Securities and Exchange Commission of the United States of America.

SRMC (Servicio de Radiocomunicaciones Móvil Celular): Cellular Mobile Radiocommunications Service.

SMS: Short message systems.

Sofora: Sofora Telecomunicaciones S.A. Nortel's controlling company.

Springville: Springville S.A. Personal sold its equity interest in Springville on February 19, 2014.

STM (Servicio de Telefonía Móvil): Mobile Telephone Service.

SU: The availability of Basic telephone service, or access to the public telephone network via different alternatives, at an affordable price to all persons within a country or specified area.

Telecom Group/Group: Telecom Argentina and its consolidated subsidiaries.

Telecom Italia Group: Telecom Italia S.p.A and its consolidated subsidiaries, except where referring to the Telecom Italia Group as Telecom Argentina's operator in which case it means Telecom Italia S.p.A and Telecom Italia International, N.V.

Telecom USA: Telecom Argentina USA Inc.

Telco S.p.A.: A joint company made up of Assicurazioni Generali S.p.A., Intesa San Paolo S.p.A., Mediobanca S.p.A., Sintonia S.A. and Telefónica, S.A. (of Spain).

Telefónica: Telefónica de Argentina S.A.

TLRD (Terminación Llamada Red Destino): Termination charges from third parties' wireless networks.

UNIREN (Unidad de Renegociación y Análisis de Contratos de Servicios Públicos): Renegotiation and Analysis of Contracts of Public Services Division.

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US GAAP: United States of America Generally Accepted Accounting Principles.

VAS (Value-Added Services): Services that provide additional functionality to the basic transmission services offered by a telecommunications network such as SMS, Video streaming, Personal Video, Personal Cloud, M2M (Communication Machine to Machine), Social networks, Personal Messenger, Contents and Entertainment (content and text subscriptions, games, music ringtones, wallpaper, screensavers, etc), MMS (Mobile Multimedia Services) and Voice Mail, among others.

Note 1 – Description of business and basis of preparation of the consolidated financial statements**a) The Company and its operations**

Telecom Argentina was created through the privatization of ENTel, the state-owned company that provided telecommunication services in Argentina.

Telecom Argentina's license, as originally granted, was exclusive to provide telephone services in the northern region of Argentina since November 8, 1990 through October 10, 1999. As from such date, the Company also began providing telephone services in the southern region of Argentina and competing in the previously exclusive northern region.

The Company provides fixed-line public telecommunication services, international long-distance service, data transmission and Internet services in Argentina and through its subsidiaries, mobile telecommunications services in Argentina and Paraguay and international wholesale services in the United States of America. Information on the Telecom Group's licenses and the regulatory framework is described in Note 2.

The Ordinary and Extraordinary Shareholders Meeting held on June 22, 2015 approved the Telecom Argentina's corporate purpose change, adapting it to the new definition of ICT services of the LAD and, thus, including the possibility of providing Audiovisual Communication Services. The Company obtained authorization from the AFTIC and later of the CNV and IGJ, which registered the amendment of the Company's bylaws on September 26, 2015.

As of December 31, 2016, entities included in the consolidation process and the respective equity interest owned by Telecom Argentina is presented as follows:

Subsidiaries	Percentage of capital stock owned and voting rights (i)	Indirect control through	Date of acquisition	Segment that consolidates (Note 28)
Telecom USA	100.00%		09.12.00	Fixed Services
Micro Sistemas (ii)	99.99%		12.23.97	Fixed Services
Personal	99.99%		07.06.94	Personal Mobile Services
Núcleo (iii)	67.50%	Personal	02.03.98	Núcleo Mobile Services
Personal Envíos (iii)	67.50%	Núcleo	07.24.14	Núcleo Mobile Services

(i) Percentage of equity interest owned has been rounded.

(ii) Dormant entity as of and for the fiscal years ended December 31, 2016, 2015 and 2014.

(iii) Non-controlling interest of 32.50% is owned by the Paraguayan company ABC Telecomunicaciones S.A.

b) Segment reporting

An operating segment is defined as a component of an entity that engages in business activities from which it may earn revenues and incur expenses, and whose financial information is available, held separately, and evaluated regularly by the Telecom Group's Chief Executive Officer ("CEO").

Operating segments are reported in a consistent manner with the internal reporting provided to the CEO, who is responsible for allocating resources and assessing performance of the operating segments at the net income (loss) level and under the accounting principles effective (IFRS as issued by the IASB) at each time for reporting to the CNV. The accounting policies applied for segment information are the same for all operating segments.

Information regarding segment reporting is included in Note 28.

c) Basis of preparation

These consolidated financial statements are a free translation from the original consolidated financial statements issued in Spanish and filed to the CNV in Argentina and contain the same information to the original version, except for the elimination of the original Note 31 "Additional relevant information on the possible application of IAS 29 in the Telecom Group" because of the inclusion of Non-GAAP measures.

These consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB and in accordance with RT 26 (as amended by RT 29 and RT 43) of FACPCE as adopted by the CPCECABA, and as required by the CNV in Argentina for most of public companies.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Telecom Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.u).

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The consolidated financial statements (except for cash flow information) are prepared on an accrual basis of accounting. Under this basis, the effects of transactions and other events are recognized when they occur. Therefore income and expenses are recognized at fair value on an accrual basis regardless of when they are received or paid. When significant, the difference between the fair value and the nominal amount of income and expenses is recognized as finance income or expense using the effective interest method over the relevant period.

The accompanying consolidated financial statements have also been prepared on a going concern basis (further details are provided in Note 3.a) and the figures are expressed in millions of pesos, otherwise indicated.

These consolidated financial statements for the year ended December 31, 2016 were approved by resolution of the Board of Directors' meeting held on March 8, 2017.

d) Financial statement formats

The financial statement formats adopted are consistent with IAS 1. In particular:

- the consolidated statements of financial position have been prepared by classifying assets and liabilities according to "current and non-current" criterion. Current assets and liabilities are those that are expected to be realized/settled within twelve months after the year-end;
- the consolidated income statements have been prepared by classifying operating expenses by nature of expense as this form of presentation is considered more appropriate and represents the way that the business of the Group is monitored by the Management, and, additionally, are in line with the usual presentation of expenses in the telecommunication industry;
- the consolidated statements of comprehensive income include the profit or loss for the year as shown in the consolidated income statement and all components of other comprehensive income;
- the consolidated statements of changes in equity have been prepared showing separately (i) profit (loss) for the year, (ii) other comprehensive income (loss) for the year, and (iii) transactions with shareholders (owners and non-controlling interest);
- the consolidated statements of cash flows have been prepared by presenting cash flows from operating activities according to the "indirect method", as permitted by IAS 7.

These consolidated financial statements contain all material disclosures required under IFRS. Some additional disclosures required by the LGS and/or by the CNV have been also included, among them, complementary information required in the last paragraph of Article 1 Chapter III Title IV of the CNV General Resolution No. 622/13. Such information is disclosed in Notes 7, 8, 9, 17, 20, 22 and 26 to these consolidated financial statements, as admitted by IFRS.

e) Application of IAS 29 (Financial reporting in hyperinflationary economies)

IAS 29 establishes the conditions under which an entity shall restate its financial statements if it is located in an economic environment considered "hyperinflationary". It should be mentioned that if the qualitative and / or quantitative characteristics to consider an economy as a "hyperinflationary" economy set out in paragraph 3 of IAS 29 occur, the restatement of financial statements must be made retroactively from the date of the revaluation used as deemed cost (in the case of Group companies located in Argentina, since February 2003) or from the acquisition date for assets acquired after that date.

The Company's Management periodically verifies the evolution of official statistics as well as the general factors of the economic environment in the countries in which the Telecom Group operates. The Company's Management also considers the opinion of other organizations interested in this matter: the national and international accounting profession, domestic and foreign audit firms, national and the United States' capital market regulators, and, in particular, the International Practices Task Force ("IPTF"), aware that the conclusions to which a financial statement issuer arrives must be consistent with the vision of those organizations for an uniform application of IAS 29.

Although the standard does not establish an absolute rate at which hyperinflation is deemed to arise, usually - in compliance with the provisions of IAS 29- a cumulative inflation rate over three years approaching or exceeding 100% is used as reference in conjunction with other qualitative factors related to the macroeconomic environment.

The Company analyzes the economic environment as required by the provisions of IAS 29, based on the inflation rates published by the National Institute of Statistics and Census (INDEC), following the same criteria adopted by the accounting profession in the Argentine Republic.

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After declaring a state of statistical emergency in January 2016 and due to the reorganization of the INDEC structure, that agency was impelled to publish the Internal Wholesale Price Index for November and December 2015 and the Consumer Price Index for the period November 2015- April 2016. Under these circumstances, the INDEC suggested the alternative utilization of Price Indexes published by the Province of San Luis and the City of Buenos Aires, which are integral part of the National Statistic System until the INDEC publishes Price Indexes in compliance with international standards of quality. Finally, in May 2016 the INDEC published the Internal Wholesale Price Index ("IPIM") retroactively from January 2016 while the Consumer Price Index ("IPC") was published from May 2016. It's worth mentioning that, as of the date of issuance of these consolidated financial statements, the INDEC has not completed the IPIM and IPC's statistical series, despite the requirements of domestic accounting profession organizations.

Therefore, for years 2015 and 2016 the Company analysis was performed according to Consumer Price Index and Internal Wholesale Price Index published by the INDEC until October 2015 and it was complemented applying November and December 2015 Price Index published by the Province of San Luis and the City of Buenos Aires, as the INDEC suggested. Also, the company applied Price Index of the period January-April 2016 published by the Province of San Luis and the City of Buenos Aires for the calculation of the Consumer Price Index for the year 2016. It is worth mentioning that these simplified procedures as provided in paragraph 17 of IAS 29 were performed due to the unavailability of official statistics at national level.

The tables below show the evolution of these indexes in the last three years according to official statistics (INDEC), with the exceptions explained above regarding the use of alternative indexes for November and December 2015 for Consumer Price and Internal Wholesale Price and, additionally, the Consumer Price Index for the period January-April 2016:

	<u>2014</u>	<u>2015</u> (*)	<u>2016</u> (**)
Consumer Price Index			
Consumer Price Index (annual)	23.9%	20.6%	36.3%
Consumer Price Index (3 years accumulated)	52.4%	65.8%	103.7%
Internal Wholesale Price Index			
Internal Wholesale Price Index (annual)	28.3%	19.2%	34.6%
Internal Wholesale Price Index (3 years accumulated)	66.5%	75.4%	105.8%

(*) Consumer Price Index and Internal Wholesale Price Index published by INDEC until October 2015 were 11.9% and 10.6% respectively. These rates (which contain ten months accumulated), were updated with November and December 2015 Consumer Price Index average rates for this two months (7.8%) published by the Province of San Luis and the City of Buenos Aires.

(**) Due to the unavailability of Consumer Price Index published by the INDEC, the Company estimated 16.6% for the period January-April 2016; this estimation is an average of the indexes published by the Province of San Luis and the City of Buenos Aires for that period. The Consumer Price Index at national level published by the INDEC for the period May-December 2016 was 16.9%.

The Annual Price Index for the year 2016 (Consumer Price Index: 36.3%, Internal Wholesale Price: 34.6%) and three years accumulated (Consumer Price Index: 103.7%, Internal Wholesale Price: 105.8%) show high levels of inflation rates that, for the first time, exceed 100% accumulated and highlight, between other matters, the effect in the internal prices of the Argentine peso devaluation since December 2015, the elimination of certain exchange restrictions, and the increase in the public services tariffs approved by the Government after been frozen for more than a decade.

According to the high inflation levels in Argentina registered in late years, the Company's Management has further assessed the characteristics set out in paragraph 3 of IAS 29, including (i) the quantitative condition provided in section (e) "*the cumulative inflation rate over three years is approaching, or exceeds, 100%*", as well as (ii) the qualitative characteristics contained in paragraphs a) to d) of that paragraph.

From the analysis assessed as of December 31, 2016, the Company's Management considers that the quantitative condition provided in section e) of IAS 29 has been met, while the qualitative conditions of the Argentine economy are mixed (some of them would recommend the existence of a high inflation environment and others have not substantially changed respect to previous years, when it was concluded that financial statements should not be restated). Under these circumstances, and in order to objectify the analysis, the Company's Management gave priority to the conclusions reached by some international auditing firms to which the Company's Management had access, which considered that, to date, there was insufficient evidence to consider the Argentine economy as "hyperinflationary" under IAS 29 terms. Similar conclusions for US GAAP were reached by the IPTF, according to its memo issued on November 17, 2016.

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An extract of the mentioned memo stated in point III.A.3(a) related to countries with projected inflation rates above 100% (accumulated over the last three years): “*The Task Force is aware that in late December 2016, certain US accounting firms submitted a white paper to the SEC staff from the Office of the Chief Accountant that asserted that the firms would not require a registrant to consider Argentina’s economy as highly inflationary under US GAAP for the reporting period from October 1, 2016 to December 31, 2016. The SEC staff from the Office of the Chief Accountant, after reviewing the white paper submitted by the firms, stated that the staff would not object to a calendar year-end registrant’s determination that Argentina’s economy would not be considered highly inflationary under US GAAP for the reporting period from October 1, 2016 to December 31, 2016*”. In addition, the Task Force suggests registrants to continue monitoring inflation information and other Argentine economy conditions in order to assess whether it is necessary to consider it as highly inflationary during 2017.

While there are differences in the definition of a “hyperinflationary” and “highly inflationary” environments between IFRS and US GAAP, respectively, the Company believes that the assessment of the macroeconomic situation of a country should be substantially similar under both accounting frameworks and, on this condition, considers consistent the conclusions arrived by the IPTF with those provided in the analysis assessed by international audit firms according to IFRS and US GAAP.

Additionally, while the CNV required public companies the full implementation of IFRS-as issued by the IASB- from periods beginning on January 1st, 2012, Decree No.664/03 continues to be in force as of the date of issuance of these consolidated financial statements. Through this Decree, the PEN instructed the control authorities –including the CNV- not to accept filings of restated financial statements. This legal restriction is foreseen in the current Regulations of the CNV (Title IV - Chapter III Article 3 - paragraph 1).

The Company’s Management will continue monitoring the characteristics and the evolution of the inflation rates in Argentina in order to comply properly with IAS 29 provisions, with special consideration of the pronouncements of Argentine regulators – which as of the date are forbidden to accept the filing of financial statements restated for inflation according to Decree No.664/03 and its supplementary standards. The Company’s Management will also monitor the pronouncements of foreign regulators, as well as the evaluation that the domestic and international accounting profession will perform with regards to the uniform application of IAS 29 together with other issuers that apply IFRS in the Argentine Republic.

Note 2 - Regulatory framework

(a) Regulatory Authority

Telecom Argentina and its domestic subsidiaries operate in a regulated industry. Regulation not only covers rates and service terms, but also the terms on which various licensing and technical requirements are imposed.

Until the issuance of Law No. 27,078 (hereinafter “Ley Argentina Digital” or “LAD”, as explained in e) *below*), which was published in the Official Bulletin on December 19, 2014 and has been in force since its publication, the telecommunication services provided by the Company and its domestic subsidiaries were regulated by the CNC, a decentralized agency within the scope of the SC, which was also under the scope of the Ministry of Federal Planning, Public Investment and Services.

The LAD created the Federal Authority of Information and Communication Technologies (“AFTIC”), as a decentralized and autonomous agency within the scope of the PEN which would act as the Regulatory Authority of the LAD and would replace, for all purposes, of the SC and the CNC.

The LAD conferred the AFTIC the regulation, control, supervision and verification functions concerning the *Information and Communications Technologies* (“ICT”) in general, and in particular of the telecommunications, of the postal service and all those matters integrated to its field in accordance with the provisions of the LAD.

By the end of December 2015, the PEN issued the Decree of Need and Urgency (“*Decreto de Necesidad y Urgencia*” or hereinafter the “DNU”) No.267/15 published in the Official Bulletin on January 4, 2016. The DNU substantially amends Law No.26,522 (Audiovisual Communication Services – “SCA”) and Law No.27,078 (LAD) and also creates the National Communications Agency (“ENACOM”) as a new Regulatory Authority of those laws. The ENACOM replaces the AFTIC and AFSCA (“Federal Authority of Audiovisual Communication Services”). This new Authority acts as an autonomous agency, within the scope of the Ministry of Communications. Further information on *Decree No.267/15 - Amendments to the LAD* is included in f) below.

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Additionally, Decree No.13/15 creates the Ministry of Communications. The organizational structure of the Ministry was approved by Decree No.268/15, issued on December 29, 2015 (published in the Official Bulletin on January 4, 2016).

The Board of ENACOM will be composed of a Chairman and 3 directors appointed by the PEN, as well as 3 directors appointed by the Bicameral Commission of Audiovisual Communication and ICT services. The quorum is met with the attendance of four members. No special suitability conditions are established to be a member of the Board; the only limitation is the non-existence of incompatibilities, under the terms of Law No 25,188 ("Public Ethic"). The ENACOM members can be removed directly and without cause by the PEN.

The ENACOM has started its operations on January 5, 2016 with the 4 directors appointed by the PEN through Decree No.7/16, thus resulting in the constitution of the ENACOM as established by Article 23 of Decree No. 267/15.

(b) Regulatory framework of the Company and Personal services

Among the principal features of the regulatory framework governing the services provided by the Company and its domestic subsidiaries is worth mentioning:

- The LAD, as amended by Decree of Need and Urgency No.267/15 and Decree No. 1,340/16;
- Law No.19,798 remains in force only to the extent that it does not conflict with the provisions set out under the LAD;
- The Privatization Regulations;
- The Transfer Agreement;
- The Licenses for providing telecommunication services granted to Telecom Argentina and Telecom Personal through several regulations; and the List of Conditions and their respective regulations.

In addition, Law No. 27,078 states that Decree No. 764/00 and its amendments shall remain in force to the extent that it does not conflict with the provisions set out under the LAD, for the time required by the Regulatory Authority to draw up the regulations concerning the Licensing Framework for ICT Services, the Interconnection Regulation, the Universal Service Regulation and the Administration, Management and Control of the Spectrum Regulation. Also, the new Law states that Law No.19,798 ("Ley Nacional de Telecomunicaciones" passed in 1972) and its amendments shall remain in force in respect of those regulations not opposing its provisions.

Núcleo, Personal's Paraguayan subsidiary, is supervised by the *Comisión Nacional de Telecomunicaciones de Paraguay*, the National Communications Commission of Paraguay ("CONATEL") and its subsidiary Personal Envíos S.A. is supervised by the *Banco Central de la República del Paraguay*. Additionally, Telecom USA, Telecom Argentina's subsidiary in the United States, is supervised by the Federal Communications Commission (the "FCC").

(c) Licenses granted as of December 31, 2016

• To the Company

As of December 31, 2016, Telecom Argentina has been granted the following non-expiring licenses to provide the following services in Argentina:

- Local fixed telephony;
- Public telephony;
- Domestic and international long-distance telephony;
- Domestic and international point-to-point link services;
- Domestic and international telex services;
- VAS, data transmission, videoconferencing and transportation of audio and video signals; and
- Internet access.

• To the Company's subsidiaries

As of December 31, 2016, the Company's subsidiaries have been granted the following licenses:

- **Personal** has been granted a non-expiring license to provide mobile telecommunication services (STM) in the Northern Region of Argentina, and data transmission and VAS throughout the country. In addition, Personal owns licenses to provide mobile radio communication services (SRMC) in the Federal District and Greater Buenos Aires areas, as well as a non-expiring license to provide PCS services throughout the country, and it is registered to provide national and international long-distance telephone services. Additionally, from November 2014, Personal has been granted a license to provide Mobile Advanced Communications Services (SCMA) for 15 years as explained in j) below.

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- **Núcleo**, a company controlled by Personal, has been granted a license to provide mobile telecommunication services (STM and PCS) throughout Paraguay. In addition, Núcleo has been granted a license for the installation and provision of Internet and Data throughout Paraguay. All these licenses have been granted for renewable five-year periods.
- **Personal Envíos**, a company controlled by Núcleo was authorized by the Central Bank of Paraguay to operate as an Electronic Payment Company (EMPE) through Resolution No.6 issued on March 30, 2015 and its corporate purpose is restricted to such service.

(d) Events of revocation of the Licenses

Telecom Argentina's license is revocable in the case of non-compliance with certain obligations, including but not limited to:

- repeated interruption of all or a substantial portion of service;
- a modification of corporate purpose without prior approval of the Regulatory Authority or change of domicile to a jurisdiction outside Argentina;
- a sale or transfer of the license to third parties without prior approval of the Regulatory Authority;
- the sale, encumbrance or transfer of assets which has the effect of reducing services supplied, without the prior approval of the Regulatory Authority;
- a reduction of Nortel's ownership of in the capital stock of Telecom Argentina to less than 51%, or the reduction of Nortel's common shareholders' ownership to less than 51% of the capital stock with voting power, in either case without prior approval of the Regulatory Authority (as of December 31, 2016, all Nortel's ordinary shares belong to Sofora. Additional information in Note 27);
- any transfer of shares resulting in a direct or indirect loss of control in Telecom Argentina which has not been executed ad referendum of the approval of the ENACOM and informed within 30 days following its completion (according to the provisions of Article 8 of Decree No.267/15); and
- the Company's bankruptcy.

If the Company's license is revoked, Nortel must transfer its interest in the Company's capital stock to the Regulatory Authority in trust for subsequent sale through public auction.

Once the sale of the shares to a new management group is performed, the Regulatory Authority may renew the license to the Company under the terms to be determined.

STM, SRMC and PCS Personal's licenses are revocable in case of non-compliance with certain obligations, including but not limited to:

- repeated interruptions of the services as set forth in the List of Conditions;
- any transfer of the license and/or the related rights and obligations, without the approval of the Regulatory Authority (according to the provisions of article 8 of Decree No.267/15);
- any encumbrance of the license;
- any voluntary insolvency proceedings or bankruptcy of Personal; and
- a liquidation or dissolution of Personal, without the prior approval of the Regulatory Authority.

According to the Auction Terms and Conditions for the awarding of frequency bands for SCMA (and some bands for SRMC and PCS), approved by SC Resolution No. 38/14, the authorization to use radio electric spectrum (as defined in the Auction) will be revocable under the following circumstances:

- repeated or persistent breaches of obligations related to quality indicators of services provided under the terms of the Regulation for the Quality of Telecommunications Services approved by SC Resolution No. 5/13 (further information on filings of the Company and Personal against the sanction processes initiated by the Regulatory Authority related to quality matters is disclosed in j) below);
- repeated or persistent failure of infrastructure sharing obligations and the conditions set for automatic roaming agreements established in the Terms and Conditions;
- repeated or persistent failure of the coverage obligations set in Annex III of the Terms and Conditions;
- assignment, transfer, encumbrance, lease or sale to third parties of the authorization for the use of the awarded bands, without the authorization of the Regulatory Authority.

Núcleo's licenses are revocable mainly in the case of:

- repeated interruptions of the services;
- any voluntary insolvency proceedings or bankruptcy of Núcleo;
- non-compliance with certain service obligations.

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According to the Resolution No.6/2014 of the Central Bank of Paraguay Personal Envíos' license to provide Electronic Payment services may be revoked by:

- i) insolvency proceedings or bankruptcy,.
- ii) sanctions imposed by the Central Bank of Paraguay, with prior administrative proceedings, regarding the performance of operations that are forbidden by the legislation in force.

(e) Law No.27,078 – Argentine Digital Law

Among the most relevant contents in the LAD which amended the regulatory framework in force as of December 19, 2014 as regards telecommunications are:

- a) the recognition as an essential and strategic public service of ICT as regards the use and access to the telecommunications networks, for and between licensees of ICT services (subsequently repealed by Article 22 of Decree No.267/15);
- b) the rule on prices and rates establishing that the licensees of ICT services shall set their prices which shall have to be fair and reasonable, cover the exploitation costs and tend to the efficient supply and reasonable operation margin;
- c) the exemptions of taxes, establishing that tax exemptions or reductions, prices and encumbrances of ICT in general and telecommunications in particular may be set on a precarious basis when the nature of certain activities so warrant;
- d) the amendments as regards Universal Service (further information in i) below);
- e) the asymmetric regulation as universalization tools towards the development of an effective competition.
- f) a maximum period for granting each authorization or use of frequencies of the radioelectric spectrum must be established (section 28 *in fine*).

The Law declared of public interest the development of ICT and its associated resources, in order to establish and ensure complete neutrality of networks, and to guarantee every user the right to access, use, send, receive or offer any content, application, service or protocol through Internet without any restrictions, discrimination, distinction, blocking, interference, obstruction or degradation.

The new Law set forth that the licensees of the ICT services may supply audiovisual communication services with the exception of those provided through satellite link, in which case, the corresponding license must be requested to the proper authority. Also, the new Law allowed ICT services licensees included in the restrictions of the Audiovisual Services Communications Law (among them, Telecom Argentina) to provide audiovisual communications services. Nevertheless, that regulation was partially amended by Decree No 267/15 (see f) below).

According to the LAD provisions, Telecom Argentina amended its corporate purpose during 2015, which was approved by AFTIC Resolution No.19/15. Further information is disclosed in Note 1.a).

Also, the law established the framework for suppliers and licensees entering the audiovisual communication services market (among them, Telecom Argentina and its domestic subsidiaries) setting forth that the Federal Authority of Audiovisual Communication Services (replaced by the ENACOM since Decree No.267/15 enforcement) would determine the go-to-market conditions of audiovisual communication services for ICT suppliers and licensees. The Law also stated a gradual implementation plan through the setting up of promotion areas for limited periods of time determined according to public interest, within which the ICT licensees with significant market power would not be able to provide audiovisual communication services.

It also set forth that the ICT service should be provided throughout the national territory, considered for that end as a unique area of exploitation and supply, and the modification of the interconnection schedule, imposing higher obligations to the operators and more rights to the Argentine government for the regulation in this sense of the wholesale market.

According to the LAD provisions, the SBT holds its status of public service (section 54), but with a different scope than the previous regulations provisions. It was defined as the national and international telephone voice service, through the local networks, notwithstanding the technology used for its transportation, provided that it complies with the objective of allowing its users to communicate with each other (section 6 paragraph c)). In addition, in section 90 of Title XI, it established that said definition, comprises the senses of the definition established in the Bidding Terms and Conditions for the International Public Bidding process for the Privatization of the Supply of the Telecommunications Service timely approved by Decree No.62/90.

The LAD introduced substantial changes to the SU regulation established by Decree No.558/08. Among its provisions the LAD creates a new FFSU and provides that the investment contributions for the SU programs shall be managed through this fund, which assets belong to the Argentine government. Further information see i) below.

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Law No.19,798 Telecommunications Act (passed in 1972), as amended continues in effect only with respect to those provisions that do not contradict the provisions of the new LAD (including, for example, Article 39 of Law No.19,798 referred to exemption from all taxes on the use of soil, subsoil and airspace for telecommunications services).

The LAD also revoked Decree No.764/00, as amended, but provisions of the decree that do not contradict the LAD will remain in effect, during the time it takes to the Regulatory Authority to issue new licensing, interconnection services, universal service and spectrum regulations.

(f) Decree No. 267/15 – Amendments to the “LAD”

On January 4, 2016, Decree No.267/15 was issued, amending Law No.26,522 (Audiovisual Communication Services) and Law No.27.078 (LAD). As mentioned above, “ENACOM” was created as the Regulatory Authority applicable of these laws. However, many of its provisions were subsequently amended by Decree No. 1,340/16.

The main amendments to the LAD consist in:

- The incorporation of Broadcasting Services provided by subscription (physical or radio electric link, such as Cable TV) as an ICT service within the scope of the LAD, and excluding it from Law No.26,522. Satellite Television Services will remain within the scope of Law No. 26,522. Furthermore, Decree No.267/15 states that the ownership of a satellite television license provided by subscription is incompatible with having any other kind of ICT services license. Provision amended by Decree No. 1,340/16.

Broadcasting supplied by subscription licenses (such as Cable TV) issued before the application of Decree No.267/15 will be considered for all purposes as in compliance with LAD upon the respective registration for such service provision. Furthermore, the Decree states a 10 years extension from January 2016, for the use of frequency spectrum to radio electric link provided by subscription license holders.

Among the amendments that replaces Section 6 of the LAD is the incorporation of “video on demand service”, defined as a service offered by an ICT services supplier to provide access to software under demand on a catalogue basis. On January 7, 2016 the Company and Personal presented to ENACOM an application for the registration of “Video On Demand or On Demand Video Service”, describing the service characteristics which registration was requested. As of the date of issuance of these consolidated financial statements, the ENACOM resolution is still pending.

Decree No.267/15 replaced the LAD’s article No. 94, and states that SBT suppliers, fixed telephony license holders within the scope of Decree No.264/98, and mobile telecommunication license holders within the scope of Decree No.1,461/93 are prohibited from providing Broadcasting under subscription services (defined as any form of communication, primarily one-way, for the transmission of signals to be received by a determinable public, either by physical or by radio connection, for example, video cable and IP TV services) until January 1, 2018 (this term can be extended by 1 additional year). Also, the Decree replaces article 95 of the LAD and provides several obligations for fixed telephony licensees granted by Decree No.264/98 and mobile services providers with licenses granted by Decree No.1,461/93, which choose to provide broadcasting under subscription services. This provision was subsequently amended by Decree No. 1,340/16.

In addition, shareholders of a 10% or more stake interest in companies that provide public services may not be holders of a Subscription Radio Record. However, this will not apply in the following cases: (i) non-profit companies to whom the national, provincial or municipal State has granted the license, concession or permission to provide a public service (such as telecommunications cooperatives); (ii) those mentioned in section 94 (including the Company and Personal) who will be only able to provide the service after the expiration of the period specified therein.

In addition, the Decree provides an advertising and opposition mechanism, in case of the existence of another provider of the same service in the same area when requesting its inclusion in the record, with intervention, in case of opposition, of the National Competition Defense Commission. Such procedure must not apply to non-profit companies who exclusively provide public ICT service.

- Section 28 of Decree No. 267/15 created, in the field of the Ministry of Communications, the “Commission for the Elaboration of the Draft Law for the Reform, Updating and Unification of Laws No 26.522 and 27.078” (Comisión para la Elaboración del Proyecto de Ley de Reforma, Actualización y Unificación de las Leyes N° 26.522 y 27.078”). The Commission is responsible for the study of the reform of both laws under the principles set out herein.

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On April 15, 2016, the Ministry of Communications through Resolution No. 9/16 provided that the Commission shall be composed by 6 members and 1 Secretary, who will perform their duties “ad honorem”. The Resolution also appointed its members. The Commission should submit a draft Law for the reform, updating and adaptation of a unified system of the Regulatory Framework Law for the Telecommunications and Audiovisual Communication Services in Argentina, within the following 180 calendar days from the date of its constitution.

Through Resolution No. 1,098-E/16 published on October 31, 2016, the Ministry of Communications extended for 180 days the deadline for the preparation of the draft reform of Laws No. 26.522 and 27.078. As of the date of issuance of these consolidated financial statements, the elaboration of the draft reform of Laws No. 26,522 and 27,078 is still pending.

- Furthermore, the Decree provides that licenses transfers and stake interest transfers involving the loss of company control must be approved by ENACOM, stating a new procedure provided by section 8 of Decree No. 267/15. That licenses transfers and stake interest in licensees’ transfers will be considered ad referendum of ENACOM approval.

- Decree No.267/15 repealed Section 15 and Section 48 (second paragraph) of the LAD. Therefore, the following provisions have no longer effect: (i) the condition of essential and strategic public services of ICT regarding the access to the telecommunications network for the “ICT services” license holders; and (ii) the Regulatory Authority power to regulate tariffs due to public interest reasons.

- On April 8, 2016, the Chamber of Representatives voted in favor of the validity of DNU No. 267/15. According to this, such Decree acquired the status of Law.

- The Decree also establishes several amendments to the Audiovisual Communications Services Law (SCA).

(g) Personal and Company’s filings to Regulatory Authority

On June 18, 2014, the Company made a filing before the SC requesting the adjustment of the SBT lines’ Connection Fee, in order to obtain an urgent restoration of the balance that must reasonably exist in the operative costs incurred for the provision of the public service under its charge, recomposing the Connection Fee in an equitable manner and pursuant to the legal provisions that govern the licenses granted to the Company, taking into account that the revenues obtained for the installation of the SBT lines was much lower than the direct costs that the Company incurred to connect new customers. In addition, the Company requested that, until such adjustment takes place, such installations become excluded from the sanctioning regime provided by Decree No.1,185/90, Decree No.62/90, and SC Resolution No.5/13.

On July 23, 2014, the Company made a second filing before the SC pursuant to which it requested, among other matters: (i) an adjustment of the monthly basic charges of all the SBT categories set forth in the Tariffs General Structure; (ii) the determination of a social tariff; (iii) the adjustment of the telephonic pulse value; (iv) the adaptation of the international long distance tariff to the current value of the gold franc; and (v) the tariff deregulation of the commercial service category. In addition, and until such adjustments are made, the Company also requested the SBT to be excluded from the sanctioning regime provided by Decrees Nos. 1,185/90 and No. 62/90, and SC Resolutions No.10,059/99 and No. 5/13. It is worth mentioning that such adjustments would have relevant effects on Telecom Argentina’s ability to finance the technological updating of its networks and infrastructure, which would finally result in the provision of better services to its customers.

The Company has not received any answer related to the filing made before the SC.

Following these presentations, on December 19, 2014 the LAD (under Title (VI) “Prices, rates and levies”), established a general rule (Article 48) setting a new legal framework in this matter.

Under the provisions of Article 48 of the LAD, on April 16, 2015, the Company made two presentations before the CNC through which it reported new installation rates for the “business, professional and government” segment (which were applied from April 23, 2015 and will be equal to \$690 Argentine pesos) and the new monthly rates for this segment (which were applied from July 15, 2015 and will be equal to \$77.28 Argentine pesos). The presentation was rejected by the CNC through a letter received on April 29, 2015, in which it requested that the Company refrain from engaging in unilateral conduct, or it could otherwise face penalties under a sanctioning process.

Likewise, on June 2, 2015, the Company informed the CNC of new rates for the price per minute for calls made by its customers to certain international destinations that became effective on October 15, 2015. The Company also informed the CNC of the new prices applying for public telephony service in the Southern Region and new prices applying to the assisted call service, effective on July 1, 2015.

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On June 16, 2015 the Company was notified of the CNC GC Note No.364/15 through which the CNC urged the Company to apply the effective maximum rates approved by the General Tariff Structure to international calls made to the mentioned countries according to the provisions of CNT Resolution No.127/91, as amended. The Company was also asked to refrain from engaging in unilateral conduct, or it could otherwise face penalties under a sanctioning process.

On May 27, 2015 and July 2, 2015, the Company filed its defense of rights in response to both CNC letters.

However, on July 17, 2015, the AFTIC notified the Company of the initiation of a sanction process related to a potential violation of the General Tariff Structure and of CNT Resolution No. 127/91, as amended, with respect to the increase of the installation charges prices and the monthly charges tariffs for the “business, professional and government” segment informed on April 16, 2015.

On August 11, 2015, the Company filed before the AFTIC a discharge against the mentioned sanctioning process, which, as of the date of issuance of these consolidated financial statements, is still pending of resolution. In the opinion of the Company’s legal counsel, there are solid legal arguments under the LAD that allow it to perform these price adjustments.

On February 1, 2016, the Company informed the ENACOM, that effective May 15, 2016, the new rate of SBT for residential segment will be \$50 Argentine pesos (plus VAT) and that the “Retired” customer’s category will have a discount of 50% on the mentioned new rate.

However, on March 11, 2016, the Company informed the ENACOM that the new rate of SBT for the residential segment will be \$38 Argentine pesos (plus VAT) since May 1st, 2016, in response to a collaboration request made by the Regulatory Authority taking into consideration the special circumstances of the current macroeconomic environment in Argentina.

Before implementing the mentioned rates increase, Telecom Argentina has communicated the new rate to its affected customers.

On June 14, 2016, Personal informed ENACOM that, since August 15, 2016, the TLRD price, in CPP mode for calls from fixed origin to mobile destination, regardless the time band, will be \$0.90 Argentine pesos plus VAT per minute, applying a discount during the first 120 days, period in which the price will be \$0.66 Argentine pesos plus VAT per minute.

Personal –through fixed operators– informed the changes of the mentioned prices to its affected subscribers.

On August 18, 2016, ENACOM summoned Personal to refrain from modifying the amounts established by SC Resolution No. 48/03. Personal filed its response on August 26, 2016, supporting its right to increase the price informed, which is fully in force.

As of the date of issuance of these consolidated financial statements, ENACOM has not rejected the disclaimer presented by Personal.

(h) Decree No. 1,340/16 - Amendments to DNU No. 267/15

Decree No. 1,340/16 issued by PEN and published in the Official Bulletin on January 2, 2017 provides the rules for achieving a greater convergence of networks and services under competitive conditions, promoting the deployment of next generation networks and the penetration of Broadband Internet access throughout the national territory, in accordance with the provisions of Laws No. 26,522 and 27,078. This Decree introduces some amendments to DNU No. 267/15, which has the status of Law.

Among the most relevant provisions, it establishes:

- Fix the 15-year-term, as from the publication of the Decree, as differential condition in the terms provided by section 45 of Law No. 27.078, for the protection of last-mile fixed NGN networks for Broadband deployed by ICT licensees for Broadband regarding the regulations of open access to Broadband and infrastructure to be stated, notwithstanding the provisions of section 56 of said Law.

- That the Ministry of Communications or ENACOM, as appropriate, shall establish the rules for the administration, management, and control of the radio spectrum, according to guidelines for the promotion of competition as follows:

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a) the ENACOM, in a period not exceeding 6 months since the publication of the Decree, shall call for National and International Public Auction Process for the allocation of new frequency bands for the provision of mobile communications services, according to the service attributions following the recommendations of the International Telecommunication Union (ITU), to maximize and increase the radio resources assigned thereto;

b) for the purposes of the provisions of section 28 of Annex IV of Decree No. 764/00 and section 29 of Law No 27,078, rules and procedures shall be adopted ensuring the reattribution of radio spectrum frequencies with economic compensation and shared use to frequencies previously allocated to other service and assigned to ICT or SCA providers who request to re-use them for the provision of mobile or fixed wireless services with LTE or higher technologies. To this effect, the Regulatory Authority shall impose coverage obligations and specific goals;

c) for the purposes of the provisions of sections 27 and 28 of Law No 27,078 and section 2 subparagraphs c) and d) of Decree No 798/16, the ENACOM shall have the power to assign radio spectrum frequencies on demand, establishing compensation, deployment and coverage obligations, within the corresponding deadlines, to: 1) current local or regional providers of ICT services in their service areas; and 2) current providers of MCS, on the terms provided in section 3 of Decree No 798/16;

d) the term of authorizations for the use of frequencies of the Advanced Mobile Communications Service, as well as the corresponding deployment obligations, shall be computed since the effective migration of services currently operating in these bands in the scope of Area II, defined according to the provisions of Decree No 1,461/93 and its amendments (additional information on the impact on Personal is provided in Note 3.i) and Note 18.e) to the consolidated financial statements as of December 31, 2016).

- That Operators included in section 94 of the LAD (among them, the Company and Personal), may register the Broadcasting Service by subscription, by physical or radio connection as of the enforcement of this Decree, setting January 1, 2018 as initial date for the provision of such service in the AMBA (and extended AMBA), and in the cities of Rosario (Santa Fe Province) and Córdoba (Córdoba Province). The Decree also provides that, for the rest of the country, the initial date for the provision of the services of these operators shall be determined by the ENACOM.

- That ICT's licensees and Satellite Link Subscription Broadcasting licensees, who as of December 29, 2016 simultaneously provided both services, may retain ownership of both types of licenses.

- That ICT's services providers carrying out joint service offerings, shall detail the price of each of them, including the breakdown of these values, and the discounts or benefits applied to each service or product of the aforementioned offer, not being able to subsume, under any condition, the hiring of any service to the hiring of another, so as to prevent the consumer from obtaining the service individually or separately.

- That within 180 days of the Decree enforcement, the Ministry of Communications will establish the necessary guidelines for the creation of the "Public Protection, Defense and Security Operations Network" (Red de Protección Pública y Operaciones de Socorro, Defensa y Seguridad) under the terms of section 12 of Law No. 27,208 to secure suitable communications for public safety agencies.

- That for the purposes of the provisions of section 92 of Law 27,078 and section 2, paragraph g) of Decree No. 798 issued on June 21, 2016, MINCOM shall ensure the following principles on interconnection matters:

a) Until the interconnection prices determination systems provided by the National Interconnection Regulation are implemented, averages of regional Latin America prices shall be considered for similar functions and facilities, corrected by parameters which comply with the conditions of the sector, as determined by the Authority of Application;

b) In accordance with section 46 of Law No. 27,078, the National Interconnection Regulation shall provide asymmetric interconnection rates for mobile services for a 3 years period from the effective service implementation, extendable for a maximum of 18 months.

c) The National Interconnection Regulation shall provide rules concerning the automatic national roaming service, forcing mobile services providers, for a maximum period of 3 years, to make such service available to other providers in areas where they do not have their own network coverage.

The temporary limitation provided in the previous paragraph shall not be enforceable in those cases in which mobile services are provided by cooperatives and small and medium-sized companies with exclusively regional coverage.

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Mobile service providers shall freely enter into agreements to secure, among other issues, technical, economic, operational and legal conditions. Such agreements may not be discriminatory or may not establish technical conditions that prevent, delay or obstruct interconnection services.

The National Interconnection Regulation will enable ENACOM to define reference prices for a maximum period of 3 years, taking into consideration the costs of the assets involved (subject to exploitation) and a reasonable return rate to ensure speed, neutrality, non-discrimination and competition between mobile service providers. Likewise, they shall not contain technical, interconnection, operational or other conditions that delay, obstruct or create barriers for the remaining mobile services providers to access the market.

As of the date of issuance of these consolidated financial statements, the Company's Management, with the assistance of its legal advisors, is evaluating the operational, business and financial implications of the provisions of the recently issued Decree No. 1,340/16, and its application together with Decree No. 267/15, in order to protect the Company's and its shareholder's interests.

(i) Universal Service Regulation

Decree No. 764/00

Annex III of Decree No.764/00 required entities that receive revenues from telecommunications services to contribute 1% of these revenues (net of taxes) to the SU fund. The regulation adopted a "pay or play" mechanism for compliance with the mandatory contribution to the SU fund. The regulation also established the exemption to contribute to the FFSU in the following events: i) for local services provided in areas with teledensity lower than 15%, and ii) when certain conditions exist in connection with a formula which combines the foregone revenues and the market share of other operators than Telecom Argentina and Telefónica who provide local telephony. Additionally, the regulation created a committee responsible for the administration of the SU fund and the development of specific SU programs.

SC Resolution No.80/07 stipulated that until the SU Fund was effectively implemented, telecommunication service providers, such as Telecom Argentina and Personal, were required to deposit any contributions accrued since the issuance of such Resolution into a special individual account held in their name at Banco de la Nación Argentina. CNC Resolution No.2,713/07, issued in August 2007, established how these contributions are to be calculated.

Decree No. 558/08

Decree No. 558/08, published on April 4, 2008, introduced certain changes to the SU Fund regime, replacing the Annex III of the Decree No. 764/00.

The Decree established that the SC would assess the value of service providers direct program contributions in compliance with obligations promulgated by Decree No.764/00. It would also determine the level of funding required in the SU Fund for programs pending implementation. In the same manner, in order to guarantee the continuity of certain projects, the SC was given the choice to consider as SU contributions certain other undertakings made by telecommunication services providers and compensate providers for these undertakings.

In defining "Universal Service," the new regulation established two categories: a) geographical areas with uncovered or unsatisfied needs; and b) customer groups with unsatisfied needs. It also determined that the SC would have exclusive responsibility for the issuance of general and specific resolutions regarding the new regulation, as well as for its interpretation and application.

It also established that the SC would review SU programs which were established under the previous regulation, guaranteeing the continuity of those already being administered and implementing those that had been under review. The financing of SU ongoing programs which were recognized as such were determined by the SC, whereas telecommunications providers appointed to participate in future SU Programs were selected by competitive bidding.

The Decree required Telecom Argentina and Telefónica to extend the coverage of their fixed line networks, within their respective original region of activity, within 60 months from the effective date of publication of the Decree.

The Decree required telecommunications service providers to contribute 1% of their revenues (from telecommunication services, net of taxes) to the SU Fund and kept the "pay or play" mechanism for compliance with the mandatory monthly contribution to the SU Fund or, to claim the corresponding receivable, as the case may be.

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Providers of telecommunications services should rely on the advice of a Technical Committee made up of seven members (two members should be appointed by the SC, one member should be appointed by the CNC, three members should be appointed by the telecommunication services providers – two of which should be appointed by Telecom Argentina and Telefónica and one by the rest of the providers – and another member had to be appointed by independent local operators). This Technical Committee was informed by the SC of the programs to be financed and was responsible for managing and controlling the SU Fund, carrying out technical-economic evaluations of existing projects and supervising the process of competitive bidding and adjudication of new SU programs, with the prior approval by the SC.

The Technical Committee was created. Additionally, telecommunications service providers sent the proposed Fiduciary agreement to the SC. The SC approved it in January 2009 through Resolution No.7/09.

On December 9, 2008, the SC issued Resolution No.405/08 which was objected by the Company and Personal. These objections were resolved by the SC through its Resolution No.154/10.

On April 4, 2009, by means of SC Resolution No. 88/09, the SC created a program denominated “Telephony and Internet for towns without provision of Basic Telephone Services” that will be subsidized with funds from the SU Fund. The program sought to provide local telephony, domestic long distance, international long distance and Internet in towns that did not provide basic telephone services. The proposed projects approved by the SC would be sent to the Technical Committee of the SU Fund so that availability of funds can be evaluated and they can be included in a bidding process provided for in Decree No. 558/08.

On December 1, 2010, the SC issued Resolutions No. 147/10 and 148/10, approving “Internet for educational institutions” and “Internet for public libraries” programs, respectively. These programs aimed to reclaim the Broadband service to state-run educational institutions and public libraries, respectively, and were implemented through the use of the FFSU resources. Telecom Argentina was awarded with the “Internet for educational institutions” program and is finishing the last project facilities, reaching 1,540 schools. This program represents a billing to the FFSU of approximately \$5 per year for a period of 5 years. On the other hand, the auction “Internet for public libraries” program was cancelled by the Regulatory Authority for its redefinition. During 2012, the auction “Telephony and Internet for towns without provision of Basic Telephone Service” took place according to Resolution No. 88/09, which involved the service provision in 430 locations. Personal presented its offer to the auction. As of the date of issuance of these consolidated financial statements, the auction is pending of definition.

On November 11, 2010, the SC issued Resolution No. 154/10 adopted the methodology for the deposit of the SU contributions to the trustee’s escrow account. The Resolution included several provisions related to the determination of the contributions that correspond to the periods before and after Decree No. 558/08 was issued. It also provided that until the SC determined the existence of programs, the amounts that would correspond to their implementation would be discounted by the telecommunication providers when determining their contribution to the SU Fund. If completed the verification from the SC there were unrecognized amounts, they should be contributed into the FFSU or for the development of new works of the SU, with the approval of the SC.

On December 30, 2010, the trustee notified Telecom Argentina and Personal the trustee’s escrow account number in which they should deposit the SU contributions under the provisions of SC Resolution No.154/10.

Amendments of the LAD to the SU Regulation

In December 2014, the LAD introduced substantial modifications to the SU regulations pursuant to Decree No. 558/08. Among its provisions the LAD establishes the creation of a new FFSU and the fact that the investment contributions corresponding to the SU programs be managed through said fund, whose assets shall belong to the Argentine government.

The licensees of ICT Services (among them, Telecom Argentina and Personal) are obliged to make investment contributions to the FFSU equivalent to one per cent (1%) of the total accrued revenues for the provision of the ICT Services included in the scope of application of the law, net of imposed taxes and charges. The investment contribution shall not be transferred to the users whatsoever. In turn, the Regulatory Authority may dispose, once the SU objectives are reached, the total or partial, permanent or temporary exemption, of the obligation to perform said investment contributions.

The Law also establishes that by virtue of that set forth by Sections 11.1 and 11.2 of the Management Trust Agreement of the FFSU of Decree No. 558/08, the resources therein foreseen in section 8 of Annex III of Decree No. 764/00 and its amendments shall be integrated to the FFSU created by the LAD in the conditions determined by the Regulatory Authority.

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The SU funds shall be applied by means of specific programs. Its content and the corresponding awarding mechanisms shall be defined by the Regulatory Authority who may entrust the execution of these plans directly to the entities included in article 8, paragraph b), of Law No. 24,156, or, complying with the selection mechanisms that may correspond, respecting publication and competition principles, to other entities.

On September 10, 2015 the Company and Personal filed before the AFTIC their respective SU contribution affidavits corresponding to the revenues recorded in July 2015, clarifying that these presentations were made with the understanding that the operational rules related to the FFSU contribution, regulated by Decree No. 558/08 and related provisions, were in force. Additionally, Personal proceeded to deposit the corresponding contribution in the new FFSU account reported through the Official Notice published by the AFTIC.

In its filings, the Company and Personal had stated that the filing of the affidavits and - in the case of Personal - the deposit did not imply explicit or implicit consent of the regulations issued by the LAD, and expressly reserved their rights in relation to the unconstitutionality of the provisions set forth in articles 21, 22, 91 and related provisions of said law, as well as the claim of any rights arising from the acknowledgement of this argument.

As of the date of issuance of these consolidated financial statements, Personal has not received any response to its filings.

ENACOM Resolution No. 2,642/16 approved the new SU Regulation, which was published on May 31, 2016.

The new regulation retains the obligation of contributing 1% of total income related to the provision of ICT services net of taxes and fees, anticipating the possibility of granting exemptions, in which case the subjects liable for payment, must comply with the obligations established by the Regulatory Authority.

In accordance with ENACOM Resolution No. 6.981-E/16 issued on October 19, 2016, the FFSU and the FFSU Investment Contribution Settlement and Interest Report forms were approved and will be in force since January 1, 2017, being operationally implemented since March 2017. As a result, the Company and Personal have continued submitting the presentation of their monthly payments to the ENACOM, with the existing formalities prior to the Resolution No. 2,642/16. Taking into consideration the changes introduced in the Affidavits Form approved by the regulation, the Company and Personal made a presentation to the Regulatory Authority exposing the need to introduce amendments to the forms in order to continue deducting the SU services that both companies are providing.

ENACOM Resolution No. 8,770-E/16, issued on December 19, 2016, amends section 21 of the RGSU, providing that programs developed in accordance with sections 19 and 20 of the Regulation will be awarded by Resolution of the ENACOM Board of Directors through any of the following mechanisms, as proposed by the Chairman of the ENACOM Board of Directors:

- a) Direct implementation of the programs to entities included in section 8 paragraphs b) of Law No. 24,156, or
- b) Public or private, national or international, single or multiple-stage auction or offering.

Priority will be given to projects to be developed in those municipalities that have adopted the regulations proposed in the code of good practices for the deployment of mobile communications networks developed by Argentine Federation of Municipalities and the Operators of Mobile Communications and supported by the former SC of the former Ministry of Federal Planning, Public Investment and Services on August 20, 2009 or those contemplating regulations of similar characteristics.

ENACOM Resolution No. 1,035-E/2017, issued on February 20, 2017, approved the "Digital Educational Networks Program", which aims to develop the internal network infrastructure of state managed educational facilities to enable the reception and use of Broadband Internet service and to enhance their educational practices. The Program will be implemented through the execution of a project and/or projects which presentation will be made by EDUC.AR S.E, with the intervention of the National Ministry of Education and Sports.

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As of the date of issuance of these consolidated financial statements there are still pending administrative resources filed by the Company in 2012 against several resolutions that rendered ineffective deductions in the SU payments with reference to several programs provided by Telecom Argentina in the mode “play” of the SU. The magnitudes of the deductions challenged by the Regulatory Authority are disclosed in Note 2.i) “FFSU - Impact in the Company” of the consolidated financial statements, transforming the asset position of the Company (\$2,423 million) into a liability position of approximately \$628 million for the period July 2007 - December 2016. However, the Company’s Management, with the assistance of its legal advisors, considers that has solid fact and legal arguments to defend the criteria that Telecom Argentina has held and holds with regard to the SU scheme. Additional information is provided on Note 2.r) to the consolidated financial statements “Renegotiation of agreements with the Argentine government”.

FFSU – Impact in Telecom Argentina

Several years after the market’s liberalization and the effectiveness of the first SU regulations, incumbent operators have not received any set-offs for providing services as required by the SU regime and the LAD.

As of the date of issuance of these consolidated financial statements and in compliance with SC Resolution No.80/07 and No.154/10 and CNC Resolution No.2,713 /07, Telecom Argentina has filed its monthly calculations since July 2007 for the review of the Regulatory Authority and estimated a receivable of \$2,423 (unaudited). This receivable has not yet been recorded as of December 31, 2016 since it is subject to the approval of the SU programs, the review of the Regulatory Authority and the availability of funds in the SU Trust.

On April 8, 2011, the SC issued Resolution No. 43/11 notifying Telecom Argentina that investments associated with “High-Cost Areas” – amounting to approximately \$2,171 since July 2007 to date and which are included in the abovementioned receivable - did not qualify as an Initial Indicative Program. Telecom Argentina filed a claim on this resolution.

Telecom Argentina was notified of SC Resolutions No. 53, 54, 59, 60, 61, 62, 69 and 70/12, pursuant to which the “Special Service of Information 110”, the “Discounts for Retired People, Pensioners and Low Consumption Households”, the services of “Social Public Telephony and Loss-Making Public Telephony”, the “Services and Discounts relating to the Information Society Program argentin@internet.todos”, the “Services for Deaf-Mute People”, the “Free Access to Special Emergency Services and Special Community Services”, the “Value Added Service 0611 and 0612” and the “Long Distance Semipublic Service “, respectively, did not qualify as an Initial Indicative Program, pursuant to the terms of Article 26 of Annex III of Decree No. 764/00, and that, they did not constitute different services involving a SU provision, and therefore they cannot be financed with SU funds, pursuant to the terms of Article 2 of Decree No. 558/08.

The Company’s Management, with the advice of its legal counsel, has filed appeals against SC Resolutions Nos. 53, 54, 59, 60, 61, 62, 69 and 70 presenting the legal arguments based on which such resolutions should be revoked. The deductions that were objected by the SC Resolutions amount to approximately \$880 and are included in the credit balance mentioned in the second paragraph.

As of the date of issuance of these consolidated financial statements, the resolution of this appeal is still pending.

On September 13, 2012, the CNC required Telecom Argentina to deposit approximately \$208. The Company has filed a recourse refusing the CNC’s request on the grounds that appeals against the SC Resolutions are still pending of resolution. As of the date of issuance of these consolidated financial statements, although it cannot be assured that these issues will be favorably resolved at the administrative stage, the Company’s Management, with the assistance of its legal advisors, considers that it has solid legal and de facto arguments to support the position of Telecom Argentina. Additional information is provided in r) of this Note.

FFSU – Impact in Personal

Since January 2001, Personal has recorded a liability related to its obligation to make contributions to the SU Fund. In addition, since July 2007 and in compliance with SC Resolution No.80/07 and No.154/10 and CNC Resolution No.2,713/07, Personal deposited the correspondent contributions of approximately \$112 into an account held under their name at the Banco de la Nación Argentina in January 2011.

During the first quarter of 2011, the above mentioned funds were transferred to the trustee’s escrow account, in compliance with the provisions of SC Resolution No.154/10 previously described. Since January 2011, the SU Fund contributions were made into such escrow account.

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On January 26, 2011 the SC issued Resolution No. 9/11, establishing the “Infrastructure and Facilities Program”. The Resolution provided that telecommunication service providers could contribute to investment projects under this program, exclusively the amounts corresponding to their pending obligations of investment contributions born under Annex III of Decree No.764/00, before the effective date of Decree No.558/08.

In March 2011, Personal submitted to the SC a \$70 investment project, pursuant to SC Resolution No. 9/11, for the development of a network infrastructure in locations in the Northern Region of Argentina with no mobile coverage. Personal submitted its calculations from 2001/2007 related to the mentioned project to be financed through its own SU contribution of such periods as required by the SC.

On April 9, 2014 Personal filed an amendment proposal for the project within the scope of Resolution No. 9/11, pursuant to the SC’s request. This new filing consists only of additional detailed information about the project’s scope. As of the date of issuance of these consolidated financial statements, the project is pending of approval.

On July 5, 2012, the SC issued Resolution No.50/12 pursuant to which it notified that the services referred to by the Mobile Communications Services Providers, which were filed as High Cost Areas or services provided in non-profitable areas, services provided to clients with physical limitations (deaf-mute and blind people), rural schools, and the request relating to the installation of radio-bases and/or investment in the infrastructure development in various localities, did not constitute items that may be discounted from the amount of contributions to the SU pursuant to the last part of Article 3 of Resolution No.80/07, or Article 2 of Decree No. 558/08. It also provided that certain amounts already deducted would be used for investment projects within the framework of the Program of SC Resolution No.9/11, or deposited in the SU Fund, as applicable.

Personal has filed an administrative action against SC Resolution No.50/12, requesting its nullity. As of the date of issuance of these consolidated financial statements, the resolution of this matter is still pending.

On October 1, 2012, responding to an SC’s requirement, Personal deposited under protest approximately \$23 in the SU Fund, corresponding to the assessment of the SU services provided by Personal since the issuance of Decree No.558/08, reserving its right to take all actions it may deem appropriate to claim its reimbursement, as informed to the SC and the CNC on October 15, 2012. Since August 2012, Personal is paying under protest of those concepts in their monthly affidavits.

The Management of Personal could not assure that this issue would be favorably resolved in the administrative stage.

(j) Spectrum

SC Resolution No. 38/14

On July 7, 2014, SC Resolution No. 38 was published in the Official Bulletin which announced a Public Auction process (the “Auction process”) for the awarding of the remaining frequencies of the Personal Communication Services (PCS), of the Cellular Mobile Radiocommunication Services (SRMC), as well as those of the new spectrum for the Advanced Mobile Communications Service (SCMA) recently created.

The Terms and Conditions organized the aggregate of the spectrum to be auctioned in 10 Lots, being the first one to be auctioned exclusively among entering operators. The Public Auction took place on October 31, 2014. Personal presented its economic bids and was awarded Lots 2, 5, 6 and 8. Telefónica Móviles Argentina S.A. (Movistar), América Movil S.A. (Claro) and Arlink S.A also participated in the Auction.

Through SC Resolution No.79/14 the SCMA service was awarded to Personal, while through SC Resolutions No. 80/14, 81/14, 82/14 and 83/14 that were published in the Official Bulletin on November 27, 2014, the following frequency bands were awarded to Personal:

SC Resolution	Lot No.		Frequency Band	Exploitation area/ (Service)	Amount paid (in millions of US\$)	Capitalized cost of acquisition (in millions of \$)
80/14	5	PCS	1890-1892.5 Mhz and 1970-1972.5 Mhz	Northern (3G)	5.0	43
81/14	2	SRMC	830.25-834 Mhz and 875.25-879 Mhz	AMBA (3G)	45.0	387
82/14	6	PCS	1862.5-1867.5 Mhz and 1942.5-1947.5 Mhz	Southern (3G)	6.0	51
83/14	8	SCMA	1730-1745 Mhz and 2130-2145 Mhz	Country (4G) partial awarding	354.7	3,049
					410.7	(*) 3,530

(*) Includes \$18 corresponding to the tax on debits to bank accounts that were capitalized in the cost of the licenses.

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Personal paid for the awarded frequency bands, and also constituted the corresponding performance guarantees. In the case of Lot No. 8, the payment was made on account of the single and total price offered for this Lot.

Personal asked that the assignment of the Frequency Bands for the SCMA services in Lot No. 8, which was partially awarded to Personal through SC Resolution No.83/14, be completed and reserved the applicable rights.

The full awarding of Lot No. 8 became essential for compliance with the commitments foreseen in the Auction Terms and Conditions. Once the awarding process was completed, Personal had access to SCMA Frequency Bands 713-723/768-778, and Personal paid the equivalent of US\$ 247.3 million (the remaining balance of the bid) and constituted the performance guarantees of 15% of the said amount.

The Auction Terms and Conditions provided authorizations for the use of the auctioned frequency bands for a period of fifteen (15) years from the notification of the award. After this deadline the Regulatory Authority would extend the terms of use upon formal request of the awarded operator (which price and conditions would be set forth by the Regulatory Authority).

The Auction Terms and Conditions also established strict coverage and network deployment commitments which require significant investments to Personal. Additional information is provided in Note 18.e).

Through SC Resolution No. 25/15, issued on June 11, 2015, Personal was assigned Frequency Bands 713-723 MHz and 768-778 MHz, which composed Lot 8 and that were pending of assignment by the SC.

On June 25, 2015 Personal paid the offered amounts corresponding to the awarded Frequency Bands (which were equivalent to US\$ 247.3 millions) pursuant to the provisions of the Bidding Terms and Conditions and its complementary clarifying documents, as a result of which the whole amount of the sum offered for Lot 8 was paid. In addition, in its bid documents, Personal stated that such Lot formed a unique and comprehensive block for purposes of complying with the obligations undertaken in connection with the deployment of the SCMA, also expressing that the Federal Government has the obligation to cause the awarded bands to be free from occupants and interferences.

SC Resolution No. 18/14, provided that the 698 to 806MHz frequency bands had to be disengaged before a two years deadline. Expired that period, the irradiating systems involved in the migration had to finish their emissions.

As of the date of issuance of these consolidated financial statements, the deadline provided by SC Resolution No. 18/14 for the disengagement of the 698 to 806MHz frequency band expired on July 18, 2016. However, such frequency band continues to be busy.

New Developments for fiscal year 2016

ENACOM Resolution No. 6,396/16, published in the Official Bulletin on July 22, 2016, provided that the licensees within the scope of the migration provided by SC Resolution No. 18/14 that are currently providing services within the 698 to 806MHz frequency band, may choose to: (i) temporarily continue providing their respective services in other frequencies corresponding to the bands allocated to the broadcasting service, particularly 512-698 MHz frequency band, subject to technical feasibility verified in each case, and for the term provided in section 2 of Resolution No. 6,396/16; or (ii) request the assignment of a bandwidth equivalent to that currently authorized, in 12.2 to 12.7 GHz destination band.

On the other hand, the "Authorization Agreement for the Use of Frequency Bands", related to the bands awarded to Personal as a result of the public auction called pursuant to the provisions of SC Resolution No. 38/14 is still pending of execution by the Regulatory Authority.

Personal has filed a presentation before the ENACOM, requesting clarification on the timescale in which the operators involved in the migration should comply with the provisions of the ENACOM Resolution No. 6,396/16. In addition, Personal has requested the review of the proceedings related to the migration of services operating in the bands that were awarded to it through SC Resolution No 25/15. As of the date of issuance of these consolidated financial statements, ENACOM has not responded to the request filed.

According to the provisions of Decree No. 1,340/16, the term of the authorizations for the use of frequencies of the Advanced Mobile Communications Service, as well as the corresponding deployment obligations, will be computed from the actual migration of the services currently operating in these bands in Area II (AMBA) (Additional information on the impact on Personal is disclosed in Note 3.i) and Note 18.e) to the consolidated financial statements as of December 31, 2016).

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On January 18, 2017, Personal filed a letter to ENACOM expressing its interest in participating in the Auction, Offering or Reattribution procedure/s of frequency bands timely available within the scope provided by Law No 27,078 and consistent regulations, subject to the analysis of the conditions defined at that time. This includes the bands currently attributed to the Mobile Communications Service or Advanced Mobile Communications Service, as thus also any other band which, in the future, be attributed to the provision of such services among other frequencies in bands 2.5-2.6 Ghz, 3.4-3.7 Ghz, 450 Mhz, 600 Mhz, 700 Mhz, 800 Mhz, 850 Mhz, 900 Mhz, 1900 Mhz, AWS, and extended Aws.

On January 31, 2017, Resolution of the Ministry of Communications 171-E 2017 was issued, approving the “Regulations of Refarming with Financial Compensation and Shared Use of Frequencies” (Reglamento de Refarming con Compensación Económica y Uso Compartido de Frecuencias). As a summary, the following provisions can be highlighted:

- Instructs ENACOM to analyze the technical feasibility and implement the allocation to the mobile service, with primary status, of the 450-470 MHz, 698-960 MHz and 2,300-2,400 MHz frequency bands. All of the above is to be used in the provision of SCMA or any other arising from technological developments..

- Provides the preventive suspension of the reception of awarding procedures in 1.427-1.518 and 3300-3600 MHz frequency bands.

- Modifies the spectrum cap, setting it in 140 MHz per provider for each area and/or operating location. For such purposes, the spectrum assigned to each company, its subsidiaries or controlling shareholders, directly or indirectly, or subject to common control or those holding more than 30% of the shares of another company, will be considered if, with such equity interest, holds a position of substantial influence in the decisions of such company. Any other subject or body may be included in the calculation of the spectrum awarded to any other subject or entity assigned to that spectrum when it is understood that any contractual linkage has been entered into to circumvent this limit.

- Instructs ENACOM to modify the “National Scheme of Attribution of Radio Spectrum Bands” (Cuadro Nacional de Atribución de Bandas del Espectro Radioeléctrico – “ER”) for the purpose of making available for MCS providers frequency bands suitable to that end.

- From the publication of the new bandwidth table and its respective channels, MCS providers will have a maximum of 15 working days to request their express assignment. Such allocations shall be made on equal terms and conditions as those required from other providers of similar service in the same band. This provision is complemented by section 9 of Resolution No. 1,034-E/17.

- The regulatory authority is delegated to ENACOM, who will provide the necessary complementary or explanatory rules for a better application of these provisions.

Through the Annex attached to the resolution, the “Refarming Regulation” is approved including a series of definitions that enable to properly understand the scope of the resolution. These definitions include the following:

Economic Compensation (EC): The amount established by ENACOM to be paid by the Authorized Provider for the implementation of the Refarming procedure, calculated on the basis of the values obtained from URV, RV and its application thereto of the relevant discounts according to the Coverage Obligations and other weightings carried out in the approving resolution.

Distinguishes between *Provider*, *Authorized Provider*: (licensee to which ENACOM authorizes a new mobile service of high spectral performance using Radio Spectrum frequencies previously authorized for the provision of another fixed or mobile service) and *Incoming Provider* (licensee that until the approval of the project requesting the re-allocation of frequency use through Refarming, was not providing PCS, SRMC, STM or SCMA. Any entity that, directly or indirectly, is the parent company of, controlled by, or subject to common control with, any entity that is providing PCS, CMRS or AMCS shall not be deemed as *Incoming*. Notwithstanding this, ENACOM may consider cooperatives or SMEs as *Incoming*, even when they are providing PCS, SRMC or SCMA in the virtual operator mode).

Reference Value (RV): Value based on the VUR to be calculated for the frequency bands originally assigned for other services.

Unitary Reference Value (URV): The value expressed in US\$ cents per MHz per inhabitant, which will be the multiplication factor of the bandwidth and population of each of the localities covered by each submitted Project, for the purpose of the RV.

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Principles of the Reclassification Procedure (Refarming): It will only be applicable to Frequency Bands for which, according to ENACOM opinion, there is “commercial availability of the technology ecosystem”. ENACOM will be entitled to determine, to its exclusive judgment, whether the applicant meets the necessary conditions for the provision of the services involved. It will also be empowered to impose coverage obligations and specific service goals. On the other hand, the authorizations resulting from the Refarming procedure may have extension terms similar to those of equivalent services.

The Refarming project: Each provider who requests the re-qualification of the RE having a use other than the one originally assigned must submit a project including at least:

- Description of the bands
- Area of coverage and affected localities
- Population
- Bandwidth
- 15-year customer estimate and associated Investment Plan

If the Project is approved, ENACOM shall publish it in the Official Bulletin with the level of detail required in the regulation (service plan, location, values, deadlines, etc.).

The deadline for the payment of the Financial Compensation will be 30 working days from the enactment of the Administrative Act. In the case of an SME or cooperative, a payment plan may be requested.

The URV shall be calculated on the basis of the arithmetic average of the final values resulting from auctions carried out in our country for each specific frequency band involved in the refarming procedure expressed in US\$ cents per MHz per inhabitant.

In the absence of a national background, the market average retrieved in auctioning processes in each frequency band retrieved from publications of ITU, *Organización para la Cooperación y el Desarrollo Económicos* (CNUCYD), *Conferencia de las Naciones Unidas sobre Comercio y Desarrollo* (UNCTAD), among other multilateral organizations of reference, will be adopted. These values should be adjusted by comparative parameters reflecting the differences of scenarios with Argentina (PPP and ARPU). Once the URV is calculated, the next stage is to determine the RV, which is obtained by multiplying the URV of each band by MHz and the population of each location.

The amount of the EC will emerge when applying discounts to the VR, according to the impact in the Discounted Cash Flow (CDF) that coverage obligations and goals of service established by ENACOM may have, as well as the speed of network services deployment calculated from the investment amounts of the first 5 years with respect to the total amount of the Project. In each Project, the provider may propose returning to the State portions of the spectrum not used in the Refarming, which may be applied to deduct the calculated value of the RV.

In addition, ENACOM Resolution No. 1,033-E/17, issued on February 20, 2017 provided to allocate the frequency bands between 905-915 MHz, and 950-960 MHz to the Mobile Service with primary status, and the use of the frequency bands between 905-915 MHz, and 950-960 MHz for the provision of the Advanced Mobile Communications Service.

ENACOM Resolution No. 1,034-E/17, also issued on February 20, 2017, allocated the frequency band between 2,500-2,690 MHz to the Mobile Service with primary status, and the use of the frequency band between 2,500-2,690 MHz for the provision of the Advanced Mobile Communications Service, in addition to current services when their coexistence is possible.

On March 7, 2017 ENACOM Resolution No. 1,299-E/17 was published in the Official Bulletin. This Resolution approved the Refarming Project with Financial Compensation and Shared Use of Frequencies to Nextel Communications Argentina SRL (“Nextel”), to provide the Advanced Mobile Communications Service, granting this company the registration for the provision of such service, and authorizing it to:

- use frequencies between 905-915 MHz and 950-960 MHz in accordance with the provisions of ENACOM Resolution No. 1,033-E/17 and channels 7 to 10, and 7' to 10' in FDD mode, provided in the Annex of Resolution No. 1,034-E/17, for the provision of the Advanced Mobile Communications Service in locations and areas described in the Project approved by the Resolution.
- use frequencies between 2,550-2,560 MHz, and between 2,670-2,680 MHz exclusively for migrating users from pre-existing services, for a 2-year period, term in which it should additionally resolve the final destination of those users. Once the migration is completed, or the 2-year term expires, whichever occurs last, Nextel may use channels 11 and 12, and the corresponding 11' and 12' in FDD mode, provided in the Annex to Resolution No 1,034-E/17, for the provision of the Advanced Mobile Communications Service in locations and areas described in the Project hereby approved.

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The Resolution provides as URV for the radio spectrum the following bands involved in the project:

- 900 MHz Band = 0,1841 (US\$/MHz/inhabitant)
- 2,600 MHz Band = 0,0423 (US\$/MHz/inhabitant)

RV for frequencies involved in the Project in FDD mode is set in US\$178,419,397 calculated pursuant to Section 7 of MINCOM Resolution No. 171-E/17, based on the URV provided in the foregoing section.

The rule establishes that the following discounts and weighting factors will be applied, which shall be calculated pursuant to section 7 of MINCOM Resolution No. 171-E/17, and which in detail will be used in order to determine the amount of the Financial Compensation that will be part of the agreement to be settled.

- Discounts:
 - The amount equivalent to the frequencies of the spectrum whose return is provided in section 7 therein, and whose value will be calculated according to the URV provided in section 8 herein, as appropriate.
 - The amount corresponding to the valuation of the Coverage Obligations provided by section 10 of the regulation.
- Weighting Factors:
 - The speed of networks and service deployment calculated from the amount of investment for the first five years, with respect to the total Project hereby approved.
 - The speed of deployment of the Coverage Obligations provided in section 10 therein.

The approved Project has not been published and its implementation is subject to the issuance of the agreement specifying the terms, conditions, goals, obligations and other issues inherent to the provision of Advanced Mobile Communications Service, which is pending of subscription.

The Company and Personal, with the assistance of its legal advisors, are analyzing the impact that the application of the provisions of MINCOM Resolution No. 171-E/17, ENACOM Resolution No. 1,034-E/17 and ENACOM Resolution No. 1,299-E/17 may have on their business.

(k) SC Resolution No.1/13 - Contingency plan for service provision in case of emergencies

On April 8, 2013, SC Resolution No.1/13 was published in the Official Bulletin, establishing that all mobile operators should guarantee the service provision, even in emergency situation or catastrophe, in which case the normal service provision must be restored in a maximum period of one hour. Mobile operators must, in all cases, prioritize the access to emergency services in the affected areas.

In addition, SC Resolution No.1/13 established that mobile operators present within 45 days a Contingency Plan for emergency situations, for purposes of guaranteeing the continuity of services in such circumstances.

As of the date of issuance of these consolidated financial statements, Personal has appealed SC Resolution No.1/13 exposing the arguments by which the mentioned resolution should be released. However, Personal has met its commitment to present a Contingency Plan for emergency situations.

On January 26, 2015, the CNC provided comments on Personal's Contingency Plan and also required the reporting of the measures chosen to implement the Plan and the status thereof. Personal filed to AFTIC a new Contingency Plan with the required amendments. As of the date of issuance of these consolidated financial statements, the Regulatory Authority has not pronounced on this matter.

(l) SC Resolution No.5/13 – Telecommunication service quality regulation

On July 2, 2013, SC Resolution No.5/13 was published in the Official Bulletin. This Resolution approved a "telecommunication service quality regulation", establishing, among others, new quality parameters required for telecommunication services provided through mobile and fixed public networks, for all the operators in Argentina, as well as the obligation to provide periodic information to the CNC.

CNC Resolution No.3,797/13 was published in the Official Bulletin on November 13, 2013, supplementing SC Resolution No. 5/13 and approving the Audit Procedures and Technical Verification of Service Quality Regulation of Telecommunications Services Manual.

Pursuant to the provisions of CNC Resolution No.3,797/13, the Company and Personal have submitted their respective "Technical Reports" (detailed technical specifications of the measurement process) and have made their submissions providing the required information pursuant to the provisions of SC Resolution No.5/13.

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On August 14, 2014 the CNC notified the Company and Personal that the audits and technical verifications that the Regulatory Authority shall perform on the supply of services regarding licenses of the Company and Personal will be performed following the processes and methods of measurement exhibited in the respective presentations of the "Technical Reports". The CNC also notified the Company that these shall be carried out using the principles set forth in SC Resolutions No.5/13 and CNC No.3,797/13. Notwithstanding, the CNC developed verification tasks of the mobile services by means of tests of calls and data with measuring mobile devices in different locations of the country using procedures different from those defined in the Quality Regulation and published the results at "quenosecorte.gob.ar".

Within the scope of said verifications, the CNC initiated penalty processes against Personal for alleged non-compliance with CNC Resolution No.3,797/13. The Management of Personal has in a timely basis submitted its solid legal defense against these claims.

Since the enforceability of this Resolution is subject to the compliance of certain steps for its implementation with the previous approval of the Regulatory Authority, the Company and Personal have carried out the corresponding reservations of their rights in each of their submissions. In addition, the Company has stated in its different submissions that, due to the special circumstances that affected its tariff structure, the compliance of the burdensome operative and customer service parameters set forth in SC Resolution No.5/13 should not apply.

(m) Regulation of Virtual Mobile Operators

SC Resolution No.68/14, published in the Official Bulletin on October 28, 2014, approved the Regulation of Virtual Mobile Operators ("VMO") and the Basic Requirements for VMO Agreements. Among its provisions, the Resolution states that the Network Mobile Operators ("NMO") that have spectrum and infrastructure, shall annually file a reference offer for those interested in providing services as VMO, in which they will set forth the technical and economic conditions, which shall be reasonable and non-discriminatory. The Resolution also provides the modalities and procedures for the provision of such services. According to Article 2 of the Annex of the Resolution, the Regulation is applicable to SCMA.

Ministry of Communications Resolution No. 38/16, issued on May 5, 2016, approved the new Regulation of Virtual Mobile Operators ("VMO") and revoked SC Resolution No. 68/14, which had approved the Regulation of Virtual Mobile Operators previously provided by former SC.

The mentioned Resolution provides that Network Mobile Operators ("NMO"), which have spectrum and infrastructure (among them, Personal), must submit, within 120 calendar days since the Resolution publication, a Reference Offer ("the RO") for those interested in providing VMO services. The RO must be published annually in the NMO and on the Regulatory Authority official web site, and shall provide the economic and technical conditions (that will be freely established between the parties, reasonable, and non-discriminatory), clearly detailing the prices and conditions of each of the benefits and services to be provided.

This new Regulation is applicable for Mobile Communications Service (SCM), which includes Mobile Telecommunication Services (STM), Cellular Mobile Radio-communications Services (SRMC), Personal Communications Services (PCS) and Mobile Advanced Communications Services (SCMA). The Resolution also provides the procedures for the Services Agreements subscription between the NMO and the VMO, which will determine the terms and conditions under which the NMO will provide telecommunications network access and, where appropriate, telecommunications network interconnection the VMO.

On September 1, 2016, Personal filed a presentation to the Ministry of Communications through which it exposed substantial grounds for finding essential the suspension of the deadline for submission of the OR provided in Section 2 of Ministry of Communications Resolution No. 38/16, until the 700MHz frequencies comprising Lot 8 (awarded and paid by Personal) were in full conditions of use and until the spectrum of Lot 1 of the Frequency Bands Public Auction developed by SC Resolution No. 38/14 was allocated and "on-air". Through the mentioned presentation it was also requested: a) the removal of Section 10 of Annex I of the above-mentioned rule (which does not allow agreements with VMO on an exclusive basis); b) that ENACOM enclose interference measurements carried out in the 700MHz Band awarded to Personal; and c) that ENACOM informs whether it has definitively resolved all the claims filed by the users of such band.

Notwithstanding its presentation, on January 12, 2017, ENACOM charged Personal for non-compliance with the RO presentation. Personal has submitted its discharge rejecting the accusation and has submitted its RO, which validity is subject to the resolution of the legal issues exposed in its submissions.

(n) Decree No. 798/16: National Plan for the Development of Competitiveness Conditions and Quality of Mobile Communications Services

Decree No. 798 published in the Official Bulletin on June 22, 2016 – issued within the scope of the Ministry of Communications– approved the National Plan for the Development of Competitiveness Conditions and Quality of the Mobile Communications Services, which has its strategic focus on encouraging greater efficiency in the market, with quality services at fair and reasonable prices.

The above mentioned plan provides that within 90 days the Ministry of Communications shall, i) start the process of adaptation of the scheme approved by Resolution SC No. 157/97 (CPP scheme) to the provisions of the LAD; ii) update the General Regulation of MCS customers along with the process initiated by the Resolution SC No. 12/13, proving for the existence of mechanisms that would allow customers to access information about the quality of the service and to get benefits and/or compensation in their services in case of non-compliance with the established quality standards; (iii) start the process of adaptation of the “Regulation on Administration, Management and Control of Frequency Bands” (Reglamento sobre Administración, Gestión y Control del Espectro Radioeléctrico), to the provisions of the LAD, in order to introduce greater competitiveness in all services; (iv) update the “National Scheme for the Granting of Frequency Bands” (Cuadro Nacional de Atribución de Bandas del Espectro Radioeléctrico) so as to increase the availability of frequencies for the provision of mobile communications services, for which purpose the procedures provided in section 30 of the LAD will be initiated; v) incorporate to the “Universal Service General Regulation” (Reglamento General del Servicio Universal) approved by Resolution ENACOM No. 2.642/16, the granting of priority to consider -in programs with SU Funds- projects eligible to be developed in those Municipalities which have adopted the legislation proposed in the “Code of Good Practices for the Deployment of Mobile Communication Networks” (Código de Buenas Prácticas para el Despliegue de Redes de Comunicaciones Móviles) provided by the “Argentine Federation of Municipalities and the Operators of Mobile Communications” (Federación Argentina de Municipios y los Operadores de Comunicaciones Móviles”) and supported by the former SC of the former Ministry of Federal Planning, Public Investment and Services on August 20, 2009, or those contemplating rules of similar characteristics that would not prevent, in fact or Law, the deployment of such networks; (vi) develop a National Contingency Plan for disaster situations; and (vii) Update the National Interconnection Regulations and Licensing for Telecommunications Services and the Scheme of Portability Number approved by Resolution SC No. 98/10.

This Decree also provides that the Ministry of Communications, through the ENACOM, shall, in a 60-calendar-day term, prepare measurement protocols that would enable to show the quality perception of MCS users, taking into account UIT parameters, and review and update quality standards for the ICT service networks through all the corresponding areas.

In addition, the ENACOM shall perform measurements of non-ionizing radiations in order to control that these remain within non-harmful levels to human health, and the “Administration Agency for State Property” (Agencia de Administración de Bienes del Estado - AABE) shall in its role as governing Body of the state property policy, perform procedures and administrative acts and relevant contracts to grant the use for valuable consideration of terraces, roofs, towers, solar and/or any installation, plant or property sector of the State that are suitable for the installation of supporting structures of antennas, equipment and installations associated with telecommunications, information technologies and communications and/or audiovisual communication services. The AABE will make available for the licensees of such services and for independent companies sharing passive infrastructure, the listing of state properties potentially suitable for such facilities.

Among other aspects, the Decree provides that, as a way to encourage the rapid deployment of networks and the infrastructure sharing, rent fees will not be charged for a 1-year period for the use of state property in which base stations are installed within 3 months of publication of the rule in the Autonomous City of Buenos Aires, or within 6 months in the rest of the country. Under the same condition, this period will be extended to 3 years when the infrastructure is shared by two Mobile Services Licensees, and to 4 years when it is shared by more than two. Identical benefit will be granted if it is a sharing independent company of passive infrastructure, and the above conditions are met.

In this regard, it is worth mentioning the agreement signed on April 27, 2016 between Personal, AMX Argentina S.A., Telefónica Móviles Argentina S.A., the Ministry of Communications and the Government of the City of Buenos Aires, to facilitate the deployment of network infrastructure in the area of Comuna 1 of the Autonomous City of Buenos Aires, including the use of roofs and luminaries of the GCBA.

As of the date of issuance of these financial statements, the issuance of the rules regulating the above mentioned provisions is still pending.

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Through Resolution No. 5/2017 of the Ministry of the Interior, Public Works and Housing Court of Appraisals of the Nation (February 1, 2017), initial monthly rent fees for the year 2017 were approved, for the use against payment of terraces, roofs, solar towers or any installation, plant or sector of state property that are suitable for the installation of supporting structures of antennas, equipment and installations associated with telecommunications, information technologies and communications and audiovisual communication services.

(o) Mobile Services Parcial Interruption

On October 5, 2016, while upgrading some Personal's network equipment, an equipment failure caused difficulties in establishing voice communications in some random areas for approximately five hours. The rest of the mobile services, such as data, were not affected. Clients could continue communicating by data instant messaging and other applications without inconveniences. The failure affected approximately one million mobile subscribers across the country.

Due to this partial interruption, during October 2016, Personal subsidized to its prepaid subscribers a full day of calls to other Personal's subscribers and also subsidized to postpaid subscribers a full day of their monthly charges.

(p) "Tax Stability" principle: impact of variations in Social Security contributions

On March 23, 2007, the SC issued Resolution No. 41/07 relating to the impact of variations in social security contributions occurring after November 8, 1990 and the proposed use for the resulting savings and increases in contribution rates that have occurred.

The Company had recorded a liability related to the savings caused by reductions in the levels of social security contributions initially earmarked for the argentina@internet.todos Program. The mentioned savings were substantially generated during fiscal year 2000. Resolution No. 41/07 allowed the Company to recover the increases in social security contributions that it has to pay as a consequence of the increase in social contributions rates.

Within this context and considering applicable the principle of tax stability provided by the Transfer Agreement approved by Decree No. 2,332/90, the Resolution authorized the aforementioned savings being offset with the amounts arising from the application of the mentioned increases.

The offset of both concepts and the determination of a balance, were subject to the audit results performed by the Regulatory Authority according to the information provided by the Company. The mentioned audit was performed during the third quarter of 2007. The Company took knowledge of the proceedings, in which the CNC recognized a receivable arising from increases in social contributions within the scope of Resolution No. 41/07, and cancelled payables arising from reduction in social contributions taxes with the Regulatory Authority and other sanctions imposed to the Company.

As of December 31, 2016, the Company has a net receivable of \$34 which, in addition to the receivable of \$23 corresponding to the IDC as explained in (q) below, is included in the line item "Other receivables".

Since Resolution No. 41/07 provides the Company the right to offset receivables with existing and/or future regulatory liabilities and, given the Company's intention to exercise this right, the receivable was recorded net of several provisions. As of December 31, 2016, the provisions which can be offset with the receivables arising from Resolution No. 41/07 and from IDC amounted to \$57.

It is worth mentioning that since December 2008, the Company continued its practice of billing customers for the increases in its social security contribution rate accrued from October 2008, applying the same method used to bill the IDC.

(q) Tax on deposits to and withdrawals from bank accounts charged to customers

On February 6, 2003, the Ministry of Economy, through Resolution No.72/03, defined the method to allow, going forward, rate increases on Basic Telephone Services reflecting the impact of the IDC. The amount of tax charged must be shown separately in customers' bills. The Company has determined the existence of a remaining unrecovered amount of approximately \$23 that arose before the issuance of Resolution No.72/03.

In April 2007, the Company provided the CNC with supporting documentation about this amount and in May 2007 filed its preliminary economic evaluation to the Regulatory Authority. The Company took knowledge of the Regulatory Authority's documentation which corroborates the amount claimed by the Company and provides a similar offsetting method pursuant to Resolution No.41/07 (as described in (m) above). As a result, the Company recorded as "Non-current Other receivable" a total of \$23. This receivable is also included in the provisions for regulatory matters described above.

(r) Dollarization and pesification of rates

Convertibility period of the peso to the US dollar: dollarization rates.

On November 28, 1991 the Company and Telefónica signed an agreement with the Argentine government related to the rate regime, which was ratified by Decree No. 2,585/91 and was effective from December 18, 1991. The most relevant aspects included in this agreement that amended the rate regime provided by the Transfer Agreement were:

1. The rate, measured in basic telephone pulses, was set in US dollars, adjustable twice a year (April and October) based on the variation of the U.S. C.P.I. (all items). These rate adjustments did not require the prior approval of the Regulatory Authority. Since 2000 these rate adjustments were not applied according to agreements signed with the SC, which delayed its implementation. Subsequently, in October 2001, an injunction prevented the continuity of application, as indicated in o) above.

2. The customers billing continued performing in local currency.

Rates pesification: regulated public services rates freezing

On January 6, 2002, the Argentine government enacted Law No.25,561, *Ley de Emergencia Pública y Reforma del Régimen Cambiario* (the "Public Emergency Law"). This Law, by Article 8, annulled adjustment clauses in dollars or other foreign currencies and indexation clauses based on price index and any other indexation method. As a consequence, from that date the Company's rates were set in pesos at the exchange rate \$1 Argentine peso per US\$ 1. As a consequence, regulated fixed service tariffs remained frozen until the end of the year 2015. Such freezing of tariffs violated the Transfer Contract and regulations that supplemented it.

The Transfer Agreement and the resolution of the regulatory issues that negatively affected the operations of the Company since the enactment of the Public Emergency Law and the Exchange Regime System Reform in January 2002 (pesification of rates, lack of compensation for SU features, increased penalties for delays in repairing and installation in fixed telephony, etc.), have not been fulfilled by the Argentine government making it responsible for the damages caused.

Additional information on the Company's tariffs pesification, Letters of Understanding with the National Government / UNIREN and Price Cap are presented in consolidated financial statements of prior years.

(s) Other regulations

"Buy Argentine" Act

According to the provisions of Article 1 of Law No. 25,551, which is regulated by Decree No.1,600/02, Telecom Argentina, as a public fixed telephone service licensee, and their respective direct subcontractors, shall give preference to the purchase or lease domestic goods and services.

Article 2 of the mentioned law provides that a good or service is of domestic origin when it has been produced or extracted in Argentina, provided that the cost of raw materials, supplies or nationalized imported materials do not exceed 40% of the goods or services gross production value.

Article 3 of the mentioned law provides that the preference established in Article 1 to domestic goods or services will apply when, for identical or similar goods or services, under cash payment terms, the price is equal to or lower than the price of imported goods or services, increased by 7% when the offering of the good or services is carried out by companies qualified as SME, and 5% when the offering of the good or services is carried out by other companies. For comparison purposes, the price of imported goods shall include import duties and taxes and all expenses required for its nationalization.

The mentioned law provides that the hiring companies shall announce their tenders in the Official Bulletin as required by the regulation involved, so as to provide all possible bidders timely access to information that enables them to participate in the mentioned tender. It is worth mentioning that the communication provided in the hiring processes law for purchases subject to the Buy Argentine Act, establishes a considerable period prior to the issuance of the purchase order. The mentioned Act also establishes criminal sanctions for non-compliance.

Relating to services acquisitions, Decree No.1.600/02 refers to Law No. 18,875, which provides the obligation to hire only companies, consultants and domestic professionals, as defined in the mentioned Law. Any exceptions must be approved by the competent Ministry.

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In August 2004, the CNC Resolution No. 2,350/04, approved the “Procedure for the accomplishment of the Buy Argentine Act”, which includes the obligation to submit semiannual affidavits related to the compliance with the Act. The Act provides an administrative sanctions procedure for non compliance with this information procedure.

It is worth mentioning that this Act provides to the Company less operational flexibility related to, among other matters, the terms lengthening in tenders, authorizations management prior to acquisitions and higher administrative expenses for the required semiannual information submission.

Regulation Draft for Mobile Communication Service Subscribers

SECTIC Resolution 6-E/16 issued on September 16, 2016 declared the opening of the Procedure provided by the “General Regulation for the Participatory Formulation of Regulations” (Reglamento General para la Elaboración Participativa de Normas) in relation to the draft of “Regulation for Mobile Communication Service Subscribers” (Reglamento de Clientes de los Servicios de Comunicaciones Móviles) published in the Official Bulletin and on the ENACOM website. This Procedure invites citizens to express their opinions and proposals regarding the Regulation draft. The deadline for opinions and proposals submission expired on November 1, 2016. Personal submitted its comments to the Regulation draft.

Amendment Draft to the “Number Portability Regulation”

Through SECTIC Resolution 7-E/16 issued on September 16, 2016, the ICT Secretary declared the opening of the Consultation Document procedure provided by the “General Regulation of Public Hearings and Consultation Documents for Communications” (Reglamento General de Audiencias Públicas y Documentos de Consulta para las Comunicaciones), in relation to the “Number Portability Regulation” Amendment Project. The submission of opinions and proposals deadline expired on October 17, 2016. Personal submitted its opinion to the amendments proposed in the published draft.

Document on “Consultation on Interconnection and ICT Services Network Access”

Through SECTIC Resolution 9-E/16: published on September 22, 2016, the ICT Secretary declared the opening of the procedure provided by the “General Regulation of Public Hearings and Consultation Documents for ICT Services” in relation to the document “Consultation on Interconnection and ICT Services Networks Access”. On October 20, 2016, the Company submitted to the ICT Secretary its opinions and proposals for the published consultation.

Identification of Users of the Mobile Communications Service

Through Resolution No. 6-E/16, issued on November 10, 2016, the Ministry of Security and MINCOM, decided jointly to instruct ENACOM to adopt, within a period of 15 days, the necessary measures to identify all Mobile Communications Service users of the country in a Mobile Communications Service Identity Record.

ENACOM Resolution No. 8,507-E/16, published on December 2, 2016, approved the Regulation for the Mobile Communications Services user’s identity validation. Personal is developing the necessary actions and implementations in order to comply with the registration guidelines of its subscribers, provided in this regulation.

“Consultation on ICT Services Licenses Regulation” Document

MINCOM and SECTIC Resolution No. 1-E/17, issued on January 20, 2017, declared the opening of the Consultation Document procedure provided in Annex I of the “General Regulations for Public Hearings and Communications Consultation Documents”, in relation to “ICT Services Licenses Regulation” project.

Blocking Procedure for handsets with Theft or Loss Report and Identification of Irregular IMEIS

ENACOM Resolution No. 2,459/16, published in the Official Bulletin of May 20, 2016, approved the “Terminal Blocking Procedure for handsets with Theft or Loss Report and Identification of Irregular IMEIS”, for the purpose of establishing the obligations to be complied by Mobile Communications Service Providers and Virtual Mobile Operators regarding the blocking of mobile handsets with theft or loss report, and the identification of Irregular IMEIs operating on their networks, as well as the obligations of loading and updating negative databases, or “negative list”.

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The Regulation entered into force since July 6, 2016 and among its main provisions establishes that SCM users should report the theft or loss of their telephone line and its associated ETM to its PSCM, which should block the Telephone line and its last associated IMEI without any exception, by including the latter in its Negative Database (BDN) at the time of receiving the complaint. The PSCM and the MVNO should make available to the users different channels of contact for the receipt of complaints, among which stand out: i) Personalized Attention in branches and customer service centers; ii) Telephone Assistance, through a unique and free number to which the user must have access both by mobile telephone network and by fixed telephone network; iii) PSCM Web site.

The PSCM shall exchange their BDNs in order to ensure that the IMEIs contained therein are blocked or enabled in all networks, with a period of EIGHT (8) hours, and shall include the Authority Of Application in the circuit of exchange of registrations, so that the latter updates the Administrative Database, administered by the Application Authority.

The standard establishes control mechanisms in relation to Irregular IMEIs, which provide that the PSCM must arbitrate the necessary means to analyze their networks in order to detect the activity of ETM with Irregular IMEI, for later blocking, providing a Term for its implementation of 180 days, counted from the effective date of the Regulation.

It is also provided that the PSCM should block and include in their BDN all invalid IMEI detected. For the cases of the ETMs associated with a telephone line prior to the present time, the PSCM shall, within a period of TWO (2) years, block and include in the BDN all invalid IMEI detected in their Networks.

Personal is developing the necessary system implementations in order to comply with the provisions of this Regulation.

Request for preliminary opinion on the eventual case of corporate integration

During 2016 the Company's Management started a project to analyze the technical feasibility of a corporate integration with Personal, in order to simplify the business processes and reduce the cost structure of the Group. Within the framework of this Project, in December 2016, the Company and Personal requested to ENACOM a preliminary opinion on the conditions of the transfer of licenses and frequencies of Personal in favor of Telecom Argentina, prior to any corporate integration decision that the Directors of both companies would decide. In February 2017, clarifications were provided on the reasons for the request made. As of the date of issuance of these consolidated financial statements, the Regulator's response is still pending.

Tuves' shares purchase option for Nucleo

On October 4, 2016, Nucleo's Board of Directors authorized the execution of the shares purchase option that TUVES S.A (Chile) granted to Nucleo in order to acquire the controlling interest in Tuves.

On October 6, 2016 Tuves' shareholders accepted Nucleo's proposal for executing the shares purchase option (70% Tuves' total capital), which is subject to the CONATEL's previous approval.

As of the date of issuance of these consolidated financial statements, the CONATEL has not concluded on this matter.

Note 3 – Significant accounting policies

a) Going concern

The consolidated financial statements for the years ended December 31, 2016, 2015 and 2014 have been prepared on a going concern basis as there is a reasonable expectation that Telecom Argentina and its subsidiaries will continue its operational activities in the foreseeable future (and in any event with a time horizon of more than twelve months).

b) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Argentine pesos (\$), which is the functional currency of all Telecom Group's companies located in Argentina. The functional currency for the foreign subsidiaries of the Telecom Group is the respective legal currency of each country.

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The financial statements of the Company's foreign subsidiaries (Núcleo, Personal Envíos, Telecom USA and Springville –up to February 2014–) are translated using the exchange rates in effect at the reporting date; for assets and liabilities while income and expenses are translated at the average exchange rates for the year. Exchange differences resulting from the application of this method are recognized in Other Comprehensive Income. The cash flows of foreign consolidated subsidiaries expressed in foreign currencies included in the consolidated statement of cash flows are translated at the average exchange rates for each year.

c) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency using the foreign exchange rate prevailing at the date of the transaction or valuation where items are re-measured. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the foreign exchange rate prevailing at the reporting date. Exchange differences are recognized in the consolidated income statement and are included in Financial income/expenses as Foreign currency exchange gains or losses.

d) Consolidation

These consolidated financial statements include the accounts of Telecom Argentina and its subsidiaries over which it has effective control (Personal, Núcleo, Micro Sistemas, Telecom USA, Personal Envíos and Springville –up to February 2014–) as of December 31, 2016, 2015 and 2014.

Control exists when the investor (Telecom Argentina) has power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to use its power to affect the amount of the returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They should be deconsolidated from the date that control ceases.

In the preparation of the consolidated financial statements, assets, liabilities, revenues and expenses of the consolidated companies are consolidated on a line-by-line basis and non-controlling interests in the equity and in the profit (loss) for the year are disclosed separately under appropriate captions, respectively, in the consolidated statement of financial position, in the consolidated income statement and in the consolidated statement of comprehensive income.

All intercompany accounts and transactions have been eliminated in the preparation of the consolidated financial statements.

Financial year-end of all the subsidiaries' financial statements coincides with that of the Parent and are prepared as of the same closing date and in accordance with the same accounting policies.

e) Revenues

Revenues are recognized to the extent that it is considered probable that economic benefits will flow to the Company and their amount can be measured reliably. Final outcome may differ from those estimates.

Revenues are stated net of discounts and returns.

The Company discloses its revenues into two groups: services and equipment. Service revenues are the main source of income for the Company and are disclosed by nature: Voice services, Internet services and Data transmission services. This classification of revenues is given by different commercial offers and products, type of contracts and kind of customers. Equipment sales represent a precursor of the mentioned service revenues; therefore, the Group only sells equipment to customers and, from time to time, the Management of Personal and Núcleo decide to sell mobile handsets at prices lower than their respective costs in order to acquire new contracts with a minimum non-cancelable period of permanence.

Other income mainly includes penalties collected from suppliers which are realized in the ordinary course of business but are not the main business objective.

The Company's principal sources of revenues are:

Fixed telecommunication services and products

Domestic services revenues consist of monthly basic fees, measured service, long-distance calls and monthly fees for additional services, including call forwarding, call waiting, three-way calling, itemized billing and voicemail.

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Revenues are recognized when services are rendered. Unbilled revenues from the billing cycle dating to the end of each month are calculated based on traffic and are accrued at the end of the year.

Basic fees are generally billed monthly in advance and are recognized when services are provided. Billed basic fees for which the related service has not yet been provided are deducted from corresponding accounts receivable. Revenues derived from other telecommunications services, principally network access, long distance and airtime usage, are recognized on a monthly basis as services are provided.

Revenues from the sale of prepaid calling cards are recognized on the basis of the minutes used, at the contract price per minute, or when the card expires, whichever happens first. Remaining unused traffic for unexpired calling cards is shown as "Deferred revenue on prepaid calling cards" under Deferred revenues line item in the statement of financial position.

Interconnection charges represent amounts received by the Company from other local service providers and long-distance carriers for calls that are originated on their networks and transit and/or terminate on the Company's network. Revenue is recognized as services when they are provided.

Traffic revenues from interconnection and roaming are reported gross of the amounts due to other telecommunication operators.

Non-refundable up-front connection fees for fixed telephony, data and Internet services that are non-separable from the service are accounted for as a single transaction and deferred (as well as the related costs not in excess of the amount of revenues) over the term of the contract or, in the case of indefinite period contracts, over the average period of the customer relationship (approximately 8 years in the case of fixed telephony's voice services).

Reconnection fees charged to customers when resuming service after suspension are deferred and recognized ratably over the average life for those customers who are assessed a reconnection fee. Associated direct expenses are also deferred over the estimated customer relationship period up to an amount equal to or less than the amount of deferred revenues. Generally, reconnection revenues are higher than its associated direct expenses.

Revenues from sales of goods, such as telephone and other equipment, are recognized when the significant risks and rewards of ownership are transferred to the buyer.

Revenues on construction contracts are recognized based on the stage of completion (percentage of completion method). When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognized as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

No revenue or costs on construction contracts were recorded for years 2016 and 2015, respectively.

Revenue on construction contracts recognized in the year ended December 31, 2014 amounted to \$7. The 2014 agreement provides finance within 48 months from November 2014, the date when the implementation of the project was effective. As of December 31, 2016, \$17 are receivables.

Cost on construction contracts recognized in the year ended December 31, 2014 amounted to \$6

Revenue from international telecommunications services mainly includes voice and data services and international point-to-point leased circuits. Revenues from international long-distance service reflect payments under bilateral agreements between the Company and foreign telecommunications carriers, covering inbound international long-distance calls. Revenues are recognized as services when they are provided.

Data and Internet revenues mainly consist of fixed monthly fees received from residential and corporate customers for data transmission (including private networks, dedicated lines, broadcasting signal transport and videoconferencing services) and Internet connectivity services (dial-up and broadband). These revenues are recognized as services when they are rendered.

Mobile telecommunication services and products

Telecom Group provides mobile services throughout Argentina via cellular and PCS networks. Cellular fees consist of monthly basic fees, airtime usage charges, roaming, charges for TLRD, CPP charges and additional charges for VAS, including call waiting, call forwarding, three-way calling, voicemail, SMS, GPRS, Mobile Internet and for other miscellaneous cellular services. These revenues are recognized as services when they are rendered.

Basic fees are generally billed monthly in advance and are recognized when services are provided. Billed basic fees for which the related service has not yet been provided are deducted from the corresponding accounts receivable.

Revenues from the sale of prepaid calling cards are recognized on the basis of the traffic used, at the contract price per minute, or when the card expires, whichever happens first. Remaining unused traffic for unexpired calling cards is shown as "Deferred revenue on prepaid calling cards" under Deferred revenues line item in the statement of financial position.

Revenues from sales of goods, such as handsets, sim cards, tablets, smartphones and other equipment are recognized when the significant risks and rewards of ownership are transferred to the buyer.

Personal and Núcleo offer to their subscribers a customer loyalty program. Under such program Personal and Núcleo grant award credits as part of the sales transactions which can be subsequently redeemed for goods or services provided by Personal and Núcleo or third parties. The fair value of the award credits is accounted for as deferred revenue, and recognized as revenue when the award credits are redeemed or expire, whichever occurs first. Those revenues are classified as service or goods revenues depending on the goods or services redeemed by the customers.

Applicable to both fixed telephony and mobile telephony, for offerings including separately identifiable components (as equipment and service), the Company and its subsidiaries recognize revenues related to the sale of the equipment when it is delivered to the final customer whereas service revenues are recorded when rendered. The total revenue generated by this type of transactions is assigned to the separately identifiable units of accounting based on their fair values, provided that the total amount of revenue to be recognized does not exceed the contract revenue. IFRS does not prescribe a specific method for such assignation of revenue. However, telecommunications industry practice generally applies the method known as "residual method", which was used in the preparation of the present consolidated financial statements. The "residual method" requires identifying all the components that comprise a transaction and allocating its fair value on an individual basis to each of them. Under this method, the fair value of a delivered item (which could not be individually determined) is determined as the difference between the total arrangement consideration and the sum of the fair values of those elements for which fair value can be estimated on a stand-alone basis.

f) Financial instruments

f.1) Financial assets

Financial assets and liabilities, on initial recognition, are measured at transaction price as of the acquisition date. Financial assets are derecognized in the financial statement when the rights to receive cash flows from them have expired or have been transferred and the Company has transferred substantially all the risks and benefits of ownership.

Upon acquisition, in accordance with IFRS 9, financial assets are subsequently measured at either *amortized cost*, or *fair value*, on the basis of both:

- (a) the entity's business model for managing the financial assets; and
- (b) the contractual cash flow characteristics of the financial asset.

A financial asset shall be measured at *amortized cost* if both of the following conditions are met:

- (a) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Additionally, for assets that met the abovementioned conditions, IFRS provides for an option to designate, at inception, those assets as measured at *fair value* if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

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A financial asset that is not measured at *amortized cost* according to the paragraphs above is measured at *fair value*.

Financial assets include:

Cash and cash equivalents

Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash, subject to an insignificant risk of changes in value and their original maturity or the remaining maturity at the date of purchase does not exceed three months.

Cash and cash equivalents are recorded, according to their nature, at fair value or amortized cost.

Time deposits are valued at their amortized cost.

Investments in other short-term investments are carried at fair value. Gains and losses are included in financial results as other short-term investment gains. During 2016 and 2015, Personal acquired other short-term investments whose main underlying asset is adjustable to the variation of the US\$/\\$ exchange rate (dollar linked).

Investments in Lebacks are valued at amortized cost.

Trade and other receivables

Trade and other receivables classified as either current or non-current assets are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less allowances for doubtful accounts.

Investments

During 2016, Telecom Argentina received in payment certain Provincial Government bonds denominated in Argentine pesos (Provincia de Mendoza and Provincia de Buenos Aires) that bear interests in Argentine pesos. These Provincial Government bonds are valued at amortized cost and their results are included in Financial results as investment gains.

Those National, Provincial and Municipal Governments bonds denominated in foreign currency whose initial intention is to keep them until their maturity, are measured at amortized cost and bear an interest in foreign currency. In this particular case, Management estimated the US Dollar denominated cash flows to be generated until maturity and compared that amount to the fair value of the instrument in US Dollars at the acquisition date. The acquisition cost in US Dollars has been adjusted by applying the IRR and the resulting value was converted to Argentine pesos using the exchange rate as of the date of measurement. The exchange differences generated by these bonds are included in Financial expenses as Foreign currency exchange gains or losses.

Likewise, Telecom Argentina and Personal acquired Government bonds during 2015 and 2016. Taking into account the business model chosen to manage these financial assets, and according to the provisions of IFRS 9, these bonds are recorded at their fair value and its results were included in Financial results – Other investments gains.

Núcleo's purchase option for the 70% interest stake in Tuves Paraguay S.A. is recorded at its fair value through profit or loss according to IFRS 9.

The 2003 Telecommunications Fund is recorded at fair value.

Impairment of financial assets

At every annual or interim closing date, assessments are made as to whether there is any objective evidence that a financial asset or a group of financial assets may be impaired. If any such evidence exists, an impairment loss is recognized in the consolidated income statement for financial assets measured at cost or amortized cost.

Certain circumstances of impairment of financial assets that the Group assesses to determine whether there is objective evidence of an impairment loss could include: delay in the payments received from customers; customers that enter bankruptcy; the disappearance of an active market for that financial asset because of financial difficulties; observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets, significant financial difficulty of the obligor, among others.

f.2) Financial liabilities

Financial liabilities comprise trade payables (excluding Derivatives), financial debt, which include Notes as informed in Note 12 to these consolidated financial statements, salaries and social security payables (see n) below) and certain other liabilities.

Financial liabilities other than derivatives are initially recognized at fair value and subsequently measured at amortized cost. Amortized cost represents the initial amount net of principal repayments made, adjusted by the amortization of any differences between the initial amount and the maturity amount using the effective interest method.

f.3) Derivatives

Derivatives are used by Telecom Group to manage its exposure to exchange rate and sometimes interest rate risks and to diversify the parameters of debt so that costs and volatility can be reduced to pre-established operational limits.

All derivative financial instruments are measured at fair value in accordance with IFRS 9.

Derivative financial instruments qualify for Hedge Accounting only when:

- a) The hedging relation consists only on hedging instruments and hedged items eligible;
- b) Since its inception the hedging relation and the purpose and risk management strategy, are formally designated and documented;
- c) the hedge is expected to fulfill the efficacy requirements described in Note 20 – Hedge Accounting.

When a derivative financial instrument is designated as a cash flow hedge (the hedge of the exposure to variability in cash flows of an asset or liability, a firm commitment or a highly probable forecasted transaction) the effective portion of any gain or loss on the derivative financial instrument is recognized directly in OCI. The cumulative gain or loss is removed from OCI and recognized in the consolidated income statement at the same time as the hedged transaction affects the consolidated income statement. The gain or loss associated with the ineffective portion of a hedge is recognized in the consolidated income statement immediately. If the hedged transaction is no longer probable, the cumulative gains or losses included in OCI are immediately recognized in the consolidated income statement.

If hedged item is a prospective transaction that results in the recognition of a non-financial asset or liability or a firm commitment, the cumulative gain or loss that was initially recognized in OCI is reclassified to the carrying amount of such asset or liability.

If Hedge Accounting is not appropriate, gains or losses arising from the fair value measurement of derivative financial instruments are directly recognized in the consolidated income statement.

For additional information about derivatives operations during 2016 and 2015, see Note 20.

g) Inventories

Inventories are measured at the lower of cost and estimated net realizable value. Cost is determined on a weighted average cost basis. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Allowances are made for obsolete and slow-moving inventories.

From time to time, the Management of Personal and Núcleo decide to sell mobile handsets at prices lower than their respective costs. This strategy is aimed at achieving higher service revenues or at retention of high value customers by reducing customer access costs while maintaining the companies' overall mobile business profitability since the customer subscribes a monthly service contract for indefinite period with a minimum period of permanence and, if the contract is abandoned in advance, the mobile company has the right to cancel, totally or partially, the bonus granted to the customer at the beginning of the contractual relationship. For the estimation of the net realizable value in these cases the Company considers the estimated selling price in normal course of business less applicable variable selling expenses plus the expected margin from the service contract signed during its minimum non-cancelable term.

h) PP&E

PP&E is stated at acquisition or construction cost. Subsequent expenditures are capitalized only when they represent an improvement, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

All other subsequent costs are recognized as expense in the period in which they are incurred, unless they are improvements. When a tangible fixed asset comprises major components having different useful lives, these components are accounted for as separate items if they are significant.

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PP&E cost also includes the expected costs of dismantling the asset and restoring the site if a legal or constructive obligation exists. The corresponding liability is recognized in the statement of financial position under Provisions line item at its present value. These capitalized costs are depreciated and charged to the consolidated income statement over the useful life of the related tangible assets in the Depreciation and amortization item line.

The accounting estimates for dismantling costs, including discount rates, and the dates in which such costs are expected to be incurred are annually reviewed. Changes in the above liability are recognized as an increase or decrease of the cost of the relative asset and are depreciated prospectively.

Depreciation of PP&E owned is calculated on a straight-line basis over the ranges of estimated useful lives of the assets; the ranges of the estimated useful lives of the main PP&E are the following:

Asset	Estimated useful life (in years)
Buildings received from ENTel	35
Buildings acquired subsequent to 11/8/90	50
Tower and pole	10 – 15
Transmission equipment	3 – 20
Wireless network access	3 – 10
Switching equipment	5 – 7
Power equipment	7 – 15
External wiring	3 – 20
Computer equipment and software	3 – 5
Telephony equipment and instruments	5
Installations	2 – 10

The depreciation rates are reviewed annually and revised if the current estimated useful life is different from that estimated previously taking into account, among others, technological obsolescence, maintenance and condition of the assets and different intended use from previous estimates. The effect of such changes is recognized prospectively in the consolidated income statement.

i) Intangible assets

Intangible assets are recognized when the following conditions are met: the asset is separately identifiable, it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and the cost of the asset can be measured reliably.

Intangible assets with a finite useful life are stated at cost, less accumulated amortization and impairment losses, if any.

Intangible assets with an indefinite useful life are stated at cost, less accumulated impairment losses, if any.

Intangible assets comprise the following:

- Subscriber acquisition costs (“SAC”)

Direct and incremental costs incurred for the acquisition of new subscribers with a minimum contractual period are capitalized when the conditions for the recognition of an intangible asset are met.

The cost of acquiring postpaid and “cuentas claras” subscribers in mobile telephony and broadband customers in fixed telephony meet the conditions established by IFRS for its recognition as intangible asset, since these contracts establish a minimum contractual period, which guarantees minimum monthly income by installments and, in the event of early cancellation, grants the right to cancel bonuses granted at the beginning of the contractual relationship (i.e., equipment bonuses). SAC are mainly related to the mobile services; and are mainly comprised of upfront commissions paid to third parties and, to a lower extent, of subsidies granted to customers on the sale of handsets.

In all other cases, subscriber acquisition costs are expensed when incurred.

Capitalized SAC are amortized on a straight-line basis over the term of the contract with the customer acquired.

On August 17, 2016, Law No. 27,265 (in force since August 29, 2016) was published in the Official Bulletin incorporating an amendment to Law No. 24,240 of Consumer Protection. This incorporation (in Section 10 quarter) establishes the prohibition of “collection of advance notice, advance month and/or any other concept, by service providers, including public services, in the cases of unsubscription request made by subscribers, either in a personal, telephonic, electronic or similar way” In this sense, since last quarter of 2016, the Company complies with these regulations, where applicable, and the Company’s Management will continue assessing the effects of the new regulations in its SAC capitalization policies.

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- Service connection or habilitation costs

Direct costs incurred for connecting customers to the network are accounted for as intangible assets and then amortized over the term of the contract with the customer if required conditions are met. For indefinite period contracts, the deferral of these costs is limited to the amount of non contingent revenue from the customer and expensed over the average period life of the customer relationship. Costs exceeding that amount are expensed as incurred. Connection costs are generated mainly for the installation of fixed lines and amortized over an average period of 8 years.

- 3G/4G licenses

As described in Note 2.j, it includes 3G and 4G frequencies awarded by the SC to Personal in November 2014 and June 2015. In accordance with Article 12 of the Auction Terms and Conditions they were granted for a period of 15 years as from the date of awarding notification. After this deadline, the Regulatory Authority may extend the term at Personal's request. The extension of the term, the related cost and conditions shall be defined by the Regulatory Authority.

Consequently, the Company's management has concluded that the 3G and 4G licenses have a finite useful life and therefore are amortized under the straight-line method over 180 months.

As a consequence of Section 4 (d) of PEN Decree No. 1,340/16, which is described in Note 2.h), the remaining useful life of the frequencies included in lot 8 of the auction was re-estimated in 4Q16. It was considered that 700 Mhz bands would be released since May 2017 and, in compliance with the mentioned Decree, the period of 15 years from such date was computed. The re-estimation of the period of use of the spectrum generated a reduction of approximately \$48 of the depreciations previously recorded during 2016.

- PCS license (Argentina)

The Company, based on an analysis of all of the relevant factors, has considered the license having an indefinite useful life since there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

- PCS and Band B licenses (Paraguay)

Initial acquisition costs of Núcleo's PCS and Band B licenses were amortized under the straight-line method over 120 months. These licenses were successively renewed for a period of 5 years, estimating the finalization of its amortization during year 2017.

- Internet and data transmission license (Paraguay)

Núcleo's license 60 years amortization was finished in fiscal year 2016.

- Rights of use

The Company purchases network capacity under agreements which grant the exclusive right to use a specified amount of capacity for a specified period of time. Acquisition costs are capitalized as intangible assets and amortized over the terms of the respective capacity agreements, generally 180 months.

- Exclusivity agreements

Exclusivity agreements were entered into with certain retailers and third parties relating to the promotion of the Company's services and products. Amounts capitalized are being amortized over the life of the agreements, with expiration ranging from financial year 2009 to financial year 2028.

- Customer relationships

Customer relationships identified as part of the purchase price allocation performed upon the acquisition of Cubecorp Argentina S.A. (a company engaged in data center business) in financial year 2008, are being amortized over the estimated duration of the relationship for customers in the data center business (180 months).

j) Leases

Finance leases

Leases that transfer substantially all the risks and benefits incidental to ownership of the leased asset are classified as finance leases. The Company recognizes finance leases as assets and liabilities in its statements of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Subsequently, minimum lease payments are apportioned between a finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

The depreciation policy for depreciable leased assets is consistent with that for depreciable assets that are owned.

As of December 31, 2016 the Telecom Group hold finance leases which represents current commercial liabilities in the amount of \$47 and non-current commercial liabilities of \$11. The total payable at these leases' maturity amounts to \$61. PP&E related to these financial leases and several of the mentioned leases contracts characteristics as of December 31, 2016 are detailed below:

	<u>Book value</u>	<u>Lease term</u>	<u>Depreciation</u>
PP&E – Computer equipment	77	3 years	3 years
Accumulated depreciation	(37)		
Net carrying value as of December 31, 2016	<u>40</u>		

Operating leases

Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term unless another systematic basis is more representative.

In the normal course of business, the Company leases cell sites, switch sites, satellite capacity and circuits under various non-cancellable operating leases that expire on various dates through 2028. Rental expenses are included under Interconnection costs and other telecommunication charges and Other operating expenses items lines in the consolidated income statements.

k) Impairment of intangible assets and PP&E

At least annually, the Company assesses whether there are any indicators of impairment of assets that are subject to amortization. Both internal and external sources of information are used for this purpose. Internal sources include, among others, obsolescence or physical damage of the asset, and significant changes in the use of the asset and the economic performance of the asset compared to estimated performance. External sources include, among others, the market value of the asset, changes in technology, markets or laws, increases in market interest rates and the cost of capital used to evaluate investments, and an excess of the carrying amount of the net assets of the Group over market capitalization.

The carrying value of an asset is considered impaired by the Company when it is higher than its recoverable amount. In that event, a loss shall be recognized in the statement of income.

The recoverable value of an asset is the higher of its fair value less costs to sell and its value in use. In calculating the value in use, the estimated future cash flows are discounted to present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the evaluated asset.

Where it is not possible to estimate the recoverable value of an individual asset, the Company estimates the recoverable value of the cash-generating unit to which the asset belongs. The Company considers each legal entity of the Group as a cash-generating unit.

When the conditions that gave rise to an impairment loss no longer exist, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, up to the carrying amount that would have been recorded if no impairment loss had been recognized. The reversal of an impairment loss is recognized as income in the consolidated income statement.

Intangible assets with an indefinite useful life (including intangible assets under development or not ready to use) are not subject to amortization and are tested at least annually for impairment. The only intangible asset with an indefinite useful life held by the Company as of December 31, 2016 and 2015 is the PCS license (Argentina), which is entirely allocated to the Personal Mobile Service operating segment. Its recoverable amount is determined based on the value in use, which is estimated using discounted net cash flows projections.

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For the years presented, the Company estimates that does not exist indicators of impairment of assets that are subject to amortization, with the exception of those referred to in the following paragraphs.

During 2016 and 2015, Telecom Argentina has assessed the recoverability of certain works in progress and materials related to AFA Plus Project, recognizing a \$3 and \$107 impairment loss, respectively, and recording an impairment for the total book value of the assets involved (Note 17.4). During 2015, Personal recorded an impairment of \$49 related to the total amount of works related to the discontinuation of the Orga Gold IT project. During 2016 and 2015, Personal recorded an impairment of \$343 and \$21, respectively, related to the mobile access modernization and replacement of its cellular network's access technology in Argentina.

Likewise, in 2016 and 2015, Telecom Argentina and Personal has assessed the recoverability of a group of former work in progress, recording an impairment of \$37 and \$53 as of December 31, 2016 and 2015, respectively (equivalent to its book value).

The net effects of the constitution and recovery of the mentioned impairments are recorded under "Impairment of PP&E" line item. Additional information disclosed in Note 22.

l) Other liabilities

• Pension benefits

Argentine laws provide for pension benefits to be paid to retired employees from government pension plans and/or privately managed fund plans to which employees may elect to contribute. Amounts payable to such plans are accounted for on an accrual basis. The Company does not sponsor any stock option plan.

Pension benefits shown under Other liabilities represent benefits under collective bargaining agreements for employees who retire upon reaching normal retirement age, or earlier due to disability in Telecom Argentina. Benefits consist of the payment of a single lump sum equal to the salary of one month for each five years of service. There is no vested benefit obligation until the occurrence of those conditions. The collective bargaining agreements do not provide for other post-retirement benefits such as life insurance, health care, and other welfare benefits.

The net periodic pension costs are recognized in the income statement, segregating the financial component, as employees render the services necessary to earn pension benefits. However, actuarial gains and losses should be presented in the statements of comprehensive income. Actuarial assumptions and demographic data, as applicable, were used to measure the benefit obligation as required by IAS 19 revised. The Company does not make plan contributions or maintain separate assets to fund the benefits at retirement.

The actuarial assumptions used are based on market interest rates, past experience and Management's best estimate of future economic conditions. Changes in these assumptions may impact future benefit costs and obligations. The main assumptions used in determining expense and benefit obligations are the following rates and salary ranges:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Discount rate (1)	4.8% - 6.2%	6.5% - 8.5%	7.0% - 8.5%
Projected increase rate in compensation (2)	8.0% - 22.5%	12.0% - 26.8%	13.0% - 28.2%

(1) Represents estimates of real rate of interest rather than nominal rate in \$.

(2) In line with an estimated inflationary environment for the next three financial years.

Additional information on pension benefits is provided in Note 16.

• Legal fee

Pursuant to Law No. 26,476 - Tax Regularization Regime ("Régimen de Regularización Impositiva Ley N° 26,476"), the Company is subject to a legal fee which shall be paid in twelve monthly consecutive installments without interest as from final judgment. It is carried at amortized cost.

m) Deferred revenues

Deferred revenues include:

- Deferred revenues on prepaid calling cards

Revenues from unused traffic and data packs for unexpired calling cards are deferred and recognized as revenue when the minutes and the data are used by customers or when the card expires, whichever happens first. See Note 3.e. Revenues – Fixed telecommunication services and products.

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- Deferred revenues on connection fees

Non-refundable up-front connection fees for fixed telephony, data and Internet services that are non-separable from the service are accounted for as a single transaction and deferred over the term of the contract, or in the case of indefinite period contracts, over the average period of customer relationship. See Note 3.e. Revenues – Fixed telecommunication services and products and Mobile telecommunication services and products.

- Customer Loyalty Programs

The fair value of the award credits regarding Personal and Núcleo's customer loyalty program is accounted for as deferred revenue, and recognized as revenue when the award credits are redeemed or expire, whichever occurs first. See Note 3.e. Revenues – Mobile telecommunication services.

- Deferred revenue on sale of capacity and related services

Under certain network capacity purchase agreements, the Company sells excess purchased capacity to other carriers. Revenues are deferred and recognized as services are provided. Those revenues are recorded under "Data" line item.

- Deferred income for CONATEL's government grants

During 2010 and 2011, the CONATEL awarded to Núcleo public tenders for the expansion of the network infrastructure that provides a platform for access to mobile services and basic services in social interest areas in Paraguay.

Government grants are recognized on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. In accordance with IAS 20 the government grants related to assets can be presented either in the statement of financial position as deferred income or as a reduction of the carrying amount of related asset. The Company elected the first alternative provided by the standard considering that recognition as deferred income adequately reflects the business purpose of the transaction. Therefore, the related assets were recognized at the cost incurred by Núcleo in the construction of the engaged infrastructure and the government grant was accounted for as deferred income and recognized in profit or loss starting at the time the infrastructure becomes operative and throughout its useful life.

n) Salaries and social security payables

Include unpaid salaries, vacation and bonuses and its related social security contributions, as well as termination benefits. See f.2) above for a description of the accounting policy regarding the measurement of financial liabilities.

Termination benefits represent severance indemnities that are payable when employment is terminated in accordance with labor regulations and current practices, or whenever an employee accepts voluntary redundancy in exchange for these benefits. In the case of severance compensations resulting from agreements with employees leaving the Company upon acceptance of voluntary redundancy, the compensation is usually comprised of a special cash bonus paid upon signing the severance agreement, and in certain cases may include a deferred compensation, which is payable in monthly installments calculated as a percentage of the prevailing wage at the date of each payment ("*prejubilaciones*"). The employee's right to receive the monthly installments mentioned above starts on the date they leave the Company and ends either when they reach the legal mandatory retirement age or upon the decease of the beneficiary, whichever occurs first.

o) Taxes payables

The Company is subject to different taxes and levies such as municipal taxes, tax on deposits to and withdrawals from bank accounts, turnover taxes, regulatory fees (including SU) and income taxes, among others, that represent an expense for the Group. It is also subject to other taxes over its activities that generally do not represent an expense (internal taxes, VAT, ENARD tax).

If the income tax payments and withholdings exceed the amount to pay for the current tax, the excess shall be recognized as a tax credit, only if it is recoverable.

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The principal taxes that represent an expense for the Company are the following:

- Income taxes

Income taxes are recognized in the consolidated income statement, except to the extent that they relate to items directly recognized in Other comprehensive income or directly in equity. In this case, the tax is also recognized in Other comprehensive income or directly in equity, respectively. The income tax expense for the year comprises current and deferred tax.

As per Argentinean Tax Law, income taxes payables have been computed on a separate return basis (i.e., the Company is not allowed to prepare a consolidated income tax return). All income tax payments are made by each of the subsidiaries as required by the tax laws of the countries in which they operate. The Company records income taxes in accordance with IAS 12.

Deferred taxes are recognized using the “liability method”. Temporary differences arise when the tax base of an asset or liability differs from their carrying amounts in the consolidated financial statements. A deferred income tax asset or liability is recognized on those differences, except for those differences related to investments in subsidiaries that generate a deferred income tax liability, where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets relating to unused tax loss carry forwards are recognized to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets arising from investment in subsidiaries are recognized when it is probable that the temporary differences will be reversed in the foreseeable future and when future taxable income would be sufficient to apply those temporary differences.

The book value of a deferred tax asset shall be revised at the end of every reporting period. The company shall reduce the carrying amount of a deferred tax asset if it is probable that future taxable income will not be available to offset the benefits of the deferred tax asset. This reduction shall be reassessed at each reporting period and reversed if it becomes probable that future taxable income to offset the deferred tax asset will be available.

The statutory income tax rate in Argentina was 35% for all years presented. Cash dividends received from a foreign subsidiary are computed on the statutory income tax rate. As per Argentinean Tax Law, income taxes paid abroad may be recognized as tax credits.

Changes in the Income Tax Law

On September 23, 2013, Law No. 26,893 was published in the Official Bulletin. This Law introduced changes to the Income Tax in relation to, among others, the taxability of the share's purchase/sale results and dividend's collection. On February 7, 2014, the PEN established regulatory specifications in this area through Decree No. 2,344/13.

- *Results derived from transfers of shares*

The effective tax rate applicable for individuals is 15% (for local companies the applicable rate is 35%). Negative results arising from such operations will have the character of specific and can only be offset against future earnings from operations of the same nature.

However, results from the transfer of such securities are exempt from such income tax when they are listed on stock exchange markets authorized by the CNV (as in the case of Telecom Argentina's shares) and the gains are realized by individuals or undivided estates residents in Argentina.

When both the seller and the buyer are nonresidents, the person liable to pay the tax shall be the buyer of the shares, quotas, equity interests and other securities transferred.

- *Dividend distributions*

Dividends and profits paid in cash or in kind —except for stock dividends or quota dividends—,by companies and other entities incorporated in Argentina mentioned in subsection a), paragraphs 1, 2, 3, 6 and 7 and subsection b) of Section 69 of the Income Tax Law, were subject to income tax at a 10% rate, except for dividends received by domestic companies and other domestic entities, which continued to be not subject to income tax. Dividends distributed to nonresidents shall be subject to a 10% withholding tax as an unique and definitive payment. Consequently, any dividend distribution made by the Company to its shareholders shall be subject to this broadened tax, except for those beneficiaries that are domestic corporate taxpayers “sujetos empresa” and regardless of, if applicable, the so called “Equalization Tax”.

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Law No. 27,260 repealed the above mentioned provision, as a result of which, as from July 23, 2016 all dividends and profits, in cash or in any kind, made by companies and other entities established in the country (such as Telecom Argentina), regardless their beneficiary, are not subject to the aforementioned withholding.

The statutory income tax rate in Paraguay was 10% for all years presented. As per Paraguayan Tax Law, dividends paid are computed with an additional income tax rate of 5% (this is the criterion used by Núcleo for the recording of its deferred tax assets and liabilities, representing an effective tax rate of 15%). However, the effect of the additional income tax rate according to the Argentine tax law in force on the undistributed profits of Núcleo is fully recognized as it is considered probable that those results will flow to Personal in the form of dividends.

The statutory income tax rate in the United States was 39.50% for the years ended December 31, 2016, 2015 and 2014.

- Turnover tax

Under Argentine tax law, the Company is subject to a tax levied on revenues and other income. Rates differ depending on the jurisdiction where revenues are earned for tax purposes and on the nature of revenues (services and equipment). Average rates resulting from the turnover tax charge over the total revenues were approximately 5.3%, 5.2% and 5.4% for the years ended December 31, 2016, 2015 and 2014, respectively.

- Other taxes and levies

Since the beginning of 2001, telecommunication services companies have been required to make a SU contribution to fund SU requirements (Note 2.g). The SU tax is calculated as a percentage of the total revenues received from the rendering of telecommunication services, net of taxes and levies applied on such revenues, excluding the SU tax and other deductions stated by regulations. The rate is 1% of total billed revenues and adopts the "pay or play" mechanism for compliance with the mandatory contribution to the SU fund.

p) Provisions

The Group records provisions for risks and charges when it has a present obligation, legal or constructive, to a third party, as a result of a past event, when it is probable that an outflow of resources will be required to satisfy the obligation and when the amount of the obligation can be estimated reliably.

If the effect of the time value of money is material, and the payment date of the obligations can be reasonably estimated, provisions to be accrued are the present value of the expected cash flows, taking into account the risks associated with the obligation. The increase in the provision due to the passage of time is recognized as "Finance expenses". Additional information is given in Note 17.

Provisions also include the expected costs of dismantling assets and restoring the corresponding site if a legal or constructive obligation exists, as mentioned in h) above. The accounting estimates for dismantling costs, including discount rates, and the dates in which such costs are expected to be incurred are reviewed annually, at each financial year-end.

q) Dividends

Dividends payable are reported as a change in equity in the year in which they are approved by the Shareholders' Meeting.

r) Finance income and expenses

Finance income and expenses include:

- interest accrued on the related financial assets and liabilities using the effective interest rate method;
- changes in fair value of derivatives and other financial instruments measured at fair value through profit or loss;
- gains and losses on foreign exchange and financial instruments;
- other financial results.

s) Treasury Shares Acquisition

In connection with the Treasury Shares Acquisition Process described in Note 19 d) to these consolidated financial statements, the Company has applied the guidance set forth in IAS 32, which provides, consistently with the CNV Regulations, that any instruments of its own equity acquired by the Company must be recorded at the acquisition cost and must be deducted from Equity under the caption “Treasury shares acquisition cost”. No profit or loss resulting from holding such instruments of own Equity shall be recognized in the income statement. If the treasury shares are sold, the account “Treasury shares acquisition cost” shall be recorded within Equity under the “Treasury shares negotiation premium” caption. If such difference is negative, the resulting amount shall be recorded within Equity under the “Treasury shares negotiation discount” caption.

t) Earnings per share

Basic earnings per share are calculated by dividing the net income or loss attributable to owners of the Parent by the weighted average number of ordinary shares outstanding during the year (see Note 25).

u) Use of estimates

The preparation of consolidated financial statements and related disclosures in conformity with IFRS requires Management to make estimates and assumptions based also on subjective judgments, past experience and hypotheses considered reasonable and realistic in relation to the information known at the time of the estimate.

Such estimates have an effect on the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the amount of revenues and costs during the year. Actual results could differ, even significantly, from those estimates owing to possible changes in the factors considered in the determination of such estimates. Estimates are reviewed periodically.

The most important accounting estimates which require a high degree of subjective assumptions and judgments are addressed below:

Financial statement item / area	Accounting estimates
Revenues	Revenue recognition is influenced by: <ul style="list-style-type: none"> • the expected duration of the relationship with the customer for deferred revenues regarding upfront connection fees; • the estimation of traffic measures. • the legal validity of the changes in certain fixed services prices after LAD enforcement (Note 2.q).
Useful lives and residual value of PP&E and Intangible assets	PP&E and intangible assets, except for indefinite useful life intangibles, are depreciated or amortized on a straight-line basis over their estimated useful lives. The determination of the depreciable amount of the assets and their useful lives involves significant judgment. The Company periodically reviews, at least at each financial year-end, the estimated useful lives of its PP&E and amortizable intangible assets.
Recoverability of PP&E and intangible assets with finite useful life	At least at every annual closing date, an assessment is made regarding whenever events or changes in circumstances indicate that PP&E and amortizing intangible assets may be impaired. The recoverable amount is the higher of the fair value (less costs to sell) and its value in use. The identification of impairment indicators and the estimation of the value in use for assets (or groups of assets or cash generating units) require management to make significant judgments concerning the validation of impairment indicators, expected cash flows and applicable discount rates. Estimated cash flows are based on significant Management's assumptions about the key factors that could affect future business performance such as the future market share, competition level, capital expenditures, salary increases, foreign exchange rates evolution, capital structure, capital cost, etc. For the years presented the Company estimated that there are no indicators of impairment of assets that are subject to amortization, with the exception of those mentioned in the point k) of this note. However, changes in our current expectations and operating assumptions, including changes in our business strategy, technology, competition and changes in market conditions, could significantly impact these judgments and could require future adjustments to the recorded assets.
Intangible assets with indefinite useful life— PCS license	The Telecom Group determined that Personal's PCS license met the definition of an indefinite-lived intangible asset for the years presented and tests it annually for impairment. The recoverability assessment of an indefinite-lived intangible asset such as the PCS license requires our Management to make assumptions about the future cash flows expected to be derived from such asset. Such estimated cash flows are based on significant Management's assumptions about the key factors that could affect future business performance such as the future market share, competition level, capital expenditures, salary increases, foreign exchange rates evolution, capital structure, discount rate, etc. The discount rate used to determine the discounted cash flow is an annual US dollar rate of approximately 11%. Our judgments regarding future cash flows may change due to future market conditions, business strategy, the evolution of technology and other factors. These changes, if any, may require adjustments to the carrying amount of the PCS license.

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Financial statement item / area	Accounting estimates
Income taxes, recoverability assessment of deferred tax assets and other tax receivables	Income taxes (current and deferred) are calculated in each company of the Telecom Group according to a reasonable interpretation of the tax laws in effect in each jurisdiction where the companies operate. The recoverability assessment of deferred tax assets sometimes involves complex estimates to determine taxable income and deductible and taxable temporary differences between the carrying amounts and the taxable amounts. In particular, deferred tax assets are recognized to the extent that future taxable income will be available against which they can be utilized. The measurement of the recoverability of deferred tax assets takes into account the estimate of future taxable income based on the Company's projections and on conservative tax planning. The recoverability assessment of the tax receivable related to the actions of recourse filed by the Company's related to income tax inflation adjustment (Note 14) is based on the existing legal arguments on this matter and the behavior of the National Tax Authority in revising the actions of recourse filed by the Company.
Receivables and payables valued at amortized cost	Receivables and payables valued at amortized cost are initially recorded at their fair value, which is generally determined by using a discounted cash flow valuation method. The fair value under this method is estimated as the present value of all future cash flows discounted using an estimated discount rate, especially for long term receivables and payables. The estimated discount rate used to determine the discounted cash flow of non-current receivables is an annual rate in pesos of approximately 34% for year 2015. Additionally, a 13% annual U.S. dollars was used for discounting long term receivables denominated in U.S. dollars during 2016 and 2015, respectively. Discount rates for accounts receivables were 9.8% in both years and discount rates in Guaranties for loans were 9.42% in both years too.
Provisions	The Company is subject to proceedings, lawsuits and other claims related to labor, civil, tax, regulatory and other matters. In order to determine the proper level of provisions, Management assesses the likelihood of any adverse judgments or outcomes related to these matters as well as the range of probable losses that may result from the potential outcomes. Internal and external legal counsels are consulted on these matters. A determination of the amount of provisions required, if any, is made after careful analysis of each individual issue. The determination of the required provisions may change in the future due to new developments in each matter, changes in jurisprudential precedents and tribunal decisions or changes in its method of resolving such matters, such as changes in settlement strategy.
Allowance for Doubtful Accounts	The recoverability of trade receivables is measured by considering the aging of the accounts receivable balances, the necessity or request of customers unsubscribe, historical write-offs, Public Sector and corporative customer creditworthiness and changes in the customer payment terms. If the financial condition of the customers were to deteriorate, the actual write-offs could be higher than expected.

In the absence of a Standard or an Interpretation that specifically applies to a particular transaction, Management carefully considers the IFRS general framework and valuation techniques generally applied in the telecommunication industry and uses its judgment to evaluate the accounting methods to adopt with a view to providing financial statements which faithfully represent the financial position, the results of operations and the cash flows of the Group, reflect the economic substance of the transactions, be neutral, be prepared on a prudent basis and be completed in all material respects.

New Standards and Interpretations issued by the IASB not in force

As required by IAS 8, the IFRS issued by the IASB not in force as of the date of these consolidated financial statements are reported below and briefly summarized. These standards have not been adopted by the Company.

IFRS 15 (Revenue from Contracts with Customers)

In May 2014 the IASB issued IFRS 15. This IFRS applies to all revenue contracts (except for contracts that are within the scope of IAS 17, leases, IFRS 4, Insurance Contracts and IFRS 9, Financial Instruments). IFRS 15 provides a single model for the recognition and measurement of revenues and replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31. It also establishes additional disclosure requirements and a 5-step model for revenue recognition, being the identified steps:

- 1) Identify the contract(s) with a customer;
- 2) Identify the performance obligations in the contract;
- 3) Determine the transaction price;
- 4) Allocate the transaction price to the performance obligations in the contract; and
- 5) Recognize revenue when (or as) the entity satisfies a performance obligation.

The allocation of the transaction price among different performance obligations required by IFRS 15 is one of the main issues that telecommunications companies have to assess, mainly because of the great variety of plans they offer to their customers by combining services and equipments. Another relevant issue to the telecommunications industry is the capitalization of incremental costs of obtaining a contract if the entity estimates that they will be recovered.

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The Company has initiated a project to assess the impact of the application of IFRS 15. The Group sells- especially in the mobile business -, mobile services separately at a single price for each service plan or service package (usually monthly charges). Optionally, the subscriber can purchase the service packages or plans (at the single price at which they are sold) with a handset, at a price contractually established (with profit margin for the Company). It is worth mentioning that the Company does not actually sell handsets separately (for example, without a service plan), and the handsets prices fluctuate among subscribers' categories according to the Company's marketing strategy in a very competitive context. Therefore, the Company's management believes that the services and handsets list prices are evidence of such products fair values representing a source of information in the determination of the standalone selling price of its subscribers' agreements compliance obligations.

However, there are other technical interpretations that consider that even in the described business conditions, handsets discounts contractually granted should be proportionally allocated between services and handsets chosen by subscribers on the basis of standalone selling price of each product or service. Such interpretations assume that one type of handset or service plan have an unique standalone selling price for all categories of subscribers or circumstances, which is not the case in many of the industries or economic activities. Such interpretations would generate that a same type of service plan (for example, unlimited subscription for \$500 Argentine pesos per month) was recognized as revenue for a different value than the contractual and fair value if the subscriber had chosen a *premium* or *low* handset, depending on the discount level that the Company had decided to award to the handset in that specific operation (without any subsidy or zero revenue margin).

It should be mentioned that in 4Q16 the Company reviewed certain conditions of customer contracts to adapt them to changes in the current legislation as explained in Note 3.i) to the consolidated financial statements.

With regards to handset subsidies occasionally granted by the Company to new postpaid subscribers, Management believes that the capitalization of such cost may be discontinued under IFRS 15 in light of the interpretations of the new standard. On the other hand, Management believes that commissions paid for the acquisition of postpaid and "Cuentas Claras" customers in the Mobile Segment and broadband customers in the Fixed Segment will continue to be capitalized under IFRS 15, because these costs are necessary to obtain new contracts with customers and only meeting the conditions for capitalization under the new standard. These preliminary conclusions are being analyzed. This process is expected to be finished during 2017.

It is worth mentioning that in April 2016 amendments were made to IFRS 15, without changing the underlying principles of the standard, but clarifying them. The amendment provides the way of: 1) identifying a performance obligation, 2) determining whether a company is a principal or agent, and 3) determining whether license revenues must be recognized at a point in time or over time. In addition, the standard adds the following exemptions: i) extends the possibility of not applying the standard to the registration of "complete contracts" to the date of transition and full contracts at the beginning of the oldest period presented; and (ii) it allows to not adjust a contract in relation to the amendments that are prior to the date of the oldest period presented, reflecting the cumulative effect when the satisfied and unsatisfied performance obligations can be identified, and when the transaction price and its allocation can be determined.

IFRS 15 is effective from annual periods beginning on January 1, 2018. Earlier application is permitted.

Amendments to IFRS 9 "Financial Instruments"

In July 2014, the IASB amended IFRS 9 "Financial Instruments". The amendments incorporate: 1) a new classification of financial assets (valued at fair value through other comprehensive income); and 2) includes requirements related to the recognition of expected credit losses of financial assets at initial measurement if losses are expected, being no longer necessary for a credit event to have occurred before credit losses are recognized.

These amendments are effective for annual periods beginning on or after January 1, 2018. The Company is analyzing the possible impacts of the application of these amendments.

IFRS 16 (Leases)

In January 2016 IFRS 16 was issued.

This standard replaces IAS 17, IFRIC 14 and SIC 15 and 27. The standard establishes the criteria for recognition and valuation of leases for lessees and lessors. The changes incorporated in this standard impact mainly on the lessees accounting.

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IFRS 16 provides that the lessee recognizes a right of use asset and a liability at present value with respect to those contracts that meet the definition of leases under IFRS 16. According to the standard, a lease is a contract that provides the right to control the use of an identified asset for a specified time period.

For a company having control of use of an identified asset it:

- a) Must have the right to obtain substantially all the economic benefits of the identified assets and
- b) Must have the right to direct the use of the identified asset.

The standard excludes short-term contracts (less than 12 months) and those in which the underlying asset has low value (as defined by the standard, low value should be defined by reference to a brand new asset rather than a used one or its net carrying amount).

The new standard is effective for fiscal years beginning on or after January 1, 2019. Earlier application is permitted for companies that have adopted IFRS 15. During 2016 the Company continued analyzing the impact that this new standard may have on the Group's financial position, cash flows and results of operations.

Amendments to IAS 12 (Recognition of deferred tax assets for unrealized losses)

In January 2016 the IASB issued an amendment to IAS 12.

The amendment to the mentioned standard provide the way that deductible temporary differences shall be considered in cases where the tax law restricts the sources of taxable profit against which those deductible temporary differences can be offset or not.

On the other hand the amendments clarified how to estimate future taxable profit that should be considered for the recognition of deferred tax assets.

The amendments are effective for fiscal years beginning on or after January 1, 2017. Earlier application is permitted. The Company believes that this amendment will not have impacts on the Group's financial position, cash flows and results of operations.

IFRIC 22 (Foreign Currency Transactions and Advance Consideration)

In December 2016 IFRIC 22 was issued.

IFRIC 22 clarifies the accounting providing the exchange rate to apply for transactions that include the receipt or payment of advance consideration. The interpretation provides that the date of transaction for determining the exchange rate in the initial recognition of an asset, income or expense (or a part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration (If there is more than one payment or receipt of advance consideration, the date of transactions is established for each payment or receipt of advance consideration).

IFRS 22 is effective from annual periods beginning on January 1, 2018. Earlier application is permitted. The adoption of these amendments will not have significant impacts on the statements of financial position, results of operations or cash flows of the Company.

Annual Improvements to IFRSs (2014-2016 Cycle)

In December 2016 the IASB published the Annual Improvements to IFRSs (Cycle 2014-2016), which introduce amendments to IFRS 1, IFRS 12, and IAS 28. The amendment to IFRS 1 is the deletion of short-term exceptions which have been included in the Annual improvements to IFRS (2012-2014 Cycle). The amendment to IFRS 12 clarifies the scope of the standard by including those entities classified as held for sale in accordance with IFRS 5, (maintaining certain exceptions to the disclosure required by IFRS 12). Finally, the amendment to IAS 28 clarifies that the election to measure at fair value provided by IFRS 9 is available for each investment in an associate, at initial recognition.

The amendments to IFRS 1 and IFRS 28 are effective for annual periods beginning on or after January 1, 2018 while the amendments to IFRS 12 are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The Company will not have significant impacts on the statements of financial position, results of operations or cash flows for applying this amendment.

Note 4 – Cash and cash equivalents and Investments. Additional information on the consolidated statements of cash flows

a) Cash and cash equivalents and Investments

Cash and cash equivalents and investments consist of the following:

	<u>As of December 31,</u>	
	<u>2016</u>	<u>2015</u>
<u>Cash and cash equivalents</u>		
Cash	56	25
Banks	878	231
Time deposits	898	217
Lebacs at amortized cost	604	-
Other short-term investments	1,509	397
Total cash and cash equivalents	<u>3,945</u>	<u>870</u>
<u>Investments</u>		
<u>Current investments</u>		
Government bonds at fair value	1,456	616
Government bonds at fair value – dollar linked	-	576
Government bonds at amortized cost in foreign currency	3	-
Government bonds at amortized cost – dollar linked	-	133
Provincial government and Municipal bonds at amortized cost – dollar linked	13	74
Provincial government and Municipal bonds at amortized cost	9	31
Other short-term investments	270	-
Total current investments	<u>1,751</u>	<u>1,430</u>
<u>Non-current investments</u>		
Government bonds at amortized cost in foreign currency	255	-
Government bonds at amortized cost – dollar linked	-	261
Provincial government and Municipal bonds at amortized cost – dollar linked	61	62
Provincial government and Municipal bonds at amortized cost	8	-
Tuves Paraguay S.A. shares purchase option	22	9
2003 Telecommunications Fund	1	1
Total non-current investments	<u>347</u>	<u>333</u>

b) Additional information on the consolidated statements of cash flows

The Company applies the indirect method to conciliate the net income for the year with the cash flows generated by its operations.

For purposes of the statements of cash flows, cash and cash equivalents comprise cash, bank current accounts and short-term highly liquid investments (with a maturity of three months or less from the date of acquisition) and bank overdrafts, which integrate the Telecom Group's cash management and whose balances fluctuate according to the Group's needs (as happened as of December 31, 2014). Bank overdrafts are disclosed in the statement of financial position as financial debts. During 2016 and 2015 bank overdrafts have been part of the permanent short-term financing structure of Personal, so, net funds requests under that method (with maturities less than three months) are included in financing activities.

	<u>As of December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	3,945	870	825
Financial debt - Bank overdrafts	-	-	(141)
Total cash and cash equivalents at year-end	<u>3,945</u>	<u>870</u>	<u>684</u>

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Additional information on the breakdown of the net cash flow provided by operating activities is given below:

	Years ended December 31,		
	2016	2015	2014
Collections			
Collections from customers	55,928	41,930	34,396
Interests from customers	366	182	160
Interests from investments	59	190	400
Mobile operators collections	885	843	330
Subtotal	57,238	43,145	35,286
Payments			
For the acquisition of goods and services and others	(17,120)	(12,784)	(7,821)
For the acquisition of inventories	(5,383)	(6,343)	(4,167)
Salaries and social security payables and severance payments	(9,113)	(6,885)	(5,146)
CPP payments	(393)	(413)	(475)
Income taxes (include tax returns and payments in advance)	(1,700)	(1,631)	(2,277)
Other taxes and taxes and fees with the Regulatory Authority	(10,731)	(7,775)	(8,902)
Foreign currency exchange differences related to the payments to suppliers	(1,433)	(502)	(777)
<i>Inventory suppliers</i>	<i>(295)</i>	<i>(182)</i>	<i>(343)</i>
<i>PP&E suppliers</i>	<i>(1,467)</i>	<i>(188)</i>	<i>(311)</i>
<i>Other suppliers</i>	<i>(144)</i>	<i>(31)</i>	<i>(154)</i>
<i>NDF</i>	<i>473</i>	<i>(101)</i>	<i>31</i>
Subtotal	(45,873)	(36,333)	(29,565)
Net cash flow provided by operating activities	11,365	6,812	5,721

• **Changes in assets/liabilities components:**

	Years ended December 31,		
	2016	2015	2014
Net decrease (increase) in assets			
Trade receivables	(2,773)	(2,364)	(1,646)
Other receivables	276	(754)	(158)
Inventories	837	(1,522)	(50)
	(1,660)	(4,640)	(1,854)
Net increase (decrease) in liabilities			
Trade payables	(1,391)	1,368	(408)
Deferred revenues	(58)	(48)	78
Salaries and social security payables	369	221	261
Other taxes payables	13	483	195
Other liabilities	62	29	30
Provisions (Note 17)	(174)	(163)	(119)
	(1,179)	1,890	37

Income tax paid consists of the following:

	Years ended December 31,		
	2016	2015	2014
Tax returns and payments in advance	(1,350)	(1,438)	(2,079)
Other payments	(350)	(193)	(198)
Total payments of income tax	(1,700)	(1,631)	(2,277)

• **Main non-cash operating transactions:**

	Years ended December 31,		
	2016	2015	2014
Boden 2015 Bonds used to the acquisition of 3G/4G Licenses	-	-	439
Income tax withholding for dividends paid	-	-	22
Offsetting of tax on personal property – on behalf of Shareholders	8	15	10
Income tax offset with VAT and internal taxes	-	50	-
Offsetting of other receivables with regulatory provisions	27	-	-
VAT offset with income tax payments	54	-	-
SAC acquisitions offset with trade receivables	305	212	362
Other receivables of PP&E sales offset with trade payables	25	-	-

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• **Most significant investing activities:**

Fixed assets acquisitions include:

	Years ended December 31,		
	2016	2015	2014
CAPEX (Note 8)	(9,632)	(6,396)	(4,304)
Acquisition of Materials (net transfers to CAPEX, Note 8)	(474)	(1,062)	(590)
Subtotal	(10,106)	(7,458)	(4,894)
Plus:			
Payments of trade payables originated in prior years acquisitions	(4,832)	(1,367)	(1,551)
Less:			
Acquisition of fixed assets through incurrence of trade payables	5,298	3,592	1,511
Assets retirement obligations	45	53	7
Mobile handsets lent to customers at no cost (i)	54	32	32
	(9,541)	(5,148)	(4,895)

(i) Under certain circumstances, Personal and Núcleo lend handsets to customers at no cost pursuant to term agreements. Handsets remain the property of the companies and customers are generally obligated to return them at the end of the respective agreements.

Intangible assets acquisitions include:

	Years ended December 31,		
	2016	2015	2014
3G/4G Licenses acquisitions (Note 9)	-	(2,256)	(3,530)
Less:			
Acquisition with Boden 2015 Bonds	-	-	439
	-	(2,256)	(3,091)
	Years ended December 31,		
	2016	2015	2014
Other intangible assets acquisitions (Note 9)	(1,754)	(1,448)	(1,123)
Plus:			
Payments of trade payables originated in prior years acquisitions	(201)	(116)	(103)
SAC acquisition offset with trade receivables	(305)	(212)	(362)
Less:			
Acquisition of intangible assets through incurrence of trade payables	462	466	470
	(1,798)	(1,310)	(1,118)

The following table presents the cash flows from purchases, sales and maturities of securities which were not considered cash equivalents in the statement of cash flows:

	Years ended December 31,		
	2016	2015	2014
Government bonds acquisition	(971)	(1,049)	(1,201)
Sales of Government bonds	1,051	-	-
Government bonds collection	165	45	756
Other short-term investments	(265)	-	-
Argentine companies notes collection	-	28	112
Investments over 90 days maturity	-	-	10
Argentine companies notes acquisition	-	-	(16)
	(20)	(976)	(339)

• **Financing activities components:**

The following table presents the financing activities components of the consolidated statements of cash flows:

	Years ended December 31,		
	2016	2015	2014
Bank overdrafts (Personal)	960	3,062	-
Bank overdrafts (Núcleo)	343	88	-
Bank overdrafts (Telecom Argentina)	41	-	-
Non-current notes (Personal – Note 12)	1,869	716	-
Non-current bank loans – IFC Loan (Personal – Note 12)	5,956	-	-
Bank loans – Other (Personal – Note 12)	-	346	-
Bank loans (Núcleo)	168	89	-
Total financial debt proceeds	9,337	4,301	-
Bank overdrafts (Personal)	(2,355)	-	-
Bank overdrafts (Núcleo)	(438)	-	-
Bank loans (Núcleo)	(143)	(31)	(12)
Total payment of debt	(2,936)	(31)	(12)

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	Years ended December 31,		
	2016	2015	2014
Bank overdrafts (Personal)	(1,126)	(405)	(3)
Bank overdrafts (Telecom Argentina)	(117)	-	-
Interests on Notes and related expenses (Personal)	(205)	(3)	-
Interests on bank loans and related expenses (Personal)	(63)	(37)	-
Interest on bank loans (Núcleo)	(62)	(26)	(26)
Total payment of interest and related expenses	(1,573)	(471)	(29)

Dividends paid by company breakdown are as follows:

	Years ended December 31,		
	2016	2015	2014
ABC Telecomunicaciones	-	45	53
Nortel and Telecom Argentina non-controlling interest	2,000	804	1,202
Tax withholdings on dividends paid to shareholders	-	-	44
	2,000	849	1,299

Cash dividends from Telecom Argentina

• **Fiscal year 2016**

The Company's Board of Directors' Meeting held on April 29, 2016, resolved to allocate \$2,000 of the "Reserve for future cash dividends payments" (equivalent to \$2.06 pesos per outstanding share) to a cash dividend distribution in two installments: \$700 that was available to shareholders as from May 13, 2016 and \$1,300 that was available to shareholders since August 26, 2016.

• **Fiscal year 2015**

The Company's Ordinary Shareholders' Meeting held on April 29, 2015, approved the payment of cash dividends of \$804 (equivalent to \$0.83 pesos per outstanding share), which was made available to shareholders on May 11, 2015. The amount paid includes: (i) income tax withholdings on dividends paid to shareholders in the amount of \$14 and (ii) recovery of tax on personal property – on behalf of shareholders withholdings in the amount of \$12.

• **Fiscal year 2014**

During 1Q14 the Company paid \$44 related to withholdings on dividends paid to its shareholders by the end of 2013 in order to comply with its tax obligations. The amounts paid finally corresponded to: (i) income tax withholdings on dividends paid to its shareholders during December 2013 in the amount of \$17 and (ii) dividends paid to its shareholders in the amount of \$27.

The Company's Ordinary Shareholders' Meeting held on April 29, 2014, approved, in its second tranche of deliberations held on May 21, 2014, the payment of a \$1,202 cash dividend (equivalent to \$1.22 pesos per outstanding share) in two equal installments of \$601. The first installment was made available to shareholders on June 10, 2014. The amount paid includes: (i) income tax withholdings on dividends paid to shareholders in the amount of \$11 and (ii) recovery of tax on personal property – on behalf of shareholders withholdings in the amount of \$10.

The Company's Board of Directors, at its meeting held on September 9, 2014, approved the payment of the second installment of cash dividends amounting to \$601 as from September 22, 2014. The dividends were paid before September 30, 2014, net of income tax withholdings on dividends for \$11 (which were paid to the Tax Authority later).

Núcleo's Dividends Distribution

• **Fiscal year 2015**

Núcleo's shareholders, at their meeting held on March 26, 2015, approved the distribution of cash dividends for an amount equivalent to \$63 (that correspond to 35,000 million of Guaraníes translated to Argentine pesos at the exchange rate of the approval day), with the following schedule of payments:

The Ordinary Shareholders' Meeting also delegate in Nucleo's Board of Directors the possibility and opportunity of distribution of a second cash dividends for an amount of up to 35,000 million of Guaraníes (equivalent to approximately \$80).

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Finally, the Board of Directors, at their meeting held on December 17, 2015, approved the distribution of cash dividends for an amount \$80 (that correspond to 35,000 million of Guaraníes translated to Argentine pesos at the exchange rate of the approval day). According to this, the total dividends amount paid during 2015 was as follows:

Month of dividends payment	Dividends corresponding to Personal	Dividends corresponding to non-controlling shareholders – ABC Telecomunicaciones	Total
May 2015 (*)	42	21	63
December 2015 (**)	54	26	80
Total	96	47	143

(*) As of the payment date, the amounts were 41 and 19, respectively.

(**) As of the payment date, the amounts were 52 and 26, respectively.

• **Fiscal year 2014**

The Ordinary Shareholders' Meeting of Núcleo held on March 28, 2014, approved the distribution of cash dividends for an amount equivalent to \$160, delegating in Núcleo's Board of Directors the authority to determine the number of installments, the amount and time for the payments of these cash dividends.

On May 5, 2014 Núcleo's Board of Directors determined the following schedule of payments for the cash dividends:

Month of dividends payment	Dividends corresponding to Personal	Dividends corresponding to non-controlling shareholders – ABC Telecomunicaciones	Total
May 2014	54	26	80
October 2014	54	26	80
Total (*)	108	52	160

(*) Correspond to 90,000 million of Guaraníes approved by the Ordinary Shareholders' Meeting of Núcleo, translated to Argentine pesos at the exchange rate of the date of its approval. As of the payment date, the amounts were 110 and 53, respectively.

a) Additional information required by IAS 7

In January 2016, IAS 7 was amended through the incorporation of paragraphs 44A to 44E. This amendment included additional information requirements that allow financial statements' users to assess changes in liabilities generated by financing activities. Although these disclosures are mandatory for annual periods beginning on or after January 1, 2017, the Telecom Group's Management has adopted the early application option set forth in IAS 7. Reconciliation between the opening and closing balances of liabilities generated by financing activities is disclosed below.

	<u>Balances as of December 31, 2015</u>	<u>Transfers</u>	<u>Cash Flows</u>	<u>Accrued interests</u>	<u>Exchange differences and currency translation adjustments</u>	<u>Balances as of December 31, 2016</u>
Bank overdrafts – Personal	3,062	-	(1,396)	-	-	1,666
Bank overdrafts – Telecom Argentina	-	-	41	-	-	41
Bank overdrafts – Núcleo	84	-	(95)	-	11	-
Bank loans – principal (Personal)	-	509	-	-	111	620
Bank loans – principal (Núcleo)	193	85	(61)	-	2	219
Notes – principal (Personal)	-	566	-	-	-	566
NDF	-	-	-	-	2	2
Accrued interests	112	-	(1,573)	1,613	-	152
Total current financial debt (Note 12)	3,451	1,160	(3,084)	1,613	126	3,266
Notes – principal (Personal)	713	(566)	1,869	-	68	2,084
Bank loans – Other - principal (Personal)	509	(509)	-	-	-	-
Bank loans – IFC Loan - principal (Personal)	-	-	5,956	-	278	6,234
Bank loans – principal (Núcleo)	227	(85)	87	-	99	328
Total non-current financial debt (Note 12)	1,449	(1,160)	7,912	-	445	8,646
Total financial debt	4,900	-	4,828	1,613	571	11,912

(a) Correspond to \$9,337 of debt proceeds, \$2,936 of principal payments and \$1,573 of interest payments.

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Note 5 – Trade receivables

Trade receivables consist of the following:

	As of December 31,	
	2016	2015
Current trade receivables		
Fixed services	1,805	1,449
Personal mobile services – equipment sales	3,805	2,659
Personal mobile services – services sales	2,329	1,759
Núcleo mobile services	271	182
Subtotal	8,210	6,049
Allowance for doubtful accounts	(633)	(386)
	7,577	5,663
Non-current trade receivables		
Fixed services	14	17
Personal mobile services – equipment sales	-	300
Núcleo mobile services – equipment sales	194	164
Subtotal	208	481
Total trade receivables, net	7,785	6,144

Movements in the allowance for current doubtful accounts are as follows:

	Years ended December 31,	
	2016	2015
At the beginning of the fiscal year		
Additions –Bad debt expenses	(386)	(292)
Uses	(1,228)	(564)
Currency translation adjustments	989	480
	(8)	(10)
At the end of the year	(633)	(386)
<i>Of which</i>		
<i>Fixed Services</i>	(176)	(124)
<i>Mobile Services – Personal</i>	(441)	(253)
<i>Mobile Services – Núcleo</i>	(16)	(9)

Note 6 – Other receivables

Other receivables consist of the following:

	As of December 31,	
	2016	2015
Current other receivables		
Prepaid expenses	620	346
Expenditure reimbursement	126	95
Tax credits	46	165
Restricted funds	33	26
Receivables for return of handsets under warranty	29	9
PP&E disposal receivables	18	26
Guarantee deposits	10	5
Tax on personal property – on behalf of Shareholders	8	15
Non deliverable forward (Note 20)	2	466
Unionized employees advances	-	57
Prepaid expenses related parties (Note 27.c)	-	36
Other	140	115
Subtotal	1,032	1,361
Allowance for doubtful accounts	(21)	(25)
	1,011	1,336
Non-current other receivables		
Prepaid expenses	258	166
Credit on SC Resolution No. 41/07 and IDC (Note 2.p and q)	57	84
Restricted funds	33	32
Regulatory receivables (Paraguay)	27	22
Tax on personal property – on behalf of Shareholders	18	18
Tax credits	11	12
Guarantee deposits	12	12
Other	19	28
Subtotal	435	374
Allowance for regulatory matters (Note 2 p. and q)	(57)	(84)
Allowance for tax on personal property	(18)	(18)
	360	272
Total other receivables	1,371	1,608

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Movements in the allowances are as follows:

	Years ended December 31,	
	2016	2015
Current allowance for doubtful accounts		
At the beginning of the year	(25)	(23)
Additions	-	(5)
Uses	4	3
At the end of the year	(21)	(25)

	Years ended December 31,	
	2016	2015
Non-current allowance for regulatory matters		
At the beginning of the year	(84)	(85)
Compensation of Telecom Argentina's regulatory liabilities	27	-
Uses	-	1
At the end of the year	(57)	(84)

	Years ended December 31,	
	2016	2015
Non-current allowance for tax on personal property		
At the beginning of the year	(18)	(18)
Additions	-	-
At the end of the year	(18)	(18)

Note 7 – Inventories

Inventories consist of the following:

	As of December 31,	
	2016	2015
Mobile handsets and others	1,321	2,218
Advances for mobile handsets acquisitions	-	47
Fixed telephones and equipment	11	14
Subtotal	1,332	2,279
Allowance for obsolescence of inventories	(54)	(86)
	1,278	2,193

Movements in the allowance for obsolescence of inventories are as follows:

	Years ended December 31,	
	2016	2015
At the beginning of the year	(86)	(73)
Additions – Fees for services, maintenance and materials	(45)	(38)
Uses	77	25
At the end of the year	(54)	(86)

Sale and cost of equipment and handsets by business segment is as follows:

	Years ended December 31,		
	2016	2015	2014
Fixed Services - excluding network construction contracts	91	61	46
Fixed Services - network construction contracts	-	-	7
Cost of equipment and handsets – Fixed Services	(136)	(82)	(72)
Total equipment loss – Fixed Services	(45)	(21)	(19)
Mobile Services – Personal	7,535	5,796	4,920
Cost of equipment and handsets – Mobile Services Personal (net of SAC capitalizations)	(5,749)	(4,328)	(3,959)
Total equipment gain – Mobile Services – Personal	1,786	1,468	961
Mobile Services – Núcleo	260	159	90
Cost of equipment and handsets – Mobile Services Núcleo (net of SAC capitalizations)	(303)	(185)	(112)
Total equipment loss – Mobile Services – Núcleo	(43)	(26)	(22)
Total equipment and handsets sale	7,886	6,016	5,063
Total cost of equipment and handsets (net of SAC capitalizations)	(6,188)	(4,595)	(4,143)
Total income for sale of equipment and handsets	1,698	1,421	920

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Cost of equipment and handsets is as follows:

	Years ended December 31,		
	2016	2015	2014
Inventories at the beginning of the year	(2,279)	(794)	(857)
Plus:			
Equipment acquisitions	(5,491)	(6,233)	(4,262)
SAC deferred costs (Note 3.i)	130	93	103
Decreases net of allowance of obsolescence	49	25	46
Handsets lent to customers at no cost	54	32	32
Decreases not charged to cost of equipment	17	3	1
Less:			
Inventories at the end of the year	1,332	2,279	794
Cost of equipment and handsets	(6,188)	(4,595)	(i) (4,143)

(i) Includes 6 related to equipment construction contracts.

Note 8 – Property, plant and equipment

PP&E consist of the following:

	As of December 31,	
	2016	2015
Land, buildings and installations	1,310	1,088
Computer equipment and software	2,265	1,885
Switching and transmission equipment (i)	5,614	4,368
Mobile network access and external wiring	9,078	5,643
Construction in progress	2,915	3,015
Other tangible assets	704	567
Subtotal PP&E	21,886	16,566
Materials	1,629	1,652
Valuation allowance for materials and impairment of materials	(68)	(52)
Impairment of PP&E	(282)	(203)
Total	23,165	17,963

(i) Includes tower and pole, transmission equipment, switching equipment, power equipment, equipment lent to customers at no cost and handsets lent to customers at no cost.

Movements in Materials are as follows:

	Years ended December 31,	
	2016	2015
At the beginning of the year	1,652	872
Plus:		
Purchases	3,647	2,950
Less:		
Transfers to CAPEX	(3,173)	(1,888)
Disposal for maintenance	(507)	(294)
Currency translation adjustments	10	12
At the end of the year	1,629	1,652

Movements in the valuation allowance for materials and impairment of materials are as follows:

	Years ended December 31,	
	2016	2015
At the beginning of the year	(52)	(24)
Additions – Fees for services, maintenance and materials	(16)	(28)
At the end of the year	(68)	(52)

Movements in the impairment of PP&E are as follows:

	Years ended December 31,	
	2016	2015
At the beginning of the year	(203)	(100)
Additions	(383)	(230)
Depreciation (i)	-	1
Uses	304	126
At the end of the year	(282)	(203)

(i) Included in depreciation of PP&E.

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Details on the nature and movements during the years ended December 31, 2016 and 2015 are as follows:

	Gross value as of December 31, 2015	CAPEX	Currency translation adjustments	Transfers and reclassifications	Decreases	Gross value as of December 31, 2016
Land	149	-	2	-	-	151
Building	1,771	-	11	95	-	1,877
Tower and pole	1,238	-	82	377	-	1,697
Transmission equipment	6,880	64	147	959	(40)	8,010
Mobile network access	5,242	128	250	3,435	(612)	8,443
External wiring	10,208	-	-	1,407	(86)	11,529
Switching equipment	7,791	75	272	830	(52)	8,916
Power equipment	1,449	-	60	220	(2)	1,727
Computer equipment and systems	9,663	28	408	1,304	(2)	11,401
Telephony equipment and instruments	806	-	3	37	(1)	845
Handsets lent to customers at no cost	505	54	99	-	(115)	543
Equipment lent to customers at no cost	190	150	-	3	(76)	267
Vehicles	380	56	7	-	(14)	429
Furniture	165	2	9	26	-	202
Installations	905	-	15	252	-	1,172
Improvements in third parties buildings	574	8	40	133	-	755
Special projects	77	-	-	12	-	89
Construction in progress	3,015	9,022	22	(9,090)	(54)	2,915
Asset retirement obligations	141	45	3	-	-	189
Total	51,149	9,632	1,430	-	(*) (1,054)	61,157

	Accumulated depreciation as of December 31, 2015	Depreciation	Currency translation adjustments	Decreases	Accumulated depreciation as of December 31, 2016	Net carrying value as of December 31, 2016
Land	-	-	-	-	-	151
Building	(1,134)	(41)	4	-	(1,171)	706
Tower and pole	(596)	(77)	(39)	-	(712)	985
Transmission equipment	(5,265)	(476)	(87)	35	(5,793)	2,217
Mobile network access	(3,210)	(877)	(147)	324	(3,910)	4,533
External wiring	(6,597)	(472)	-	85	(6,984)	4,545
Switching equipment	(6,327)	(856)	(211)	52	(7,342)	1,574
Power equipment	(921)	(97)	(34)	2	(1,050)	677
Computer equipment and systems	(7,778)	(997)	(363)	2	(9,136)	2,265
Telephony equipment and instruments	(773)	(15)	(2)	1	(789)	56
Handsets lent to customers at no cost	(475)	(50)	(98)	115	(508)	35
Equipment lent to customers at no cost	(101)	(116)	-	76	(141)	126
Vehicles	(183)	(47)	(4)	11	(223)	206
Furniture	(128)	(11)	(7)	-	(146)	56
Installations	(603)	(102)	(14)	-	(719)	453
Improvements in third parties buildings	(403)	(98)	(28)	-	(529)	226
Special projects	(34)	(13)	-	-	(47)	42
Construction in progress	-	-	-	-	-	2,915
Asset retirement obligations	(55)	(13)	(3)	-	(71)	118
Total	(34,583)	(4,358)	(1,033)	(*) 703	(39,271)	21,886

(*) Includes 288 of net decreases with counterpart in uses of provision corresponding to Personal's access swap and 16 related to former work in progress decreases.

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	Gross value as of December 31, 2014	CAPEX	Currency translation adjustments	Transfers and reclassifications	Decreases	Gross value as of December 31, 2015
Land	147	-	2	-	-	149
Building	1,706	1	9	57	(2)	1,771
Tower and pole	991	-	63	184	-	1,238
Transmission equipment	6,120	37	114	611	(2)	6,880
Mobile network access	3,937	99	193	1,042	(29)	5,242
External wiring	9,197	-	-	1,047	(36)	10,208
Switching equipment	6,924	66	228	587	(14)	7,791
Power equipment	1,299	-	47	104	(1)	1,449
Computer equipment and systems	8,250	15	323	1,085	(10)	9,663
Telephony equipment and instruments	793	-	2	11	-	806
Handsets lent to customers at no cost	497	32	80	-	(104)	505
Equipment lent to customers at no cost	156	95	-	-	(61)	190
Vehicles	264	130	5	-	(19)	380
Furniture	151	-	7	7	-	165
Installations	802	-	12	92	(1)	905
Improvements in third parties buildings	471	2	29	72	-	574
Special projects	62	-	-	15	-	77
Construction in progress	2,184	5,866	21	(4,914)	(142)	3,015
Asset retirement obligations	87	53	1	-	-	141
Total	44,038	6,396	1,136	-	(**) (421)	51,149

	Accumulated depreciation as of December 31, 2014	Depreciation	Currency translation adjustments	Decreases and transfers	Accumulated depreciation as of December 31, 2015	Net carrying value as of December 31, 2015
Land	-	-	-	-	-	149
Building	(1,094)	(33)	(7)	-	(1,134)	637
Tower and pole	(512)	(53)	(31)	-	(596)	642
Transmission equipment	(4,876)	(324)	(67)	2	(5,265)	1,615
Mobile network access	(2,630)	(493)	(111)	24	(3,210)	2,032
External wiring	(6,231)	(393)	-	27	(6,597)	3,611
Switching equipment	(5,650)	(520)	(171)	14	(6,327)	1,464
Power equipment	(818)	(77)	(26)	-	(921)	528
Computer equipment and systems	(6,692)	(811)	(285)	10	(7,778)	1,885
Telephony equipment and instruments	(761)	(10)	(2)	-	(773)	33
Handsets lent to customers at no cost	(471)	(30)	(78)	104	(475)	30
Equipment lent to customers at no cost	(75)	(87)	-	61	(101)	89
Vehicles	(164)	(33)	(3)	17	(183)	197
Furniture	(113)	(10)	(5)	-	(128)	37
Installations	(516)	(77)	(11)	1	(603)	302
Improvements in third parties buildings	(306)	(76)	(21)	-	(403)	171
Special projects	(23)	(11)	-	-	(34)	43
Construction in progress	-	-	-	-	-	3,015
Asset retirement obligations	(45)	(9)	(1)	-	(55)	86
Total	(30,977)	(3,047)	(819)	(**) 260	(34,583)	16,566

(**) Includes 126 of net decreases with counterpart in uses of provision corresponding to the impairment of commercial systems of Personal, mobile access swap and former work in progress.

Note 9 – Intangible assets

Intangible assets consist of the following:

	Gross value as of December 31, 2015	CAPEX	Currency translation adjustments	Decreases	Gross value as of December 31, 2016
SAC fixed services	234	137	-	(145)	226
SAC mobile services	2,157	1,544	30	(893)	2,838
Service connection or habilitation costs	208	41	-	(27)	222
3G/4G licenses	5,786	-	-	-	5,786
PCS license (Argentina)	658	-	-	-	658
PCS and Band B (Paraguay)	774	-	177	-	951
Rights of use	425	32	6	-	463
Exclusivity agreements	41	-	-	-	41
Customer relationship	2	-	-	-	2
Software developed for internal use	566	-	35	-	601
Total	10,851	1,754	248	(1,065)	11,788

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	Accumulated amortization as of December 31, 2015	Amortization	Currency translation adjustments	Decreases	Accumulated amortization as of December 31, 2016	Net carrying value as of December 31, 2016
SAC fixed services	(118)	(157)	-	145	(130)	96
SAC mobile services	(1,001)	(1,288)	(15)	893	(1,411)	1,427
Service connection or habilitation costs	(101)	(29)	-	27	(103)	119
3G/4G licenses	(343)	(338)	-	-	(681)	5,105
PCS license (Argentina)	(70)	-	-	-	(70)	588
PCS and Band B (Paraguay)	(774)	-	(177)	-	(951)	-
Rights of use	(190)	(27)	(2)	-	(219)	244
Exclusivity agreements	(28)	(1)	-	-	(29)	12
Customer relationship	(1)	-	-	-	(1)	1
Software developed for internal use	(566)	-	(35)	-	(601)	-
Total	(3,192)	(1,840)	(229)	1,065	(4,196)	7,592

	Gross value as of December 31, 2014	CAPEX	Currency translation adjustments	Decreases	Gross value as of December 31, 2015
SAC fixed services	177	158	-	(101)	234
SAC mobile services	1,382	1,206	24	(455)	2,157
Service connection or habilitation costs	207	36	-	(35)	208
3G/4G licenses	3,530	2,256	-	-	5,786
PCS license (Argentina)	658	-	-	-	658
PCS and Band B (Paraguay)	634	-	140	-	774
Rights of use	372	48	5	-	425
Exclusivity agreements	41	-	-	-	41
Customer relationship	2	-	-	-	2
Software developed for internal use	537	-	29	-	566
Total	7,540	3,704	198	(591)	10,851

	Accumulated amortization as of December 31, 2014	Amortization	Currency translation adjustments	Decreases	Accumulated amortization as of December 31, 2015	Net carrying value as of December 31, 2015
SAC fixed services	(84)	(135)	-	101	(118)	116
SAC mobile services	(562)	(882)	(12)	455	(1,001)	1,156
Service connection or habilitation costs	(108)	(28)	-	35	(101)	107
3G/4G licenses	(19)	(324)	-	-	(343)	5,443
PCS license (Argentina)	(70)	-	-	-	(70)	588
PCS and Band B (Paraguay)	(634)	-	(140)	-	(774)	-
Rights of use	(168)	(21)	(1)	-	(190)	235
Exclusivity agreements	(27)	(1)	-	-	(28)	13
Customer relationship	-	(1)	-	-	(1)	1
Software developed for internal use	(537)	-	(29)	-	(566)	-
Total	(2,209)	(1,392)	(182)	591	(3,192)	7,659

Note 10 – Trade payables

Trade payables consist of the following:

- purchase of materials and supplies;
- purchase of handsets and equipment;
- agent and retails commissions;
- procurement of services; and
- purchase of goods included in PP&E.

	As of December 31,	
	2016	2015
Current trade payables		
PP&E	4,496	5,068
Other assets and services	3,422	2,945
Inventory	676	1,335
	8,594	9,348
Agent commissions	385	525
	8,979	9,873
Non-current trade payables		
PP&E	152	52
	152	52
Total trade payables	9,131	9,925

Note 11 – Deferred revenues

Deferred revenues consist of the following:

- revenues received from connection fees for fixed telephony, data and Internet, nonrefundable, considered as a single element with the provision of the service during the contractual relationship with the subscriber;
- revenues collected by remaining traffic and packages of data from unexpired cards;
- the value assigned to the points delivered by customer loyalty programs in the mobile telephony;
- the advanced collection of revenues from services of international capacity; and
- subsidies received for the construction of infrastructure which are deferred in the same period of amortization of the related works.

	As of December 31,	
	2016	2015
Current deferred revenues		
On prepaid calling cards – Fixed and Mobile Services	261	312
On connection fees – fixed services	35	35
On capacity rental	41	47
On mobile customer loyalty programs	87	78
From CONATEL – mobile services Núcleo (Note 18.d)	4	5
Other	15	-
	443	477
Non-current deferred revenues		
On capacity rental – Fixed Services	252	290
On connection fees – Fixed services	87	79
On mobile customer loyalty programs	106	84
From CONATEL - mobile services Núcleo (Note 18.d)	-	4
	445	457
Total deferred revenues	888	934

Note 12 – Financial debt

Financial debt consists of the following:

	As of December 31,	
	2016	2015
Current financial debt		
Bank overdrafts – principal (Personal)	1,666	3,062
Bank overdrafts – principal (Telecom Argentina)	41	-
Bank overdrafts – principal (Núcleo)	-	84
Bank loans – Other – principal (Personal)	620	-
Bank loans – principal (Núcleo)	219	193
Notes – principal (Personal)	566	-
NDF (Note 20)	2	-
Accrued interest (Personal)	145	104
Accrued interest (Núcleo)	7	8
	3,266	3,451
Non-current financial debt		
Notes – principal (Personal)	2,084	713
Bank loans – IFC Loan – principal (Personal)	6,234	-
Bank loans – Other – principal (Personal)	-	509
Bank loans – principal (Núcleo)	328	227
	8,646	1,449
Total financial debt	11,912	4,900

Bank overdrafts

As of December 31, 2016, Personal had bank overdrafts amounting to \$1,666, of which \$1,537 bear interests at an average annual rate of approximately 30.3%.

Telecom Argentina has bank overdrafts in the amount of approximately \$41.

Additional information is provided in Note 31 to these consolidated financial statements.

Bank and other financing entities loans

Personal

On January 28, 2015, Personal entered into a loan with a foreign bank for a total amount of US\$40.8 million (equivalent to \$353 at such date). This loan is a 27-months bullet loan with three-month interest payment at a weighted average rate of three-month LIBOR plus 8.75% (total rate of 9.6309% as of December 31, 2016).

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The terms and conditions of the loan include covenants and events of default that are usual for this type of transaction.

The funds were totally used for the acquisition of inventories.

On July 5, 2016, Personal had accepted an offer from the International Finance Corporation (IFC) for the assessment and transfer of funds for purposes of financing investment needs, work capital and debt refinancing for an amount of up to US\$ 400 million.

On October 5, 2016 Personal and the IFC signed the loan agreement ("IFC Loan") for an amount of US\$ 400 million and for a six year period, payable in 8 equal half-yearly installments since the 30th month, with a 6 month LIBOR rate + 400bp. This loan will be used to deploy the 4G network and refinance short-term financial liabilities. The loan terms include standard commitments and limitations for this type of financial transactions.

On October 26, 2016 Personal received the loan proceeds for an amount of US\$ 392.5 million (net of expenses of US\$ 7.5 million), equivalent to \$5,956.

Additional information on both bank loans is provided in Note 31 to these consolidated financial statements.

Núcleo

The following table shows the outstanding loans with different local financing entities in Paraguay and their main terms as of December 31, 2016:

Principal nominal value (in million of Guaranies)	Amortization term	Book value	
		Current	Non-current
100,000	3 years	55	219
50,000	2.7 years	27	109
50,000	3 months	137	-
200,000		219	328

The weighted average annual rate of these loans is 9.42% in Guaranies and the weighted average amortization term of these loans is approximately 2 years.

The terms and conditions of Núcleo's loans provide for certain events of default which are considered standard for these kinds of operations.

Global Programs for the issuance of Notes

Telecom Argentina

The Ordinary and Extraordinary Shareholders' Meeting of Telecom Argentina held on December 15, 2011, approved the creation of a Medium Term Notes Global Program for a maximum outstanding amount of US\$ 500 million or its equivalent in other currencies for a term of five years.

Personal

The Ordinary and Extraordinary Shareholders' Meeting of Personal held on December 2, 2010, had approved the creation of a Medium Term Notes Global Program for a maximum outstanding amount of US\$ 500 million or its equivalent in other currencies for a term of five years. On October 13, 2011, the CNV had authorized such Program, through Resolution No. 16,670.

Personal's Ordinary Shareholders' Meeting held on May 26, 2016 authorized to extend the due date and expand the Program's maximum circulation amount up to US\$ 1,000 million or its equivalent in other currencies.

On October 20, 2016, the CNV authorized the extension and expansion of the mentioned Program through Resolution No. 18,277. Within such Program, Personal issued notes in four series under the following conditions:

Series I

Issuance date: December 10, 2015.

Amount involved: \$571,505,000 Argentine pesos.

Expiration Date: 18 months from its issuance date (June 12, 2017).

Amortization: Capital will be settled by one payment in an amount equal to 100% of total capital, payable on their maturity date.

Interest rate: Series I notes bear interest from its issuance date until the sixth month maturity (inclusive) at a nominal fixed annual rate equivalent to 28.5% per annum and since the beginning of the seventh month until its maturity date will bear at a floating rate equivalent to the Badlar Privada rates published by the BCRA plus 3.75% per annum.

Interest Payment Date: Interest was paid quarterly in arrears since issuance date. The last interest payment date will be the maturity date.

Series II

Issuance date: 1 December 10, 2015.

Amount involved: \$149,000,000 Argentine pesos.

Expiration Date: 36 months from its issuance date (December 10, 2018).

Amortization: Capital will be settled by one payment in an amount equal to 100% of total capital, payable on their maturity date (December 10, 2018).

Interest rate: Series II notes bear interest from its issuance date until the ninth month maturity (inclusive) at a nominal fixed annual rate equivalent to 28.75% per annum and since the beginning of the tenth month until its maturity date will bear at a floating rate equivalent to the Badlar Privada rates published by the BCRA plus 4.00% per annum.

Interest Payment Date: Interest will be paid quarterly in arrears since issuance date. The last interest payment date will be the maturity date.

Series III

Issuance date: November 16, 2016.

Amount involved: \$721,969,404.

Expiration Date: 18 months from its issuance date (May 16, 2018).

Amortization: Capital will be settled by one payment in an amount equal to 100% of total capital, payable on their maturity date (May 16, 2018).

Interest rate: Series III notes bear interest from its issuance date until their maturity date at a nominal floating annual rate equivalent to the Badlar Privada rates published by the BCRA plus 2.90% per annum.

Interest Payment Date: Interest will be paid quarterly in arrears since issuance date. The last interest payment date will be the maturity date.

Series IV

Issuance date: November 16, 2016.

Amount involved: U\$S 77,900,400.

Expiration Date: 24 months from its issuance date (November 16, 2018).

Amortization: Capital will be settled by one payment in an amount equal to 100% of total capital, payable on their maturity date (November 16, 2018).

Interest rate: Series IV notes bear interest from its issuance date until their maturity date at a nominal fixed annual rate equivalent to 4.85%.

Interest Payment Date: Interest will be paid quarterly in arrears since issuance date. The last interest payment date will be the maturity date.

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Use of Funds

The funds arising from the Series I and II notes placement were used for the partial settlement of bank overdrafts that Personal had taken to finance the acquisition of 3G and 4G frequencies bands. Funds from notes placement have been applied to “debt refinancing”.

The funds arising from the Series III and IV notes were used for local bank overdrafts cancellation (“refinancing of liabilities”).

Notes Rating

The mentioned notes have a local risk rating awarded by FIX SCR S.A. of “AA+(arg)” with a stable outlook. National “AA” involves a solid credit quality with respect to other note’s issuers of the country or other notes issued in the country.

Events of default

The terms and conditions of the Notes provide for certain events of default as follows:

- ✓ lack of payment of capital and/or interests of any of the notes at the maturity date during the term stated in the respective contracts;
- ✓ lack of payment of capital and/or interests of any other financial debt of Personal or its subsidiaries for an amount of at least US\$ 20 million (“cross default” clause), after the expiration of the agreed grace period;
- ✓ final court sentence dictamination (including seizure, executions of property, and similar court decisions) for an amount of at least US\$ 20 million;
- ✓ bankruptcy petition, presentation of reorganization proceeding, or homologation petition of out-of-court preventive agreement of Personal or any of its subsidiaries;
- ✓ any other situation that could cause the revocation of licenses granted to Personal or its subsidiaries (if applicable), in the case of total or partial license revocation that derives in negative effect on the commercial activity, assets, financial and economic situation of Personal or its subsidiaries (taken as a whole).

According to the terms of the notes issued if any case of non-compliance is verified, the debt holders are allowed to demand the payment of the outstanding amount of capital and accrued interest at the time of non-compliance (“acceleration clause”). The application of this clause is generally optional for the debt holders and it is subject to compliance of certain requirements and conditions.

As of the date of issuance of these consolidated financial statements, Personal and Núcleo are in compliance with their respective loans agreements’ commitments.

Note 13 – Salaries and social security payables

Salaries and social security payables include unpaid salaries, vacation and bonuses and its related social security contributions and termination benefits.

As of December 31, 2016, the total number of employees was 15,970, of which approximately 80% were unionized. All Management and senior positions are held by non-unionized employees.

	As of December 31,		
	2016	2015	2014
Fixed services	10,901	10,903	11,056
Personal Mobile services	4,661	4,908	4,958
Núcleo Mobile services	408	413	402
Total number of employees of the Telecom Group	15,970	16,224	16,416

In the field of compensation policy for Directors and Managers, the Company and its subsidiaries have a scheme that includes fixed and variable components. While fixed compensation is dependent upon the level of responsibility required for the position and its market competitiveness, variable compensation is comprised of compensation driven by the goals established on an annual basis and also by compensation regarding the fulfillment of long and medium term goals.

The Company and its subsidiaries have no stock option plans for their employees.

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Salaries and social security payables consist of the following:

	As of December 31,	
	2016	2015
Current		
Vacation and bonuses	1,102	849
Social security payables	383	324
Termination benefits	125	88
	1,610	1,261
Non-current		
Termination benefits	144	117
Bonuses	40	40
	184	157
Total salaries and social security payables	1,794	1,418

Compensation for the Key Managers for the years ended December 31, 2016, 2015 and 2014 is shown in Note 27.e).

Employee benefit expenses and severance payments are composed of:

	Years ended December 31,		
	2016	2015	2014
Salaries	(6,954)	(5,166)	(3,994)
Social security expenses	(2,147)	(1,642)	(1,259)
Severance indemnities and termination benefits	(521)	(319)	(242)
Other employee benefits	(178)	(126)	(96)
	(9,800)	(7,253)	(5,591)

Note 14 – Income tax payables, income tax assets and deferred income tax

Income tax asset and liability, net as of December 31, 2016 and 2015 consist of the following:

	As of December 31, 2016					As of
	Telecom Argentina	Personal	Núcleo	Telecom USA	Total	December 31, 2015
Income tax payables	465	1,586	29	11	2,091	1,721
Withholdings and payments in advance of income taxes	(275)	(1,077)	(15)	(5)	(1,372)	(1,287)
Law No. 26,476 Tax Regularization Regime (*)	5	-	-	-	5	5
Current income tax liability, net	195	509	14	6	724	
Current income tax liability, net as of December 31, 2015	5	407	27	-		439
Law No. 26,476 Tax Regularization Regime (*)	7	-	-	-	7	10
Non-current Income tax liability	7	-	-	-	7	10

(*) Tax liability valued to its discount value at each time of valuation.

The tax effects of temporary differences that give rise to significant portions of the Company's deferred tax assets and liabilities and the actions for recourse tax receivable are presented below:

	Income tax assets			Deferred tax liabilities		
	Telecom Argentina	Telecom USA	Total	Personal	Núcleo	Total
As of December 31, 2016						
Allowance for doubtful accounts	86	2	88	271	16	287
Provisions	341	-	341	149	-	149
PP&E	-	1	1	-	13	13
Inventory	-	-	-	120	-	120
Termination benefits	82	-	82	-	-	-
Deferred revenues	85	-	85	-	-	-
Pension benefits	(*) 57	-	57	-	-	-
Other deferred tax assets, net	120	-	120	-	1	1
Total deferred tax assets	771	3	774	540	30	570
PP&E	(477)	-	(477)	(205)	-	(205)
Intangible assets	(83)	-	(83)	(584)	-	(584)
Cash dividends from foreign companies	-	-	-	(**) (150)	(44)	(194)
Mobile handsets financed sales	-	-	-	(84)	-	(84)
Investments	-	-	-	(4)	-	(4)
Other deferred tax liabilities, net	-	-	-	(68)	-	(68)
Total deferred tax liabilities	(560)	-	(560)	(1,095)	(44)	(1,139)
Total deferred tax asset (liability), net	(***) 211	3	214	(***) (555)	(****) (14)	(569)
Actions for recourse tax receivable	466	-	466			
Total income tax assets	677	3	680			

(*) Include 8 in Other Comprehensive Income for the year ended December 31, 2016.

(**) Include (20) in Other Comprehensive Income for the year ended December 31, 2016.

(***) Include 10 y (65) in Telecom Argentina y Personal, respectively, corresponding to temporary differences reversals as a consequence of 2015 affidavits filings.

(****) Include (42) corresponding to current liabilities reclassifications and 9 corresponding to initial balances currency translation adjustments

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As of December 31, 2015	Income tax assets				Deferred tax liabilities	
	Telecom Argentina	Núcleo	Telecom USA	Total	Personal	Total
Allowance for doubtful accounts	61	8	1	70	151	151
Provisions	314	-	-	314	129	129
PP&E	-	14	-	14	-	-
Inventory	-	-	-	-	99	99
Termination benefits	65	-	-	65	-	-
Deferred revenues	73	-	-	73	-	-
Pension benefits	33	-	-	33	-	-
Other deferred tax assets, net	78	4	-	82	-	-
Total deferred tax assets	624	26	1	651	379	379
PP&E	(390)	-	(1)	(391)	(260)	(260)
Intangible assets	(86)	-	-	(86)	(478)	(478)
Cash dividends from foreign companies	-	(6)	-	(6)	(113)	(113)
Investments	-	-	-	-	(61)	(61)
Other deferred tax liabilities, net	-	(1)	-	(1)	(17)	(17)
Total deferred tax liabilities	(476)	(7)	(1)	(484)	(929)	(929)
Total deferred tax asset (liability), net	148	19	-	167	(550)	(550)
Action for recourse tax receivable	98	-	-	98	-	-
Total income tax assets	246	19	-	265		

Income tax expense for the years ended December 31, 2016, 2015 and 2014 consists of the following:

	Year ended December 31, 2016				
	Profit (loss)				
	Telecom Argentina	Personal	Núcleo	Telecom USA	Total
Current tax expense	(465)	(1,586)	(29)	(11)	(2,091)
Deferred tax benefit	45	80	-	4	129
Action for recourse income tax receivable	368	-	-	-	368
Income tax expense	(52)	(1,506)	(29)	(7)	(1,594)
	Year ended December 31, 2015				
	Profit (loss)				
	Telecom Argentina	Personal	Núcleo	Telecom USA	Total
Current tax expense	(273)	(1,410)	(33)	(5)	(1,721)
Deferred tax benefit	25	(112)	18	-	(69)
Action for recourse income tax receivable	98	-	-	-	98
Income tax expense	(150)	(1,522)	(15)	(5)	(1,692)
	Year ended December 31, 2014				
	Profit (loss)				
	Telecom Argentina	Personal	Núcleo	Telecom USA	Total
Current tax expense	(418)	(1,302)	(25)	(4)	(1,749)
Deferred tax benefit	19	(267)	3	-	(245)
Valuation allowance	-	27	-	-	27
Income tax expense	(399)	(1,542)	(22)	(4)	(1,967)

Income tax expense for the years ended December 31, 2016, 2015 and 2014 differed from the amounts computed by applying the Company's statutory income tax rate to pre-tax income as a result of the following:

	For the years ended December 31,		
	2016	2015	2014
Pre-tax income	5,599	5,127	5,696
Non taxable items	79	8	(42)
Subtotal	5,678	5,135	5,654
Weighted statutory income tax rate (*)	34.3%	34.5%	34.5%
Income tax expense at weighted statutory tax rate	(1,947)	(1,774)	(1,950)
Income tax on cash dividends of foreign companies - Núcleo	(15)	(14)	(27)
Other changes in tax assets and liabilities	-	(2)	(17)
Actions for recourse income tax receivable	368	98	-
Changes in valuation allowance	-	-	27
	(1,594)	(1,692)	(1,967)

(*) Effective income tax rate based on weighted statutory income tax rate in the different countries where the Company has operations. The statutory tax rate in Argentina was 35% for all the years presented, in Paraguay was 10% plus an additional rate of 5% in case of payment of dividends for all the years presented and in the USA the effective tax rate was 39.5% for all the years presented.

Income tax - Actions for recourse filed with the Tax Authority

Article 10 of Law No. 23,928 and Article 39 of Law No.24,073 suspended the application of the provisions of Title VI of the Income Tax Law relating to the income tax inflation adjustment since April 1, 1992.

Accordingly, Telecom Argentina and its domestic subsidiaries determined its income tax obligations in accordance to those provisions, without taking into account the income tax inflation adjustment.

After the economic crisis of 2002, many taxpayers began to question the legality of the provisions suspending the income tax inflation adjustment. Also, the Argentine Supreme Court of Justice issued its verdict in the “Candy” case (07/03/2009) in which it stated that particularly for fiscal year 2002 and considering the serious state of disturbance of that year, the taxpayer could demonstrate that not applying the income tax inflation adjustment resulted in confiscatory income tax rates.

More recently, the Argentine Supreme Court of Justice applied a similar criterion to the 2010, 2011 and 2012 fiscal years in the cases brought by “Distribuidora Gas del Centro” (10/14/2014, 06/02/2015 and 10/04/2016), enabling the application of income tax inflation adjustment for periods not affected by a severe economic crisis such as 2002.

According to the above-mentioned new legal background that the Company took knowledge during 2015, and after making the respective assessments, Telecom Argentina filed during 2015 and 2016 actions for recourse with the AFIP to claim the full tax overpaid for fiscal years 2009, 2010 and 2011 for a total amount of \$371 plus interest, under the argument that the lack of application of the income tax inflation adjustment is confiscatory.

As of the date of issuance of these consolidated financial statements, the actions for recourse filed are pending of resolution by the Tax Authority. However, the Company’s Management, with the assessment of its tax advisor, considers that the arguments presented in those recourse actions follow the same criteria as the one established by the Argentine Supreme Court of Justice jurisprudence mentioned above, among others, which should allow the Company to obtain a favorable resolution of actions of recourse filed.

Consequently, the income tax determined in excess qualifies as a tax credit in compliance with IAS 12 and the Company recorded a non-current tax credit of \$466 as of December 31, 2016 (\$98 were recorded in fiscal year 2015 and \$368 in fiscal year 2016, reducing Income tax cost). For the measurement of the tax credit, the Company has estimated the amount of the tax determined in excess for all fiscal years not covered by the statute of limitation (2009-2016) weighting the likelihood of certain variables according to the jurisprudential antecedents known until such date. The Company’s Management will assess Tax Authority’s resolutions related to actions of recourse filed as well as the jurisprudence evolution in order to annually re-measure the tax credit recorded.

Note 15 – Other taxes payables

Other taxes payables consist of the following:

	As of December 31,	
	2016	2015
Current		
VAT, net	360	452
Tax withholdings	319	201
Internal taxes	138	111
Tax on SU (Note 2.i)	110	91
Regulatory fees (Net of \$14 offset with Resolution No. 41/07 receivables as of December 31,2016 – Note 2.p)	78	74
Turnover tax	75	143
Municipal taxes	35	46
Retention Decree No.583/10 ENARD	26	20
Tax on personal property – on behalf of Shareholders	8	15
	1,149	1,153

Note 16 – Other liabilities

Other liabilities consist of the following:

- pension benefits;
- guarantees received;
- legal fees payable by adhesion to the tax regularization schemes;
- any liability not included in the other liability items.

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	<u>As of December 31,</u>	
	<u>2016</u>	<u>2015</u>
Current		
Compensation for directors and members of the Supervisory Committee	44	30
Guarantees received	15	12
Other	10	11
	<u>69</u>	<u>53</u>
Non-current		
Pension benefits (Note 3.I)	164	95
Legal fees	4	4
Other	2	2
	<u>170</u>	<u>101</u>
Total other liabilities	<u>239</u>	<u>154</u>

Movements in the pension benefits are as follows:

	<u>Years ended</u>	
	<u>December 31,</u>	<u>December 31,</u>
	<u>2016</u>	<u>2015</u>
At the beginning of the year	95	68
Service cost (*)	11	8
Interest cost (**)	38	28
Payments	(4)	(2)
Actuarial loss /(gain) (***)	24	(7)
At the end of the year	<u>164</u>	<u>95</u>

- (*) Included in Employee benefit expenses and severance payments.
(**) Included in Financial expenses.
(***) Included in Other comprehensive income as required by IAS 19R.

Note 17 – Provisions

The Company is a party to several civil, tax, commercial, labor and regulatory proceedings and claims that have arisen in the ordinary course of business. In order to determine the proper level of provisions, Management of the Company, based on the opinion of its internal and external legal counsel, assesses the likelihood of any adverse judgments or outcomes related to these matters as well as the range of probable losses that may result from the potential outcomes. A determination of the amount of provisions required, if any, is made after careful analysis of each individual case.

The determination of the required provisions may change in the future due to new developments or unknown facts at the time of the evaluation of the claims or changes as a matter of law or legal interpretation. Consequently, as of December 31, 2016, the Company has established provisions in an aggregate amount of \$1,680 to cover potential losses under these claims (\$57 for regulatory contingencies deducted from assets and \$1,623 included under provisions) and certain amounts deposited in the Company's bank accounts have been restricted as to their use due to some judicial proceedings. As of December 31, 2016, these restricted funds totaled \$66 (included under Other receivables, net line item in the consolidated statement of financial position).

Provisions consist of the following:

	<u>Additions/ (recoveries)</u>		<u>Reclassifications</u>	<u>Uses</u>		<u>Balances as of December 31, 2015</u>	<u>Additions/ (recoveries)</u>		<u>Reclassifications</u>	<u>Uses</u>		<u>Balances as of December 31, 2016</u>	
	<u>Capital</u>	<u>Interest (i)</u>		<u>Debt recognition</u>	<u>Payments</u>		<u>Capital</u>	<u>Interest (i)</u>		<u>Debt recognition</u>	<u>Payments</u>		
Current													
Provision for civil and commercial proceedings	71	34	19	68	(25)	(55)	112	-	-	47	(15)	(35)	109
Provision for labor claims	51	-	-	75	-	(75)	51	-	-	159	(27)	(92)	91
Provision for regulatory, tax and other matters claims	77	-	-	-	-	(33)	44	-	-	72	-	(45)	71
Total current provisions	199	34	19	143	(25)	(163)	207	-	-	278	(42)	(172)	271
Non-current													
Provision for civil and commercial proceedings	228	49	31	(68)	-	-	240	14	54	(47)	-	-	261
Provision for labor claims	288	61	55	(75)	-	-	329	130	78	(159)	(1)	-	377
Provision for regulatory, tax and other matters claims	441	(30)	20	(24)	-	-	407	43	11	(45)	-	-	416
Asset retirement obligations	123	54	12	-	-	-	189	47	64	-	-	(2)	298
Total non-current provisions	1,080	134	118	(167)	-	-	1,165	234	207	(251)	(1)	(2)	1,352
Total provisions	1,279	(ii) 168	137	(iii) (24)	(25)	(163)	1,372	(iv) 234	207	(v) 27	(43)	(174)	1,623

- (i) Charged to finance costs, interest on provisions line item.
(ii) Charged 113 to Provisions, 53 to PP&E (CAPEX) and 2 to currency translation adjustments.
(iii) Reclassified to Other Receivables.
(iv) Charged 187 to Provisions, 45 to PP&E (CAPEX) and 2 to currency translation adjustments.
(v) Use of Resolution No. 41/07 receivables.

1. Probable Contingent liabilities

Below is a summary of the most significant claims and legal actions for which provisions have been established:

- Profit sharing bonds

Various legal actions are brought, mainly by former employees of the Company against the Argentine government and Telecom Argentina, requesting that Decree No. 395/92 – which expressly exempted Telefónica and the Company from issuing the profit sharing bonds provided in Law No. 23,696 – be struck down as unconstitutional. The plaintiffs also claim the compensation for damages they suffered because such bonds have not been issued.

In August 2008, the Argentine Supreme Court of Justice found Decree No. 395/92 unconstitutional when resolving a similar case against Telefónica.

Since the Argentine Supreme Court of Justice's judgment on this matter, the Divisions of the Courts of Appeal ruled that Decree No. 395/92 was unconstitutional. As a result, in the opinion of the legal counsel of the Company, there is an increased probability that the Company has to face certain contingencies, notwithstanding the right of reimbursement that attends Telecom Argentina against the National State.

Said Court decision found the abovementioned Decree unconstitutional and ordered that the proceedings be remanded back to the court of origin so that such court could decide which defendant was compelled to pay –the licensee and/or the Argentine government- and the parameters that were to be taken into account in order to quantify the remedies requested (percent of profit sharing, statute of limitations criteria, distribution method between the program beneficiaries, etc). It should be mentioned that there is no uniformity of opinion in the Courts in relation to each of those concepts.

Later, in “Ramollino Silvana c/Telecom Argentina S.A.”, the Argentine Supreme Court of Justice, on June 9, 2015, ruled that the profit sharing bonds do not correspond to employees who joined Telecom Argentina after November 8, 1990 and that were not members of the PPP.

This judicial precedent is consistent with the criteria followed by the Company for estimating provisions for these demands, based on the advice of its legal counsel, which considered remote the chances of paying compensation to employees not included in the PPP.

Legal action's statute of limitations criteria: Argentine Supreme Court of Justice ruling “Dominguez c/ Telefónica de Argentina S.A.”

In December 2013, the Argentine Supreme Court ruled on a similar case to the above referred legal actions, “Domínguez c/ Telefónica de Argentina S.A”, overturning a lower court ruling that had barred the claim as having exceeded the applicable statute of limitations since ten years had passed since the issuance of Decree No. 395/92.

The Argentine Supreme Court of Justice ruling states that the Civil and Commercial Proceedings Court must hear the case again to consider statute of limitations arguments raised by the appellants that, in the opinion of the Argentine Supreme Court of Justice, were not considered by the lower court and are relevant to the resolution of the case.

After the Argentine Supreme Court of Justice's ruling and until the date of issuance of these consolidated financial statements, two chambers of the Civil and Commercial Federal Proceedings Court have issued opinions interpreting the doctrine developed by the Argentine Supreme Court of Justice in its ruling, acknowledging that the statute of limitations must be applied periodically –as of the time of each balance sheet- but limited to five years; and Chamber III ruled, by a majority of votes, that the statute of limitations must not be applied periodically, but that instead, was exceeded ten years after the issuance of Decree No. 395/92.

Criteria for determining the relevant profit to calculate compensation: ruling of the Civil and Commercial Federal Proceedings Court in Plenary Session “Perota c/ Estado Nacional y Telefónica de Argentina S.A.”

On February 27, 2014, the Civil and Commercial Appeals Court issued its decision in plenary session in the case “Perota, César c/ Estado Nacional”, as a result of a complaint filed against Telefónica de Argentina S.A, ruling: “that the amount of profit sharing bonds the corresponding to former employees of Telefónica de Argentina S.A. should be calculated based on the taxable income of Telefónica de Argentina S.A. on which the income tax liability is to be assessed”.

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The Court explained that in order to make such determination: *“it is necessary to clarify that “taxable income” (pre-tax income) means the amount of income subject to the income tax that the company must pay, which generally means gross income, including all revenue obtained during the fiscal year (including contingent or extraordinary revenue), minus all ordinary and extraordinary expenses accrued during such fiscal year”.*

As of December 31, 2016, the Company’s Management, with the advice of its legal counsel, has recorded the provisions for contingencies that it estimates are sufficient to cover the risks associated with these legal actions, having considered the available legal background as of the date of these consolidated financial statements.

Additionally, on June 3, 2013 Telecom Argentina was notified of a lawsuit filed by four unions claiming the issuance of a profit sharing bonds (hereinafter “the bonds”) for future periods and for periods for which the statute of limitations is not expired. To enforce this claim, the plaintiffs require that Decree No. 395/92 should be declared unconstitutional.

This collective lawsuit is for an unspecified amount. The plaintiffs presented the criteria that should be applied for the determination of the percentage of participation in the Company’s profit. The lawsuit requiring the issuance of a profit sharing bond represents an obligation with potential future economic impact for Telecom Argentina.

In June 2013, the Company filed its answer to the claim, arguing that the labor courts lack of jurisdiction. On October 30, 2013, the judge rejected the lack of jurisdiction plea, established a ten year period as statute of limitation and deferred ruling on the defenses of res judicata, lis pendens and on the third party citation required after a hearing is held by the court. Telecom Argentina has appealed the judge’s ruling.

On December 12, 2013 this hearing took place and the intervening court differed the defense of statute of limitations filed by the Company to the moment of the final ruling, among other matters. It also ordered the plaintiff to establish that they have permission to bring the case on behalf Telecom Argentina’s employees included in the claim; meanwhile the trial proceeding will be suspended. The plaintiff appealed the decision and the judge deferred this issue to the time of sentencing.

As of the date of issuance of these consolidated financial statements, the appeal regarding lack of jurisdiction raised by the Company is pending, until the documentation requested by the court to the plaintiffs was resolved.

The Company, based on the advice of its legal counsel, believes that there are strong arguments to defend its rights in this claim based, among other things, in the expiration of the statute of limitations of the claim for the unconstitutionality of Decree No. 395/92, the lack of active legal standing for collective claim for bonds issuance -due to the existence of individual claims-, among other reasons regarding lack of active legal standing.

- Wage differences by food vouchers and non-remunerative sums

The Company is subject to various lawsuits initiated by some employees and former employees who claim wage differences caused by the impact of the concepts “non-remunerative sums” (amounts not subject to social security contributions) and “food vouchers” over the settlement of items such as overtime, productivity, vacation, supplementary annual salary and other additional benefits provided by the Collective Bargaining Agreement.

In this regard, the Argentine Supreme Court of Justice has recognized that “food vouchers” are remunerative and are part of the employees’ compensations, declaring the unconstitutionality of Sect. 103 bis, inc. C of the Employment Contract Act (which gives them the character of social benefits). Considering these judicial precedents, as of December 31, 2016, the Company’s Management, with the advice of its legal counsel, has recorded a provision for contingencies that it estimates is sufficient to cover the risks associated with these claims as of the date of issuance of these consolidated financial statements.

- Sales representative claims

Former sales representatives of Personal have brought legal actions for alleged improper termination of their contracts and have submitted claims for payment of different items such as commission differences, value of the customers’ portfolio and lost profit, among other matters. Personal believes, based on the advice of its legal counsel, that certain items included in the claims would not be sustained while other items, if sustained, would result in significantly lower amounts than those claimed. As of the date of issuance of these consolidated financial statements, some legal actions are in the discovery phase and with expert opinions in progress.

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Personal's Management, based on the advice of its legal counsel, has recorded provisions that it estimates are sufficient to cover the risks associated with these claims, which are considered that would not have a negative impact on Personal's results and financial position.

- Regulator's Penalty Activities

Telecom Argentina is subject to various penalty procedures, in most cases promoted by the Regulatory Authority, for delays in the reparation and installation of service to fix-line customers. Although generally a penalty considered on an individual basis does not have a material effect on Telecom Argentina's equity, there is a significant disproportion between the amounts of the penalty imposed by the Regulatory Authority and the revenue that the affected customer has generated to Telecom Argentina.

Since fiscal year 2013, the CNC significantly increased its penalty activities, increasing the amount of charges and sanctions, as well as the individual amount of each of the latter. In several cases the sanctions imposed as from 2013 had twice the economic value of those imposed to Telecom Argentina in previous periods for the same alleged infringements.

In determining the provisions for regulatory charges and sanctions, the Telecom Argentina's Management, with the assessment of its legal counsel, determines the likelihood of such sanctions being imposed, the amount thereof based on historical information and judicial precedents, also contemplating various probable scenarios of statute of limitation for charges and sanctions received, the current levels of execution of sanctions and the eventual results of legal actions that Telecom Argentina has undertaken to demonstrate, among other things, the disproportionate sanctions imposed by the Regulatory Authority since 2013.

Telecom Argentina has recorded certain provisions that it deems sufficient to cover the above mentioned sanctions and charges, estimating that they should not prosper in amounts individually higher than 200 thousand UT (9,380 Argentine pesos) per each alleged violation against its clients in the normal course of business, in accordance with the legal and regulatory analysis performed as of December 31, 2016. If Telecom Argentina and its legal advisors' arguments do not prevail, the Management of Telecom Argentina estimates that the amount of provisions for regulatory charges and sanctions might be increased in approximately \$154 as of December 31, 2016.

2. Possible Contingencies

In addition to the possible contingencies related to regulatory matters described in Note 2 i) FFSU – *Impact in Telecom Argentina*, below is a summary of the most significant claims and legal actions for which no provisions have been established, although it cannot be ensured the final outcome of these lawsuits:

- "Consumidores Financieros Asociación Civil para su Defensa" claim

In November 2011, Personal was notified of a lawsuit filed by the "Consumidores Financieros Asociación Civil para su Defensa" claiming that Personal made allegedly abusive charges to its customers by implementing per-minute billing and setting an expiration date for prepaid telecommunication cards.

The plaintiff claim Personal to: i) cease such practices and bill its customers only for the exact time of telecommunication services used; ii) reimburse the amounts collected in excess in the ten years preceding the date of the lawsuit; iii) credit its customers for unused minutes on expired prepaid cards in the ten years preceding the date of the lawsuit; iv) pay an interest equal to the lending rate charged by the Banco de la Nación Argentina; and v) pay punitive damages provided by article 52 bis of Law No. 24,240.

Personal responded in a timely manner, arguing the grounds by which the lawsuit should be dismissed, with particular emphasis on the regulatory framework that explicitly endorses Personal's practices, now challenged by the plaintiff in disregard of such regulations.

The plaintiffs are seeking damages for unspecified amounts. Although Personal believes there are strong defenses according to which the claim should not succeed, in the absence of jurisprudence on the matter, Personal's Management (with the advice of its legal counsel) has classified the claim as possible until a judgment is rendered.

This claim was at a preliminary stage as of the date of these consolidated financial statements. However, the judge has ordered the accumulation of this claim with two other similar claims against Telefónica Móviles and AMX Argentina. So, the three legal actions will continue within the Federal Civil and Commercial Court No. 9.

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- Lawsuit against Personal on changes in services prices

In June 2012 the consumer trade union “Proconsumer” filed a lawsuit against Personal claiming that the company did not provide the clients with enough information regarding the new prices for the services provided by Personal between May 2008 and May 2011. It demands the reimbursement of the increase in the price billed to customers for a period of two months.

Personal’s Management considers that Personal had adequately informed its clients the modifications of the terms and conditions in which the service would be provided, and therefore, believes that this lawsuit should not succeed.

On September 5, 2012 the Court took notice of the lawsuit. On June 26, 2013, the judge upheld the jurisdictional plea filed by Personal and ordered to send the lawsuit to the Administrative and Contentious court, which decided that the jurisdiction corresponded to the Commercial Court. That decision was appealed by Personal through an extraordinary motion. The extraordinary motion was denied and Personal filed a complaint with the Argentine Supreme Court of Justice, which on May 27, 2016 provided that the demand will continue its proceedings in the commercial courts. The lawsuit is in the discovery phase and both parts are preparing the evidence required.

Personal’s Management considers that there are solid arguments for the favorable resolution of this lawsuit, but, in the event it is resolved unfavorably, it would not have a significant impact on Personal’s results and financial position.

- Legal Procedures relating to the Definition of the Scope of Fixed and Mobile Telephone Services under Broadcasting Law No. 22,285, repealed by Law No. 26,522 of Audiovisual Communication Services

The Group offers a wide range of telecommunications services in the market, including, among others, those referred to as VAS, which provide additional functionality to the basic services of voice transmission through a telecommunications network.

In connection with the VAS, there are some legal claims referred to the provision of streaming services, known as video on demand, and also an Argentine Supreme Court of Justice opinion relating to the commercialization of a service called Superpack.

- o Supercanal Case

Within the context of a claim filed by Supercanal S.A. in 2003, an injunction was ordered against the fixed and mobile telephone companies, by which the Court ordered them to abstain from “*providing supplementary broadcasting services or issuing any kind of broadcasting contents and programming*”, as well as “*making any advertisement relating to future services to be provided, or the provision of television services as VAS or any other kind of technical method through the fixed or mobile telephone and Internet services that they provide*”.

In 2012 a lower court decided to consider the case “without merit” and to terminate the injunction. However, on February 18, 2014, the Court of Appeals overruled such decision, and the judge must now decide on the appeal filed against the injunction, which is still pending.

On June 16, 2014 Telecom Argentina filed before the Courts a request to terminate the injunction, arguing among other reasons that new Law No. 26,522 of Audiovisual Communication Services has repealed the former law, under which the injunction had been ordered.

In March 2015, Telecom Argentina reported the issuance of Law No. 27,078 (LAD) and its effect on the injunction, which became moot.

As a result, on June 3, 2015 the plaintiff informed the Court that it had no complaints the case was moot considering the new legal framework introduced by Laws No. 26,522 and 27,078.

On May 10, 2016, the judge decided that the claim is moot, ordered the lifting of the injunction and the closing of the claim.

- o Claim by the Argentine Association of Cable Television

Within the context of a claim filed by the Argentine Association of Cable Television in 2006, an injunction was ordered against the fixed and mobile telephone companies, by which the Court ordered them to abstain from “*transmitting, repeating and/or providing directly or indirectly broadcasting services or their supplementary services*”, based on the former Broadcasting Law No. 22,285.

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Subsequently, such injunction was extended to the commercialization of the Superpack service (joint offer of satellite television services provided by DirecTV and telephone and Internet services provided by Telecom Argentina, where each entity invoiced the services provided by it directly to the final customer), which was suspended by an appeal filed by Telecom Argentina before the Argentine Supreme Court of Justice. However, on June 3, 2014, the Argentine Supreme Court of Justice rejected such appeal because it did not refer yet to a final decision on the substantial issue that must be resolved by such Court. Accordingly, the Company prudentially suspended the commercialization of the above referred joint offer with DirecTV from June 4, 2014. The suspension of this joint offer only meant to the Group a decrease in commissions revenues for new subscribers that our network commercialized in favor of DirecTV, and a decrease in costs from commissions conceded to DirecTV for subscribers that the latter captured for the Telecom Group, which were not material during the year ended December 31, 2014.

On June 10, 2014, the Company claimed to the Courts that the substantial issues under the claim are “without merit” and the injunction has become ineffective as a result of the new Law No. 26,522 of Audiovisual Communication Services –which repealed the former law under which the injunction had been ordered.

On October 7, 2014, the Court notified the Company and Personal of a breach complaint related to the above referred injunction. Such notification was answered rejecting its whole content and requesting that the CNC and the SC become part of the process. The Court will have to make a joint decision on these two issues presented by the parties.

On December 19, 2014 Law No. 27,078 came into force. In Article 9 paragraph 2 states that licensees of services under the Law – such as Telecom Argentina and Personal – may provide audiovisual media services. This legislation reinforces the legal arguments used by the Company to continue providing the VAS analyzed in these cases.

On June 18, 2015 a lower Court decided to postpone the declaration that the claim was moot and to limit the term of the injunction for six months. The decision was appealed by the Company and other defendants. On October 8, 2015 the Court of Appeals decided the revocation of the judge’s decision that the claim is moot and ruled that the injunction has ceased to apply. Against this decision, the plaintiff has filed an extraordinary resource. On March 17, 2016, the Court of Appeals rejected the resource. The plaintiff filed a complaint with the Supreme Court on March 29, 2016, which it was dismissed by the Supreme Court on August 4, 2016 and ended the claim.

- *Proceedings related to value added services - Mobile contents*

On October 1, 2015 Personal was notified of a claim seeking damages for unspecified amounts initiated by consumer trade union “Cruzada Cívica para la defensa de los consumidores y usuarios de servicios públicos”. The plaintiff invokes the collective representation of an undetermined number of Personal customers.

The plaintiff claims the way that content and trivia are contracted, in particular the improper billing of messages sent offering those services and their subscription. Additionally, it proposes the application of a civil penalty.

This claim has a similar object to other claims made by a consumer association (Proconsumer) where collective representation of customers is also invoked. As of the date of issuance of these consolidated financial statements, those claims are not at preliminary stages.

Personal has answered the claims through the presentation of legal and factual defenses, subpoenaing third parties involved in the provision of VAS. Likewise, with the advice of its legal counsel, Personal believes to have strong arguments for its defense in these lawsuits. However, given the absence of jurisprudential precedents, the final outcome of these claims cannot be assured.

- *Claims of some Personal Content Providers*

In the framework of the general reorganization of the content business started out by Personal in 2016, and given the upcoming expiration of agreements with content providers, some of the latter have been notified that such agreements will not be renewed.

By virtue of that communication, three of those companies initiated and obtained in court (between January 12, 2017 and February 24, 2017), precautionary measures against Personal, in order to avoid that the duly notified decision of not renewing the agreements be effective, and thus, forcing Personal to refrain from disconnecting or interrupting the contractual relationship on the scheduled dates.

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All these precautionary measures were timely appealed by Personal, with only one of them remaining in force as of the date of issuance of these consolidated financial statements. On February 7, 2017, the ENACOM decided that Personal should refrain from disrupting the services of the companies nucleated in CAVAM as well as from modifying the existing business conditions.

Later, on February 24, 2017, the ENACOM notified Personal the Resolution 2017-1122-APN-ENACOM # MCO, which set out that Mobile Operators may receive, in every respect, a percentage that should not exceed 40% of the services invoiced on behalf and to the order of providers of audiotext and mass calling Value Added Services.

In addition, the Resolution sets forth a 30-day period to file under the ENACOM the interconnection contracts or the addenda to the existing ones, that ensure adjustments to the contracts already in force and with relation to the services rendered by the members of CAVAM.

In light of the situation described, taking into account the impact on rights and interests, Personal will deduct all necessary actions and/or administrative and/or judicial resources in order to obtain revocation/modification and/or annulment of the Resolution in question, since the conditions set forth in the rule are deemed inapplicable to the contractual status with content providers, for the reason that these conditions are purely commercial and have been entered into by private parties, besides the numerous legal inconsistencies regarding said Resolution.

- *“Asociación por la Defensa de Usuarios y Consumidores c/Telecom Personal S.A.” claim*

In 2008 the “Asociación por la Defensa de Usuarios y Consumidores” sued Personal, seeking damages for unspecified amounts, claiming the billing of calls to the automatic answering machine and the collection system called “send to end” in collective representation of an undetermined number of Personal customers.

In the third quarter of 2015 Personal took knowledge of an adverse court ruling in a similar trial, promoted by the same consumers association against other mobile operator.

Personal's Management, with the advice of its legal counsel, believes that it has strong arguments for its defense, but given the new jurisprudential precedent, the outcome of this claim cannot be ensured.

- *Interest rate applicable to the matters under Labor Courts of the City of Buenos Aires*

On May 21, 2014 the National Labor Court of Appeals agreed, as a result of a divided vote, that the interest rate applicable to the matters under its jurisdiction in the City of Buenos Aires shall be the nominal annual rate for personal loans with free use of funds of the *Argentine National Bank* for a 49 to 60 month term (as of December 31, 2015 the mentioned rate was 3% per month). The Court also resolved that in those cases that the Court sentences are still pending, this new rate shall be applied as from the date on which each amount is due.

As from 2002 the above mentioned Court had resolved to apply the interest rate resulting from the monthly average of the interest rate used by the National Bank of Argentina for the granting of loans (as of December 31, 2015 the mentioned average rate was 2.055% per month). Therefore, this disposition represents an increase in the interest rate, which the Company has reflected in its assessment of the provisions for pending labor claims. Although this Court's decision is not compulsory for lower Courts, an additional risk exists since the Courts might intend to apply such rate retroactively to labor credits not yet acknowledged by a Court sentence.

Telecom Group's Management, with the advice of its legal counsel, considers that there are solid legal arguments to argue against the retroactive application of this new rate. As of the date of issuance of these consolidated financial statements, Management cannot assure the result deriving from the decision of the Court of Appeals, until the lower Courts issue future opinions making their positions clear. Nevertheless, should a disadvantageous resolution prevail, it is estimated that shall not have a significant impact on the Group's financial position and results of operations

3. Remote Contingencies

The Group faces other legal proceedings, fiscal and regulatory considered normal in the development of its activities. The Company Directors and its legal advisors estimate it will not generate an adverse impact on their financial position and the result of its operations, or its liquidity. In accordance with IAS 37 provisions, not any provision has been constituted related to the resolution of these issues

4. Contingency Asset

- *“AFA Plus Project” Claim*

On July 20, 2012, the Company entered into an agreement with the Argentine Football Association (“AFA”), for the provision of services to a system called “Argentine Football System Administration” (“AFA Plus Project”) related to the secure access to first division football stadiums whereby Telecom Argentina should provide the infrastructure and systems to enable the AFA to manage the aforementioned project. The recovery of investments and expenses incurred by Telecom Argentina and its profit margin would come from charging AFA with a referring price stated in 20% of the popular ticket price per each football fan that attend the stadiums during the term of the agreement, so the recoverability of the Company’s assets related to the Project depended on AFA implementing the “AFA Plus Project”.

From 2012 and in compliance with its contractual obligations, the Company made investments and incurred in expenses amounting to \$182 as of December 31, 2016, of which \$143 are included in PP&E (as of December 31, 2015, such figures amounted to \$179 and \$140, respectively) for the provision and installation of equipment and the execution of civil works for improving the football stadiums, registration centers equipment, inventories and material storage and attend other expenses directly associated with AFA Plus Project.

For several specific reasons of the Project, the football environment and the country context, the AFA Plus system was not implemented by AFA, not even partially. Accordingly, Telecom Argentina has not been able to begin collecting the agreed price.

Finally, throughout the agreement, Telecom Argentina received no compensation from AFA for the services provided and the work performed. In September 2014, AFA notified the Company of its decision to terminate the agreement with Telecom Argentina, modifying the AFA Plus Project, and also informed that it will assume the payment of the investments and expenditures incurred by the Company. Accordingly, negotiations between the parties have started.

In February 2015, AFA made a proposal to compensate the investments and expenditures incurred by the Company through advertising exchange exclusively related to the AFA Plus Project (or the one that replaces this Project in the future), in the amount of US\$ 12.5 million. If the advertising compensation was not operating in one year, AFA would pay to Telecom Argentina the mentioned amount. The Company analyzed the quality of the assets offered by AFA in its offer of advertising exchange, and rejected the offer as insufficient.

New negotiations were conducted in 2015 to improve the mentioned offer (requiring a combination of cash payments and advertising) but a satisfactory agreement was not reached and negotiations were suspended for AFA internal affairs.

In October 2015, the Company formally demanded that AFA pay the amounts due (\$179.2 plus interest from its implementation). AFA rejected the claim but agreed to resume negotiations for a closing agreement which was then suspended by the AFA electoral process.

In January 2016 both parties resumed conciliatory negotiations, while the Company reserved its right to exercise legal claims on the amounts due.

In June 2016 the Company initiated a compulsory pre-judicial mediation procedure. The first audience, held on July 12, 2016, was attended by both parties. A second audience was held on August 3, 2016 and a third and the last one was held on August 23, 2016, which resulted in no agreement between the parties.

As of the date of issuance of these consolidated financial statements, the Company, with the assistance of its legal advisors, is preparing the lawsuit against AFA in order to claim the owed amounts through the judicial system. The Company’s Management and its external advisor believe that they have solid and legal arguments for claiming and are evaluating the actions to be followed for recovering the investments and expenses made.

It is worth mentioning that the impairment recorded by the Company arising from the uncertainties related to the recoverable value of assets recognized by the AFA Plus Project (Works in Progress and Materials amounting to \$143 as of December 31, 2016) have been only recorded for the purpose to comply with accounting standards and in no way involves giving up or limiting the rights given to the Company as a genuine creditor for the AFA Plus Project agreement.

Note 18 – Commitments

(a) Purchase commitments

The Company has entered into various purchase orders amounting in the aggregate to approximately \$7,945 as of December 31, 2016 (of which \$2,866 corresponds to PP&E commitments), primarily related to the supply of switching equipment, external wiring, infrastructure agreements, inventory and other service agreements. This amount also includes the commitments mentioned in c).

(b) Investment commitments

In August 2003, Telecom Argentina was notified by the SC of a proposal for the creation of a \$70- fund (the “Complejo Industrial de las Telecomunicaciones 2003” or “2003 Telecommunications Fund”) to be funded by the major telecommunication companies and aimed at developing the telecommunications sector in Argentina. Banco de Inversion y Comercio Exterior (“BICE”) was designated as Trustee of the Fund.

In November 2003, the Company contributed \$1.5 at the inception of the Fund. In addition, Management announced that it is the Company’s intention to promote agreements with local suppliers which would facilitate their access to financing.

(c) Commitments assumed by Telecom Argentina from the sale of Publicom

On March 29, 2007, Telecom Argentina’s Board of Directors approved the sale of its equity interest in Publicom (a company engaged in directories’ publishing business) to Yell Publicidad S.A. (a company incorporated in Spain, member of the Yell Group- *Grupo Yell*), which was executed on April 12, 2007 (the “Closing Date”).

On Closing Date and after the stock transfer was actually performed, Publicom accepted a proposal from Telecom Argentina. According to said proposal, Telecom Argentina:

- ✓ engages Publicom to publish and print Telecom Argentina’s directories (“white pages”) for a 5-year period, which was extended annually;
- ✓ engages Publicom to distribute Telecom Argentina’s white pages for a 20-year period, which may be extended upon expiry date;
- ✓ engages Publicom to maintain the Internet portal, which allows to access the white pages through the web, for a 20-year period, term which may be extended upon expiry date;
- ✓ grants Publicom the right to lease advertising spaces on the white pages for a 20-year period, which may be extended upon expiry date; and
- ✓ authorizes the use of certain trademarks for the distribution and/or consultation on the Internet and/or advertising spaces agreements for the same specified period.

Telecom Argentina reserves the right to supervise certain matters associated with white pages publishing and distribution activities that allow Telecom Argentina to assure the fulfillment of its regulatory obligations during the term of the proposal. The terms and conditions of the proposal include usual provisions that allow Telecom Argentina to apply economic sanctions in the case of non-compliance, and in the case of serious non-compliance, allow Telecom Argentina to require an early termination. In the latter case, the Company could enter into an agreement with other providers.

The proposal set prices for the publishing, printing and distribution of the 2007 directories, and provided clauses for the subsequent editions in order to ensure Telecom Argentina that said services will be contracted at market price.

Telecom Argentina shall continue to include in its own invoices the amounts to be paid by its customers to Publicom for the contracted services or those that may be contracted in the future, and subsequently collect the amounts for said services on behalf and to the order of Publicom, without absorbing any delinquency.

(d) Commitments assumed by Núcleo

During 2010, the CONATEL awarded Núcleo a public bidding for the implementation of the expansion of the infrastructure of networks used as platform for the mobile telephony access services and the basic service in areas of public or social interest in Paraguay. The total investment was approximately of \$17, of which \$12 were subsidized by CONATEL.

As of the date of these consolidated financial statements, Núcleo has timely fulfilled its investments obligations and the total assets and services have been installed and are satisfactorily functioning. The CONATEL has disbursed approximately \$11 related to this bidding.

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Additionally, in August 2011, the CONATEL awarded Núcleo a new public bidding for the implementation of the expansion of the infrastructure of networks as a platform for the mobile telephony access services and the basic service in the Department of Caaguazú. Núcleo committed to install and render satisfactorily functioning all the assets and services covered by the bidding within six months from the date of signing of the contract, by means of an approximate investment of \$6 of which \$5 were subsidized by the CONATEL. As of the date of these consolidated financial statements, the work is finished. The CONATEL has disbursed approximately \$4 related to this bidding.

CONATEL's total differed disbursements as of December 31, 2016 amounted to \$15 and were included under "Deferred revenues" line item, corresponding \$4 to current deferred revenues, having accrued gains for \$11 since fiscal year 2011.

(e) Commitments assumed from the acquisition of Spectrum by Personal

The Auction Terms and Conditions convened by SC Resolution No. 38/14 established high and demanding obligations of coverage and network deployment, which would require significant investments in PP&E that were estimated at the time of submission of Personal's bid in approximately US\$ 450 million over the next five years and whose failure could result in sanctions and adverse effects to Personal.

Some of the obligations included in the Terms and Conditions are the following:

- Extend the SRMC, STM and PCS coverage in such a way that it reaches all locations with at least 500 inhabitants in a time period that would not exceed 60 months.
- Upgrade the network infrastructure in a time period that would not exceed 60 months, in such a manner that in all the network locations where mobile Internet services are offered a minimum of 1 Mbps per user be guaranteed in the downlink for SRMC, STM and PCS.
- For the SCMA (Annex III of Terms and Conditions) progressive coverage obligations in the Argentine Republic territory are established, in five differenced stages, completed in the 60-month-period with coverage in locations with more than 500 inhabitants.

For further detail of the obligations involved, see SC Resolution No.37/14, No. 38/14 and its amendments and supplementary regulations.

Taking into account that the frequency bands of SC Resolution No.83/14 had been partially awarded, Personal requested the SC that all the mentioned deadlines were calculated from the date on which the frequency band 713-723 Mhz to 768-778 Mhz were awarded, what would complete Lot 8 award. Such requirement was satisfied by the provisions of section 4 d) of Decree No. 1,340/16.

As of December 31, 2016, Personal's management has invested in expanding coverage and network deployment in an amount of approximately US\$ 354 million. There are also purchase orders issued related to this improvement for an amount of approximately US\$ 66 million (included in a) above.

Note 19 – Equity

Equity includes:

	As of December 31,	
	2016	2015
Equity attributable to Telecom Argentina (Controlling Company)	19,336	17,194
Equity attributable to non-controlling interest (ABC Telecomunicaciones S.A. – Note 1.a)	542	416
Total equity (*)	19,878	17,610

(*) Additional information is given in the consolidated statements of changes in equity.

(a) Capital information

The total capital stock of Telecom Argentina amounted to \$984,380,978, represented by an equal number of ordinary shares, of \$1 Argentine peso of nominal value, of which 969,159,605 treasury shares are entitled to one vote. The capital stock is fully integrated and registered with the IGJ.

The Company's shares are authorized by the CNV, the Buenos Aires Stock Exchange (the "BCBA") and the New York Stock Exchange (the "NYSE") for public trading. Only Class "B" shares are traded since Nortel owns all of the outstanding Class "A" shares; and Class "C" shares are dedicated to the employee stock ownership program, as described below.

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Telecom Argentina’s breakdown of capital stock as of December 31, 2016 is as following:

Shares	Registered, subscribed and authorized for public offering		
	Outstanding shares	Treasury shares	Total capital stock
Ordinary shares, \$1 Argentine peso of nominal value each			
Class “A”	502,034,299	-	502,034,299
Class “B”	466,890,558	15,221,373	482,111,931
Class “C”	234,748	-	234,748
Total	969,159,605	15,221,373	984,380,978

Each ADS represents 5 Class B shares and are traded on the NYSE under the ticker symbol TEO.

(b) Share Ownership Plan

In 1992, a Decree from the Argentine government, which provided for the creation of the Company upon the privatization of ENTEL, established that 10% of the capital stock then represented by 98,438,098 Class “C” shares was to be included in the PPP (an employee share ownership program sponsored by the Argentine government). Pursuant to the PPP, the Class “C” shares were held by a trustee for the benefit of former employees of the state-owned company who remained employed by the Company and who elected to participate in the plan.

In 1999, Decree No. 1,623/99 of the Argentine government eliminated the restrictions on some of the Class “C” shares held by the PPP, although it excluded Class “C” shares of the Fund of Guarantee and Repurchase subject to an injunction against their use. In March 2000, the shareholders’ meeting of the Company approved the conversion of up to unrestricted 52,505,360 Class “C” shares into Class “B” shares (these shares didn’t belong to the Fund of Guarantee and Repurchase), most of which was sold in a secondary public offering in May 2000.

The Annual General and Extraordinary Meetings held on April 27, 2006, approved that the power for the additional conversion of up to 41,339,464 Class “C” ordinary shares into the same amount of Class “B” ordinary shares, be delegated to the Board of Directors. As granted by the Meetings, the Board transferred the powers to convert the shares to some of the Board’s members and/or the Company’s executive officers. As of December 31, 2011, all the 41,339,464 shares were converted into Class “B” ordinary shares in eleven tranches.

The remaining 4,593,274 Class “C” shares were affected by an injunction measure recorded in file “*Garcías de Vicchi, Amerinda y otros c/ Sindicación de Accionistas Clase C del Programa de Propiedad Participada s/nulidad de acto jurídico*”, which was released. The General Ordinary and Extraordinary and Special Class “C” Shares Meetings held on December 15, 2011, approved that the power for the additional conversion of up to 4,593,274 Class “C” shares into the same amount of Class “B” shares in one or more tranches, be delegated to the Board of Directors. Of such amount, 4,358,526 Class “C” shares have already been converted into Class “B” shares in 10 tranches.

As of the date of issuance of these consolidated financial statements, 234,748 Class “C” shares are still pending to be converted into Class “B” shares.

(c) Capital Market Act - Law No. 26,831

On December 28, 2012 the new Capital Market Law (Law No. 26,831) was published in the Official Bulletin. This Law eliminates self-regulation of the capital market; grants new powers to the CNV and supersedes Law No. 17,811 and Decree No. 677/01, among other rules. The Law became effective on January 28, 2013. Since that date, governs the universal scope of the Statutory Regime of Public Offer of Mandatory Acquisition, as provided the Law, which states: “*Article 90. – Universal scope. The Statutory Regime of Public Offer of Mandatory Acquisition regulated in this chapter and the residual rules of participation regulated in the following chapter includes all listed companies, even those that, under the previous regime, have opted to be excluded of its application.*”

(d) Acquisition of Treasury Shares

The Company's Ordinary Shareholders' Meeting held on April 23, 2013, which was adjourned until May 21, 2013, approved at its second session of deliberations, the creation of a "Voluntary Reserve for Capital Investments" of \$1,200, granting powers to the Company's Board of Directors to decide its total or partial application, and to approve the methodology, terms and conditions of such investments.

In connection with the above mentioned, on May 22, 2013, the Board of Directors approved a Company's Treasury Shares Acquisition Program in the market in Argentine pesos (the "Treasury Shares Acquisition Program") so as to avoid any possible damages to the Company and its shareholders derived from fluctuations and unbalances between the shares' price and the Company's solvency, for the following maximum amount and deadline:

- Maximum amount to be invested: \$1,200.
- Deadline for the acquisitions: until April 30, 2014.

According to the offer made on November 7, 2013 by Fintech for the acquisition of the controlling interest of the Telecom Italia Group in Telecom Argentina (see Note 27.a to these consolidated financial statements), Telecom Argentina suspended the acquisition of treasury shares and its Board of Directors considered appropriate to request the opinion of the CNV on the applicability of the new provisions contained in the rules issued by that entity (Title II, Chapter I, Art.13 and concurring) with respect to the continuation of the Treasury Shares Acquisition Program.

The CNV did not answer the Company's request and the Telecom Argentina's Board of Directors, at its meeting held on May 8, 2014, decided to conclude the request considering that the Treasury Shares Acquisition Program finished on April 30, 2014, which had been approved by Telecom Argentina's Board of Directors Meeting held on May 22, 2013.

Telecom Argentina's Board of Directors, at its meeting held on June 27, 2014, decided to request a new opinion from the CNV to confirm whether Telecom Argentina is obliged to refrain from acquiring treasury shares in the market under Section 13, Chapter I, Title II of the CNV rules (NT 2013).

Pursuant to Section 67 of Law No. 26,831, the Company must sell its treasury shares within three years of the date of acquisition, although the Company's Shareholders' Meetings provides an extension. Pursuant to Section 221 of the LGS, the rights of treasury shares shall be suspended until such shares are sold, and shall not be taken into account to determine the quorum or the majority of votes at the Shareholders' Meetings. No restrictions apply to Retained Earnings as a result of the creation of a specific reserve for such purposes named "Voluntary Reserve for Capital Investments", which as of December 31, 2016 amounts to \$3,191. The Company's Shareholders' Meeting held on April 29, 2016 approved a three year extension to the term established in Section 67 of Law No. 26,831 for the disposal of the treasury shares.

As of December 31, 2016 the Company owns 15,221,373 treasury shares, representing 1.55% of its total capital. The acquisition cost of these shares in the market amounted to \$461.

(e) Law No. 27,260 "Historical Repair to Retired and Pensioned"

On October 6, 2015 Law No. 27,181 was published. Law No. 27,181 provisions include:

(i) to declare of public interest the protection of the Argentine government's equity interest in the investment portfolio of the Sustainability Guarantee Fund of the Argentine Pension Integrated System (FGS) and its equity interests or share holdings in companies in which the Argentine government is a minority partner or where the Ministry of Economy and Public Finances holds shares or equity interest. Transfer of those interests is forbidden without prior authorization of two-thirds (2/3) of the National Congress, (ii) to create the "Agencia Nacional de Participaciones Estatales en Empresas" (Argentine National Agency for Government Equity Interests in Companies) (ANPEE).

On July 22, 2016, Law No. 27,260 of "Historic Reparation for Retired Persons and Pensioners", abolishing Law No. 27,181 in its Section 35, was published in the Official Gazette. In addition, Section 30 of Law No. 27,260 provides that the transfer of shares of public corporations authorized by the CNV that are part of the FGS is banned without a previous and express authorization of the Federal Congress if, as a result of such transfer, the FGS's holding of the above referred securities becomes less than 7% of the aggregate assets of the FGS. The following exceptions apply: "1. *Tender offers addressed to all holders of such assets at a fair price authorized by the CNV, pursuant to the terms of Chapters II, III and IV of Title III of Law No. 26,831.* 2. *Swaps of shares for other shares of the same or another corporation as a result of a merger, split or other corporate reorganization.*"

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This new law is relevant to the Company because the FGS has an equity interest in Telecom Argentina (approximately 25% according to its annual report as of December 31, 2016).

(f) Decree No. 894/16: exercise of corporate, political and economic rights by the ANSES

Decree No. 1,278/12 provided that the Secretary of Economic Politics and Development Planning of the Ministry of Economy and Public Finances was in charge of the execution of the policies and acts relating to the exercise of the corporate rights related to equity interests in corporations where the National State is a non-controlling shareholder, and, for such purpose, approved a set of rules applicable to representatives and directors appointed by the National State.

On July 28, 2016, Decree No. 894/16 was published, modifying Decree No. 1,278/12 and providing that in those corporations which shares are part of the FGS' portfolio, the corporate, political and economic rights corresponding to such shares shall not be exercised by the Secretary of Economic Politics and Development Planning, but shall instead be exercised by the Federal Management of Social Security ("ANSES").

In addition, Decree No. 894/16 provides that the Directors appointed by ANSES shall have the functions, duties and powers provided in the LGS, the Capital Market Law No. 26,831 and their complementary regulations, all other rules applicable to corporations in which they act as directors, and their bylaws and internal regulations, and that they shall be exposed to all the liabilities applicable under such rules, not being subject to the provisions of Decree No. 1,278/12 and No.196/15 (the latter in connection with its delimitation of responsibility).

Note 20 – Financial instruments

Categories of financial assets and financial liabilities

The following tables set out, for financial assets and liabilities as of December 31, 2016 and 2015, the supplementary disclosures on financial instruments required by IFRS 7 and the detail of gains and losses established by IFRS 9.

As of December 31, 2016	Fair value			Total
	Amortized cost	accounted through profit or loss	accounted through other comprehensive Income	
Assets				
Cash and cash equivalents (1)	2,436	1,509	-	3,945
Investments	349	1,748	-	2,097
Trade receivables	7,785	-	-	7,785
Other receivables (2)	333	2	-	335
Total	10,903	3,259	-	14,162
Liabilities				
Trade payables	9,131	-	-	9,131
Loans	11,910	1	1	11,912
Salaries and social security payables	1,794	-	-	1,794
Other liabilities (2)	75	-	-	75
Total	22,910	1	1	22,912

As of December 31, 2015	Fair value			Total
	Amortized cost	accounted through profit or loss	accounted through other comprehensive Income	
Assets				
Cash and cash equivalents (1)	473	397	-	870
Investments	561	1,201	-	1,762
Trade receivables	6,144	-	-	6,144
Other receivables (2)	344	454	12	810
Total	7,522	2,052	12	9,586
Liabilities				
Trade payables	9,925	-	-	9,925
Loans	4,900	-	-	4,900
Salaries and social security payables	1,418	-	-	1,418
Other liabilities (2)	59	-	-	59
Total	16,302	-	-	16,302

(1) Includes 934 and 256 as of December 31, 2016 and 2015, respectively, corresponding to Cash and banks, which were measured as financial assets at amortized cost by the Company.

(2) Only includes financial assets and liabilities according to the scope of IFRS 7

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Gains and losses by category – Year 2016

	Net gain/(loss)	Of which interest
Financial assets at amortized cost	707	374
Financial liabilities at amortized cost	(3,010)	(1,667)
Financial assets at fair value through profit or loss (a)	305	-
Financial liabilities at fair value through profit or loss (b)	(1)	-
Total	(1,999)	(1,293)

- (a) Includes 61 corresponding to other short-term investments, 6 corresponding to NDF, 11 corresponding to Tuve's share purchase option and 227 corresponding to Government bonds.
 (b) Corresponding to NDF.

Gains and losses by category – Year 2015

	Net gain/(loss)	Of which interest
Financial assets at amortized cost	701	311
Financial liabilities at amortized cost	(2,499)	(624)
Financial assets at fair value through profit or loss (a)	861	-
Financial liabilities at fair value through profit or loss (b)	(23)	-
Total	(960)	(313)

- (a) Includes 169 corresponding to other short-term investments, 455 corresponding to NDF and 237 corresponding to Government bonds.
 (b) Corresponding to NDF.

Fair value hierarchy and other disclosures

IFRS 7 establishes a hierarchy of fair value, based on the information used to measure the financial assets and liabilities and also establishes different valuation techniques. According to IFRS 7, valuation techniques used to measure fair value shall maximize the use of observable inputs.

The measurement at fair value of the financial instruments of the Group is classified according to the three levels set out in IFRS 7. The fair value hierarchy introduces three levels of input:

- Level 1: Fair value determined by quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value determined based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value determined by unobservable inputs where the reporting entity is required to develop its own assumptions.

Financial assets and liabilities recognized at fair value as of December 31, 2016 and 2015, their inputs, valuation techniques and the level of hierarchy are listed below:

Other short-term investments: These investments are included in Cash and cash equivalents and Investments. The Group had other short-term investments amounting to \$1,779 and \$397 as of December 31, 2016 and 2015, respectively. The fair value is based on information obtained from active markets and corresponds to quoted market prices as of year-end; therefore its valuation is classified as Level 1.

Government bonds: These bonds are included in "Investments" in the consolidated statement of financial position. As of December 31, 2016 and 2015 the Group has Government bonds in an amount of \$1,456 and \$1,192, respectively. The fair value was determined using information from active markets, valuing each bond to its closing year market value, so, its valuation qualifies as Level 1.

Derivative financial instruments (Forward contracts to purchase US dollars at fixed exchange rates): The fair value of the Telecom Group's NDF contracts, disclosed below in the chapter "Hedge Accounting" was determined by information obtained in the most representative financial institutions in Argentina, the derivative financial instruments' valuation was classified as Level 2.

Tuves Paraguay S.A shares purchase option: This option is included in "Non-current Investments" in the consolidated statement of financial position. The fair value amounted to \$22 and was determined using net cash flows projections and assuming favorable macroeconomic variables, so, its valuation qualifies as Level 3. Interest rate used to calculate discounted cash flows is a U.S. dollar rate of approximately 12.4%.

Changes in expectations and current assumptions could have a significant impact on projections used to estimate fair value.

Results generated by the recognition of the Tuves Paraguay S.A share purchase option amount to \$11 and \$9 as of December 31, 2016 and 2015, respectively, and are disclosed under financial results in the "Tuves Paraguay S.A share purchase option" line.

During 2016 and 2015 there were no transfers between Levels of the fair value hierarchy.

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According to IFRS 7, it is also required to disclose fair value information about financial instruments whether or not recognized at fair value in the balance sheet, for which it is practicable to estimate fair value. The financial instruments which are discussed in this section include, among others, cash and cash equivalents, accounts receivable, accounts payable and other instruments.

Derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in an immediate sale of the instrument. Also, because of differences in methodologies and assumptions used to estimate fair value, the Company's fair values should not be compared to those of other companies.

The methods and assumptions used to estimate the fair values of each class of financial instrument falling under the scope of IFRS 7 as of December 31, 2016 and 2015 are as follows:

Cash and banks

Carrying amounts approximate its fair value.

Time deposits and National Government bonds (included in Cash and cash equivalents and Investments)

The Telecom Group considers as cash and cash equivalents all short-term and highly liquid investments that are readily convertible to known amounts of cash, subject to an insignificant risk of changes in value and their original maturity or the remaining maturity at the date of purchase does not exceed 3 months, and those which their original maturity or remaining maturity at the date of purchase exceed 3 months, as investments. The carrying amount reported in the statement of financial position approximates fair value.

Investments

Investments in Government bonds and valued at amortized cost with its fair value at December 31, 2016 and 2015 are as follows:

Investments	As of December 31, 2016		As of December 31, 2015	
	Book value	Fair value (*)	Book value	Fair value (*)
Government bonds (dollar linked)	-	-	394	365
Government bonds in foreign currency	258	264	-	-
Provincial government bonds in pesos	17	17	31	31
Provincial and Municipal government bonds (dollar linked)	74	70	136	119
Total	349	351	561	515

(*) According to IFRS selling costs are not deducted.

For the remaining investments the carrying amount approximates its fair value.

Trade receivables

Carrying amounts are considered to approximate fair value due to the short term nature of these accounts receivables. Noncurrent trade receivables have been recognized at their amortization cost, using the effective interest method and are not significant. All amounts that are assumed to be uncollectible within a reasonable period are written off and/or reserved.

Trade payables (except for NDF)

The carrying amount of accounts payable reported in the consolidated statement of financial position approximates its fair value due to the short term nature of these accounts payable. Noncurrent trade payables have been discounted and are not significant.

Loans

As of December 31, 2016 loans' fair value amounts to \$13,988 and its carrying value amounts to \$11,912. As of December 31, 2015 loans' fair value amounts to \$4,882 and its carrying value amounts to \$4,900.

Salaries and social security payables

The carrying amount of Salaries and social security payables reported in the consolidated statement of financial position approximates its fair value.

Other receivables, net (except for NDF) and other liabilities

The carrying amount of other receivables, net and other liabilities reported in the consolidated statement of financial position approximates its fair value.

Hedge accounting

In November 2013, a new chapter was introduced in IFRS 9 on Hedge Accounting replacing the provisions contained in IAS 39. This amendment represents a major review of hedge accounting, introducing significant improvements over the previous model, basically aligning accounting and risk management as well as related disclosures. The Telecom Group believes that a hedging relationship qualifies for hedge accounting if all of the following conditions established by the rule are met:

- a) The hedging relationship consists only of eligible hedging instruments and hedged items;
- b) At the beginning of the hedge relationship, there is a formal designation and documentation of the hedging relationship and objective and strategy for risk management of the Company for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity assesses whether the hedging relationship meets the requirements of hedge effectiveness (including analysis of sources of hedge ineffectiveness and how to determine the hedge ratio); and
- c) The hedging relationship satisfies the following requirements of hedge effectiveness:
 - (i) the economic relationship between the hedged item and the hedging instrument;
 - (ii) the effect of credit risk is not predominant in respect of changes of value coming from this economic relationship, and
 - (iii) the coverage ratio of the hedging relationship is the same as that provided by the amount of the hedged item that really covers the entity and the amount of the hedging instrument that the entity actually used to cover that amount of the hedged item.

- **During 2016**

Due to the existence of commitments denominated in US Dollars as of December 31, 2016, the Telecom Group entered into several NDF agreements during 2016 to purchase a total amount of US\$ 7 million. The purpose of these NDF is to eliminate the risks associated to the fluctuation of the future exchange rate and to align the payment currency of Telecom Argentina's and Personal's commitments (hedged item) to its functional currency. As the effect of the fluctuation of the exchange rate over the hedged items is recognized in the Income Statement, changes in the fair value of NDF in 2016 (net gain of approximately \$2) have also been recognized in the Income Statement, within Finance expenses – Exchange Differences with counterpart in current assets (Other receivables), maturing in February 2017.

During 2016, Personal entered into several NDF agreements for US\$9 million, maturing in March 2017 in order hedge the first interest installment of the IFC Loan. These NDF agreements were qualified as “effective” cash flow hedges for accounting purposes. The Telecom Group recognizes the hedging instruments results, distinguishing between gains and losses of such agreements that generate assets and liabilities, as appropriate, without offsetting balances with different counterparties. As of December 31, 2016, the Telecom Group has a current liability amounting to \$2, negative deferred results amounting to \$1 (before income tax) and a net loss amounting to \$1 included in Finance expenses – Exchange Differences related to the US\$9 million outstanding NDF to such date, which will mature in March 2017.

During 2016 Personal also settled US\$ 159 million of NDF agreements in US dollars that had as of December 31, 2015, which resulted in a gain of \$2 recognized in the Income Statement, within Other operating costs. The purpose of these NDF was also to eliminate the risks associated to the fluctuation of the future exchange rate and to align the payment currency of Personal's commercial commitments (hedged item) to its functional currency.

As part of their financial risk management and reduction of exchange rate risk policies, during 2016 Personal acquired National Government bonds denominated in US dollars (Discount 2033) for a total cost of \$715, which bear interest at 8.28% rate per annum, also in US dollars. These bonds were valued at fair value and generated a \$5 gain recognized in the Income Statement, within Finance profits –Investments. In addition, in 2016, Personal acquired National Government bonds denominated in US dollars, Global 2021 and Bonar 2024, for a total cost of \$255, bearing interest at 6.875% and 8.75% rates per annum, respectively, also in US dollars. These bonds were valued at amortized cost and generated a \$1 gain recognized in the Income Statement, within Finance profits –Investments.

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- **During 2015**

Due to the existence of commitments denominated in US Dollars as of December 31, 2015, the Telecom Group entered into several NDF agreements during 2015 to purchase a total amount of US\$189 million. The purpose of these NDF is to eliminate the risks associated to the fluctuation of the future exchange rate and to align the payment currency of Telecom Argentina's and Personal's commitments (hedged item) to its functional currency. As the effect of the fluctuation of the exchange rate over the hedged items is recognized in the Income Statement, changes in the fair value of NDF in 2015 (net income of approximately \$455) have also been recognized in the Income Statement, within Finance expenses – Exchange Differences. The Telecom Group recognizes the hedging instruments results, distinguishing between gains and losses of such agreements that generate assets and liabilities, as appropriate, without offsetting balances with different counterparties. As of December 31, 2015, the Telecom Group had a current asset amounting to \$466 and deferred results amounting to \$13 (before income tax) related to the US\$166 million outstanding NDF to such date, which matured between January and July 2016 and generated a net income of approximately \$4 included net within Finance results – Exchange Differences gains (losses).

During 1Q15, Personal also realized the remaining NDF entered as of December 31, 2014 for US\$149 million, recording a net loss of \$23 which was recognized in the Income Statement in 1Q15, within Finance expenses – Exchange Differences. The purpose of these NDF was also to eliminate the risks associated to the fluctuation of the future exchange rate and to align the payment currency of Personal's commercial commitments (hedged item) to its functional currency.

As part of their financial risk management and reduction of exchange rate risk policies, during 2015 Telecom Argentina and Personal acquired Government bonds denominated in U.S. dollars (Bonar X 2017), at a cost of \$522, with an annual interest rate of 7%, also in U.S. dollars. These bonds were valued at fair value and generated a gain of \$77 which was recognized in "Financial results - Gains on investments".

- **Offsetting of financial assets and financial liabilities**

In December 2011, the IASB issued amendments to IFRS 7. These changes require the disclosure of information in order to assess the effects or the potential effects of offsetting agreements, including offsetting rights associated with the assets and liabilities recognized in the statement of financial position. These amendments were effective from January 1, 2013 and should be applied retrospectively.

The information required by the amendment to IFRS 7 as of December 31, 2016 and 2015 is as follows:

	As of December 31, 2016			
	Trade receivables	Other receivables (1)	Trade payables	Other liabilities (1)
Current and noncurrent assets (liabilities) - Gross value	9,196	357	(10,542)	(97)
Offsetting	(1,411)	(22)	1,411	22
Current and noncurrent assets (liabilities) – Booked value	7,785	335	(9,131)	(75)

(1) Includes financial assets and financial liabilities according to IFRS 7.

	As of December 31, 2015			
	Trade receivables	Other receivables (1)	Trade payables	Other liabilities (1)
Current and noncurrent assets (liabilities) - Gross value	7,832	822	(11,613)	(71)
Offsetting	(1,688)	(12)	1,688	12
Current and noncurrent assets (liabilities) – Booked value	6,144	810	(9,925)	(59)

(1) Includes financial assets and financial liabilities according to IFRS 7.

The Telecom Group offsets the financial assets and liabilities to the extent that such offsetting is provided by offsetting agreements and provided that the Group has the intention to make such offsetting, in accordance with requirements established in IAS 32. The main financial assets and liabilities offset correspond to transactions with other national and foreign operators (including interconnection, CPP and Roaming), being offsetting a standard practice in the telecommunications industry at the international level that the Telecom Group applies regularly. Offsetting is also applied to transactions with agents.

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Note 21 – Revenues

The Company discloses its service revenues in three groups by nature: Voice, Data and Internet. At December 31, 2016, 2015 and 2014, the customers by segment and other significant operational information (unaudited) were the following:

	December 31,		
	2016	2015	2014
Fixed services lines (in thousands)	3,920	4,043	4,093
ADSL subscribers (in thousands)	1,738	1,814	1,771
Personal mobile services customers (in thousands)	19,514	19,656	19,585
Núcleo mobile services customers (in thousands)	2,538	2,546	2,481
Local Measured Service (million of minutes)	9,306	10,789	11,943
International Long distance telephony (million of minutes)	423	636	818
Minutes used – mobile service (in billions)	21	22	24
Equipment and handsets sale – Personal (in thousands)	2,326	2,414	3,215
Equipment and handsets sale – Núcleo (in thousands)	144	156	113

Revenues and other income include:

Services	Years ended December 31,		
	2016	2015	2014
Voice - Retail	4,654	3,304	2,853
Voice - Wholesale	1,356	1,035	929
Data	2,919	1,780	1,470
Internet	5,994	4,556	3,254
Total Fixed services	14,923	10,675	8,506
Voice - Retail	8,503	6,964	5,330
Voice - Wholesale	2,078	1,884	1,953
Data	6,636	7,156	7,666
Internet	10,832	6,254	3,335
Total Personal mobile services	28,049	22,258	18,284
Voice - Retail	847	565	575
Voice - Wholesale	128	102	126
Data	429	313	331
Internet	978	567	456
Total Núcleo mobile services	2,382	1,547	1,488
Total services revenues (a)	45,354	34,480	28,278
Equipment			
Fixed services - excluding network construction contracts	91	61	46
Fixed services - network construction contracts	-	-	7
Mobile services – Personal	7,535	5,796	4,920
Mobiles services – Núcleo	260	159	90
Total equipment revenues (b)	7,886	6,016	5,063
Total revenues (a)+(b)	53,240	40,496	33,341
Other income			
Fixed services	66	39	26
Mobile services – Personal	16	5	21
Mobile services – Núcleo	1	-	-
Total other income (c)	(*) 83	44	47
Total revenues and other income (a)+(b)+(c)	53,323	40,540	33,388

(*) In 2016 includes 17 corresponding to Gain on disposal of PP&E.

Service revenues by type of service (regardless of the segment which originate them) are:

	Years ended December 31,					
	2016	%	2015	%	2014	%
Voice - Retail	14,004	31	10,833	31	8,758	31
Voice - Wholesale	3,562	8	3,021	9	3,008	11
Total Voice	17,566	39	13,854	40	11,766	42
Data	9,984	22	9,249	27	9,467	33
Internet	17,804	39	11,377	33	7,045	25
Total services revenues	45,354	100	34,480	100	28,278	100

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Telecom Group's services revenues by customer segment and billing mechanism are as follows:

Services	Years ended December 31,			
	2016	2015	2014	
Retail		Profit (loss)		
Monthly Charges	11,779	8,272	6,243	
<i>Voice</i>	3,103	1,924	1,591	
<i>Internet</i>	5,451	4,255	3,081	
<i>Bundles (Voice and Internet)</i>	1,263	892	637	
<i>Data</i>	1,962	1,201	934	
Measured services	659	643	666	
Connection and reconnection fees	129	97	91	
Pre-cancellation contract fees	24	22	18	
Others	19	22	17	
Wholesale				
Monthly Charges	1,356	831	750	
<i>Cell sites and links rental</i>	417	264	223	
<i>Data</i>	939	567	527	
Fixed and mobile interconnection	845	689	621	
Others	112	99	100	
	Total Fixed services	14,923	10,675	8,506
Retail				
Monthly Charges	14,921	11,169	8,056	
<i>Voice</i>	526	676	736	
<i>Internet</i>	221	204	192	
<i>Bundles (Voice and Internet)</i>	14,074	10,175	6,950	
<i>Others</i>	100	114	178	
Measured services	9,942	8,497	7,944	
<i>Postpaid</i>	1,145	1,016	1,080	
<i>Prepaid and Cuentas Claras</i>	8,797	7,481	6,864	
Reconnection fees	285	215	178	
Pre-cancellation contract fees	244	140	57	
Damage management services	378	276	109	
Others	201	77	(13)	
Wholesale				
Interconnection	1,711	1,548	1,611	
Roaming	283	285	301	
Others	84	51	41	
	Total Personal mobile services	28,049	22,258	18,284
Retail				
Monthly Charges	939	603	561	
<i>Internet</i>	102	96	127	
<i>Bundles (Voice and Internet)</i>	837	507	434	
Measured services	1,115	733	735	
<i>Postpaid</i>	46	26	43	
<i>Prepaid and Plan Control</i>	1,069	707	692	
Reconnection fees	16	10	11	
Pre-cancellation contract fees	58	20	13	
Others	74	36	32	
Wholesale				
Interconnection	115	78	118	
Roaming	1	21	3	
Others	64	46	15	
	Total Núcleo mobile services	2,382	1,547	1,488
	Total services revenues	45,354	34,480	28,278

Note 22 – Operating expenses

Operating expenses disclosed by nature of expense amounted to \$45,480, \$34,311 and \$27,945 for the years ended December 31, 2016, 2015 and 2014, respectively. The breakdown of Employee benefit expenses and severance payments, Cost of equipments and handsets, Provisions and Bad debt expenses are disclosed in Notes 13, 7, 17 and 5, respectively.

The main components of the remaining operating expenses are the following:

Interconnection costs and other telecommunication charges

	Years ended December 31,		
	2016	2015	2014
Fixed telephony interconnection costs	(445)	(327)	(292)
Cost of international outbound calls	(268)	(192)	(191)
Lease of circuits and use of public network	(461)	(336)	(304)
Mobile Services - charges for roaming	(414)	(374)	(415)
Mobile Services - charges for TLRD	(965)	(941)	(872)
	(2,553)	(2,170)	(2,074)

Fees for services, maintenance, materials and supplies

	Years ended December 31,		
	2016	2015	2014
Maintenance of hardware and software	(546)	(331)	(382)
Technical maintenance	(1,329)	(854)	(675)
Service connection fees for fixed lines and Internet lines	(267)	(224)	(205)
Service connection fees capitalized as SAC (Note 3.i)	14	14	7
Service connection fees capitalized as Intangible assets (Note 3.i)	41	36	30
Other maintenance costs	(524)	(396)	(315)
Obsolescence of inventories – Mobile Services (Note 7)	(45)	(38)	(81)
Call center fees	(1,428)	(1,297)	(1,141)
Other fees for services	(862)	(793)	(541)
Directors and Supervisory Committee's fees	(60)	(36)	(30)
	(5,006)	(3,919)	(3,333)

Taxes and fees with the Regulatory Authority

	Years ended December 31,		
	2016	2015	2014
Turnover tax	(2,817)	(2,122)	(1,810)
Taxes with the Regulatory Authority	(1,078)	(917)	(729)
Tax on deposits to and withdrawals from bank accounts	(539)	(403)	(343)
Municipal taxes	(395)	(289)	(225)
Other taxes	(296)	(212)	(190)
	(5,125)	(3,943)	(3,297)

Commissions

	Years ended December 31,		
	2016	2015	2014
Agent commissions	(3,078)	(2,659)	(2,061)
Agent commissions capitalized as SAC (Note 3.i)	1,403	1,172	913
Distribution of prepaid cards commissions	(763)	(635)	(582)
Collection commissions	(1,295)	(983)	(673)
Other commissions	(116)	(88)	(91)
	(3,849)	(3,193)	(2,494)

Advertising

	Years ended December 31,		
	2016	2015	2014
Media advertising	(527)	(524)	(431)
Fairs and exhibitions	(176)	(137)	(176)
Other advertising costs	(171)	(153)	(185)
	(874)	(814)	(792)

Cost of VAS

	Years ended December 31,		
	2016	2015	2014
Cost of mobile value added services	(1,446)	(1,218)	(920)
Cost of fixed value added services	(53)	(38)	(16)
	(1,499)	(1,256)	(936)

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Other operating expenses

	Years ended December 31,		
	2016	2015	2014
Transportation, freight and travel expenses	(961)	(768)	(559)
Delivery costs capitalized as SAC	134	85	59
Rental expense	(765)	(540)	(402)
Energy, water and others	(783)	(429)	(469)
International and satellite connectivity	(215)	(202)	(147)
	(2,590)	(1,854)	(1,518)

D&A

	Years ended December 31,		
	2016	2015	2014
Depreciation of PP&E	(4,358)	(3,046)	(2,389)
Amortization of SAC and service connection costs	(1,474)	(1,045)	(811)
Amortization of 3G/4G licenses	(338)	(324)	(19)
Amortization of other intangible assets	(28)	(23)	(24)
	(6,198)	(4,438)	(3,243)

Impairment of PP&E

	Years ended December 31,		
	2016	2015	2014
Gain on disposal of PP&E (*)	-	31	9
Impairment of PP&E – AFA project (Note 17.4)	(3)	(107)	36
Impairment of PP&E – former work in progress and others	(37)	(53)	(61)
Impairment of PP&E – mobile access PP&E swap	(343)	(21)	-
Impairment of PP&E – mobile commercial and ERP systems	-	(49)	-
	(383)	(199)	(16)

(*) Since 2016 these results are included in Other Income.

Operating expenses, disclosed per function are as follows:

	Years ended December 31,		
	2016	2015	2014
Operating costs	(27,628)	(20,578)	(17,345)
Administration costs	(2,453)	(1,827)	(1,404)
Commercialization costs	(14,829)	(11,594)	(9,096)
Other expenses – provisions	(187)	(113)	(84)
Gain on disposal of PP&E and impairment of PP&E	(383)	(199)	(16)
	(45,480)	(34,311)	(27,945)

Operating leases

Future minimum lease payments from of non cancellable operating lease agreements as of December 31, 2016, 2015 and 2014 are as follows:

	Less than 1 year	1-5 years	More than 5 years	Total
2014	501	725	46	1,272
2015	436	890	31	1,357
2016	636	1,169	74	1,879

Further information is provided in Note 3.j) to these consolidated financial statements.

Note 23 – Operating income

	Years ended December 31,		
	2016	2015	2014
Operating income from services and other income			
Revenues and other income	45,437	34,524	28,325
Operating expenses	(32,711)	(25,079)	(20,543)
D&A	(6,198)	(4,438)	(3,243)
Impairment of PP&E	(383)	(199)	(16)
Operating income from services and other income (a)	6,145	4,808	4,523
Operating income (loss) from equipment sales			
Revenues	7,886	6,016	5,063
Cost of equipments and handsets	(6,188)	(4,595)	(4,143)
Operating income (loss) from equipment sales (b)	1,698	1,421	920
Total operating income (a) + (b)	7,843	6,229	5,443

The breakdown of Operating income by segment is as follows:

	Year ended December 31, 2016		
	Fixed services	Mobile services	Total consolidated
Services revenues and other income			
Third party revenues	14,989	30,448	45,437
Intersegment revenues	1,947	158	2,105
Third party operating expenses	(13,464)	(19,247)	(32,711)
Intersegment operating expenses	(158)	(1,947)	(2,105)
Subtotal income for services revenues and other (1)	3,314	9,412	12,726
Equipments revenues			
Third party revenues	91	7,795	7,886
Third party operating expenses	(136)	(6,052)	(6,188)
Subtotal income (loss) from equipments revenues (2)	(45)	1,743	1,698
D&A (3)	(1,897)	(4,301)	(6,198)
Impairment of PP&E (4)	1	(384)	(383)
Operating income (5)=(1)+(2)+(3)+(4)	1,373	6,470	7,843
Net effect of the intersegment eliminations (6)	(1,789)	1,789	-
Net segment contribution to the Operating income (7)=(5)+(6)	(416)	8,259	7,843
	Year ended December 31, 2015		
	Fixed services	Mobile services	Total consolidated
Services revenues and other income			
Third party revenues	10,714	23,810	34,524
Intersegment revenues	1,834	137	1,971
Third party operating expenses	(9,863)	(15,216)	(25,079)
Intersegment operating expenses	(137)	(1,834)	(1,971)
Subtotal income for services revenues and other (1)	2,548	6,897	9,445
Equipments revenues			
Third party revenues	61	5,955	6,016
Third party operating expenses	(82)	(4,513)	(4,595)
Subtotal income (loss) from equipments revenues (2)	(21)	1,442	1,421
D&A (3)	(1,526)	(2,912)	(4,438)
Gain on disposal of PP&E and impairment of PP&E (4)	(91)	(108)	(199)
Operating income (5)=(1)+(2)+(3)+(4)	910	5,319	6,229
Net effect of the intersegment eliminations (6)	(1,697)	1,697	-
Net segment contribution to the Operating income (7)=(5)+(6)	(787)	7,016	6,229

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	<u>Year ended December 31, 2014</u>		
	<u>Fixed services</u>	<u>Mobile services</u>	<u>Total consolidated</u>
Services revenues and other income			
Third party revenues	8,532	19,793	28,325
Intersegment revenues	1,772	117	1,889
Third party operating expenses	(8,056)	(12,487)	(20,543)
Intersegment operating expenses	(117)	(1,772)	(1,889)
Subtotal income for services revenues and other (1)	2,131	5,651	7,782
Equipments revenues			
Third party revenues	53	5,010	5,063
Third party operating expenses	(72)	(4,071)	(4,143)
Subtotal income (loss) from equipments revenues (2)	(19)	939	920
D&A (3)	(1,230)	(2,013)	(3,243)
Gain on disposal of PP&E and impairment of PP&E (4)	9	(25)	(16)
Operating income (5)=(1)+(2)+(3)+(4)	891	4,552	5,443
Net effect of the intersegment eliminations (6)	(1,655)	1,655	-
Net segment contribution to the Operating income (7)=(5)+(6)	(764)	6,207	5,443

Note 24 – Finance income and expenses

	<u>Years ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Interest on cash equivalents	1	20	279
Gains on other short-term investments	61	169	124
Gains on investments (Argentine companies notes and Governments bonds)	287	432	165
Interest on receivables	373	183	161
Foreign currency exchange gains	273	316	728
TUVES share purchase option	11	9	-
Other	-	1	2
Total finance income	1,006	1,130	1,459
Interest on loans	(1,613)	(566)	(30)
Interest on salaries and social security payable, other taxes payables and accounts payable	(37)	(26)	(27)
Interest on provisions (Note 17)	(207)	(137)	(118)
Loss on discounting of salaries and social security payables, other taxes payable and other liabilities	(15)	(9)	(5)
Foreign currency exchange losses (*) (**)	(1,328)	(1,456)	(1,003)
Interest on pension benefits (Note 16)	(38)	(28)	(23)
Other	(12)	(10)	-
Total finance expenses	(3,250)	(2,232)	(1,206)
Total finance income, net	(2,244)	(1,102)	253

(*) Includes 5, 432 and (97) of foreign currency exchange gains (losses), net generated by NDF for the years ended on December 31, 2016, 2015 and 2014, respectively.

(**) Includes (1) and (228) of exchange differences generated by Government bonds for the years ended as of December 31, 2015 and 2014.

Note 25 – Earnings per share

The Company computes net income per common share by dividing net income for the year attributable to Telecom Argentina (Controlling Company) by the weighted average number of common shares outstanding during the year. Diluted net income per share is computed by dividing the net income for the year by the weighted average number of common and dilutive potential common shares then outstanding during the year. Since the Company has no dilutive potential common stock outstanding, there are no dilutive earnings per share amounts.

For financial years ended December 31, 2016, 2015 and 2014 the weighted average number of shares outstanding amounted to 969,159,605 due to the changes caused by the Treasury Shares Acquisition Process that began in May 2013, as described in Note 19.d) to these consolidated financial statements

Note 26 – Financial risk management

Financial risk factors

Telecom Group is exposed to the following financial risks in the ordinary course of its business operations:

- market risk: stemming from changes in exchange rates and interest rates in connection with financial assets that have been originated and financial liabilities that have been assumed.
- credit risk: representing the risk of the non-fulfillment of the obligations undertaken by the counterpart with regard to the liquidity investments of the Group;
- liquidity risk: connected with the need to meet short-term financial commitments.

These financial risks are managed by:

- the definition of guidelines for directing operations;
- the activity of the Board of Directors and Management which monitors the level of exposure to market risks consistently with prefixed general objectives;
- the identification of the most suitable financial instruments, including derivatives, to reach prefixed objectives;
- the monitoring of the results achieved;

The policies to manage and the sensitivity analyses of the above financial risks by Telecom Group are described below.

➤ **Market risk**

The main Telecom Group's market risks are its exposure to changes in foreign currency exchange rates in the markets in which it operates principally Argentina and Paraguay. As regards to changes in interest rates, as of December 31, 2016 the Telecom Group has mainly outstanding floating rate borrowings (see Note 12).

Foreign currency risk is the risk that the future fair values or cash flows of a financial instrument may fluctuate due to exchange rate changes. Telecom Group's exposure to exchange variation risks is related mainly to its operating activities (when income, expenses and investments are denominated in a currency other than the Telecom Group's functional currency).

As of December 31, 2016 and 2015, Telecom Argentina has no financial debt outstanding in US\$ during the fiscal years ended in those dates and at their closing dates. However, Telecom Argentina, Personal and Núcleo have part of its commercial debt nominated in US\$ and euro. Additionally, Personal's and Núcleo's bank overdrafts and Personal's Series I, II and III Notes are denominated in its functional currency (argentine pesos and guaraníes, respectively) and accrue interest at variable rates. Likewise, Personal's financial debt is denominated in US\$ at variable rates and Series IV Notes are also denominated in US\$ but at fixed rate, while Núcleo's financial debt is denominated in guaraníes and accrue interest at fixed rates.

The financial risk management policies of the Group are directed towards diversifying market risks by the acquisition of goods and services in the functional currency and minimizing interest rate exposure by an appropriate diversification of the portfolio. This may also be achieved by using carefully selected derivative financial instruments to mitigate long-term positions in foreign currency and/or adjustable by variable interest rates.

Additionally, the Telecom Group has cash and cash equivalents and investments denominated in US\$ and euro (approximately 53% of these items) that are also sensitive to changes in peso/dollar exchange rates and contribute to reduce the exposure to trade payables in foreign currency. On the other hand the Telecom Group holds investments adjustable to the variation of the US\$/€ exchange rate ("dollar linked"). They are also sensitive to variations in exchange rates and contribute to reduce the exposure of the commercial and financial commitments in foreign currency. Dollar linked investments and represent approximately 1% of total cash and cash equivalent and investments of Telecom Group as of December 31, 2016.

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The following table shows a breakdown of Telecom Argentina's net assessed financial position exposure to currency risk as of December 31, 2016 and 2015:

12.31.16		
Amount of foreign currency (i)	Exchange rate	Amount in local currency (ii)
Assets		
US\$ 241	15.790	(iii) 4,067
G 250,865	0.003	684
EURO 7	16.625	124
Total assets		4,875
Liabilities		
US\$ (859)	15.890	(13,648)
G (311,279)	0.003	(848)
EURO (9)	16.770	(158)
Total liabilities		(14,654)
Net liabilities		(9,779)

- (i) US\$ = United States dollar; G= Guaraníes.
- (ii) As foreign currency figures and their amount in Argentine pesos are in millions, the calculation of the amount of the foreign currency by its exchange rate could not be exact.
- (iii) Includes 735 corresponding to Government bonds at fair value (equivalent to US\$ 45 million).

In order to partially reduce this net liability position in foreign currency, the Telecom Group, as of December 31, 2016, hold dollar linked investments by \$74. According to this, the Telecom Group's net liability position in foreign currency amounts to \$9,705 as of December 31, 2016, equivalent to approximately US\$ 611 million. Additionally, the Group entered into several NDF contracts as of December 31, 2016 amounting to US\$ 16 million, so, the portion of the net liability position in foreign currency not covered by these instruments amounted to US\$ 595 million as of December 31, 2016.

12.31.15		
Amount of foreign currency (i)	Exchange rate	Amount in local currency (ii)
Assets		
US\$ 102	12.940	(iii) 1,340
G 234,194	0.002	520
EURO 4	14.068	54
Total assets		1,914
Liabilities		
US\$ (538)	13.040	(7,015)
G (348,051)	0.002	(771)
EURO (14)	14.210	(191)
Total liabilities		(7,977)
Net liabilities		(6,063)

- (i) US\$ = United States dollar; G= Guaraníes.
- (ii) As foreign currency figures and their amount in Argentine pesos are in millions, the calculation of the amount of the foreign currency by its exchange rate could not be exact.
- (iii) Includes 616 corresponding to Government bonds at fair value (equivalent to US\$ 46 million).

In order to partially reduce this net liability position in foreign currency, the Telecom Group, as of December 31, 2015, hold dollar linked investments by \$1,105 and other short-term investments whose main underlying asset are financial assets dollar linked for a total amount of \$314. According to this, the Telecom Group's net liability position in foreign currency amounted to \$4,644 as of December 31, 2015, equivalent to approximately US\$ 357 million. Additionally, the Group entered into several NDF contracts as of December 31, 2015 amounting to US\$ 165 million, so, the portion of the net liability position in foreign currency not covered by these instruments amounted to US\$ 192 million as of December 31, 2015.

The exposure to the various market risks can be measured by sensitivity analyses, as set forth in IFRS 7. These analyses illustrate the effects produced by a given and assumed change in the levels of the relevant variables in the various markets (exchange rates, interest rates and prices) on finance income and expenses and, at times, directly on Other comprehensive income. A description on the sensitivity analysis of exchange rate and interest rate risks is given below:

Exchange rate risk – Sensitivity analysis

Based on the composition of the consolidated statement of financial position as of December 31, 2016, which is a net liability position in foreign currency of \$9,779 equivalent to US\$ 630 million, Management estimates that every variation in the exchange rate of \$0.10 pesos against the U.S. dollar and proportional variations for euro and guaraníes against the Argentine peso, plus or minus, would result in a variation of approximately \$63 of the consolidated amounts of foreign currency position.

If we consider only the portion not covered by derivative financial instruments and other assets adjusted by the variation of the U.S. dollar, the net liability position totaled \$9,450 equivalent to approximately US\$ 595 million, and a variation of the exchange rate of \$ 0.10 pesos as described in the previous paragraph, would generate a variation of approximately \$60 in the consolidated financial position in foreign currency.

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This analysis is based on the assumption that this variation of the Argentine peso occurred at the same time against all other currencies.

This sensitivity analysis provides only a limited, point-in-time view of the market risk sensitivity of certain of the financial instruments. The actual impact of market foreign exchange rate changes on the financial instruments may differ significantly from the impact shown in the sensitivity analysis.

Interest rate risk – Sensitivity analysis

Within its structure of financial debt, the Telecom Group has bank overdrafts denominated in Argentine pesos accruing interest at rates that are reset at maturity, notes that bear interest at a mixed rate (fixed rate and floating rate) and fixed rate and foreign bank loans denominated in U.S. dollar and guarantees that bear interest at a floating rate.

Management believes that any variation of 10 bps in the agreed interest rates would become in the following results:

Financial debt	Financial debt currency	Amount (in millions)	Effect (in millions)
Bank overdrafts	\$	1,707	1,7
Notes	\$	1,442	1,4
Bank loans	U\$S	440	7,0

This analysis is based on the assumption that this change in interest rates occurs at the same time and for the same periods.

This sensitivity analysis provides only a limited point of view of the sensitivity to market risk of certain financial instruments. The actual impact of changes in interest rates of financial instruments may differ significantly from this estimate.

➤ **Credit risk**

Credit risk represents Telecom Group's exposure to possible losses arising from the failure of commercial or financial counterparts to fulfill their assumed obligations. Such risk stems principally from economic and financial factors, or from the possibility that a default situation of a counterpart could arise or from factors more strictly technical, commercial or administrative.

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

Telecom Group's maximum theoretical exposure to credit risk is represented by the carrying amount of the financial assets and trade receivables, net recorded in the consolidated statement of financial position.

Date due	Banks and cash equivalents	Investments	Trade receivables, net	Other receivables, net	Total
Total due	-	-	1,738	-	1,738
Total not due	3,945	2,097	6,047	335	12,424
Total as of December 31, 2016	3,945	2,097	7,785	335	14,162

The accruals to the allowance for doubtful accounts are recorded: (i) for an exact amount on credit positions that present an element of individual risk (bankruptcy, customers under legal proceedings with the Company); (ii) on credit positions that do not present such characteristics, by customer segment considering the aging of the accounts receivable balances, customer creditworthiness and changes in the customer payment terms. Total overdue balances not covered by the allowance for doubtful accounts amount to \$1,738 as of December 31, 2016 (\$1,301 as of December 31, 2015).

Regarding the credit risk relating to the asset included in the "Net financial debt or asset", it should be noted that the Telecom Group evaluates the outstanding credit of the counterparty and the levels of investment, based, among others, on their credit rating and the equity size of the counterparty. Deposits are made with leading high-credit-quality banking and financial institutions and generally for periods of less than three months.

The Telecom Group serves a wide range of customers, including residential customers, businesses and governmental agencies. As such, the Telecom Group's account receivables are not subject to significant concentration of credit risk.

In order to minimize credit risk, the Group also pursues a diversification policy for its investments of liquidity and allocation of its credit positions among different first-class financial entities. Consequently, there are no significant positions with any one single counterpart.

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➤ **Liquidity risk**

Liquidity risk represents the risk that the Telecom Group has no funds to accomplish its obligations of any nature (labor, commercial, fiscal and financial, among others).

The Group's working capital breakdown and its main variations are disclosed below:

	2016	2015	Variation
Trade receivables	7,577	5,663	1,914
Other receivables	1,011	1,336	(325)
Inventories	1,278	2,193	(915)
Current liabilities (not considering financial debt)	(13,245)	(13,463)	218
Operative working capital - negative	(3,379)	(4,271)	892
<i>Over revenues</i>	<i>(6.4)%</i>	<i>(10.5)%</i>	
Cash and cash equivalents	3,945	870	3,075
Investments	1,751	1,430	321
Current financial debt	(3,266)	(3,451)	185
Net Current financial asset (debt)	2,430	(1,151)	3,581
Negative operating working capital (current assets – current liabilities)	(949)	(5,422)	4,473
Liquidity rate	0.94	0.68	0.26

The Telecom Group has a typical working capital structure corresponding to a company with intensive capital that obtains spontaneous financing from its suppliers (especially PP&E) for longer terms than those it provides to its customers. According to this, the negative operating working capital amounted to \$949 as of December 31, 2016 (decreasing \$4,473 vs. December 31, 2015) positioning at higher levels (6.4% of consolidated revenues as of December 31, 2016 vs. 10.5% of consolidated revenues as of December 31, 2015).

During 2016 the Telecom Group returned to demand funds to the financial market in Argentina, what has allowed financing the Group's growth in PP&E and intangible assets at very reasonable rates. The Group has an excellent credit rating (Personal's notes have been qualified "AA + (arg)" by FIX SCR S.A) related to the Group's operating cash flow record and low leverage (net financial debt ratio over company market value amounts only 9%). All the above mentioned generates that the total working capital (current assets - current liabilities) amounted to a net debt of \$949 as of December 31, 2016, resulting from a decrease in negative operating working capital and an increase in current net financial debt amounting to \$892 and \$3,581, respectively.

These increases in absolute terms, consolidated liquidity ratio (current assets / current liabilities) amounting to 0.94.

The Group has several financing sources and several offers from first-class international institutions to diversify its current short-term funding structure, which includes accessing to domestic and international capital market and obtaining competitive bank loans in what relates to terms and financial costs.

The low financial debt of the Group makes possible to obtain financial resources for longer terms at a reasonable cost. The Group's management evaluates the national and international macroeconomic context to take advantage of market opportunities that allows it preserving its financial health for the benefit of its investors.

The Telecom Group manages its cash and cash equivalents and its financial assets trying to match the term of investments with those of its obligations. The average term of its investments should not exceed the average term of its obligations. Cash and cash equivalents position is invested in highly-liquid short-term instruments through first-class financial entities.

The Telecom Group maintains a liquidity policy that results into a significant volume of available cash through its normal course of business as it is shown in the consolidated statement of cash flows. The Telecom Group has consolidated cash and cash equivalents amounting to \$3,945 (equivalent to US\$ 250 million) as of December 31, 2016 (in 2015, \$870, equivalent to US\$ 67 million).

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The table below contains a breakdown of financial liabilities into relevant maturity groups based on the remaining period at the date of the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Maturity Date	Trade payables	Debt	Salaries and social security payables	Other liabilities	Total
Due	354	-	-	-	354
January 2017 thru December 2017	8,625	3,869	1,610	62	14,166
January 2018 thru December 2018	71	2,812	108	7	2,998
January 2019 thru December 2019	48	2,095	39	-	2,182
January 2020 and thereafter	33	5,212	37	6	5,288
	9,131	13,988	1,794	75	24,988

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments considering the business evolution and changes in the macroeconomic conditions.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders and the level of indebtedness.

No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2016 and 2015.

The Telecom Group does not have to comply with regulatory capital adequacy requirements.

Note 27 –Related party balances and transactions

(a) Controlling group

Nortel, residing in A. Moreau de Justo 50 - 11th floor –Ciudad Autónoma de Buenos Aires, holds 54.74% stake in the Company, meaning that exercises control of the Company in the terms of Section 33 of Law No. 19,550. As of December 31, 2016, Nortel owns all of the Class "A" Preferred shares (51% of total shares of the Company) and 7.64% of the Class "B" Preferred shares (3.74% of total shares of the Company).

As a result of the Company's Treasury Shares Acquisition Process described in Note 19.d), Nortel's equity interest in Telecom Argentina amounts to 55.60% of the Company's outstanding shares as of December 31, 2016. Pursuant to Section 221 of the LGS, the rights of treasury shares shall be suspended until such shares are sold, and shall not be taken into account to determine the quorum or the majority of votes at the Shareholders' Meetings.

All of the common shares of Nortel belong to Sofora. As of December 31, 2016 these shares represent 78.38% of the capital stock of Nortel.

Sofora's capital stock consists of shares of common stock, with a par value of \$1 Argentine peso each and one vote per share. As of December 30, 2016, Sofora's shares are held by Fintech Telecom LLC (68%) and W de Argentina Inversiones S.A. (32%). Additionally, Fintech holds 58,173,522 Class B shares of Telecom Argentina, which represent 5.91% of Telecom Argentina's total capital stock.

Fintech Telecom LLC, a Delaware (United States) limited liability company, is a wholly-owned direct subsidiary of Fintech Advisory Inc. and its primary purpose is to hold, directly and indirectly, the securities of Telecom Argentina. Fintech Advisory Inc., a Delaware (United States) company, is directly controlled by Mr. David Martínez (a member of Telecom Argentina's Board of Directors). Fintech Advisory Inc. is an investor and investment manager in equity and debt securities of sovereign and private entities primarily in emerging markets.

In connection with the Shareholders' Agreement entered into by the Telecom Italia Group and W de Argentina Inversiones S.A., as last amended on October 24, 2014 ("the New Shareholders' Agreement"), Fintech Telecom LLC adhered as a party to the New Shareholders' Agreement by means of execution of a Deed of Adherence, following its acquisition of 17% of Sofora's capital stock. On March 8, 2016, as a result of its acquisition of 51% of Sofora's shares, Fintech acquired all the rights and obligations of the Telecom Italia Group under the New Shareholders' Agreement.

Change of indirect parent company of the Telecom Group

On November 14, 2013, Telecom Italia S.p.A and Telecom Italia International N.V. (jointly, the “Sellers”) and Tierra Argentea (a company controlled by the Sellers) announced the acceptance of an offer by Fintech Telecom LLC to acquire the controlling stake held by the Telecom Italia Group in Telecom Argentina, owned by the Sellers, through its subsidiaries Sofora, Nortel and Tierra Argentea. Closing of the transfer of the Telecom Italia Group’s shares in Sofora was subject to certain required regulatory authorizations.

On December 10, 2013, Tierra Argentea transferred to Fintech Telecom LLC Telecom Argentina’s Class B shares representing 1.58% of Telecom Argentina’s capital stock and Nortel’s ADRs representing 8% of Nortel’s Preferred Class “B” Shares.

On October 25, 2014, Telecom Italia S.p.A. announced its acceptance of an offer by Fintech Telecom LLC to amend and restate the agreement announced on November 14, 2013. Within the frame of this amendment agreement: 1) on October 29, 2014 Telecom Italia International N.V. transferred 17% of Sofora’s capital stock to Fintech Telecom LLC; 2) it was confirmed that the transfer of the 51% controlling interest in Sofora was subject to the prior approval of the telecommunications regulatory authority (previously the SC, then the AFTIC and currently the ENACOM).

On October 16, 2015, AFTIC’s Resolution No. 491/2015 was published in the Official Gazette, denying authorization for the transfer of Telecom Italia’s controlling equity interest in Sofora to Fintech. Such Resolution was challenged in several opportunities by Fintech, the Sellers, W de Argentina Inversiones S.A., Telecom Argentina and Personal.

On February 17, 2016 Telecom Argentina was notified of ENACOM Resolution No. 64/16 pursuant to which ENACOM partially revoked AFTIC Resolution No. 491/15 and decided to continue analyzing the transfer of Telecom Italia Group’s shares in Sofora.

On March 7, 2016, ENACOM Resolution No. 277/16 authorized Fintech’s acquisition of 51% of Sofora’s shares of common stock, and on March 8, 2016, the transfer of Telecom Italia Group’s 51% stake in Sofora to Fintech was closed.

On March 8, 2016, the new members of the Board of Directors of Telecom Argentina and Personal appointed by Fintech replaced the members of such Boards of Directors appointed by the Telecom Italia Group. The Personal’s Unanimous General Ordinary and Extraordinary Shareholders’ Meeting held on March 29, 2016 and the Telecom Argentina’s General Ordinary and Extraordinary Shareholders’ Meeting held on April 8, 2016 approved, among other items, the performance of duties of the directors and alternate directors and the members of the Supervisory Committee appointed by the Sellers in such companies and appointed new directors and alternate directors and members of the Supervisory Committee to cover the vacancy generated by those appointed by the Sellers. This new directors and alternate directors and members of the Supervisory Committee would hold their positions until the next Shareholders’ Meetings that would consider the financial statements as of December 31, 2015.

On March 8, 2016 the change of Sofora’s controlling shareholder became effective and, accordingly, the Telecom Italia Group ceased being the Company’s indirect controlling shareholder (position assumed by Fintech). Based on such facts, on April 15, 2016 Telecom Argentina and Personal notified the CNCD that the *“Telco and TI-W Commitments have become moot and have completely lost its cause and purpose”*.

On November 25, 2016, Fintech informed that it was notified of the Resolution No. 356/16 of the Secretary of Commerce of the Ministry of Production, which authorized the economic concentration operation consisting on the acquisition by Fintech of 68% of the common shares of Sofora.

OPA for control changing

On February 24, 2016, Telecom Argentina was notified of Fintech Telecom LLC’s intention to launch a Mandatory Tender Offer (the “OPA”) resulting from a change of control event for all Class B common shares of Telecom Argentina listed on the Buenos Aires Securities Market, or Mercado de Valores de Buenos Aires S.A. The OPA’s background and purpose, price, timing and terms of acceptance, and details of the facts that condition its performance, are described in an OPA notice published in the newspaper “El Cronista Comercial” on February 24, 2016, in page No.5. On July 22, 2016 Fintech informed the Company the modifications to certain terms of the OPA announced previously by Fintech, including the offering price. The offered price has been amended from \$46 Argentine pesos per share to US\$ 3.925 per share (from which US\$ 0.050 (five cents) should be deducted per share as cash dividends paid on May 13, 2016, together with any other cash dividend to be paid by Telecom Argentina from the date of the OPA’s announcement to the date of the OPA’s payment).

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On September 6, 2016, the CNV's Board of Directors approved the formal terms of the OPA. Subsequently, on September 14, 15 and 16 of 2016, Fintech published in "El Cronista Comercial" newspaper the notice provided on the CNV Rules (modified by complementary notices published in the same newspaper on October 5, 6 and 7-the first-, and on October 26, 27 and 28- the second-) setting the opening and closing dates of the OPA and the amendments to the "OPA Notice" published on February 24, 2016. The end of the OPA and its additional deadline took place on November 4, 2016 for Argentina.

On November 7, 2016, Fintech informed the Company that, having ended the OPA's offers reception period in Argentina, a total of 12,337,723 Class "B" shares acceptances were received, representing 1.253% of Telecom Argentina's total capital.

Simultaneously, Fintech had launched an OPA in the United States of America, which offers reception period expired on November 23, 2016. This OPA did not affect in any way the OPA launched by Fintech in Argentina. According to Fintech, 5,549,209 ADSs and 3,695 Class "B" Shares entered into the OPA launched in the United States of America. As a consequence of the OPAs launched in both markets, Fintech acquired 40,087,463 Company's shares (equivalent to 4.07% of its total capital).

Additional information regarding the transaction between the Telecom Italia Group and Fintech as well as the OPA promoted by Fintech is available in the "Relevant Facts" section of the CNV at www.cnv.gov.ar, and in the "Company filings" section (Telecom Italia S.p.A and Telecom Argentina) of the SEC at www.sec.gov.

(b) Related parties

For the purposes of these consolidated financial statements, related parties are those individuals or legal entities which are related (in terms of IAS 24) to the Telecom Italia Group, Fintech Telecom LLC or W de Argentina - Inversiones S.A., except Nortel and companies under sect. 33 of the LGS, as explained below.

In connection with the change of control explained, on March 8, 2016, Fintech Telecom LLC acquired 51% of Sofora's shares from the Telecom Italia Group. As a result, Fintech Telecom LLC acquired the indirect control of the Telecom Group, increasing its holding in Sofora to 68% of Sofora's shares and voting rights. Therefore, the transactions disclosed in d) below corresponding to the Telecom Italia Group are those performed until March 8, 2016, as from which date the Telecom Italia Group ceased to be a related party of the Telecom Group. Please note that no operations with related parties of Fintech Telecom LLC conducted as from March 8, 2016 have been identified.

For the years presented, the Telecom Group has not conducted any transactions with Key Managers and/or persons related to them, as described above.

(c) Balances with related parties

	Type of related party	As of December 31,	
		2016	2015
CURRENT ASSETS			
Cash and cash equivalents			
Banco Atlas S.A.(a)	Other related party	2	2
Total cash and cash equivalents		2	2
Trade receivables			
Editorial Azeta S.A. (a)	Other related party	1	-
TIM Participacoes S.A. (b)	Other related party	-	13
Latin American Nautilus Argentina S.A. (b)	Other related party	-	1
Telecom Italia S.p.A. (b)	Parent company as of March 8, 2016	-	3
Experta ART S.A. (d) (e)	Other related party	-	1
Total trade receivables, net		1	18
Other receivables			
Latin American Nautilus Ltd. (b)	Other related party	-	36
Caja de Seguros S.A. (c)	Other related party	-	3
Total other receivables, net		-	39

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CURRENT LIABILITIES	Type of related party	As of December 31,	
		2016	2015
Trade payables			
Italtel Group (b)	Other related party	-	160
Latin American Nautilus Ltd. (b)	Other related party	-	53
Telecom Italia S.p.A. (b)	Parent company as of March 8, 2016	-	28
Telecom Italia Sparkle S.p.A. (b)	Other related party	-	27
Latin American Nautilus USA Inc. (b)	Other related party	-	3
Latin American Nautilus Argentina S.A. (b)	Other related party	-	2
TIM Participacoes S.A. (b)	Other related party	-	2
Caja de Seguros S.A. (c)	Other related party	-	46
Experta ART S.A. (d) (e)	Other related party	16	12
Universal Music Argentina S.A. (f)	Other related party	-	10
Haras El Capricho S.A. (g)	Other related party	1	1
Telcel S.A. (h)	Other related party	4	5
Total trade payables		21	349
Financial Debt – Notes (current and non-current)			
La Estrella Sociedad Anónima de Seguros de Retiro (d)	Other related party	172	-
Experta ART S.A. (d) (e)	Other related party	151	-
		323	-

(d) Transactions with related parties and companies under sect. 33 of the LGS

• **Companies under sect. 33 of the LGS**

Other income	Transaction description	Type of related party	Years ended December 31,		
			2016	2015	2014
Nortel	Rental revenues	Direct parent Company	1	1	-
		Total other income	1	1	-

• **Related parties**

Services rendered	Transaction description	Type of related party	Years ended December 31,		
			2016	2015	2014
Editorial Azeta S.A. (a)	Voice retail	Other related party	3	3	3
Banco Atlas S.A. (a)	Voice retail	Other related party	1	1	1
Penta S.A. (a)	Voice retail	Other related party	1	-	-
Telecom Italia Sparkle S.p.A. (b)	International inbound calls	Other related party	4	23	26
TIM Participacoes S.A. (b)	Roaming	Other related party	2	6	11
Latin American Nautilus Argentina S.A. (b)	International inbound calls and roaming	Other related party	2	7	9
Telecom Italia S.p.A. (b)	Roaming	Parent company as of March 8, 2016	2	4	2
Experta ART S.A. (d) (e)	Voice retail	Other related party	7	-	-
Caja de Seguros S.A. (c)	Services sales (i)	Other related party	58	328	125
Caja de Seguros S.A. (c)	Equipment sales (ii)	Other related party	43	196	279
		Total services rendered	123	568	456

- (i) Includes integral retribution provided in the Mobile Equipment Insurance Agreement between Personal and Caja de Seguros S.A. and the income from advertising spaces rental.
- (ii) Corresponds to the income generated by the restitution, on behalf and order of the insurance company, of equipment to clients insured by Caja de Seguros S.A.

Services received	Transaction description	Type of related party	Years ended December 31,		
			2016	2015	2014
Editorial Azeta S.A. (a)	Advertising	Other related party	(3)	(2)	(2)
Penta S.A. (a)	Rental	Other related party	(2)	-	-
Latin American Nautilus Ltd. (b)	International inbound calls and data	Other related party	(19)	(71)	(147)
Grupo Italtel (b)	Maintenance, materials and supplies	Other related party	(10)	(125)	(63)
Telecom Italia Sparkle S.p.A. (b)	International outbound calls and others	Other related party	(7)	(58)	(52)
TIM Participacoes S.A. (b)	Roaming	Other related party	(17)	(11)	(19)
Telecom Italia S.p.A. (b)	Fees for services and roaming	Parent company as of March 8, 2016	(3)	(33)	(18)
Latin American Nautilus Argentina S.A. (b)	International outbound calls	Other related party	(2)	(7)	(12)
Latin American Nautilus USA Inc. (b)	International outbound calls	Other related party	(1)	(7)	(8)
Caja de Seguros S.A. (c)	Insurance	Other related party	(9)	(36)	(29)
Experta ART S.A. (d) (e)	Salaries and social security - Insurance	Other related party	(131)	(100)	(61)
La Estrella Seguros de Retiro S.A. (d)	Insurance	Other related party	-	(5)	(9)
Universal Music Argentina S.A. (f)	VAS costs	Other related party	(4)	(4)	-
Haras El Capricho S.A. (g)	Advertising	Other related party	-	(1)	-
Telcel S.A. (h)	Fees for services	Other related party	(22)	(14)	(7)
		Total services received	(230)	(474)	(427)

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	Transaction description	Type of related party	Years ended December 31,		
			2016	2015	2014
Finance costs					
Experta ART S.A. (d) (e)	Interests on loans	Other related party	(27)	-	-
La Estrella Seguros de Retiro S.A. (d)	Interests on loans	Other related party	(28)	-	-
		Total finance costs	(55)	-	-
Purchases of PP&E and intangible assets					
			Years ended December 31,		
		Type of related party	2016	2015	2014
Italtel Group (b)		Other related party	18	103	153
Telteco S.A. (h)		Other related party	1	4	12
		Total purchases of PP&E and intangible assets	19	107	165
Commitments					
			As of December 31,		
		Type of related party	2016	2015	
		Other related parties	-	221	
			-	221	

- (a) Such companies relate to ABC Telecommunications Group of Paraguay.
- (b) Such companies relate to Telecom Italia Group until March 8, 2016.
- (c) Until March 30, 2015 this company related both to Telecom Italia Group and W de Argentina - Inversiones S.A. Since March 31, 2015 and until March 8, 2016 it relates to Telecom Italia Group.
- (d) Until March 30, 2015 this company related both to Telecom Italia Group and W de Argentina - Inversiones S.A. Since March 31, 2015 it relates to W de Argentina - Inversiones S.A.
- (e) Until September 9, 2015 this company was La Caja Aseguradora de Riesgos del Trabajo ART S.A.
- (f) Such companies relate to Telecom Italia Group since November 1, 2015 and until March 8, 2016.
- (g) Such companies relate to W de Argentina – Inversiones S.A.
- (h) Such companies relate to a Board of Directors member appointed by W de Argentina – Inversiones S.A.

The transactions discussed above were made on terms no less favorable to the Company than would have been obtained from unaffiliated third parties. The Board of Directors approved transactions representing more than 1% of the total shareholders' equity of the Company, after being approved by the Audit Committee in compliance with Decree No. 677/01 and Law No. 26,831.

(e) Key Managers

Compensation for the Key Managers, including social security contribution, amounted to \$198, \$106 and \$56 for the years ended December 31, 2016, 2015 and 2014, respectively, and was recorded as expenses under the line item "Employee benefits expenses and severance payments".

	Years ended December 31,		
	2016	2015	2014
Salaries (*)	52	37	31
Variable compensation (*)	53	26	7
Social security contributions	30	18	11
Hiring benefits	5	-	-
Termination benefits	58	25	7
	198	106	56

(*) Gross compensation. Social security contributions and income tax retentions that are deducted from the gross compensation are in charge of the employee.

As of December 31, 2016 and 2015, respectively, an amount of \$66 and \$30 remained unpaid.

The estimated compensation of the members of the Telecom Argentina's Board of Directors for fiscal year 2016 is approximately of \$35.5. Additionally, a member of the Board of Directors (included in the Company's payroll) has performed technical and administrative tasks for \$1.4, recorded within "salaries and social security compensation" in the Consolidated Income Statements as of December 31, 2016.

The compensation for the members of the Telecom Argentina's Board of Directors approved by the Ordinary Annual Shareholders' Meeting for fiscal years 2015 and 2014 were approximately of \$20 and \$16, respectively.

The members and alternate members of the Board of Directors do not hold executive positions in the Company or Company's subsidiaries.

Note 28 – Segment information

As of December 31, 2016, 2015 and 2014, the Telecom Group carries out its activities through six companies which were consolidated by the end of fiscal years 2016, 2015 and 2014, respectively (Note 1.a).

The Telecom Group has combined the operating segments into three reportable segments: "Fixed Services", "Personal Mobile Services" and "Núcleo Mobile Services" based on the nature of products provided by the entities and taking into account the regulatory and economic framework in which each entity operates.

Segment financial information for the years 2016, 2015 and 2014 was as follows:

For the year ended December 31, 2016

□ **Income statement information**

	Fixed Services	Mobile Services			Eliminations	Total
		Personal	Núcleo*	Subtotal		
Total revenues and other income (1)	17,027	35,766	2,649	38,415	(2,119)	53,323
Employee benefit expenses and severance payments	(7,220)	(2,381)	(199)	(2,580)	-	(9,800)
Interconnection costs and other telecommunication charges	(961)	(2,721)	(200)	(2,921)	1,329	(2,553)
Fees for services, maintenance, materials and supplies	(2,311)	(2,975)	(229)	(3,204)	509	(5,006)
Taxes and fees with the Regulatory Authority	(1,118)	(3,925)	(82)	(4,007)	-	(5,125)
Commissions	(327)	(3,286)	(295)	(3,581)	59	(3,849)
Cost of equipments and handsets	(136)	(5,749)	(303)	(6,052)	-	(6,188)
Advertising	(126)	(644)	(104)	(748)	-	(874)
Cost of VAS	(53)	(1,329)	(117)	(1,446)	-	(1,499)
Provisions	(78)	(109)	-	(109)	-	(187)
Bad debt expenses	(152)	(951)	(125)	(1,076)	-	(1,228)
Other operating expenses	(1,276)	(1,378)	(158)	(1,536)	222	(2,590)
Operating income before D&A	3,269	10,318	837	11,155	-	14,424
Depreciation of PP&E	(1,686)	(2,088)	(584)	(2,672)	-	(4,358)
Amortization of intangible assets	(211)	(1,526)	(103)	(1,629)	-	(1,840)
Impairment of PP&E	1	(384)	-	(384)	-	(383)
Operating income	1,373	6,320	150	6,470	-	7,843
Financial results, net	(151)	(2,064)	(29)	(2,093)	-	(2,244)
Income before income tax expense	1,222	4,256	121	4,377	-	5,599
Income tax expense, net	(59)	(1,506)	(29)	(1,535)	-	(1,594)
Net income	1,163	2,750	92	2,842	-	4,005
Net income attributable to Telecom Argentina	1,163	2,750	62	2,812	-	3,975
Net income attributable to non-controlling interest	-	-	30	30	-	30
	1,163	2,750	92	2,842	-	4,005

(* Includes Personal Envíos' operations that are not material (Revenues 25, Operating income before D&A (7), Operating income (9) and Net loss (9)).

(1)

Service revenues	14,923	28,049	2,382	30,431	-	45,354
Equipment sales	91	7,535	260	7,795	-	7,886
Other income	66	16	1	17	-	83
Subtotal third party revenues and other income	15,080	35,600	2,643	38,243	-	53,323
Intersegment revenues	1,947	166	6	172	(2,119)	-
Total revenues and other income	17,027	35,766	2,649	38,415	(2,119)	53,323

□ **Balance sheet information**

PP&E, net	11,468	9,541	2,156	11,697	-	23,165
Intangible assets, net	429	7,086	78	7,164	(1)	7,592
Capital expenditures on PP&E (a)	3,820	5,249	563	5,812	-	9,632
Capital expenditures on intangible assets (b)	197	1,481	76	1,557	-	1,754
Total capital expenditures in PP&E and intangible assets (a)+ (b)	4,017	6,730	639	7,369	-	11,386
Total additions on PP&E and intangible assets	4,525	6,708	627	7,335	-	11,860
Net financial debt	441	(5,860)	(473)	(6,333)	-	(5,892)

□ **Geographic information**

	Total revenues and other income		Total non-current assets
	Breakdown by location of operations	Breakdown by location of the Group's customers	Breakdown by location of operations
Argentina	50,406	49,958	29,832
Abroad	2,917	3,365	2,520
Total	53,323	53,323	32,352

For the year ended December 31, 2015

□ **Income statement information**

	Fixed Services	Mobile Services			Eliminations	Total
		Personal	Núcleo*	Subtotal		
Total revenues and other income (1)	12,609	28,203	1,717	29,920	(1,989)	40,540
Employee benefit expenses and severance payments	(5,268)	(1,856)	(129)	(1,985)	-	(7,253)
Interconnection costs and other telecommunication charges	(719)	(2,686)	(154)	(2,840)	1,389	(2,170)
Fees for services, maintenance, materials and supplies	(1,769)	(2,417)	(152)	(2,569)	419	(3,919)
Taxes and fees with the Regulatory Authority	(818)	(3,071)	(54)	(3,125)	-	(3,943)
Commissions	(268)	(2,774)	(199)	(2,973)	48	(3,193)
Cost of equipments and handsets	(82)	(4,328)	(185)	(4,513)	-	(4,595)
Advertising	(108)	(628)	(78)	(706)	-	(814)
Cost of VAS	(38)	(1,136)	(82)	(1,218)	-	(1,256)
Provisions	(17)	(96)	-	(96)	-	(113)
Bad debt expenses	(79)	(462)	(23)	(485)	-	(564)
Other operating expenses	(934)	(960)	(93)	(1,053)	133	(1,854)
Operating income before D&A	2,509	7,789	568	8,357	-	10,866
Depreciation of PP&E	(1,341)	(1,379)	(326)	(1,705)	-	(3,046)
Amortization of intangible assets	(185)	(1,141)	(66)	(1,207)	-	(1,392)
Gain on disposal of PP&E and impairment of PP&E	(91)	(109)	1	(108)	-	(199)
Operating income	892	5,160	177	5,337	-	6,229
Financial results, net	(173)	(864)	(65)	(929)	-	(1,102)
Income before income tax expense	719	4,296	112	4,408	-	5,127
Income tax expense, net	(155)	(1,522)	(15)	(1,537)	-	(1,692)
Net income	564	2,774	97	2,871	-	3,435
Net income attributable to Telecom Argentina	564	2,774	65	2,839	-	3,403
Net income attributable to non-controlling interest	-	-	32	32	-	32
	564	2,774	97	2,871	-	3,435

(*) Includes Personal Envíos' operations. This company started to operate on January 1, 2015. Its operations are not material (Revenues 9, Operating income before D&A (2), Operating income (4) and Net loss (4)).

(1)

Service revenues	10,675	22,258	1,547	23,805	-	34,480
Equipment sales	61	5,796	159	5,955	-	6,016
Other income	39	5	-	5	-	44
Subtotal third party revenues and other income	10,775	28,059	1,706	29,765	-	40,540
Intersegment revenues	1,834	144	11	155	(1,989)	-
Total revenues and other income	12,609	28,203	1,717	29,920	(1,989)	40,540

□ **Balance sheet information**

PP&E, net	9,280	6,899	1,784	8,683	-	17,963
Intangible assets, net	443	7,131	86	7,217	(1)	7,659
Capital expenditures on PP&E (a)	2,846	3,157	393	3,550	-	6,396
Capital expenditures on intangible assets (b)	233	3,395	76	3,471	-	3,704
Total capital expenditures in PP&E and intangible assets (a)+ (b)	3,079	6,552	469	7,021	-	10,100
Total additions on PP&E and intangible assets	3,514	7,158	490	7,648	-	11,162
Net financial asset (debt)	560	(2,372)	(465)	(2,837)	-	(2,277)

□ **Geographic information**

	Total revenues and other income		Total non-current assets
	Breakdown by location of operations	Breakdown by location of the Group's customers	Breakdown by location of operations
Argentina	38,633	38,344	24,844
Abroad	1,863	2,152	2,129
Total	40,496	40,496	26,973

For the year ended December 31, 2014

□ **Income statement information**

	Fixed Services	Mobile Services			Eliminations	Total
		Personal	Núcleo	Subtotal		
Total revenues and other income (1)	10,357	23,353	1,588	24,941	(1,910)	33,388
Employee benefit expenses and severance payments	(4,021)	(1,452)	(118)	(1,570)	-	(5,591)
Interconnection costs and other telecommunication charges	(676)	(2,592)	(192)	(2,784)	1,386	(2,074)
Fees for services, maintenance, materials and supplies	(1,402)	(2,145)	(137)	(2,282)	351	(3,333)
Taxes and fees with the Regulatory Authority	(723)	(2,527)	(47)	(2,574)	-	(3,297)
Commissions	(210)	(2,181)	(156)	(2,337)	53	(2,494)
Cost of equipments and handsets	(72)	(3,959)	(112)	(4,071)	-	(4,143)
Advertising	(151)	(563)	(78)	(641)	-	(792)
Cost of VAS	(16)	(856)	(64)	(920)	-	(936)
Provisions	(115)	31	-	31	-	(84)
Bad debt expenses	(89)	(315)	(20)	(335)	-	(424)
Other operating expenses	(791)	(761)	(86)	(847)	120	(1,518)
Operating income before D&A	2,091	6,033	578	6,611	-	8,702
Depreciation of PP&E	(1,084)	(1,002)	(303)	(1,305)	-	(2,389)
Amortization of intangible assets	(146)	(648)	(60)	(708)	-	(854)
Gain on disposal of PP&E and impairment of PP&E	9	(25)	-	(25)	-	(16)
Operating income	870	4,358	215	4,573	-	5,443
Financial results, net	275	-	(22)	(22)	-	253
Income before income tax expense	1,145	4,358	193	4,551	-	5,696
Income tax expense, net	(403)	(1,542)	(22)	(1,564)	-	(1,967)
Net income	742	2,816	171	2,987	-	3,729
Net income attributable to Telecom Argentina	742	2,816	115	2,931	-	3,673
Net income attributable to non-controlling interest	-	-	56	56	-	56
	742	2,816	171	2,987	-	3,729

(1)

Service revenues	8,506	18,284	1,488	19,772	-	28,278
Equipment sales	53	4,920	90	5,010	-	5,063
Other income	26	21	-	21	-	47
Subtotal third party revenues and other income	8,585	23,225	1,578	24,803	-	33,388
Intersegment revenues	1,772	128	10	138	(1,910)	-
Total revenues and other income	10,357	23,353	1,588	24,941	(1,910)	33,388

□ **Balance sheet information**

PP&E, net	7,751	4,688	1,370	6,058	-	13,809
Intangible assets, net	395	4,877	60	4,937	(1)	5,331
Capital expenditures on PP&E (a)	2,112	1,896	296	2,192	-	4,304
Capital expenditures on intangible assets (b)	165	4,427	61	4,488	-	4,653
Total capital expenditures in PP&E and intangible assets (a)+ (b)	2,277	6,323	357	6,680	-	8,957
Total additions on PP&E and intangible assets	2,628	6,564	355	6,919	-	9,547
Net financial asset (debt)	219	693	(167)	526	-	745

□ **Geographic information**

	Total revenues and other income		Total non-current assets
	Breakdown by location of operations	Breakdown by location of the Group's customers	Breakdown by location of operations
Argentina	31,697	31,428	18,414
Abroad	1,691	1,960	1,510
Total	33,388	33,388	19,924

Note 29 – Quarterly consolidated information (unaudited information)

Quarter	Revenues	Operating income before D&A	Operating income	Financial Results, net (loss) gain	Net income	Net income attributable to Telecom Argentina
Fiscal year 2014:						
March 31	7,466	2,112	1,377	(32)	906	889
June 30	8,119	2,007	1,241	186	930	916
September 30	8,598	2,067	1,225	76	848	839
December 31	9,158	2,516	1,600	23	1,045	1,029
	33,341	8,702	5,443	253	3,729	3,673
Fiscal year 2015:						
March 31	8,872	2,634	1,680	(89)	1,041	1,028
June 30	9,624	2,501	1,468	(30)	937	928
September 30	10,094	2,529	1,311	(73)	800	801
December 31	11,906	3,202	1,770	(910)	657	646
	40,496	10,866	6,229	(1,102)	3,435	3,403
Fiscal year 2016:						
March 31	12,455	3,394	1,997	(557)	935	925
June 30	12,951	3,361	1,724	(489)	802	800
September 30	13,412	3,453	1,802	(636)	758	746
December 31	14,422	4,216	2,320	(562)	1,510	1,504
	53,240	14,424	7,843	(2,244)	4,005	3,975

Note 30 – Restrictions on distribution of profits and dividends

(a) Restrictions on distribution of profits

Under the LGS, the by-laws of the Company and rules and regulations of the CNV, a minimum of 5% of net income for the year in accordance with the statutory books, plus/less previous years adjustments and accumulated losses, if any, must be appropriated by resolution of the shareholders to a legal reserve until such reserve reaches 20% of the outstanding capital (common stock plus inflation adjustment of common stock). On May 21, 2014, Telecom Argentina reached the maximum amount of its Legal Reserve according to LGS and CNV provisions previously disclosed.

(b) Dividends

The Company is able to distribute dividends up to the limit of retained earnings determined under the LGS, and reserves constituted to such purpose. Retained earnings as of December 31, 2016 are positive and amounted to \$3,975, while Voluntary reserve for future dividends payment amounted to \$4,272.

	2016	2015	2014
Dividends declared and paid by Telecom Argentina during the year (\$2.06, \$0.83 and \$1.22 peso per share, respectively)	(*) 2,000	804	1,202
Proposed for approval at the Annual General Meeting (not recognized as a liability as at December 31)	(**)	-	-

Dividends declared and paid by Telecom Argentina during the year (\$2.06, \$0.83 and \$1.22 peso per share, respectively)

Proposed for approval at the Annual General Meeting (not recognized as a liability as at December 31)

(*) By reversal of the reserve for future cash dividends.

(**) The Company's Board of Directors has proposed to the Shareholder's Meeting the allocation of the retained earnings to the constitution of a "Future Cash Dividends Reserve".

Note 31 – Subsequent events to December 31, 2016

a) Pre-cancellation of Personal's bank loan

On January 28, 2015, Personal had signed a loan agreement with a foreign bank for US\$ 40.8 million (equivalent to \$353 at such date). The capital was fully cancelable in 27 months (bullet) with quarterly interest payments.

On February 7, 2017, with the maturity of the interest service, Personal proceeded to fully prepay the loan, paying US\$ 40.8 million of capital (equivalent to \$643), US\$ 1 million of interest (equivalent to \$16) and US\$ 0.3 million of pre-cancellation fee (equivalent to \$5).

b) NDF to hedge interest rate fluctuations

During January and February 2017, Personal entered into various hedging agreements (NDF) to cover fluctuations in the LIBOR rate of the loan with IFC in an amount that as of the date of issuance of these financial statements totaled US\$ 300 million. These NDF allow fixing the variable rate to be set as from March 15, 2017 and for the life of the loan, ranging from 2.087% to 2.33% nominal per annum (a weighted average of 2.183% nominal per annum).

c) Cancellation of bank overdrafts

During January and February 2017, the Telecom Group totally canceled its bank overdrafts amounting to \$1,707.

EXHIBIT INDEX

- 1.1 *Estatutos Sociales* (Bylaws) of Telecom Argentina, as amended (English translation) (incorporated by reference to Telecom’s report on Form 6-K filed on February 5, 2016).
 - 4.1 Deposit Agreement, dated November 8, 1994 (incorporated by reference to Telecom’s registration statement on Form F-6 (No. 333-07452)).
 - 4.2 Form of Amendment No. 1 to Deposit Agreement, dated August 28, 1997 (incorporated by reference to Telecom’s registration statement on Form F-6 (No. 333-07452)).
 - 8.1 List of Subsidiaries.
 - 12.1 Certification of Germán Vidal of Telecom Argentina S.A. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
 - 12.2 Certification of Pedro Insussarry of Telecom Argentina S.A. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
 - 13.1 Certification of Germán Vidal and Pedro Insussarry pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
 - 15.1 2010 Amended and Restated Shareholders’ Agreement between Telecom Italia S.p.A., Telecom Italia International N.V. and W de Argentina — Inversiones S.L., dated August 5, 2010 (“Shareholders’ Agreement”) (incorporated by reference to Exhibit 3 to Telecom Italia S.p.A.’s Schedule 13D, filed on October 22, 2010).
 - 15.2 First Amendment to the Shareholders’ Agreement dated October 13, 2010 (incorporated by reference to Exhibit 4 to Telecom Italia S.p.A.’s Schedule 13D, filed on October 22, 2010).
 - 15.3 Second Amendment to the Shareholders’ Agreement, dated March 9, 2011 (incorporated by reference to Exhibit 3 to Telecom Italia S.p.A.’s Schedule 13D/A, filed on March 10, 2011).
 - 15.4 Third Amendment to the Shareholders’ Agreement, dated November 13, 2013 (incorporated by reference to Exhibit 6 to Telecom Italia S.p.A.’s Schedule 13D, filed on November 14, 2013).
 - 15.5 Amended and Restated Amendment No. 3 to the Shareholders’ Agreement, dated October 24, 2014 (incorporated by reference to Exhibit 15 to Telecom Italia S.p.A.’s Schedule 13D, filed on October 27, 2014).
 - 15.6 Fourth Amendment to the Shareholders’ Agreement, dated March 17, 2017 (incorporated by reference to Exhibit 26 to Fintech Telecom, LLC’s Schedule 13D/A, filed on March 20, 2017).
 - 15.7 Mutual Shareholder Release to the Shareholders’ Agreement, dated November 13, 2013 (incorporated by reference to Exhibit 7 to Telecom Italia S.p.A.’s Schedule 13D, filed on November 14, 2013).
 - 15.8 Deed of Adherence to the Shareholders’ Agreement, dated November 13, 2013 (incorporated by reference to Exhibit 8 to Telecom Italia S.p.A.’s Schedule 13D, filed on November 14, 2013).
-

**Telecom Argentina S.A.
Subsidiaries**

Name	Jurisdiction of Incorporation
Telecom Personal S.A.	Argentina
Núcleo S.A. (1)	Paraguay
Personal Envíos S.A. (2)	Paraguay
Micro Sistemas S.A. (3)	Argentina
Telecom Argentina USA, Inc.	Delaware, United States

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- (1) Interest held indirectly through Telecom Personal S.A.
(2) Interest held indirectly through Núcleo S.A.
(3) Dormant subsidiary as of December 31, 2016.
-

CERTIFICATION

I, Germán Vidal, certify that:

1. I have reviewed this Annual Report on Form 20-F of Telecom Argentina S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the Audit Committee of the Company's Board of Directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves Management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 26, 2017

By: /S/ GERMÁN VIDAL
Name: Germán Vidal
Title: Chief Executive Officer

CERTIFICATION

I, Pedro Insussarry, certify that:

1. I have reviewed this Annual Report on Form 20-F of Telecom Argentina S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the Audit Committee of the Company's Board of Directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves Management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 26, 2017

By: /S/ PEDRO INSUSSARRY
Name: Pedro Insussarry
Title: Interim Chief Financial Officer

CERTIFICATION

April 26, 2017

Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Ladies and Gentlemen:

The certification set forth below is being submitted to the Securities and Exchange Commission solely for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

German Vidal, the Chief Executive Officer and Pedro Insussarry, the Interim Chief Financial Officer of Telecom Argentina S.A. ("Telecom") each certifies that, to the best of their knowledge:

1. this Annual Report on Form 20-F (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Telecom.

By: /S/ GERMÁN VIDAL
Name: Germán Vidal
Title: Chief Executive Officer

By: /S/ PEDRO INSUSSARRY
Name: Pedro Insussarry
Title: Interim Chief Financial Officer
