



Cablevisión Holding S.A.

Interim Consolidated Financial Statements

For the three-month period ended March 31, 2018
presented on a comparative basis

Free translation from the original prepared in Spanish for publication in Argentina.

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CABLEVISIÓN HOLDING S.A.

Registration number with the IGJ: 1,908,463

Interim Consolidated Financial Statements for the three-month period ended March 31, 2018

GLOSSARY OF TERMS

The Company / Cablevisión Holding	Interchangeably, Cablevisión Holding S.A.
Telecom Argentina/Telecom	Interchangeably, Telecom Argentina S.A.
Telecom Group/Group	Economic group composed by the Company and its subsidiaries.
Telecom Italia Group	Economic group composed by Telecom Italia S.p.A. and its subsidiaries.
Telecom Personal/Personal/Micro Sistemas/Telintar/Pem/CV Berazategui/Cable Imagen/ Última Milla/AVC Continente Audiovisual/Inter Radios/Adesol	These companies are corporations or limited liability companies that are controlled directly or indirectly pursuant to the definition established under the Business Associations Law, or were controlled by Telecom, directly or indirectly, to wit: Telecom Personal S.A., Micro Sistemas S.A., Telecomunicaciones Internacionales de Argentina Telintar S.A., Pem S.A., CV Berazategui S.A., Cable Imagen S.R.L., Última Milla S.A., AVC Continente Audiovisual S.A., Inter Radios S.A., Adesol S.A.
Sofora	Sofora Telecomunicaciones S.A., former controlling company of Nortel.
Fintech	Fintech Telecom LLC, controlling company of the former Sofora, currently a shareholder of Telecom
Telecom USA/Núcleo/Personal Envíos/Tuves Paraguay / Televisión Dirigida / Adesol	These refer to the foreign companies Telecom Argentina USA, Inc, Núcleo S.A., Personal Envíos S.A., Tuves Paraguay S.A., Televisión Dirigida S.A. and Adesol S.A., respectively, controlled by Telecom, directly or indirectly pursuant to the definition established under the Business Associations Law.
AFIP	<i>Administración Federal de Ingresos Públicos</i> (Argentine Federal Revenue Service)
AMBA	<i>Área Metropolitana de Buenos Aires</i> , the Metropolitan Area of Buenos Aires. It comprises the City of Buenos Aires and its surrounding areas.
AREA	Adjustment to Net Income from Prior Years
BYMA/NYSE	<i>Bolsas y Mercados Argentinos</i> and the New York Stock Exchange, respectively.
BCRA	<i>(Banco Central de la República Argentina)</i> : Central Bank of Argentina.
Cablevisión	Cablevisión S.A., absorbed by Telecom as from January 1, 2018, which activities are currently carried out by Telecom (Note 4.a).
CAPEX	Capital expenditures.
CNC	<i>(Comisión Nacional de Comunicaciones)</i> : Argentine Communications Commission
CNDC	<i>(Comisión Nacional de Defensa de la Competencia)</i> National Antitrust Commission.
CNV	Argentine Securities Commission.
COMFER	<i>(Comité Federal de Radiodifusión)</i> : Federal Broadcasting Committee.
CONATEL	<i>(Comisión Nacional de Telecomunicaciones del Paraguay)</i> . Paraguayan Telecommunications 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.
CPP	Calling Party Pays. Charges for calls from fixed phones to mobile phones.
D&A	Depreciation and Amortization.
ENACOM	<i>Ente Nacional de Comunicaciones</i> (National Communications Agency "ENACOM", for its Spanish acronym)
ENARD	<i>(Ente Nacional de Alto Rendimiento Deportivo)</i> : National Board of High Performance Sports.
ENTel	<i>(Empresa Nacional de Telecomunicaciones)</i> : National Telecommunication company.
FFSU or SU Fund	<i>(Fondo Fiduciario del Servicio Universal)</i> : Universal Service Trust Fund
IASB	International Accounting Standards Board.
Gestión Compartida	GC Gestión Compartida S.A.
Grupo Clarín	Grupo Clarín S.A.
IDC	<i>(Impuesto a los débitos y créditos en cuentas bancarias)</i> : Tax on bank credit and debits.
IDEN	<i>(Red Mejorada Digital Integrada)</i> : Integrated Digital Enhanced Network.
IFD	<i>(Instrumentos financieros derivados)</i> : Derivatives.
IGJ	<i>(Inspección General de Justicia)</i> : Argentine Superintendency of Legal Entities.
LAD	<i>(Ley Argentina Digital N° 27.078)</i> : Digital Argentina Law No. 27,078.
LETES	<i>(Letras del tesoro de la Nación)</i> : Treasury Bills.
LGS	<i>(Ley de Sociedades Comerciales)</i> Business Associations Law No. 19,550, as amended. As from the enforcement of the new Civil and Commercial Code, its name was changed to "General Associations Law."
NDF	Non-Deliverable Forward.
NIIF	International Financial Reporting Standards (IFRS), issued by IASB.
PCS	Personal Communications Service. A mobile communications service with systems that operate in a manner similar to cellular systems.
PEN	<i>(Poder Ejecutivo Nacional)</i> : National Executive Branch.
PP&E	Property, Plant and Equipment.
PPP	<i>(Programa de Propiedad Participada)</i> : Share Ownership Plan.
Roaming	Charges for the use of network availability to customers of other national and foreign carriers.

See our report dated
May 11, 2018

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. Vol. 1 Fol. 17

Andrés Riportella
Supervisory Committee

Sebastián Bardengo
Chairman

CABLEVISIÓN HOLDING S.A.

Registration number with the IGJ: 1,908,463

Interim Consolidated Financial Statements for the three-month period ended March 31, 2018

GLOSSARY OF TERMS (Cont.)

RT/FACPCE	Technical Resolutions issued by the " <i>Federación Argentina de Consejos Profesionales de Ciencias Económicas</i> " (Argentine Federation of Professional Councils in Economic Sciences).
RT 26	Technical Resolution No. 26, amended by Technical Resolutions Nos. 29 and 43, among others.
SBT	(<i>Servicio Básico Telefónico</i>): Basic Telephony Service.
SC	(<i>Secretaría de Comunicaciones</i>): Argentine Secretariat of Communications.
SCMA	(<i>Servicio de Comunicaciones Móviles Avanzadas</i>): Advanced Mobile Communications Service.
SEC	Securities and Exchange Commission.
SRCE	(<i>Servicio Radioeléctrico de Concentración de Enlaces</i>): Radio electric trunking services.
SRMC	(<i>Servicio de Radiocomunicaciones Móvil Celular</i>): Cellular Mobile Radiocommunications Service.
SRS	(<i>Servicio de Radiodifusión por Suscripción por vínculo físico y/o radioeléctrico</i>): Physical and/or radio-electric link subscription broadcasting services.
STM	(<i>Servicio de Telefonía Móvil</i>): Mobile Telephony Services.
SU	(<i>Servicio Universal</i>): Universal Service. The availability of fixed telephony service at an affordable price to all persons within a country or specified area.
SVA	Valued-added Services, which provide additional functionality to the basic transmission services offered by a telecommunications network such as Video streaming, Personal Video, Personal Cloud, M2M (Communication Machine to Machine), Social networks, Personal Messenger, Contents and Entertainment (content and text subscriptions, trivias, games, music and customization - ringtones, wallpaper, screensavers, etc), MMS (Mobile Multimedia Services) and Voice Mail.
Telefónica	Telefónica de Argentina S.A.
TLRD	(<i>Terminación Llamada Red Destino</i>): Termination charges for calls from third party carrier's customers to Telecom Group mobile customers.
US GAAP	US Generally Accepted Accounting Principles.
VPP	(<i>Valor Patrimonial Proporcional</i>): Equity Method.
WAI	W de Argentina-Inversiones S.A

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Interim Consolidated Financial Statements as of March 31, 2018 and for the three-month period beginning January 1, 2018 and ended March 31, 2018.

Amounts stated in Argentine Pesos - Note 1.c) to the Interim Consolidated Financial Statements.

Registered office: Tacuarí 1842, 4th Floor, 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

The information about the Company's subsidiaries is disclosed in Note 1 to the Interim Consolidated Financial Statements.

CAPITAL STOCK STRUCTURE (Note 20)

Type	Number of votes per share	Outstanding Shares	Treasury Stock	Total Subscribed, Registered and Paid-in Capital
Class "A" Common shares, \$1 par value	5	47,753,621	-	47,753,621
Class "B" Common shares, \$1 par value	1	121,104,504	1,578	121,106,082
Class "C" Common shares, \$1 par value	1	11,782,877	-	11,782,877
Total as of March 31, 2018		180,641,002	1,578	180,642,580

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CABLEVISIÓN HOLDING S.A.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018
(In millions of Argentine pesos)

	<u>Note</u>	<u>March 31,</u> <u>2018</u>
Revenues	22	30,698
Employee benefit expenses and severance payments	23	(5,222)
Interconnection and Transmission Costs		(931)
Fees for Services, Maintenance, Materials and Supplies	23	(2,896)
Taxes and Fees with the Regulatory Authority	23	(2,469)
Commissions and Advertising		(1,709)
Cost of Equipment and Handsets	23	(1,525)
Programming and Content Costs		(2,145)
Bad Debt Expenses	6	(613)
Other Operating Income and Expense	23	(1,408)
Operating Income before Depreciation and Amortization		11,780
Depreciation, Amortization and Impairment of PP&E	23	(4,667)
Operating Income		7,113
Equity in Earnings from Associates	5	43
Financial Expenses on Debt	24	(3,644)
Other Financial Results, net	24	219
Income before Income Tax Expense		3,731
Income Tax	15	(1,382)
Net Income		2,349
Other Comprehensive Income - to be subsequently reclassified to profit or loss		
Currency Translation Adjustments (no effect on Income Tax)		492
Effect of NDF classified as hedges		102
Tax Effect of NDF classified as hedges		(28)
Other Comprehensive Income, net of Taxes		566
Total Comprehensive Income		2,915
Net Income attributable to:		
Shareholders of the Controlling Company		220
Non-Controlling Interest		2,129
Total Comprehensive Income Attributable to:		
Shareholders of the Controlling Company		390
Non-Controlling Interest		2,525
Basic and Diluted Earnings per Share (in pesos)	25	1.22

Additional information on costs by function is provided in Note 23.

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

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C.P.C.E.C.A.B.A. Vol. 1 Fol. 17

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CABLEVISIÓN HOLDING S.A.

Registration number with the IGJ: 1,908,463

**CABLEVISIÓN HOLDING S.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2018 AND DECEMBER 31, 2017**

(In millions of Argentine pesos)

ASSETS	Note	March 31, 2018	December 31, 2017
CURRENT ASSETS			
Cash and Cash Equivalents	5	8,705	4,879
Investments	5	3,062	110
Trade Receivables	6	11,077	1,753
Other Receivables	7	2,441	956
Inventories	8	2,013	83
Other Assets	13.2	138	378
Total Current Assets		27,436	8,159
NON-CURRENT ASSETS			
Trade Receivables	6	62	-
Other Receivables	7	847	237
Deferred Income Tax Assets	15	57	51
Investments	5	2,954	11,201
Goodwill	9	63,291	3,584
Property, Plant and Equipment ("PP&E")	10	86,620	22,068
Intangible Assets	11	42,336	2,353
Total Non-Current Assets		196,167	39,494
Total Assets		223,603	47,653
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	12	16,171	3,886
Financial Debt	13	30,285	3,712
Salaries and Social Security Payables	14	3,086	1,751
Taxes Payable	16	6,920	1,887
Dividends Payable	27	-	1,633
Other Liabilities	17	953	102
Provisions	18	413	-
Total Current Liabilities		57,828	12,971
NON-CURRENT LIABILITIES			
Accounts Payable	12	107	-
Financial Debt	13	19,901	20,936
Salaries and Social Security Payables	14	135	-
Deferred Income Tax Liabilities	15	16,582	266
Taxes Payable	16	2	3
Other Liabilities	17	827	134
Provisions	18	2,839	1,092
Total Non-Current Liabilities		40,393	22,431
Total Liabilities		98,221	35,402
EQUITY (as per the corresponding statement)			
Attributable to Shareholders of the Parent Company		46,744	7,591
Attributable to Non-Controlling Interests		78,638	4,660
TOTAL EQUITY		125,382	12,251
TOTAL LIABILITIES AND EQUITY		223,603	47,653

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

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CABLEVISIÓN HOLDING S.A.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018
(In millions of Argentine pesos)

	Equity attributable to Shareholders of the Parent Company												
	Owners' Contribution				Other Items			Retained Earnings			Total Equity of Controlling Interests	Equity Attributable to Non-Controlling Interests	Total Equity
	Capital Stock	Inflation Adjustment on Capital Stock	Additional Paid-in Capital	Subtotal	Other Comprehensive Income	Other Reserves	Legal Reserve	Voluntary Reserves (2)	Retained Earnings				
Balances as of December 31, 2017	181	195	888	1,264	948	(4)	75	3,692	1,616	7,591	4,660	12,251	
Adjustment to Net Income from Prior Years (Note 3.u)	-	-	-	-	-	-	-	-	(67)	(67)	(50)	(117)	
Effect of the Merger (Note 4.a)	-	-	-	-	-	38,866	-	-	-	38,866	83,665	122,531	
Dividends and Other Movements of Non-Controlling Interest (Note 28)	-	-	-	-	-	-	-	-	-	-	(12,107)	(12,107)	
Changes in Other Reserves	-	-	-	-	-	(36)	-	-	-	(36)	(55)	(91)	
Net Income for the Period	-	-	-	-	-	-	-	-	220	220	2,129	2,349	
Other Comprehensive Income	-	-	-	-	170	-	-	-	-	170	396	566	
Balances as of March 31, 2018	(1) 181	195	888	1,264	1,118	38,826	75	3,692	1,769	46,744	78,638	125,382	

(1) Includes 1,578 treasury shares (Note 20).

(2) Broken down as follows: (i) Voluntary reserve for future dividends of \$ 1,813; (ii) Voluntary reserve for illiquidity of results of \$ 437, (iii) Voluntary reserve to ensure the liquidity of the Company and its subsidiaries of \$ 660, and (iv) Voluntary reserve to provide financial aid to subsidiaries and in connection with the Audiovisual Communication Services Law of \$ 782.

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CABLEVISIÓN HOLDING S.A.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018
(In millions of Argentine pesos)

	<u>Note</u>	<u>March 31, 2018</u>
<u>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>		
Net Income		2,349
Adjustments to reconcile net income to net cash flows provided by operating activities		
Allowances Deducted from Assets and Provisions for Lawsuits and Other Contingencies		793
Depreciation of PP&E	10	3,676
Amortization of Intangible Assets	11	935
Equity in Earnings from Associates	5	(43)
Disposals and Impairment of PP&E		56
Net Book Value of PP&E		(3)
Financial Results and Others		2,956
Income Tax Expense	15	1,382
Income Tax Paid		(906)
Net Increase in Assets	5.b	(1,732)
Net Decrease in Liabilities	5.b	(182)
Net Cash Flows provided by Operating Activities		<u>9,281</u>
<u>CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES</u>		
PP&E Acquisitions		(5,638)
Intangible Assets Acquisition		(686)
Collection of Dividends	5.b	18
Cash Incorporated under the merger (Note 4.a)		2,831
Proceeds from the Sale of PP&E		4
Investments not considered as cash and cash equivalents		1,015
Net Cash Flows used in Investing Activities		<u>(2,456)</u>
<u>CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES</u>		
Proceeds from Financial Debt	5.b	20,889
Payment of Financial Debt	5.b	(10,729)
Payment of interest and related expenses	5.b	(527)
Reversal of Reserve Account		264
Payment of Cash Dividends to Non-Controlling Interests	5.b	(13,287)
Net Cash Flows used in Financing Activities		<u>(3,390)</u>
NET INCREASE IN CASH FLOWS		3,435
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR:		4,879
NET FOREIGN EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS		<u>391</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u><u>8,705</u></u>

See Note 5.b for additional information on the consolidated statement of cash flows.

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CABLEVISIÓN HOLDING S.A.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018
(In millions of Argentine pesos)

NOTE 1 – GENERAL INFORMATION AND BASIS FOR THE PRESENTATION OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

a) General Information

Cablevisión Holding S.A.

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 reorganization 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 reorganization was registered with the IGJ on April 27, 2017. The effective date of the spin-off was 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.

The reorganization process of Cablevisión and Telecom is described under Note 4.a) to these interim consolidated financial statements.

Telecom Group

Telecom Argentina was created through the privatization of ENTel, the state-owned company that provided telecommunication services in Argentina.

Telecom'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.

Telecom provides mainly fixed-line public and mobile telecommunication services, international long-distance service, data transmission and Internet services in Argentina and through its subsidiaries, mobile telecommunications services in Paraguay and international wholesale services in the United States of America.

As a consequence of the merger between Telecom and Cablevisión S.A. (Note 4.a), Telecom Argentina, as the legal surviving entity after the merger, develops, as from fiscal year 2018, the operations that Cablevisión S.A. developed until December 31, 2017.

The core business of Cablevisión and some of its subsidiaries was the operation of the cable television networks installed in different regions of Argentina and Uruguay and the provision of telecommunication and data transmission services.

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Cablevisión exploited cable television services through licenses original granted by the COMFER and telecommunication services through licenses granted by the SC.

Information on Telecom Group's licenses and on the applicable regulatory framework is described under Note 2.

As of March 31, 2018 and December 31, 2017, the following are the most significant subsidiaries included in the consolidation process and the respective direct and indirect equity interests:

Company	Country	Direct and indirect interest in capital stock and votes as of 03.31.2018	Direct and indirect interest in capital stock and votes as of 12.31.2017
Telecom Argentina	Argentina	39.08%	-
Cablevisión	Argentina	-	60%

b) Segment information.

An operating segment is defined as a component of an entity or an economic group that engages in business activities, from which it may earn revenues and incur expenses, and whose financial information is available, held separately, and reviewed regularly by the entity's chief operating decision maker. In the case of the Group, the Chief Executive Officer (CEO) is responsible for the control of the resources and the economic-financial performance of the economic group.

The CEO has a strategic and operational vision of the Telecom Group as a single business unit in accordance with the current regulatory framework of the convergent ICT Services industry. In the performance of his duties, the CEO periodically receives the economic-financial information about the Telecom Group prepared as a single segment and reviews the evolution of the business as a single cash generating unit, allocating resources in a unique way to achieve the Group's goals. Based on the above and in accordance with effective accounting principles (IFRS as issued by the IASB), the Group is deemed to have a single segment of operations.

The Telecom Group carries out its activities in Argentina and abroad (Paraguay, United States of America and Uruguay.) Even though the risks inherent to the foreign operations are different from those inherent to Argentina, those operations are not material to the Telecom Group. Therefore, they are not reported as separate business segments.

Due to the above, the Group has not prepared a specific note on segment information, taking into consideration that it will be the same information included in the main body of these interim consolidated financial statements. Additional information per geographical area required under IFRS 8 (Operating Segments) is disclosed below:

- i) Sales revenues from customers located in Argentina amounted to \$ 29,261 million during the first quarter of 2018; while sales revenues from foreign customers amounted to \$1,437 million during the first quarter of 2018;
- ii) Sales revenues from operations in Argentina amounted to \$29,351 million during the first quarter of 2018; while sales revenues from foreign operations amounted to \$1,347 million during the first quarter of 2018;
- iii) PP&E, Goodwill and Intangible Assets located in Argentina amounted to \$188,255 million and \$27,067 million as of March 31, 2018 and December 31, 2017, respectively; while PP&E, Goodwill and Intangible Assets located abroad amounted to \$3,992 million and \$938 million as of March 31, 2018 and December 31, 2017, respectively.

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c) Basis for the Presentation

As required by the CNV, the Company's interim consolidated financial statements have been prepared in accordance with TR 26 (as amended by TR 29 and TR 43) issued by FACPCE, which adopted the IFRS as issued by the IASB. Those standards were adopted by the CPCECABA.

For the preparation of these interim consolidated financial statements, the Company decided to include all the information required for annual financial statements, as provided under IAS 34.

As mentioned in Note 1.a), 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.

The preparation of these interim consolidated financial statements in conformity with IFRS requires that the Company's Management make estimates that affect the figures disclosed in the financial statements or its supplementary information. Actual results may differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where estimates are significant are disclosed under Note 3.v.)

These interim consolidated financial statements (except for the statement of cash flows) are prepared on an accrual basis of accounting. Under this basis, the effects of transactions 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 financial income or expense using the effective interest method.

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 statement of financial position 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 2017 and said situation has not undergone significant changes during the three-month period ended March 31, 2018. Therefore, the Company did not apply the restatement criteria to the financial information for the periods reported as established under IAS 29. The Company's Management will continue to monitor the characteristics and evolution of inflation levels in Argentina to duly comply with the provisions of IAS 29.

The Company began operating on May 1, 2017. Therefore, these interim consolidated financial statements are not presented on a comparative basis for the three-month period ended March 31, 2017. Certain figures reported in the financial statements for the year ended December 31, 2017 were reclassified, for comparative purposes with this period.

The information corresponding to and for the three-month period ended March 31, 2018 was prepared taking into consideration the operations that Telecom Argentina and the former Cablevisión carry out as from January 1, 2018 and in line with the regular presentation structure of the ICT Services industry.

Accordingly, certain comparative information was adjusted to ensure the uniform reporting criteria with those used for 2018 for ease of reading by the users of these interim consolidated financial statements.

These interim consolidated financial statements as of March 31, 2018, as well as the individual financial statements as of the same date, were approved by a resolution of the Board of Directors at the meeting held on May 11, 2018.

d) Consolidated Financial Statements Formats

The consolidated financial statements formats adopted are consistent with IAS 1. In particular:

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- the consolidated statement of financial position has been prepared by classifying assets and liabilities according to the “current and non-current” criterion. Current assets and liabilities are those that are expected to be realized/settled within twelve months after the period-end;
- the consolidated income statement has 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 Management, and, additionally, is in line with the usual presentation of expenses in the ICT Services industry;
- the consolidated statement of comprehensive income includes the profit (or loss) for the period as shown in the consolidated income statement and all components of other comprehensive income;
- the consolidated statement of changes in equity has been prepared showing separately (i) profit (loss) for the period, (ii) other comprehensive income (loss) for the period, and (iii) transactions with shareholders (owners and non-controlling interest);
- the consolidated statement of cash flows has been prepared by presenting cash flows from operating activities according to the “indirect method”, as permitted by IAS 7.

These interim 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 5, 6, 7, 8, 10, 11, 18, 23 and 26 to these interim consolidated financial statements, as admitted by IFRS.

NOTE 2 – REGULATORY FRAMEWORK

a) REGULATORY AUTHORITY

The activities carried out by Telecom, provider of telecommunications services, are governed by a set of regulations that make up the regulatory framework applicable to the sector.

Until the enactment of the LAD, published in the Official Gazette on December 19, 2014, and effective since its publication, the telecommunication services rendered by Telecom and its national subsidiaries were subject to the oversight of the CNC, a decentralized agency under the jurisdiction of the SC, which was in turn under the jurisdiction of the Ministry of Federal Planning, Public Investment and Services. The LAD provided for the creation of a decentralized and autarchic agency under the jurisdiction of the National Executive Branch, the Information and Communications Technology Federal Enforcement Authority (AFTIC, for its Spanish acronym), to act as the LAD Enforcement Authority and replace, for all purposes, the SC and the CNC.

The LAD granted the AFTIC regulatory, control, oversight and verification powers regarding Information Technology and Communications (“ICT”, for its Spanish acronym) in general, telecommunications in particular, postal service and any and all matters within its competence pursuant to the provisions of the LAD.

With regard to licenses for the exploitation of physical link and/or radio electric link subscription broadcasting services, originally awarded under Law No. 22,285, the COMFER was the enforcement authority empowered by said law. Under Law No. 22,285 subscription broadcasting 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 No. 26,522 (“LSCA”, for its Spanish acronym) was passed and enacted on October 10, 2009. This law 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 National Executive Branch, and vested the new agency with authority to enforce the law.

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By the end of December 2015, the National Executive Branch issued Emergency Decree No. 267/15 (“Emergency Decree No. 267/15” published in the Official Gazette on January 4, 2016), whereby significant amendments were introduced to the LSCA and the LAD and a new Enforcement Authority for those laws was created, called the ENACOM, which replaces the AFTIC and the AFSCA, and which acts as an autarchic agency within the jurisdiction of the Ministry of Communications.

On August 11, 2017, the National Government issued Decree No. 632, whereby it approved the organizational structure of the Ministry of Modernization. According to the organization chart established in said Decree, the ENACOM is currently under the jurisdiction of the Ministry of Modernization.

The subsidiary Núcleo, with operations in the Republic of Paraguay, is under the oversight of the CONATEL, and its subsidiary Personal Envíos is under the oversight of the Central Bank of the Republic of Paraguay.

The subsidiary Telecom USA, which operates in the United States of America, is under the oversight of the Federal Communications Commission (“FCC”).

Adesol is a subsidiary of Telecom incorporated in Uruguay, which is related under an agreement to Bersabel S.A. and Satelital Visión S.A., two licensees that provide subscription broadcasting services in said country and are under the oversight of the Communication Services Regulatory Agency (“URSEC”, for its Spanish acronym).

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”). Article 202 of this law provides that the National 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 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.

Article 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. Article 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 of Uruguay in those proceedings may be favorable to the position of Adesol S.A. in the future. On April 7, 2016, 28 unconstitutionality claims were brought against the above-mentioned law. As of the date of these consolidated financial statements, the Supreme Court has issued 28 decisions, whereby it declared the unconstitutionality of Articles 39 subsection 3, 55, 56 subsection 1, 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 Article 54 of that Law.

b) LICENSES HELD BY SUBSIDIARIES:

Under the *Licencia Única Argentina Digital*, Telecom currently provides the following services:

- Local fixed telephony,
- Public telephony,
- Domestic and international long-distance telephony,

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- Domestic and international point-to-point link services,
- Value added, data transmission, videoconferencing and transportation of broadcasting signals, and Internet access,
- STM, SRMC, PCS and SCMA. Those services are also called mobile communications services ("SCM", for its Spanish acronym).
- SRS,
- SRCE.

The licenses for rendering SCM services had been originally granted to Personal and were subsequently transferred to Telecom under the merger with Personal pursuant to ENACOM Resolution No. 4,545-E/2017. Such non-expiring licenses were granted for the competitive provision of STM in the Northern Region of Argentina, SRMC in the AMBA area, PCS throughout the country, and, since November 2014, SCMA (the latter with frequencies awarded for 15 years.)

The licenses and authorizations for rendering SRCE were transferred to Telecom under the merger with Cablevisión pursuant to ENACOM Resolution No. 5,644-E/2017 (see point f under this Note).

The registration to provide physical and/or radio-electric link subscription broadcasting services and the respective area authorizations were transferred to Telecom under the merger with Cablevisión pursuant to the provisions of ENACOM Resolution No. 5,644-E/2017.

Núcleo holds a license to provide mobile telecommunication services - STMC and PCS throughout Paraguay. In addition, Núcleo holds a license for the installation and exploitation of Internet and data services throughout Paraguay. All these licenses were granted for renewable five-year periods. For additional information, see Note 2.e) regarding the recent award of the 700 MHz band spectrum in Paraguay.

Personal Envíos, a company controlled by Núcleo, was authorized by the Central Bank of the Republic of Paraguay to operate as an Electronic Payment Company ("EMPE", for its Spanish acronym) through Resolution No. 6 issued on March 30, 2015, and its corporate purpose is restricted to such service.

Tuves Paraguay, a company controlled by Núcleo, has a license for the provision of direct-to-home subscription audio and television services ("DATDH"), for a term of five years. The license was granted in March 2010 and renewed in March 2015 for a five-year term.

c) REGULATORY FRAMEWORK OF THE SERVICES PROVIDED BY TELECOM.

Among the main regulations that govern the services rendered by Telecom, the following stand out:

- The LAD, amended by Emergency Decree No. 267/15 and Decree No. 1,340/16,
- Law No. 19,798 to the extent it does not contradict the LAD,
- The Privatization Regulations, which regulated that process,
- The Transfer Agreement,
- The Licenses for providing telecommunication services granted to Telecom and Personal through several regulations (subsequently transferred to Telecom as a result of the merger, and the Bidding Terms and Conditions and their respective general rules,
- Law No. 22,285 and the different Bidding Terms for the provision of Subscription Broadcasting Services approved during its effectiveness.

The exploitation of physical and/or radio electric link subscription broadcasting services held by Telecom, originally granted under Law No. 22,285, are currently governed by the LAD since Emergency Decree No. 267/15 was issued.

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 ENACOM which must be renewed on an annual basis.

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In addition, Telecom renews on an annual basis its Certificate to operate as an Advertising Agency, Direct Advertiser and Advertising Producer before the ENACOM.

✓ **LAW NO. 27,078 – DIGITAL ARGENTINA LAW (“LAD”, for its Spanish acronym)**

Enacted in December 2014, the LAD maintained the single country-wide license scheme and the individual registration of the services to be rendered, but replaced the name telecommunication services with ICT Services.

The LAD incorporated several changes to the telecommunications regulatory framework effective until December 19, 2014, among which the following stand out:

- ✓ The rule regarding prices and rates that provides that the licensees of ICT Services shall set their prices, which shall have to be fair and reasonable, cover the exploitation costs and tend towards the efficient supply and a reasonable operation margin;
- ✓ The amendments related to SU.
- ✓ It declared of public interest the development of ICT Services 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 licensees of the ICT Services may supply audiovisual communication services (including the licensees that fall within the restrictions of the LSCA, including Telecom), with the exception of those provided through satellite link, in which case, the corresponding license must be requested from the competent authority.

Law No. 19,798, the 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 (among them, for example, Article 39 of Law No. 19,798 regarding the 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 the Regulatory Authority to issue new licensing, interconnection services, SU and spectrum regulations (see New General Rules).

✓ **DECREE NO. 267/15 – AMENDMENTS TO THE LAD**

On January 4, 2016, Emergency Decree No. 267/15 was issued, amending Law No. 26,522 (the Audiovisual Communication Services Law or the Media Law) and Law No. 27,078 (“LAD”). As mentioned above, the ENACOM was created as the Enforcement Authority for these laws.

Among the main amendments to the LAD, the following stand out:

- ✓ The incorporation of Subscription Broadcasting Services (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 subscription television services (known as satellite TV) shall remain within the scope of Law No. 26,522. Furthermore, Decree No. 267/15 states that the ownership of a satellite subscription television license is incompatible with having any other kind of audiovisual communication or ICT Services license.
- ✓ Any subscription broadcasting license (such as cable television), granted before the application of Emergency Decree No. 267/15 will be considered, for all purposes, a Licencia Única Argentina Digital, with a registration for such service. Furthermore, the Decree provides for a 10-year extension counted as from January 1, 2016 for the use of spectrum frequencies by radio electric link subscription broadcasting services licensees.
- ✓ Emergency Decree No. 267/15 replaces Article 94 of the LAD, providing that SBT suppliers, holders of fixed telephony licenses granted under Decree No. 264/98, and holders of mobile telephony licenses granted under Decree No. 1,461/93, cannot provide subscription broadcasting services (defined as any form of communication, primarily one-way, for the transmission of signals to be

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received by a determinable public, either by physical or radio electric link, for example, video cable and IP TV services) for a term of 2 years counted as from January 1, 2016 (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 subscription broadcasting services. This provision was subsequently amended by Decree No. 1,340/16

- ✓ In addition, holders or shareholders with an interest of 10% or more in companies that provide public services may not be holders of a subscription broadcasting registration. However, this will not apply in the following cases: (i) non-profit legal entities to which the national, provincial or municipal government has granted the license, concession or permission to provide a public service (such as telecommunications cooperatives); (ii) persons mentioned in Article 94 (including Telecom) which will only be able to provide the service after the expiration of the term specified therein.

Article 28 of Emergency Decree No. 267/15 created, under the jurisdiction of the Ministry of Communications, the "Comisión para la Elaboración del Proyecto de Ley de Reforma, Actualización y Unificación de las Leyes LSCA y LAD" (Commission for the Development of a Bill for the Amendment, Updating and Unification of the LSCA and LAD.) The Commission is responsible for the review of the amendment of both laws under the principles set out herein.

The Commission should submit a bill for the amendment, updating and adaptation of a unified regime under a Regulatory Framework Law for the Telecommunications and Audiovisual Communication Services in Argentina, within 180 calendar days following the date of its constitution.

Through Resolution No. 1,098-E/2016 published on October 31, 2016, the Ministry of Communications extended for 180 calendar days the term for the development of the bill to amend the LSCA and LAD.

As of the date of issuance of these interim consolidated financial statements, the development of the bill to amend those laws is still pending.

Furthermore, the Decree provides that the transfers of licenses and equity interests involving the loss of corporate control must be approved by the ENACOM, providing for a new procedure under Article 8 of Emergency Decree No. 267/15. Those transfers of licenses and equity interests or shares in licensees will be subject to the ENACOM's approval.

Decree No. 267/15 repealed Article 15 and the second paragraph of Article 48 of the LAD, thus revoking: (i) the essential and strategic nature of public ICT Services to be provided on a competitive basis regarding the use and access to telecommunications networks for and between ICT Service licensees; and (ii) the Regulatory Authority's power to regulate tariffs based on reasons of public interest.

On April 8, 2016, the Chamber of Representatives voted in favor of the validity of Emergency Decree No. 267/15. Thus, such Decree acquired the status of Law.

It should be noted that pursuant to Article 21 of Emergency Decree No. 267/15 and until the enactment of a law that will unify the fee regime provided under the LSCA and the LAD, the physical link and radio-electric link subscription broadcasting services 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 Articles 22 and 49 of the LAD.

✓ **DECREE NO. 1,340/16 - AMENDMENTS TO EMERGENCY DECREE 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 the LSCA and the LAD. This Decree supplements Emergency Decree No. 267/15, which has the status of Law.

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Among the most relevant provisions, it establishes:

- That a 15-year-term, as from the publication of the Decree, be fixed as differential condition pursuant to article 45 of the LAD, for the protection of last-mile fixed new generation networks for Broadband deployed by ICT licensees for Broadband regarding the regulations of open access to Broadband and infrastructure to be issued, notwithstanding the provisions of article 56 of the LAD.
- That the Ministry of Communications or the ENACOM, as appropriate, shall establish the rules for the administration, management, and control of the radio spectrum.
- That Operators that fall within Article 94 of the LAD (including Telecom Argentina), may register the physical or radio electric link subscription broadcasting service as from the effective date of this Decree, 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 (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 services by these operators shall be determined by the ENACOM (See Resolution E 5,641 E/ 2017 under Note 2.f).
- That ICT licensees and Satellite Link Subscription Broadcasting licensees that as of December 29, 2016 simultaneously provided both services, may retain ownership of both types of licenses.
- That for the purposes of the provisions of Article 92 of the LAD and Article 2, paragraph g) of Decree No. 798 issued on June 21, 2016, the Ministry of Communications shall ensure the following principles on interconnection matters:
 - a) Until the implementation of the interconnection price determination systems provided by the National Interconnection Regulation, averages of regional Latin America prices shall be considered for similar functions and facilities, adjusted under parameters that comply with the conditions of the sector, as determined by the Regulatory Authority;
 - b) In accordance with Article 46 of the LAD, the National Interconnection Regulation shall provide asymmetric interconnection rates for mobile services for a 3-year term as from the date on which the service actually begins to be rendered, extendable for a maximum of 18 months.
 - c) The National Interconnection Regulation shall provide rules concerning the automatic national roaming service, forcing mobile service 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 final 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 establish, among other issues, technical, economic, operational and legal conditions. Such agreements may not be discriminatory or establish technical conditions that prevent, delay or obstruct interconnection services.

The National Interconnection Regulation will enable the 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 rate of return to ensure speed, neutrality, non-discrimination and balanced 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 providers to access the market.

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d) UNIVERSAL SERVICE REGULATION

• **Decree No. 764/00**

Annex III of Decree No. 764/00 required providers of telecommunications services to contribute 1% of their total accrued revenues, net of applicable taxes and charges, to the FFSU. 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 exist in connection with a formula that combines loss of revenues and the market share of other operators which provide local telephony services. Additionally, the regulation created an Executive Committee responsible for the management of the SU Fund and the development of specific SU programs.

Resolution No. 80/07, issued by the SC, provided that until the SU Fund was effectively implemented, telecommunication service providers were required to open an account at Banco de la Nación Argentina to deposit the corresponding amounts on a monthly basis. Resolution No. 2,713/07, issued by the former CNC in August 2007, established clarifications about the items that fall within this regulation and those that are deductible for the purposes of the calculation of the obligation to contribute to the FFSU.

• **Decree No. 558/08**

Decree No. 558/08, published on April 4, 2008, approved a new General Regulation of the Universal Service (“RGSU”), replacing Annex III of Decree No. 764/00.

Decree No. 558/08 established that, with respect to the obligations imposed under Decree No. 764/00, the SC would determine the quantification of those that were fulfilled and, with respect to those obligations pending fulfillment, the methodology to be applied to the SU. In addition, it may consider as SU other services developed by Licensees for their compensation and eventual continuity.

With regard to the Initial SU Programs established under the previous Regulation, it stated that the SC would redefine them, ensuring “...the continuity of those already underway...” and implementing those to be redefined as such. The financing of ongoing Initial Programs recognized as such would be determined by the SC. The providers of the new programs that the SC may decide to implement would be selected pursuant to an auction.

The Decree maintained the contribution to the SU Fund of 1% of total accrued revenues (from telecommunication services, net of applicable taxes and charges) and also maintained the “pay or play” principle to determine the monthly contribution or, where appropriate, the receivable that may be claimed.

On November 11, 2010, the SC issued Resolution No. 154/10, whereby it approved 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 the issuance of Decree No. 558/08. It also provided that until the SC determined the existence of Initial Programs, the amounts that may correspond to their implementation could be discounted by the telecommunication providers when determining their contribution to the SU Fund. If upon completing the verification from the SC there were unrecognized amounts, they should be contributed into the SU Fund or used for the development of new SU works or services, with the prior approval of the SC.

• **Amendments of the LAD to the SU Regulation**

The LAD introduced substantial modifications to the SU regulations pursuant to 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, whose assets belong to the National Government.

The licensees of ICT Services are required to make investment contributions to the SU Fund equivalent to one per cent (1%) of the total accrued revenues from the provision of the ICT Services that fall within the scope of the law, net of applicable taxes and charges. The investment contribution may not be passed on

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to users for any reason whatsoever. In addition, the Regulatory Authority may provide, once the SU objectives are reached, the total or partial, permanent or temporary exemption, of the obligation to perform said investment contributions.

This law provides that by virtue of the Articles 11.1 and 11.2 of the SU Fund Management Trust Agreement under Decree No. 558/08, the resources therein provided under article 8 of Annex III of Decree No. 764/00, as amended, shall be integrated to the SU Fund created by the LAD under the conditions determined by the Regulatory Authority.

The SU funds shall be applied by means of specific programs established by the Regulatory Authority, which 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 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 in 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 deposited the corresponding contribution in the new SU Fund account reported through the Official Notice published by the AFTIC.

In its filings, Telecom and Personal stated that the filing of the affidavits and, in the case of Personal, the deposit did not entail explicit or implicit consent to 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 acknowledgment of this argument.

As of the date of these interim consolidated financial statements, Telecom 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 SU regulation was issued within the framework of the LAD.

The new regulation maintains the obligation to contribute 1% of total accrued revenues from ICT Services net of applicable taxes and charges, and provides for the possibility of granting exemptions, in which case the subjects liable for payment must comply with the obligations established by the Regulatory Authority.

On October 19, 2016, the ENACOM issued Resolution No. 6,981-E/16, whereby it approved a new FFSU Investment Contribution Reporting Regime and the forms for the settlement of those contributions and interest reports, which became effective on January 1, 2017, and were implemented as from March 2017.

On May 4, 2017, ENACOM Resolution No. 2,884/17 was published in the Official Gazette. This Resolution amends the FFSU Contributions Affidavit Form, adding, within the possible deductions, the "Discount Annex. SC Resolution No. 154/10 Article 1, Sub-section B) i), second paragraph". Such Resolution allows the deduction, until the Regulatory Authority expresses its opinion, of any amounts that may eventually correspond to SU Initial Programs or services other than those provided for in Annex III of Decree No. 764/00, in accordance with the provisions of Article 2 of Decree No. 558/08 and Article 6 of Annex III of Decree No. 764/00, replaced by Decree No. 558/08.

- **SU Fund - Impact on Telecom with respect to its original license to provide SBT**

Several years after the market's liberalization and the effectiveness of the first SU regulations, which were replaced with Decree No. 558/08 and the LAD, incumbent operators have still not received any set-offs for providing services with the characteristics set forth under the SU regime.

As of the date of these interim consolidated financial statements and in compliance with SC Resolutions No. 80/07 and No. 154/10 and CNC Resolution No. 2,713 /07, since July 2007 Telecom has filed its monthly SU affidavits, which resulted in a receivable of approximately \$3,044 million (unaudited). The programs and the valuation methodology used to estimate this receivable are pending approval by the Regulatory Authority. This receivable has not yet been recorded in the interim consolidated financial statements as of

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(Partner)

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March 31, 2018 since it is subject to the approval of the SU Programs and the review of those affidavits by the Regulatory Authority and the confirmation of the existence of sufficient contributions to the SU Trust so as to compensate the incumbent operators.

On April 8, 2011, the SC issued Resolution No. 43/11 notifying Telecom that investments associated with “High-Cost Areas” – amounting to approximately \$2,819 million since July 2007 to date and which are included in the above-mentioned receivable - did not qualify as an Initial Indicative Program. Telecom Argentina appealed Resolution No. 43/11.

Through SC Resolutions No. 53, 54, 59, 60, 61, 62, 69 and 70/12, Telecom was notified that: the “Special Information Service 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 (SSPLD)”, respectively, did not qualify as Initial SU Programs, 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; cannot be financed with SU Funds, pursuant to the terms of Article 2 of Decree No. 558/08.

Telecom’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 SC Resolutions amount to approximately \$1,075 million and are included in the credit balance mentioned in the third paragraph.

As of the date of these interim consolidated financial statements, the resolution of these appeals is still pending.

On September 13, 2012, the CNC ordered Telecom to deposit approximately \$208 million. Telecom has filed a recourse refusing the CNC’s order on the grounds that the appeals against the SC Resolutions are still pending resolution.

Although it cannot be assured that these issues will be favorably resolved at the administrative stage, Telecom’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 - Impact on Telecom with respect to the SCMs originally provided by Personal**

Since January 2001, Personal has recorded a liability with an impact on the income statement related to its obligation to make contributions to the SU Fund. In addition, in compliance with SC Resolution No. 80/07 and No. 154/10 and CNC Resolution No. 2,713/07, since July 2007 Personal has filed its affidavits and deposited the corresponding contributions in the amount of approximately \$112 million in an account held in its name at Banco de la Nación Argentina in January 2011.

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 only allocate to investment projects under this program, the amounts corresponding to outstanding investment contribution obligations arising from Annex III of Decree No. 764/00 before the effective date of Decree No. 558/08.

On July 5, 2012, the SC issued Resolution No. 50/12 pursuant to which it notified that the services declared by the SCM Providers, 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 requests relating to the installation of radio-bases and/or investment in infrastructure development in various localities, did not constitute items that could be discounted from the amount of SU contributions 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 could be used for investment projects within the framework of the Program created under SC Resolution No. 9/11, or deposited in the SU Fund, as applicable.

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Personal filed an administrative appeal against SC Resolution No. 50/12 requesting its nullity. As of the date of these interim consolidated financial statements, this appeal is still pending resolution.

On October 1, 2012, in response to the order issued by the SC, Personal deposited under protest approximately \$23 million in the SU Fund, corresponding to the assessment of the SU services provided by Personal since the effectiveness 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 its monthly affidavits.

Telecom's Management cannot assure that this issue will be resolved in its favor at the administrative stage.

- **SU Fund - Impact on Telecom with respect to the services originally provided by Cablevisión.**

Cablevisión was not able to fulfill its contribution obligations during the period in which its license was revoked, but it resumed the fulfillment of its payment obligations as from the moment the revocation was declared null and void. Therefore, it owes the amount of those unpaid obligations.

The Regulatory Authority has not yet approved the Project filed by Cablevisión on June 21, 2011, within the framework of SC Resolution No. 9/11, in order to fulfill the SU contribution obligation for the amounts accrued since January 2001 until the effectiveness of Decree No. 558/08.

e) SPECTRUM

- **SC Resolution No. 38/14**

The Public Auction that had been approved under SC Resolution No. 38 was held on October 31, 2014 for the award of the remaining frequencies to provide Personal Communication Services (PCS) and Cellular Mobile Radiocommunication Services ("SRMC"), as well as those of the new spectrum to provide Advanced Mobile Communications Services ("SCMA"). Personal presented its economic bids and was awarded Lots 2, 5, 6 and 8 through SC Resolution No. 79/14 ("SCMA") and through SC Resolutions No. 80/14, 81/14, 82/14 and 83/14 (PCS and SRMC).

Through SC Resolution No. 25/15, issued on June 11, 2015, Personal was awarded the rest of frequency bands which composed Lot 8. 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.

The Auction Terms also provided for stringent coverage and network deployment obligations, which would require significant investments by Telecom.

Pursuant to the Auction terms, the authorizations for the use of the frequencies under the Auction are granted for a term of fifteen (15) years counted as from the notice of the award administrative act that awards such frequencies. Upon the expiration of said term, the Regulatory Authority may extend the effectiveness at the express request of the awardee (which will be for consideration, under the conditions and price to be determined by the Regulatory Authority.) Pursuant to Decree No. 1,340/16, the term of the authorizations for the use of frequencies of SCMA, as well as the corresponding deployment obligations, shall be computed as from the effective migration of services currently operating in these bands in the scope of Area II (AMBA).

As of the date of these interim consolidated financial statements, the "Authorization Agreement for the Use of Frequency Bands" related to the bands awarded to Personal under the public auction called pursuant to the provisions of SC Resolution No. 38/14 is still pending execution by the Regulatory Authority.

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- **ENACOM Resolution No. 4,656-E/2017 – Model Agreement for the Authorization for Infrastructure Sharing - Supplements Rights and Obligations of Awardees of the Frequencies awarded under the Frequency Bands Auction - SC Resolution No. 38/2014**

The Board of Directors of the ENACOM issued Resolution No. 4,656-E/2017, published in the Official Gazette 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 executed with each of the current providers of SCMA who were awarded the frequency bands for the provision of PCS, SRMC and SCMA approved by SC Resolution No. 38/2014, delegating to the President of ENACOM the powers to execute the agreement within 15 business days.

On August 8, 2017, the ENACOM served Personal with ENACOM Note No. 206/2017, whereby that agency granted a 15-day term to coordinate the execution of the Authorization Agreement for the Sharing of Active and / or Passive Infrastructure, Automatic Roaming and Goals of Service. Personal filed the required documentation.

On November 2, 2017, the ENACOM issued Resolution No. 3,420-E/2017, whereby that agency decided to extend the delegation made under Resolution No. 4,656-E/2017 for a term of 180 days. As of the date of these consolidated financial statements, this agreement has not been executed yet.

- **Regulations relating to Refarming with Financial Compensation and Shared Use of Frequencies**

On January 31, 2017, the Ministry of Communications issued Resolution No. 171-E 2017, whereby it approved the Regulations relating to Refarming with Financial Compensation and Shared Use of Frequencies, and modified the spectrum cap, setting it at 140 MHz per provider for each area and/or operating location.

In addition, on February 20, 2017, the ENACOM issued Resolution No. 1,033-E/17, whereby it allocated the 905-915 MHz and 950-960 MHz frequency bands to mobile services with primary status for the provision of the SCMA, and, on the same date, it also issued Resolution No. 1,034-E/2017, whereby it allocated the 2,500-2,690 MHz frequency bands to mobile services with primary status to provide SCMA, in addition to the services currently provided where 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 for Nextel Communications Argentina S.R.L. ("Nextel", currently Telecom under the merger with Cablevisión), to provide the SCMA, granting this company the registration for the provision of such service, and authorizing it to:

- ✓ use the 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 SCMA in locations and areas described in the Project approved by the Resolution.
- ✓ Use the 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 within 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 SCMA in locations and areas described in the Project approved thereby.

The implementation of the approved Project is subject to the agreement that provided for the terms, conditions, goals, obligations and other issues inherent to the provision of SCMA.

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- **ENACOM Resolution No. 3,687-E/2017 On-demand Frequency Allocation.**

ENACOM Resolution No. 3,687-E/2017, published in the Official Gazette on May 12, 2017, called bidders for the on-demand frequency allocation of the 2,500 to 2,690 MHz radio electric spectrum, stating the procedure, obligations and compensations to be fulfilled by SCM providers that qualify to participate, in accordance with the provisions of Article 4 of Decree No. 1,340/17.

The Resolution provided for the grouping of 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 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 for the use of the frequency channels that compose each Lot must be issued by each locality.

On May 24, 2017, Personal filed with the ENACOM the Envelope with its On-demand Allocation Request, according to the provisions of Resolution No. 3,687-E/17.

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 Telefónica Móviles Argentina S.A., the frequencies included in Lot B were assigned to América Móvil S.A. and the frequencies included in Lot C were assigned to Personal, as stated in Annex I of ENACOM Resolution No. 3,687 E/2017, in the locations detailed in the respective Annexes attached to Resolution No. 5,478-E/2017, as requested by each Operator. 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) has been revoked.

The spectrum allocation will last 15 years as from the date which CABA plus other 13 areas over a total of 18 provincial capitals plus Rosario, Mar del Plata and Bahia Blanca become free of interferences and will demand payment of up to approximately US\$ 55.9 million. 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 could involve the frequency return plus a fine equal to 15% of the spectrum value of the locality involved) and certain required guarantees including deployment.

- **700 MHZ- Band Spectrum Licenses in Paraguay**

In September 2017, the public consultation process was launched for the auction of the 700 MHz band spectrum. The final bidding terms were issued on October 30, 2017. As a result of the prequalification of offerors carried out in December 2017, Núcleo was one of the prequalified providers and had to make a deposit of US\$ 15 million in said month as guarantee of its participation in the auction on account of the final price if that company is awarded the license. The process ended on January 4, 2018, with the simultaneous ascending price auction of 7 sub bands of 5 + 5 MHz each. Núcleo was awarded two of such sub bands for US\$ 12 million each, subject to compliance with certain conditions provided under the Resolution issued by CONATEL.

On February 27, 2018, that company paid the outstanding amount of US\$ 9 million in compliance with CONATEL's Resolution.

On March 6, 2018, CONATEL issued Resolution No. 375/2018, whereby it granted the license to provide "Cellular Mobile Telephony, Internet Access and Data Transmission Services" in the 700 MHz frequency band, with national coverage, for a 5-year term.

f) OTHER RELEVANT REGULATORY MATTERS

- ✓ **ENACOM RESOLUTION No. 5,641-E/2017**

Pursuant to this Resolution, published on in the Official Gazette December 22, 2017, the ENACOM decided:

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- To defer until January 1, 2019 launch date for the Licensees referred to in Article 94 of the LAD (including Telecom) to provide subscription broadcasting services by means of physical or radio-electric link in those locations in Argentina that do not fall within the scope of the second paragraph of Article 5 of Decree No. 1,340/16, which have less than 80,000 inhabitants. To defer until January 1, 2019 the launch date for the Licensees referred to in Article 94 of the LAD to provide broadcasting services by means of physical or radio-electric link in those locations in Argentina that do not fall within the scope of the second paragraph of Article 5 of Decree No. 1,340/16, which have more than 80,000 inhabitants and where those services are rendered only by Cooperatives and Small-and-Medium Sized Companies.
- To provide that in all those locations in Argentina that do not fall within the scope of the second paragraph of Article 5 of Decree No. 1,340/16, whatever the size of their population, where the Subscription Broadcasting Service by means of physical or radio-electric link is rendered by at least one licensee that has more than 700,000 subscribers nationwide, the Licensees mentioned in Article 94 of the LAD may start providing services as from January 1, 2018.
- The Licensees mentioned in Article 94 of the LAD (including Telecom) that are authorized to provide Subscription Broadcasting Service by means of physical or radio-electric link pursuant to Section 2 of said law may not make an integrated offering to provide said service with the rest of the services that they are currently providing in those locations until January 1, 2019.
- To provide that in those locations in Argentina where subscription broadcasting services by means of physical or radio-electric link are not provided, the Licensees mentioned in Article 94 of Law No. 27,078 may, as from January 1, 2018, request authorization to provide services in the respective coverage areas, subject to an evaluation by the ENACOM.

✓ Programming Grid for Physical and/or Radio Electric Link Subscription Broadcasting Services.

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 broadcasting services. This resolution regulated article 65, subsections a) and b) of the LSCA and supplemented the provisions of the regulations to the same article of Regulatory Decree No. 1,225/2010.

The AFSCA, as enforcement authority of the LSCA, held that Cablevisión had infringed the provisions of AFSCA Resolution No. 296/2010 therefore that agency initiated summary administrative proceedings against several licenses that had been merged into Cablevisión. That company filed the corresponding responses to those proceedings. The summary administrative proceedings resulted in fines being imposed on Cablevisión, which filed appeals, claiming that said Resolution was unconstitutional.

Insofar as Telecom 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 article 65 of Law No. 26,522 and Decree No. 1,225/2010. Therefore, it also suspended the application of article 6 of AFSCA Resolution No. 296/2010 on the grounds that Cablevisión’s allegedly 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 Article 65, subsection 3 b of Decree No. 1,225/2010 and Articles 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 appealed such order.

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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 that company of \$ 20,000 per day for each day of delay in complying with the injunction that ordered Cablevisión to comply with Article 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 \$ 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, that Company filed an appeal, but no decision has been rendered on the matter as of the date of these financial statements.

Article 7 of the Emergency Decree No. 267/15, which amends, among other things, Article 10 of the LAD sets forth that all the physical link and radio electric link subscription television services shall be governed by the Digital Argentina Act. Therefore, Telecom is no longer subject to Article 65 and its implementing regulations.

As a result of the issuance of Emergency Decree No. 267/15, which excludes the physical link or radio-electric link subscription television services from the scope of the LAD, the claim that had been brought by AFSCA against Cablevisión has become moot.

The 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. Telecom states that it complies with all the obligations set out under that Resolution.

Subsequently, the ENACOM issued Resolution No. 5,160/2017, whereby it decided that the inclusion of broadcast television signals within the coverage area by the holders of a physical link or radio electric link subscription television registration shall be subject to the terms conditions agreed with the owner of the broadcast television service and their retransmission shall only be mandatory such signals are delivered by their owner free of charge. In addition, the Resolution sets forth that the retransmission of cable news signals, shall only be mandatory for 24-hour news signals provided that they broadcast live programming during 12 of those 24 hours.

✓ REGULATORY SITUATION IN URUGUAY

Adesol S.A. is a subsidiary of Telecom incorporated in Uruguay, which has contractual relationships with several licensees that provide subscription TV services through various systems in said country and are under the oversight of the Communication Services Regulatory Agency ("URSEC", for its Spanish acronym).

On January 11, 2018, Decree No. 387/017 dated December 28, 2017 was published in the Official Gazette. The Decree provides that all subscription TV services provided through the Codified UHF System shall be migrated to the TDH Satellite system, without it entailing any changes to the original authorizations to operate or to the rest of the conditions established in the respective licenses. Those authorizations shall remain unchanged in the authorized service areas for a term of 18 months.

On February 9, 2018, Bersabel S.A. and Visión Satelital S.A., two of the licensees that use Codified UHF systems to provide services and have contractual relationships with, filed the migration plan for their subscribers with the URSEC. In view of the above, and taking into consideration the contractual relationship that links Adesol to those services, the subsidiary of Telecom is, as of the closing date of these consolidated financial statements, carrying out the necessary proceedings to implement the migration technical plan.

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✓ **NEW GENERAL RULES**

• **General Rules Governing ICT Service Licenses**

On January 2, 2018, the Ministry of Modernization issued Resolution No. 697/2017, whereby it approved the new General Rules Governing ICT Service Licenses. This Resolution repealed the General Rules approved pursuant to Annex I of Decree No. 764/2000, as from the date the resolution became effective (February 1, 2018), and it also repealed ENACOM Resolutions No. 2,483/2016 and No. 1,394/2016 (except for Section 12 of its Annex I, which will remain in effect).

• **General Rules Governing ICT Service Customers**

On January 4, 2018, the Ministry of Modernization issued Resolution No. 733/2017, whereby it approved the new General Rules Governing ICT Service Customers. This Resolution became effective on March 5, 2018, repealing SC Resolutions No.490/1997, and Annexes I and III of SC Resolution No. 10,059/1999 and its supplementing regulations. Annex II of SC Resolution No. 10,059/1999 shall remain in effect, to the extent applicable, until the enactment of the penalty regime provided under Article 63 of the LAD. Said New General Rules repeal the current general rules governing mobile and basic telephony service customers, thus becoming the only general rules that govern ICT Service customers, including Internet access services and subscription broadcasting services.

Telecom made a filing with the Ministry of Modernization in connection with certain regulations that infringe its right to sell its services (such as the 180-day prepaid credit ; Article 56, which provides for compensation in favor of the customer, and Article 79, which establishes the obligation to replace any channels eliminated from the programming grid with other channels of similar quality.)

• **Number Portability Regulation**

On April 4, 2018, the Ministry of Modernization issued Resolution No. E-203/2018, whereby it approved the new Number Portability Regulation, including the portability of fixed telephony service lines. Through said Resolution, said Ministry also approved the implementation schedule for the portability of these services and revoked SC Resolutions Nos. 98/2010, 67/2011 and 21/2013 and MINCOM Resolution No. E-170/2017, as supplemented. Telecom is evaluating the impact of the new regulation regarding the implementation of number portability for fixed telephony services that fall within this regulation.

✓ **DECREE NO. 1,060/2017 - DEVELOPMENT OF MOBILE COMMUNICATION SERVICE NETWORKS**

This Decree, published in the Official Gazette on December 21, 2017, provides for the facilitation of the development of mobile communication service networks, providing, among other things, that the jurisdictions and agencies included under subsections a) and b) of Article 8 of Law No. 24,156 shall guarantee ICT Services licensees and independent operators of passive infrastructure, multiple or shared access, for consideration, to passive infrastructure for the deployment of networks under neutral, unbiased, transparent, fair and non-discriminatory conditions, without the possibility of granting any exclusiveness or preference whatsoever, in fact or in law, provided that such access does not compromise the continuity and security of the services provided by its owner.

The Decree also provides :

(i) that the Ministry of Modernization:

- ✓ shall issue comprehensive general rules with supplementary regulations for infrastructure sharing;
- ✓ shall develop, within a term of 180 days, a multi-year spectrum plan in order to maximize and increase the radio electric resources for the deployment of next-generation mobile networks and mobile services and SCM, in order to support traffic growth and improve service quality;

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- ✓ shall issue supplementary or clarifying regulations relating to Article 29 of the LAD, establishing efficient procedures and avoiding distortions in competition;
- ✓ shall identify radio electric spectrum frequency bands for the development of new services and wireless applications and issue regulations allowing for their shared non-authorized use.

(ii) For the substitution of Article 3 of Decree No. 798 dated June 21, 2016 with the following: "ARTICLE 3.- Mobile communications service (SCM, for its Spanish acronym) is defined as wireless telecommunications service with multiple capabilities which, irrespective of its operating frequency, through the use of mobile network architectures and the use of digital access technology, supports low and high user mobility, allows for interoperability with other fixed and mobile networks for worldwide roaming. It comprises STM, SRMC, PCS and SCMA services, as well as their technological evolution."

(iii) That the frequencies that are allocated and authorized to render SRCE may only be used to provide those services. The ENACOM may allocate frequencies to provide SCM and require the return of the frequencies and migration of services pursuant to Articles 28 and 30 of the LAD, and its regulations, or, at the request of the interested party, apply Article 4, subsection b) of Decree No. 1,340 dated December 30, 2016, and its regulations, establishing an economic compensation in favor of the National Government.

(iv) That SBT licensees may provide basic telephony services through the use of radio electric spectrum frequencies using those allocated for the provision of mobile services using 4G technology, notwithstanding the provision of fixed telephony service pursuant to Article 2, subsection a) of the PCS General Rules approved as an annex to Article 1 of Decree No. 266 dated March 10, 1998, through the execution of agreements with the licensees of those frequencies, which agreements shall be reported to the ENACOM.

(v) For the delegation on the Ministry of Modernization of the power to issue the penalty rules provided under Article 63 of the LAD, which shall repeal the current rules approved under Decree No. 1,185 dated June 22, 1990, as amended and supplemented.

- ✓ **REGISTRATIONS AND AUTHORIZATIONS FOR THE USE OF THE SPECTRUM INCORPORATED TO TELECOM UNDER THE CORPORATE REORGANIZATIONS OF THE TELECOM GROUP AND THE MERGER WITH CABLEVISIÓN: (NOTES 4.c and 4.a., RESPECTIVELY):**

1) Personal:

On November 24, 2017, Telecom Argentina and Personal were served with ENACOM Resolution No. 4,545-E/2017, whereby that agency decided:

- I. to authorize Personal to transfer in favor of Telecom Argentina the registrations of Mobile Telephony Services, Cellular Mobile Radiocommunication Services; Personal Communication Services Area I,II,III, and Mobile Advanced Communication Services, as well as the resources, permits and frequencies granted in its name;
- II. to revoke the licenses granted to Personal to render Data Transmission, Value Added and National and International Long Distance Telephony Services; and
- III. to authorize the transaction reported by Telecom whereby the controlling companies Sofora and Nortel are dissolved without liquidation pursuant to the Bidding Terms and Conditions approved under Decree No. 62/1990.

2) Cablevisión:

On December 22, 2017, Telecom Argentina and Cablevisión were served with ENACOM Resolution No. 5,644-E/2017, whereby that agency decided, among other things, to authorize Cablevisión to transfer in favor of Telecom Argentina:

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- I. the Registration of physical and/or radio electric link broadcasting services, including permits/frequencies required to provide radio electric link subscription broadcasting services, as well as area authorizations to provide those services (via physical and radio electric link), which may operate in Area II, as defined under Decree No. 1,461/93, as amended, and the city of Rosario, Province of Santa Fe, and the city of Córdoba, Province of Córdoba, as from January 1, 2018, as provided under Article 5 of Decree No. 1,340/16, and in the rest of the areas authorized, on the dates and in the modalities provided;
- II. SRCE; and
- III. The authorizations and permits to use frequencies and allocations of numbering and sign-posting resources to provide the above-mentioned services held by Cablevisión, pursuant to effective regulations, and the agreement executed by Nextel on April 12, 2017 (IF-2017-08818737-APN-ENACOM#MCO), whereby Telecom Argentina, in its capacity as absorbing company of Cablevisión, shall, within a term of two years as from the date on which the merger is approved by the CNDC, the ENACOM or any agency that may replace them in the future, return the radio electric spectrum that exceeds the limit set under Article 5 of Resolution No. 171-E/17 issued by the Ministry of Communications and/or any regulation that may replace it in the future. To such effects, Telecom shall file with the ENACOM, no later than one year prior to the expiration of the two-year term, a proposal to conform to that limit. The ENACOM may accept the proposal, reject it and/or request a new filing with any changes it may deem appropriate.

In addition, through that Resolution, the ENACOM authorized the change of corporate control (as defined under Article 33 of the LGS) in Telecom Argentina that occurred when the merger became fully effective and the shareholders agreement dated July 7, 2017 entered into effect, as a result of which Cablevisión Holding became the controlling company of Telecom Argentina; as surviving company of Cablevisión.

The Resolution approves:

- (i) The relinquishment of the service registrations that are currently non-operative that had been requested by Cablevisión (Paging, Community Retransmission, Public Telephony, Vehicle Tracking and Radio Electric Link Alarm services) and by TELECOM (Community Retransmission); and
- (ii) The revocation of the licenses and registrations granted to Cablevisión, now held by Telecom.

In addition, the Resolution provides that:

- (i) Telecom shall comply with Article 95 of the LAD, which provides for the conditions under which it may operate the physical and/or radio electric link subscription broadcasting service, transcribed below:
 - a. The Company shall create a business unit to provide the audiovisual communication service and manage it separately from the public service business unit;
 - b. It shall keep separate accounting records and bill the licensed services separately;
 - c. It shall not conduct anti-competitive practices such as tie-in practices and cross subsidies with funds from public service to licensed services;
 - o It shall provide - upon request- to the competitors in licensed services. access to its own support infrastructure, especially posts, masts and ducts under market conditions. In the absence of agreement between the parties, the ENACOM shall intervene;
 - d. It shall not conduct anti-competitive practices concerning the right to broadcast content over its networks and shall facilitate a growing percentage of its network to be set by the ENACOM, to the distribution of contents from independent third parties; and
 - e. It shall respect the professional competences and job classifications of the workers in the different activities it is engaged in.
- (ii) Telecom is declared to be an operator with significant influence in the Fixed Internet Access retail market in the locations detailed in the Report prepared by the National Directorate for the Development of Network and Service Competition of the ENACOM. As a result, ENACOM provided that:

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- Telecom shall, within 60 days as from the date of issuance of the Resolution, offer the Fixed Internet Access service in those locations at a price that may not be higher than the lower value offered by the company in Area II for that service. If a similar service is not provided in that Area, it shall apply the lower price offered at national level by the licensee for a similar service.
- Telecom shall, within 60 days as from the date of issuance of the Resolution, report to the ENACOM and publish in its institutional website all the business plans, promotions and discounts for the Retail Internet Access service. Telecom shall guarantee access to its own support infrastructure, especially, posts, masts and ducts to other providers, under transparent, non-discriminatory and cost-oriented conditions,.

As of the date of these consolidated financial statements, Telecom has complied with such provisions.

All of the provisions mentioned above shall be in effect for a term of 2 years as from date that the authorization granted by ENACOM was notified to Telecom, or until effective competition in all or in some of the locations involved actually exists. The ENACOM may extend or revoke that term.

With regard to the provision of Quadruple Play services, Article of Decree No. 1,340/16 shall apply. It provides that: *"The providers of Information Technology and Communication Services that make joint service offerings shall detail the price of each of those services, including the breakdown of those prices and discounts or benefits applied to each service or product for the above-mentioned offerings. Pursuant to Article 2, subsection i) of Law No. 25,156 and to Article 1,099 of the Civil and Commercial Code of Argentina, such providers may not subject, in any way or under any condition, the purchase of any service to the purchase of another service, thus preventing the customer from purchasing any service separately or individually."*

Finally, the Company shall file, within a term of 180 days, proof of the registration of the change of authorities in Cablevisión Holding.

✓ ENACOM RESOLUTIONS Nos. 840/18 AND 1,196/18 – NEW REGIME FOR RADIOELECTRIC SPECTRUM FEES

On February 27, 2018, ENACOM Resolutions Nos. 840/18 and 1,196/18 were published in the Official Gazette. Through these Resolutions, the ENACOM updated the value of the Radioelectric Spectrum Fee per Unit and, in addition, established a new regime for mobile communication services, which substantially increases the amounts to be paid for such service. As of the date of these consolidated financial statements, Telecom is evaluating the impact of these resolutions and the actions it may take in connection therewith.

NOTE 3 - MAIN ACCOUNTING POLICIES

a) Going Concern

The consolidated financial statements as of March 31, 2018 and December 31, 2017 have been prepared on a going concern basis, because there is a reasonable expectation that the Company, Telecom Argentina and its subsidiaries will continue their 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 interim consolidated financial statements are presented in Argentine pesos (\$), which is the functional currency of all Telecom Group 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 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 under Other Comprehensive Income. The cash flows of foreign consolidated subsidiaries expressed in foreign currencies included in the consolidated financial statements are translated at the average exchange rates for each period.

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 at the date of valuation when 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 as foreign currency exchange gains or losses in the consolidated statement of comprehensive income and are included under Financial expense and Other financial results, net - exchange differences.

d) Consolidation

These interim consolidated financial statements include the line-by-line consolidation of the assets, liabilities, results and cash flows of the Company and its subsidiaries, as well as the line-by-line consolidation in its financial statements of the assets, liabilities and results under joint control, according to the percentage of its interest in the agreements and joint ventures ("Interests in joint operations," point d.2) jointly controlled by it; and, the interest owned by the Company in associates is recognized in one item (companies in which it exercises significant influence, see d.3) Investments in Associates.) The consolidated financial statements include the structured entities with the specifications mentioned in point d.4).

Investments in companies in which the company does not exercise control, joint control or significant influence have been valued at cost, which does not differ significantly from its fair value.

d.1) Control

Control exists when the investor has significant power over the investee; has 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 as from the date on which control is transferred to the controlling company and shall be deconsolidated from the date that control ceases.

In the preparation of these consolidated financial statements, assets, liabilities, revenues and expenses of the subsidiaries are consolidated on a line-by-line basis. Shareholders' equity and net income attributable to non-controlling interest are disclosed under the Group's shareholders' equity and comprehensive income, but separately from the respective portions attributable to the Controlling Company, both in the statement of changes in equity and in the statement of comprehensive income.

All intercompany accounts and transactions have been eliminated in the preparation of these interim consolidated financial statements.

The subsidiaries' financial statements cover the same periods and are prepared as of the same closing date and in accordance with the same accounting policies as those of the Parent.

Note 1 details the most significant consolidated subsidiaries, together with the interest percentages held directly or indirectly in each subsidiary's capital stock and votes as of the above-mentioned dates.

The Company considers any 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

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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 in the equity attributed to the parent company.

d.2) Interests in Joint Operations

A joint operation is a contractual arrangement whereby a 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. Telecom, upon absorbing the operations of Cablevisión, indirectly holds a 50% share in the UTE Ertach – Cablevisión.

The UTE Ertach – Cablevisión is engaged in the provision of data and order channel transmission services required to integrate the provincial public administration agencies and the municipal agencies in a single data communication provincial network.

The UTE Ertach – Cablevisión was created in April 2005 by the Board of Directors of Prima (absorbed by Cablevisión in 2016) and currently has an agreement with the Ministry of the Cabinet Chief of the Province of Buenos Aires. Said agreement, which was approved pursuant to Decree No. 2017-166-E-GDEBA-GPBA issued by the Governor of the Province of Buenos Aires, provides for the data transmission services for the Single Provincial Data Communication Network implemented under the original bid, for a term of 24 months counted as from May 1, 2017.

d.3) Investments in Associates

An associate is an entity over which the Company has significant influence without exercising control.

The associates' net income and their assets and liabilities are disclosed in the consolidated 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 statement of income for the period 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 investment 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 and liabilities (including contingent ones) 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.

Unrealized gains or losses on transactions between the Company (and its subsidiaries) and 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.

When the Company ceases to have significant influence, any interest retained in the entity is re-measured to its fair value as of the date when influence 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 purpose of the subsequent accounting of the interest retained as associate, joint venture or financial asset. In addition, any amounts previously recognized 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 recognized in Other Comprehensive Income may be reclassified to the statement of income.

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As of December 31, 2017, the Company included the acquisition cost of the shares acquired to be received, as of that date, from VLG Argentina, LLC, as a result of the exercise of the irrevocable call option described under Note 4.a) to these consolidated financial statements.

d.4) Consolidation of structured entities

Telecom, 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 consolidated financial statements include the assets, liabilities and results of such companies. Since Telecom 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."

Adesol Call Option Agreement

On December 22, 2016, Adesol entered into a call option agreement (the "Call Option Agreement") with the majority shareholder of the special purpose entities, 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 \$ 127,600,002, subject to an eventual adjustment if certain circumstances provided under the Call Option Agreement occur.

In addition to the execution of the Call Option Agreement, Adesol paid to the grantor an option premium under the Call Option of \$ 44,660,000. If Adesol does not exercise the Call Option, the seller shall irrevocably retain the amount paid by that company, and the agreement will be terminated.

If it exercises the Call Option, the assignment, sale and transfer of the shares in favor of Adesol shall be subject, as condition precedent, to the approval by the Communication Services Regulatory Agency of the Republic of Uruguay.

In addition, on December 28, 2017, the parties executed an amendment to the Option Agreement and the Seller sent a notice to Adesol, whereby: (i) the Call Option Period was extended for two additional years, thus the expiration date is now December 31, 2023; (ii) the Purchase Price of the Shares was set precisely and definitively at US\$ 5,011,747 and \$ 44,660,000; (iii) Adesol undertook to pay, within ten (10) business days as from December 30, 2017, a Supplement to the Option Premium in the amount of US\$ 4,500,000; and (iv) in the event that Adesol has paid the Seller the Supplement to the Option Premium and Adesol does not exercise the Call Option within the Call Option Period, the Seller undertakes to return to Adesol, within ten business days as from the expiration of the Call Option Period, the amount of US\$ 2,500,000 received as partial payment of the Supplement to the Call Option Premium. In view of the above, on January 16, 2018, Adesol paid to the Seller the Supplement to the Call Option Premium. Said amount was allocated under "Other Reserves" in the consolidated statement of changes in equity and amounts to \$91 million at the exchange rate prevailing at the time of its payment.

d.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.

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The identifiable assets, liabilities and contingent liabilities of the acquired company that meet the conditions for recognition under IFRS 3 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 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 recognized 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 recognized in the statement of 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 acquired company.

Specific matters relating to the merger between Telecom Argentina and Cablevisión

Telecom recognized the merger between Telecom and Cablevisión as a reverse acquisition. Consequently, the assets and liabilities of Cablevisión S.A. were recognized and measured in the financial statements at book value before the merger, while the identifiable assets and liabilities of Telecom Argentina S.A. were recognized at fair value as of the effective date of the merger (January 1, 2018). The goodwill obtained under the acquisition method was measured as the excess of the fair value of the consideration paid over the net fair value of the net identifiable assets and liabilities of Telecom Argentina S.A.

Due to the fact that the Merger between Telecom and Cablevisión was a business combination carried out through an exchange of equity interests, the consideration was determined based on the fair value of the shares of Telecom as of the effective date of the merger. The consideration amounted to \$ 131,699 million, calculated based on the market price of the ADR of Telecom on the NYSE on the last business day before the effective date of the transaction (January 1, 2018) of US\$ 36.63 per ADR, translated to pesos at the exchange rate prevailing on December 29, 2017 (the last day of the year 2017 on which the stock exchange operated).

Pursuant to IFRS 3, the acquired net identifiable assets were measured at fair value, which estimated value amounted to \$ 73,372 million.

Of this amount, \$ 1,326 million corresponded to the non-controlling interest of subsidiaries of Telecom, measuring the net identifiable assets under the equity method. The allocation of the purchase price of the acquired net assets attributable to controlling interest generated a goodwill with an estimated value of \$ 59,653 million.

The fair value of the most important items of Telecom and the main adjustments to the book value as a result of the purchase price allocation are detailed below.

- The total fair value of the item property, plant and equipment amounts to \$ 62,747 million. The purchase price paid in excess of book value in the amount of \$34,209 million was allocated to PP&E under the comparative market value method for buildings and automobiles, and for the rest of the assets, it was allocated based on the adjusted estimated replacement cost to reflect the corresponding impairment.
- The total value of the item Intangible Assets measured at fair value amounted to \$ 40,186 million. The amount paid in excess (\$ 33,175 million) of the book value of Licenses (\$ 14,933 million) was allocated primarily to Intangible Assets under the comparative market value method, customer portfolio (for \$ 9,280 million) under the discounted cash flows method, Brands (for \$ 8,825 million) based on royalties on gross sales;

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- The total deferred income tax liabilities incorporated amounted to \$ 16,739 million (net of deferred income tax assets for \$2 million.) Deferred income tax liabilities in excess were recognized in the amount of \$ 17,234 million (of which \$624 million were offset against deferred income tax assets), using a rate between 25% and 30% on the temporary differences of the adjustments incorporated, taking into consideration the estimated time of reversal of each difference.

The figures disclosed represent the best estimate made by Telecom based on information available to date. If the Company obtains new information about the events and circumstances existing on the date of acquisition, it will introduce changes reassessing the fair value of the net assets already identified and/or identifying any additional assets or liabilities during the measurement period, which will not exceed one year as from the date of acquisition as provided under paragraph 45 of IFRS 3.

For detailed quantitative information, see Note 4.a to these interim consolidated financial statements.

e) Revenues

Revenues are recognized to the extent the sales agreement has commercial substance, provided it is considered probable that economic benefits will flow to the Company and their amount can be measured reliably. Actual results may differ from these estimates.

Revenues are stated net of discounts and returns. The Company discloses its revenues into two large groups: services and equipment. Revenues from sales of services are recognized at the time services are rendered to the customers. Revenues from sales of equipment are recognized when the significant risks and rewards of ownership are transferred to the buyer.

Revenues from transactions that include more than one item have been recognized separately to the extent they have commercial substance on their own.

Installment sales are recognized at the value of future income discounted at a market rate assessed at the beginning of the transaction.

Telecom Group's main sources of revenues are:

- *Fixed Telephony and Data Services*

Domestic fixed telephony service revenues mainly consist of monthly basic fees, measured service and monthly fees for additional services (among them, call waiting, itemized billing and voicemail.)

Basic fees are generally billed monthly in advance, disclosed net of trade receivables, and are recognized as revenues when services are provided.

Revenues from the sale of prepaid calling cards are recognized in the period during which traffic is used, or when the card expires, whichever occurs first. Remaining unused traffic for unexpired calling cards is shown as "Deferred revenue on prepaid calling cards" under Deferred revenues.

Non-refundable up-front connection fees for fixed telephony and data services (one-time revenues), generated at the beginning of the relationship with the customers, are deferred and charged to income 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 their associated direct expenses.

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, the revenues

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and costs associated with the construction contract are recognized as revenues 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 revenues, the expected losses are immediately recognized as expenses. When the outcome of a construction contract cannot be estimated reliably, contract revenues are recognized only to the extent that the costs incurred are likely to be recovered.

As of March 31, 2018, the Company did not recognize revenues or costs from construction contracts. With regard to construction contracts, as of March 31, 2018, the Company recorded \$66 million as liabilities from deferred sales and \$271 under Inventories.

- Internet Services

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 (mainly high-speed subscriptions - broadband-).

Non-refundable up-front connection fees (one-time revenues), generated at the beginning of the relationship with the customers, are deferred and charged to income over the term of the contract or, in the case of indefinite period contracts, over the average period of the customer relationship.

- Mobile Services

The Telecom Group provides mobile services in Argentina and Paraguay through wireless networks. In addition, it provides IDEN telephony services.

Service revenues consist of monthly basic fees, airtime usage charges, roaming, TLRD, CPP and charges for VAS (including call waiting, voicemail, SMS and multimedia) and other services.

Basic fees are generally billed monthly in advance, disclosed net of trade receivables until services are rendered.

Revenues from the sale of prepaid calling cards are recognized in the period during which traffic is used, or when the card expires, whichever occurs first. Remaining unused traffic for unexpired calling cards is shown as "Deferred revenue on prepaid calling cards" under Deferred revenues.

Revenues from sales of mobile equipment consist mainly of the sale of handsets to customers, own agents and other distributors.

Generally, in cases of combined sales, the handset is sold with a discount in the price, but not when the handset is sold separately. In connection with mobile telephony service, such service is generally offered at the same selling price, without any discount if it is offered together with a handset. In the case of combined sales, IFRS 15 (Revenue from Contracts with Customers), adopted by Telecom as from January 1, 2018, provides for the allocation of the selling price to each performance obligation according to its proportional standalone selling price for the agreed-upon contractual term (24 months in the case of Mobile Telephony.)

Taking into consideration that the customer pays for the handset the price net of the discount and that, under the allocation method detailed in the previous paragraph, the discount applied to the handset is allocated between handset sale revenues and service revenues, the Company initially recognizes a contractual asset. The recognition of said contractual asset will decrease to the extent service revenues are recognized, and will be fully derecognized in the 24th month (the stipulated contractual term).

- Cable Television Services

Cable Television Services comprise the operation of cable television networks installed in different locations of Argentina and Uruguay. In addition, Tuves holds a license for the provision of DATDH services in Paraguay.

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Cable television subscription fees are billed in advance, disclosed net of trade receivables until the service is rendered and are recognized as revenues when services are provided.

Revenues from the installation of these services are accrued over the average term during which clients maintain their subscription to the service.

f) Financial Instruments

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.

f.1) Financial Assets

Upon initial recognition, in accordance with IFRS 9, financial assets are subsequently measured at either amortized cost, or fair value, on the basis of:

- (a) the Company'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.

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 mutual funds are carried at fair value. Gains and losses are included in Other Financial Results, net - Interest and Gains on investments.

The Company holds investments in Government Securities which, depending on the business model established by the Company's Management, were valued at amortized cost or fair value.

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 bad debts.

Contractual assets under IFRS 15, as disclosed under e), either current or non-current, are initially recognized at fair value and subsequently measured at amortized cost, less allowances for bad debts, if any.

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Investments

Securities and Bonds include the Bonds issued by National, Provincial and Municipal Governments. Depending on the business model adopted by Management, Securities and Bonds may be valued at amortized cost or at fair value and its results are recognized under Other Financial Results, net - Interest and Gains on investments.

Investments in mutual funds are carried at fair value. Gains and losses are included in Other Financial Results, net - Interest and Gains on investments.

Other Investments in Government Securities are valued at fair value.

The share in the trust "Complejo Industrial de las Telecomunicaciones 2003" is recognized at fair value.

Impairment of Financial Assets

At the time of initial recognition of financial assets (and at each closing), the Company estimates the expected losses to be generated by the assets, with an early recognition of a provision, pursuant to IFRS 9.

With regard to trade receivables, and using the simplified approach provided by said standard, the Company measures the allowance for bad debts for an amount equal to the lifetime expected credit losses. For the rest of the financial instruments, the expected credit losses for the next 12 months must be recognized (expected losses over the contractual payments for the lifetime of the financial instrument that is expected to be defaulted in the next 12 months), unless the financial instrument's credit risk increases significantly, in which case the total lifetime expected credit losses must be recorded, i.e. the expected credit losses for the full term of the financial instrument.

The expected losses to be recognized are calculated based on a percentage of uncollectibility per maturity ranges of each financial credit. For such purposes, the Company analyzes the performance of the financial assets grouped by type of market. Said historical percentage must contemplate the future collectibility expectations regarding such credits and, therefore, estimated changes in performance.

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.

f.2) Financial Liabilities

Financial liabilities comprise accounts payable (excluding Derivatives, if applicable), financial debt, salaries and social security payables (see point n) below), Dividends payable and certain liabilities included in Other Liabilities.

Financial liabilities 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.

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.

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f.3) Derivatives

Derivatives are used by the 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 if and only if all of the following conditions are met:

- a) The hedging relation consists only of hedging instruments and eligible hedged items;
- b) The hedging relation and the risk management strategy and purpose are formally designated and documented since its inception; and
- c) the hedge is expected to fulfill the efficacy requirements described in detail under Note 21 – 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 Other Comprehensive Income. The cumulative gain or loss is removed from OCI and recognized in the consolidated statement of comprehensive income 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 immediately recognized in the consolidated statement of comprehensive income. If the hedged transaction is no longer probable, the cumulative gains or losses included in OCI are immediately recognized in the consolidated statement of comprehensive income.

If the 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 immediately recognized in the consolidated statement of comprehensive income.

For additional information about derivatives operations during the first quarter of 2018, see Note 21.

g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost is determined under the weighted average price method. The net realizable value represents the estimated selling price in the ordinary course of business less the applicable variable sale costs. In addition, the Company estimates and records allowances for obsolete and slow-moving inventories.

From time to time, the Management of Telecom 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 retaining 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 an indefinite period with a minimum period of permanence and, if the contract is abandoned in advance, Telecom 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 the ordinary course of business less applicable variable selling expenses, plus the expected margin from the service contract signed during its minimum non-cancelable term.

The value of inventories does not exceed its recoverable value at the end of the period.

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.

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The other subsequent expenditures are recognized as expenses for the period in which they were incurred. When a tangible fixed asset comprises major components having different useful lives, these components are accounted for as separate items if they are significant.

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 under Provisions line item at its present value. These capitalized costs are depreciated and charged to the consolidated statement of comprehensive income over the useful life of the related 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 reviewed on an annual basis. Changes in the above liability are recognized as an increase or decrease of the cost of the related asset and are depreciated prospectively.

In addition, PP&E include costs related to the installation that allows for service connection, in Fixed Network and Transport. Such costs comprise labor costs and the materials required to install wiring.

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 (qualifying assets under IAS 23.)

The value of PP&E does not exceed its recoverable value estimated at the end of the period.

Depreciation of PP&E owned is calculated on a straight-line basis over the ranges of estimated useful lives of each class of assets. The ranges of the estimated useful lives of the main classes of PP&E are the following:

	<u>Estimated Useful Life (in years)</u>
Real Property	45 - 50
Fixed Network and Transport	3 - 20
Mobile Network Access	3 - 7
Antenna Support Structure	10 - 20
Switching Equipment	5 - 10
Computer Equipment	3 - 5
Vehicles	5
Goods under Loans for Use	2 - 10
Power Equipment and Installations	2 - 15
Machinery, Equipment and Tools	2 - 10

Depreciation rates are reviewed annually. The company also reviews whether or not current estimated useful life is different from previous estimates, taking into account, among other things, 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 income statement in the corresponding period.

i) Intangible Assets

Intangible assets are recognized if and only if 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:

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- Incremental Costs from the Acquisition of Contracts

Certain direct incremental costs incurred for the acquisition of new subscribers are capitalized as intangible assets to the extent the conditions for the recognition of an intangible asset are met, pursuant to IFRS 15, i.e. provided the Company expects to recover such costs and provided they are costs that the Company would not have incurred if the contract had not been successfully obtained.

Subsequently, said assets will be amortized under the straight-line method over the contractual relationship of the related transferred service. Those costs are amortized over a term of two years.

- 3G/4G licenses

As described in Note 2.e) - Spectrum 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, such frequencies were granted for a period of 15 years as from the date of the award notice.

Consequently, Telecom's Management has concluded that the 3G and 4G licenses have a finite useful life and, therefore, they are amortized under the straight-line method over 180 months as from their award.

Pursuant to Article 4.d) of PEN Decree No. 1,340/16, which is described in Note 2.e), 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. After that, such date was re-estimated. The new probable date of release is July 2018.

In addition, the licenses that had been previously awarded to Nextel are also included. The term of their useful life is calculated as from the beginning of the rendering of Advanced Mobile Communication Services or upon expiration of the 18-month term provided under Article 10.1, subsection a), Annex I, of Decree No. 764/2000 to begin rendering Advanced Mobile Communication Services, whatever occurs first.

- PCS license (Argentina)

Telecom's Management, based on an analysis of the relevant characteristics of this license, has considered that the license has an indefinite useful life because there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for Telecom. This license is subject to a recoverability assessment.

Assets with an indefinite useful life must be tested for impairment at least on an annual basis.

No impairment losses have been recorded for such intangible assets at period-end.

- PCS License held by Núcleo

The PCS License was amortized under the straight-line method over 60 months, which ended in 2017.

In June 2017, Núcleo requested the renewal of this license. Before the expiration of these licenses, CONATEL issued, as provided under the telecommunications law, resolutions whereby it provisionally extended them for 90 days. This term may be extended only one time for the same period. Therefore, that company expects to be granted the final renewals within the next months.

Núcleo acquired 700 MHz- band spectrum licenses acquired during the first quarter of 2018 for US\$ 24 million (\$ 471 million as of acquisition date). Such licenses are amortized over a term of 5 years.

- SRCE License

The SRCE license has an indefinite useful life.

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- Customer Portfolio

Customer Portfolio comprises mainly contracts with Telecom's customers that were incorporated as a result of the merger between Telecom and Cablevisión (see Note 3.d.5). They are amortized over the estimated term of the relationship with the acquired customers. In addition, it includes the customer portfolio of Tuves Paraguay. For fixed-telephony customers said term was estimated at 10 years. For mobile telephony customers in Argentina, it was estimated at 6 years and for mobile telephony customers in Paraguay, it was estimated at 5 years.

- Brands

Brands includes the Brand Flow, which is amortized over 3 years. In addition, after the merger disclosed under Note 4.a), the Company incorporated the brands owned by Telecom (including "Telecom", "ARNET" and "Personal", both in Argentina and in Paraguay), which are not amortized because they are considered to have an indefinite useful life.

- Other

"Other", includes Exclusivity Rights, Rights of Use, among others, which are not material on an individual basis. The average useful life is estimated at 5-28 years.

j) Goodwill

Goodwill is recognized when the fair value of the consideration paid and the amount of the non-controlling interest (if any) exceed the fair value of the net assets identified in each business combination. Goodwill has indefinite useful life and its recoverable value must be assessed at least once a year.

No impairment losses have been recorded for goodwill at period-end.

k) Leases

Finance Leases

Leases that transfer substantially all the risks and benefits incidental to ownership of the leased asset are classified as finance leases. All other leases are classified as operating 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 total 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 payments, 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 owned depreciable assets.

As of March 31, 2018, the Telecom Group holds finance leases that represent current accounts payable in the amount of \$ 15 million. The total amount payable at these leases' maturity is \$ 15 million. PP&E related to these financial leases as well as certain characteristics of such lease agreements as of March 31, 2018 are detailed below:

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	<u>Book Value</u>	<u>Lease Term</u>	<u>Depreciation</u>
PP&E – Computer equipment	77	3 years	3 years
Accumulated Depreciation	(70)		
Net carrying value as of March 31, 2018	<u>7</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 ordinary course of business, Telecom leases cell sites, switch sites, circuits and satellite capacity (among others) under various non-cancellable leases. Rental expenses are included under Interconnection and Transmission Costs and Other Operating Income and Expense in the consolidated statement of comprehensive income over the corresponding lease term.

I) Impairment of PP&E, Intangible Assets and Goodwill

At the end of each year or period, the Company assesses whether there are any indicators of impairment of the assets that are subject to amortization. Both internal and external factors are considered for this purpose. Internal factors include, among others, obsolescence or physical damage of the asset, and significant changes in the extent to which, or manner in which, an asset is used or expected to be used and internal reports that may indicate that the economic performance of the asset is, or will be, worse than expected. External sources include, among others, the market value of the asset, significant changes in the legal, economic, technological or market environment, 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 case, a loss shall be immediately recognized in the consolidated statement of comprehensive income.

The recoverable value of an asset or a cash generating unit is the higher of the fair value (less selling costs) or its value in use. In calculating the value in use of an asset, 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.

Intangible assets with an indefinite useful life (including intangible assets under development or not ready to use) and goodwill 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 March 31, 2018 is the PCS license in Argentina, the brands acquired under the business combination (see Note 4.a) and the SRCE license. Its recoverable amount is determined based on the value in use, which is estimated using discounted net cash flow projections.

For the period presented, the Company estimates that there are no indicators of impairment of the assets that are subject to amortization, with the exception of those related to the process of modernization and replacement of its mobile network access technology in the Argentine Republic and a group of longstanding works in progress.

The net effects of the constitution and recovery of the above-mentioned impairments are recorded under "Impairment of PP&E", which is described under Note 10.

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m) 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. Telecom does not sponsor any stock option plan.

Pension benefits shown under Other liabilities represent accrued benefits under collective bargaining agreements for employees who retire upon reaching normal retirement age, or earlier due to disability in Telecom. Benefits consist of the payment of a single lump sum equal to the salary of one month for each five years of service at the time of retirement due to retirement age or disability. 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 must 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, as amended. Telecom does not make plan contributions or maintain separate assets to fund such benefits.

The actuarial assumptions used are based on market interest rates, past experience and Telecom 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 for 2017, and have not undergone any changes during 2018:

	2017
Discount Rate (1)	4.6% - 9.2%
Projected increase rate in compensation (2)	8.0% - 16.3%

(1) Represents estimates of real interest rate rather than nominal rate.

(2) In line with an estimated inflationary environment for the next three fiscal years.

Additional information on pension benefits is provided in Note 17.

Plan de Ahorro a Largo Plazo (Long-Term Savings Plan)

During the last quarter of 2007, the Management of Cablevisión, 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 in January 2008. Executives who adhere to such plan 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. Each company where those executives render services will match the sum contributed by such executives. This matching contribution will be added to the fund raised by the employees. Under certain conditions, the employees may access such funds upon termination of their participation in the long-term savings plan.

Said plan provides for certain special conditions for those managers who were in 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 Cablevisión.

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.

Pursuant to IAS No. 19, the above-mentioned savings plan qualifies as a Defined Contribution Plan, which means that the companies' contributions shall be charged to income on a monthly basis as from the date the plan becomes effective.

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As of March 31, 2018, the total outstanding amounts related to those supplementary contributions are not significant, mainly due to the fact that the plan was discontinued as of December 31, 2017.

The item "Other Liabilities" also includes deferred revenues, among which the following stand out:

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. For more information, see Note 3.e) Revenues – Fixed telephony, data and mobile services.

Deferred revenues on connection fees

Non-refundable up-front connection fees for fixed telephony, data, cable and Internet services are deferred over the term of the contract, or in the case of indefinite period contracts, over the average period of customer relationship. For more information, see e) Revenues – Fixed telephony, data, Internet and cable TV services.

Deferred Revenues related to Customer Loyalty Programs

The fair value of the award credits regarding Telecom and Núcleo's customer loyalty program is accounted for as deferred revenue and recognized as revenue until the award credits are redeemed or expire, whichever occurs first.

Deferred Revenues on Lease of International Capacity

Under certain network capacity purchase agreements, Telecom sells excess purchased capacity to other carriers. Revenues are deferred (as other liabilities) and recognized as services are provided. Those revenues are recorded under the "Fixed Telephony and Data" line item.

n) Salaries and Social Security Payables

These include unpaid salaries, vacation and bonuses and its related social security contributions, as well as termination benefits. See Note f.2 for a description of the accounting policies 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 Payable

This item is divided into: Income Tax, Other National Taxes, Provincial Taxes and Municipal Taxes. The main taxes that represent an expense for the Company are the following:

Income Tax

Income tax (national tax) is recognized in the consolidated statement of comprehensive income, except to the extent that it relates to items directly recognized in Other comprehensive income or directly in equity. In

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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.

If the income tax payments and withholdings exceed the amount payable for the current tax, the excess shall be recognized as a tax credit, only if it is recoverable.

As per Argentinian 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). The Company records income taxes in accordance with IAS 12.

Deferred taxes are recognized using the liability method, which provides for the assessment of net deferred tax assets or liabilities based on temporary differences. Temporary differences arise when the tax base of an asset or liability differs from its carrying amount in the statement of financial position. The deferred tax asset / liability is disclosed under a separate item of 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 all or a portion of the benefits of the deferred tax asset. This reduction shall be reversed if it becomes probable that future taxable income to offset the deferred tax asset will be available.

The statutory tax rate in Argentina for the current period was 30% (years beginning on or after January 1, 2018 until December 31, 2019 inclusive) established under Law No. 27,430 enacted on December 29, 2017. Said law provides that, as from January 1, 2020 onwards, the statutory tax rate will be 25%. The statutory tax rate for the three-month period ended March 31, 2017 was 35%.

For the assessment of deferred taxes as of March 31, 2018, the company considered, following the guidelines of IAS 12, the periods in which temporary differences will be reversed to apply the proper tax rate as provided under Law No. 27,430.

Cash dividends received from a foreign subsidiary are computed on the statutory income tax rate. As per Argentinian Tax Law, income taxes paid abroad may be recognized as tax credits.

The statutory income tax rate in Uruguay was 25% for the period presented.

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 in the form of dividends.

The statutory income tax rate in the United States was 39.50% for the years ended December 31, 2017, 2016 and 2015. Since January 1, 2018, a new Income Tax Law is applicable in the United States, which modifies the flat rate to 21% changing the legal income tax rate from 39.5% to 26.5%. This change in the tax rate has a similar impact in deferred tax as the impact explained above in connection with the changes in Argentina's income tax rate.

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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 period-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 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.

Telecom Argentina's Declaration as Proper Taxpayer Its effect on tax on personal assets - substitute 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.

Telecom Argentina has already filed this request related to the payment of personal assets tax as substitute taxpayer (on behalf of its shareholders). In consequence, Telecom Argentina recorded in 2017 the reversal of the current credit for personal asset tax as substitute taxpayer, and the corresponding liability that it had recorded as of December 31, 2016 which amounted to \$8 million, and has discontinued recording such receivables and liabilities since January 1, 2017.

Notwithstanding the above, it cannot be assured that in the future Telecom will satisfy such requirements and maintain the referred exemption.

Provincial Taxes: Turnover Tax

This tax is levied on companies based in Argentina for the activities carried out in each province of the country. Rates differ depending on the jurisdiction where business is carried out and on the nature of such business (for example, sale of services or equipment).

Municipal Taxes: Other Taxes and Charges

Since the beginning of 2001, telecommunication service companies have been required to make a SU contribution to fund SU requirements (Note 2.d) - SU Rules. The SU tax is calculated as a percentage of the total revenues accrued 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% and adopts the "pay or play" mechanism for compliance with the mandatory contribution to the SU fund.

Tax Reform and Tax Consensus on Laws No. 27,429, No. 27,430 and No. 27,432

Tax Reform

On December 29, 2017, the National Executive Branch enacted Law No. 27,430, which establishes a comprehensive reform of the tax system effective as from 2018.

The Law introduces, among other things, changes to income tax (both corporate and personal), Value Added Tax ("VAT"), excise taxes, employer' social security contributions, the tax procedure regime and the criminal tax regime.

The main changes that have an impact on corporate income tax are the following:

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Income Tax

- *Changes to corporate income tax rate and withholding on distributed dividends*

The new law reduces the corporate income tax rate from 35% to 30% for fiscal years beginning on or after January 1, 2018 up to and including December 31, 2019, and to 25% for fiscal years beginning on or after January 1, 2020.

In addition, the Law establishes a withholding tax regime on distributed dividends at a rate of 7% for distributions of profits generated during fiscal years beginning on or after January 1, 2018 up to and including December 31, 2019, and at a rate of 13% for distributions of profits generated during fiscal years beginning on or after January 1, 2020.

The new withholding rates apply only to distributions made to shareholders who are Argentine resident individuals and to nonresident shareholders.

Additionally, the Law repeals the "equalization tax" (i.e., 35% withholding on dividend distributions exceeding accumulated taxable income) for distributions of profits generated during fiscal years beginning on or after January 1, 2018.

- *Gain/Loss on purchase-sale of shares.*

The Law maintains the 15% capital gains tax rate for Argentine resident individuals or foreign beneficiaries (in the case of foreign beneficiaries, it is calculated on the presumed net gain equal to 90% of the sale price). In the case of local legal entities, the Law establishes a general rate of 30% for fiscal years 2018 and 2019, and 25% for the following years.

In the case of individuals residing in Argentina, however, the results derived from transfers of shares are exempted from income tax to the extent that the transfer consists in a public placement authorized by the CNV or that the transactions were carried out in markets authorized by that agency under segments that guarantee price/time priority and by crossing of offers (such as the shares of Telecom Argentina) or carried out through a public tender offering and/or exchange authorized by the CNV.

The foregoing exemption will also be applicable to foreign beneficiaries to the extent that said beneficiaries do not reside in, and the funds do not come from, non-cooperative jurisdictions (in these cases, the rate will be 35% instead of 15%.) In the case of foreign beneficiaries, the exemption will also be applicable, among other things, to income from depositary receipts or certificates issued abroad representing shares, such as American Depositary Receipts ("ADRs"), provided that the underlying shares have been issued by entities domiciled in Argentina.

- *Asset Revaluation Regime for Tax Purposes.*

The Law established, on a general basis, the adjustment for inflation of the cost of several assets -in case of transfers- and the adjustment for inflation of the depreciation of property, plant and equipment, for all the acquisitions or investments made as from January 1, 2018 based on the variation of the Domestic Wholesale Price Index ("IPIM", for its Spanish acronym) as from that date (the effect is included in these interim consolidated financial statements.)

In addition, the Law established an optional regime for the revaluation for tax purposes of assets located in Argentina that generate taxable income. In the case of the Company, the revaluation option is applicable to assets existing as of December 31, 2017. Pursuant to the Law, the new tax value of the assets will be determined by applying a "revaluation factor," set forth in the Law, according to the calendar year of the asset's acquisition or construction, to the tax value originally assessed, each year or period since the asset's acquisition or construction. In the case of real or personal property subject to amortization, the value may be assessed by an appraiser under certain conditions.

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The Law imposes a one-time special tax on the amount of the revaluation. Such tax is not deductible from income tax. The applicable rate will vary depending on the type of assets:

- Real property (qualifying as property, plant and equipment) 8%
- Real property (qualifying as inventories): 15%
- Shares, membership interests and other participations owned by resident individuals: 5%
- All other assets: 10%

The taxpayer that opts for the special revaluation regime must do so for all the assets that belong to the same category. Once the taxpayer has opted for the special revaluation regime, it is entitled to calculate its amortization or costs, for income tax purposes, based on the revalued value of the assets. In addition, revalued values will be adjusted for inflation based on the variations of the IPIM as from January 1, 2018.

The Law requires taxpayers that opt for the special asset revaluation regime to waive any judicial or administrative claims for the purpose of requesting the application, for tax purposes, of adjustments of any kind, with respect to the period of the option. Any taxpayers that have filed such claims with respect to fiscal years closed before the Law becomes effective are required to withdraw such claims and rights invoked (See Note 15 “Deferred Income Tax Assets/Liabilities- Actions for recourse filed with the Tax Authority”).

In addition, Decree No. 353/18 provides that the revaluation option may be exercised until the last business day of the sixth calendar month immediately after the option period and that AFIP may extend that term to a maximum of 60 calendar days in the case of fiscal years closed before April 25, 2018.

The Company and its subsidiaries are conducting analyses and calculations in order to assess the convenience of opting for the application of the asset revaluation regime.

Internal Taxes and Tax Collection ENARD

The Law also provides for an increase in the effective internal tax rate applicable to mobile telephone services from 4.16% to 5.26%, effective for taxable events executed as from March 1, 2018. In addition, the law repeals collection at source of the charge imposed for the benefit of the ENARD.

In addition, pursuant to Decree No. 979/2017, as from November 15, 2017, the effective excise tax rate on the sale of imported mobile phones and other wireless network equipment is reduced from 20.48% to 11.73%. Said rate, pursuant to Law No. 27,430, will decrease gradually until its complete phase out as from January 1, 2024. In the case of goods manufactured in the province of Tierra del Fuego, the rate is set at 0% as from November 15, 2017.

Tax on Bank Credit and Debits

Pursuant to Law No. 27,432, the National Executive Branch may establish that the percentage of the tax rate on bank credit and debits that to date may not be creditable against income tax, be gradually reduced by up to 20% per year as from January 1, 2018. The National Executive Branch may provide that, by 2022, it be fully creditable against income tax. On May 7, 2018, Decree No. 409/2018 was issued, which provided that, for transactions subject to the general tax rate, up to 33% of the taxes payable arising from both credited and debited amounts and the other taxable events subject to this tax may be creditable against income tax. In the case of transactions subject to a lower rate, only 20% may be creditable against income tax. These provisions are applicable to advance payments and balances of income tax returns corresponding to fiscal periods beginning on or after January 1, 2018, for the tax credits arising from taxable events executed as from that date.

Social Security

The Law gradually reduces the percentage of employers' social security contributions paid by large companies from 21% to 19.5% by 2022.

The Law establishes a non-taxable base for calculating employers' social security contributions of \$ 2,400 for 2018, which will increase to \$12,000 Argentine pesos by 2022. The Law gradually phases out employers' social security contributions that are creditable against VAT.

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Tax Consensus

On January 2, 2018, Law No. 27,429 - "Tax Consensus" was published in the Official Gazette. Said Law approves the Tax Consensus signed between the National Executive Branch and the representatives of the Provinces and the Autonomous City of Buenos Aires.

The tax consensus seeks to harmonize the tax structures of the different jurisdictions to promote employment, investment and economic growth and to promote uniform policies. For such purpose, the National Government, the Provinces and the Autonomous City of Buenos Aires agreed to fulfill certain commitments. Among the commitments undertaken by the Provinces, the most relevant are, with respect to Gross Turnover Tax, the immediate elimination of differential treatments based on the place of business or the location of the taxpayer's establishment or the location where goods are manufactured and the establishment of exemptions and the application of tax rates that shall not exceed those set forth for each activity and period in the Annex to the Consensus (in the case of communications 5% in 2018, which will decrease to 3% by 2022, and in the case of mobile telephony 7% in 2018, which will decrease to 5% by 2022.) As to stamp tax rates, for certain activities and contracts, the establishment of a maximum stamp tax rate of 0.75% as from January 1, 2019, with a gradual decrease until its complete phase out as from January 1, 2022 and the repeal of all payroll taxes.

p) Provisions

The Group records provisions when it has a present, legal or constructive obligation, 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. For more information, see Note 18.

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) Debt Financial Costs and Other Financial Results, net

Financial costs and other financial results, net, are recorded as incurred and include:

- interest accrued on the related financial assets and liabilities using the effective interest rate method;
- financial discounts on debt;
- changes in fair value of derivatives and other financial instruments measured at fair value through profit or loss;
- results from operations with notes and bonds;
- gains and losses on foreign exchange and financial instruments;
- interest on allowances and
- other financial results.

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s) Earnings per Share, net

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 period (for more information, see Note 25).

t) Adoption of IFRS 15 (Revenue from Contracts with Customers)

As from January 1, 2018, the Company adopted IFRS 15 (Revenue from Contracts with Customers.) The Company opted for the partial retroactive application of IFRS 15, as provided under said standard. Though the application is retrospective, the accumulated impact of the initial application is recognized as an adjustment to the initial retained earnings balance of the year of initial application (only for contracts that are not completed contracts as of the date of initial application.)

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 equipment. 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.

The impact of IFRS 15 is mainly related to mobile telephony contracts that include handset sales together with services in mobile service contracts (first sale of equipment or renewal of customer's equipment together with postpaid and "abono fijo" service charges.)

The standard requires allocating the price to each performance obligation according to its proportional standalone selling price. The main performance obligations of those contracts are the sale of the handset and the rendering of the service, which is deemed to have a term of 24 months.

These amendments introduced by IFRS 15 initially generated an early recognition of handset sales revenues that will have an impact on accumulated income (due to the partial retroactive application of said standard) against the recognition of contractual assets. Said increase is due to the fact that the discounts given to customers on handsets will be allocated under IFRS 15 between the sale of handsets and the services. Before the application of this standard, said discount was only allocated to the sale of handsets.

In view of the above, this standard generated a reallocation of revenues, increasing equipment sales revenues and reducing the recognition of service revenues. It will cause the initial recognition of a contractual asset that will decrease to the extent service revenues are recognized, which will be fully derecognized in the 24th month, which is the stipulated contractual term.

The initial effect generated a contractual asset of under IFRS is \$ 781 million, offset with an increase in deferred tax liabilities of \$ 234 million and an increase in accumulated income as of January 1, 2018 in the amount of approximately \$547 million (net of income tax.) Subsequently, the value of said contractual asset was changed to zero in the Business Combination detailed under Note 4.a), because it did not qualify as an identifiable asset. As a result of applying that standard, the Company also recorded an increase in handset sale revenues of \$ 153 million and a decrease in service revenues of \$ 19 million for the three-month period ended March 31, 2018 (generating a net increase in sales of \$ 134 million), net of a tax effect of \$ 40 million. Consequently, the net income tax effect of the above-mentioned reallocation of revenues amounted to approximately \$ 94 million. As of March 31, 2018, the contractual asset amounts to \$ 134 million, recorded under current and non-current trade receivables.

The capitalization of handset subsidies occasionally granted by the Telecom Group to new postpaid subscribers was discontinued in light of the interpretations of the new standard. The Company continued to capitalize the commissions paid for the acquisition of postpaid and "Cuentas Claras" customers in the mobile telephony and Internet segment as incremental costs of obtaining contracts under IFRS 15, because these costs are necessary to obtain new contracts with customers and for as long as they continue to satisfy the capitalization conditions under the new standard.

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The decrease in the residual value of the capitalized handset subsidies generated an effect on Retained Earnings as of January 1, 2018 in the amount of \$ 61 million (lower retained earnings of \$ 85 million net of income tax of \$ 24 million.) The non-capitalization of handset subsidies as from 2018 generated an increase in the Cost of handset sales of approximately \$ 27 million and a decrease in amortization of approximately \$25 million as of March 31, 2018 (impact net of income tax of \$2 million.)

The net effect of the above-mentioned impacts on Retained Earnings as of January 1, 2018 for \$486 million, corresponds to adjusted identifiable consolidated assets and liabilities of Telecom Argentina incorporated as of January 1, 2018 (see Note 4.a).

u) Adoption of the Amendments to IFRS 9 "Financial Instruments"

As from January 1, 2018, the Company adopted the amendments to IFRS 9, which basically incorporate requirements related to the registration of expected credit losses of financial assets, as follows:

- In the case of trade receivables, the allowance for bad debts must be measured in an amount equal to the lifetime expected credit losses.
- For the rest of the financial instruments: the expected credit losses for the next 12 months must be recognized (expected losses over the contractual payments for the lifetime of the financial instrument that is expected to be defaulted in the next 12 months), unless the financial instrument's credit risk increases significantly, in which case the total lifetime expected credit losses must be recorded, i.e. the expected credit losses for the full term of the financial instrument.

Expected credit losses related to trade receivables generated an effect on Retained Earnings as of January 1, 2018 in the amount of \$ 489 million (an increase in the allowance of \$ 665 million, net of income tax of \$ 176 million.) The effect of applying that standard for the three-month period in 2018 generated an increase in bad debts of \$ 135 million net of the tax effect of \$ 35 million. The net effect is of \$ 100 million.

The net effect on Retained Earnings as of January 1, 2018 for \$489 million of the above-mentioned impacts corresponds as follows: (i) \$372 million corresponds to adjusted identifiable consolidated assets and liabilities of Telecom Argentina incorporated as of January 1, 2018 (see Note 4.a), and (ii) \$117 million corresponds to the adjusted balances of Cablevisión as of January 1, 2018, which are reflected on the statement of changes in equity.

v) Use of Estimates

The preparation of consolidated financial statements and related disclosures in conformity with IFRS requires the Company's 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 these consolidated financial statements as well as the amount of revenues and costs during the period. 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 significant degree of subjective assumptions and judgments are addressed below:

Item or Account	Estimates
Revenues	Revenue recognition is influenced by estimates on: <ul style="list-style-type: none">• the expected duration of the relationship with the customer for deferred revenues regarding upfront connection fees;• traffic measures.

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Item or Account	Estimates
Useful lives and residual value of PP&E and Intangible assets	PP&E and intangible assets, except for intangibles with indefinite useful lives, 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	<p>At least at every annual closing date, an assessment is made about the existence or not of events or changes in circumstances that may indicate that PP&E and amortizing intangible assets may be impaired.</p> <p>The recoverable amount is the higher of the fair value (less sale costs) 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 the Company's 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 made by the Company's 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.</p> <p>For the period presented, the Company's Management estimated that there are no indicators of impairment of assets that are subject to amortization, with the exception of those mentioned in the point I) 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/or assumptions and could require future adjustments to the recorded assets.</p>
Intangible assets with indefinite useful life	<p>The Telecom Group determined that, for the period presented, the PCS license and the brands acquired under the business combination disclosed in Note 4.a) met the definition of an indefinite-lived intangible asset for the years presented and tests it annually for impairment. In addition, the Company records goodwill that is not amortized and that should be tested for impairment on an annual basis. The recoverability assessment of an indefinite-lived intangible asset requires the Company's Management to make assumptions about the future cash flows expected to be derived from such asset.</p> <p>Estimated cash flows are based on significant assumptions made by the Company's 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. The discount rate used to determine the discounted cash flow is an annual US dollar rate of approximately 10.5%.</p> <p>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, the brands, the SRCE license and goodwill.</p>
<p>Income Tax: recoverability assessment of deferred tax assets and other tax receivables</p> <p>Deferred income tax measuring</p>	<p>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.</p> <p>The recoverability assessment of the tax receivable related to tax reimbursement claims filed by the Company in connection with income tax inflation adjustment (Note 15) is based on the existing legal arguments on this matter and the behavior of the courts and the National Tax Authority in revising the claims filed by the Company.</p> <p>Pursuant to Law No. 27,430, the corporate income tax rate decreases as detailed under Note 3.o). Therefore, for the measurement of deferred tax, the fiscal year of future reversals of temporary differences that originate deferred tax/liability has been estimated applying the income tax rate of each reversal period. The actual moment of the future taxable revenues and deductions may differ from those estimated, and may produce an impact on future income.</p>

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Item or Account	Estimates
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 for discounting long term receivables denominated in U.S. dollars was 8.32%. The discount rate for receivables denominated in Guaranies was 9.8% and the discount rate in Guaranies for loans was 8.3%.
Measurement of the fair value of certain financial instruments	<p>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.</p> <p>If there is no 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, in the absence of such transactions, 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. For more information on the determination of such values, see Note 21.</p>
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 case law and court decisions or changes in the Company's method of resolving such matters, such as changes in settlement strategy.
Allowance for Bad Debts	The recoverability of trade receivables is measured by considering the aging of the accounts receivable balances, the necessity or request of customers to unsubscribe, historical write-offs, public sector and corporate customer creditworthiness and changes in the customer payment terms, as well as the estimates regarding future performance. If the financial condition of the customers were to deteriorate, the actual write-offs could be higher than expected.
Business Combinations (Note 3.d.5)	<p>In connection with the estimates related to the accounting effect of the business combination referred to in Note 4.a), the Company was required to identify the assets and liabilities of the acquiree and made an estimate of their fair value as of the date of the business combination. With regard to those assets that are subject to amortization or depreciation, the Company made an estimate of their useful lives.</p> <p>Any change in the estimates made by the Company may affect the valuation of the identified assets and liabilities and generate an impact on future results.</p>

In the absence of a Standard or an Interpretation that specifically applies to a particular transaction, the Company's 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 that faithfully represent the financial position, the results of operations and the cash flows of the Group, reflect the economic substance of the transactions, are neutral, are prepared on a prudent basis and are complete in all material respects.

New Standards and Interpretations issued by the IASB that are not mandatory

The Company and its subsidiaries have not adopted the IFRS or revisions of IFRS issued, as per the detail below, because their application is not required for the period ended March 31, 2018:

- 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 interim consolidated financial statements, the Company and its subsidiaries cannot estimate its quantitative and qualitative impact because they are analyzing the corresponding accounting effects.

- IFRIC 23 "Uncertainty over Income Tax Treatments": issued in October 2017. In case of uncertainty over tax treatments, this IFRIC provides: (i) whether or not uncertain tax treatments must be assessed separately; (ii) the assumptions used by the tax authority with respect to the tax treatments (the Company

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will have to assess if it is probable that the tax authority will accept the uncertain tax treatment assuming that the taxation authority is going to assess such uncertain tax treatment); (iii) how a company measures the tax income (loss), the tax bases, taxes and fiscal credits not deducted and tax rates (assessment of the probability of occurrence); and (iv) how the changes in facts and circumstances are considered.

The new standard is effective for fiscal years beginning on or after January 1, 2019. Earlier application is permitted. The Company and its subsidiaries do not expect impacts on the application of this amendment on the statements of financial position, comprehensive income and cash flows.

NOTE 4 – ACQUISITION OF COMPANIES AND CORPORATE REORGANIZATION PROCESSES

a) Merger between Telecom Argentina and Cablevisión

On June 30, 2017, the Boards of Directors of Telecom Argentina and Cablevisión approved a pre-merger commitment (“Pre-Merger Commitment”) whereby Telecom Argentina, a company organized and existing under the laws of Argentina with shares currently listed in the stock markets of Buenos Aires (under ADRs) and New York (NYSE: TEO, BCBA: TECO2), in its capacity as absorbing company, absorbed Cablevisión, which was dissolved without liquidation as of the effective date of the merger, pursuant to the provisions of Articles 82 and 83 of the General Associations Law No. 19,550 (the “Merger”).

Pursuant to Article 83, subsection c) of the Argentine General Associations Law No. 19,550, the parties set 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 (the “Exchange Ratio”). This Exchange Ratio was deemed reasonable, from a financial standpoint, by the independent professional appraiser Lion Tree Advisors LLC.

On June 30, 2017, the Boards of Directors of Telecom Argentina and Cablevisión, respectively, decided to call an Ordinary and Extraordinary Shareholders’ Meeting, in the case of Telecom Argentina, and an Extraordinary Shareholders’ Meeting, 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 and with regard to Telecom Argentina, the amendment of the Bylaws and the increase of its capital stock.

On August 31, 2017, the shareholders of Telecom Argentina and Cablevisión held their respective Shareholders’ Meetings and, after making the publications required by law- since no oppositions to the above-mentioned corporate reorganization process were filed-, on October 31, 2017, they executed the final Merger Agreement which was cast onto Public Deed No. 2,142, transcribed to page No. 12,398 of Notarial Record Book No. 15 of the Federal Capital (“Final Merger Agreement”).

Pursuant to the Pre-Merger Commitment and the Final Merger Commitment, on September 6, 2017, Telecom Argentina and Cablevisión made a joint filing with the ENACOM in order to request the authorization of the change of control, transfer of registrations and spectrum held by Cablevisión.

Consequently, after filing all the requested documentation, on December 22, 2017, Telecom Argentina and Cablevisión were served with ENACOM Resolution No. 5,644-E/2017, whereby that agency decided, among other things, to authorize Cablevisión to transfer in favor of Telecom Argentina: (i) the Registration of physical and/or radio electric link broadcasting services, including permits/frequencies required to provide radio electric link subscription broadcasting services, as well as area authorizations to provide those services (via physical and radio electric link), which may operate in Area II, as defined under Decree No. 1,461/93, as amended, and the city of Rosario, Province of Santa Fe, and the city of Córdoba, Province of Córdoba, as from January 1, 2018, as provided under Article 5 of National Decree No. 1,340/2016, and in the rest of the areas authorized, on the dates and in the modalities provided under ENACOM Resolution No. 5,641/2017 dated December 20, 2017; (ii) The Registration of the Radio Electric Trunking Service (SRCE); and (iii) the authorizations and frequency use permits and allocations of numbering and sign-posting resources to provide the above-mentioned services held by Cablevisión, pursuant to effective regulations (Annex IV of Decree No. 764/2000), and the agreement executed by Nextel on April 12, 2017 (IF-2017-08818737-APN-ENACOM#MCO), whereby Telecom Argentina, in its capacity as absorbing company of Cablevisión, shall within a term of two years as from the date the merger is approved by the National Antitrust Commission and the ENACOM or by any agency that may substitute them in the future,

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return the radio electric spectrum that exceeds the limit set under Article 5 of Resolution No. 171-E/17 issued by the Ministry of Communications and/or any regulation that may replace it in the future. To that effect, Telecom Argentina shall file with the ENACOM, no later than one year prior to the expiration of the two-year term, a proposal to conform to that limit. The ENACOM may accept the proposal, reject it and/or request a new filing with any changes it may deem appropriate.

In addition, through that Resolution, the ENACOM authorized the change of corporate control (as defined under Article 33 of the General Associations Law No. 19,550) of Telecom Argentina that will occur once the merger becomes effective and the shareholders agreement dated July 7, 2017 enters into effect, as a result of which Cablevisión Holding would become the controlling company of Telecom Argentina as surviving company of Cablevisión.

The purpose of the Merger is for Telecom Argentina, in its capacity as merged company ("Merged Company"), to offer in an efficient manner, in line with the national and international trend, technological products for media and telecommunications that converge the different separate or independent modalities in which voice, data, sound and video transmission wired and wireless services are provided, into a single product or a series of products to be provided as a whole for their benefit and that of the consumers of those multiple individual services. Both companies understood that their respective operating and technical structures were highly complementary and could be optimized through a structural consolidation, achieving synergies and efficiencies in the development of convergence products along with the demand of the market.

On January 1, 2018, since the conditions precedent to which the Merger was subject had been fulfilled, the Chairmen of the Boards of Directors of both companies signed the minutes regarding the transfer of operations, marking the occurrence of the Effective Date of the Merger.

In accordance with the Pre-Merger Commitment and the Final Merger Agreement, on that date, Telecom Argentina increased its capital stock in the amount of \$ 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 received 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, as applicable, according to the Exchange Ratio.

As from the above-mentioned Effective Date of the Merger, (i) all the assets and liabilities, including the assets subject to registration, the licenses, the rights and obligations that belonged to Cablevisión were deemed to have been incorporated to the equity of Telecom Argentina, (ii) Telecom Argentina continued with the operations of Cablevisión, thus generating the correspondingly operating, accounting and tax effects, (iii) the management and representation of Cablevisión was undertaken by the management and representatives of Telecom Argentina.

In connection with the above-mentioned transaction, on July 7, 2017, the Company, together with VLG Argentina LLC ("VLG"), Fintech Media LLC, Fintech Advisory Inc., GC Dominio S.A. and Fintech Telecom LLC executed a shareholders' agreement that governs their relationship as shareholders of Telecom Argentina (the "Agreement") and which became effective on the Effective Date of the Merger. Under such Agreement, the parties agreed on:

1. representation in corporate bodies, establishing that, subject to the fulfillment of certain conditions set therein and provided Cablevisión Holding complies with certain minimum participation requirements in the Merged Company, it may appoint the majority of the members of the Board of Directors, the Executive Committee, the Audit Committee and the Supervisory Committee; and
2. a scheme of special majority requirements for the approval by the Board of Directors and/or the Shareholders, as applicable, 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) acquisitions of certain assets, viii) sales of certain assets, ix) increases of capital stock, x) incurring indebtedness above certain limits, xi) capital investments in infrastructure, plant and equipment

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above certain amounts, xii) related party transactions, xiii) contracts that impose restrictions on the distribution of dividends, xiv) new lines of business or the discontinuation of existing ones, and xv) actions to be taken in insolvency situations, among others.

Pursuant to the Agreement, (a) Fintech Telecom LLC and the Company (i) will each contribute certain shares of Telecom to a voting trust (the "Voting Trust") which, once the shares in Telecom Argentina held by the Company are incorporated, will exceed fifty percent (50%) of the outstanding shares after the Merger becomes effective, 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 shares under the Voting Trust shall be voted as per the instructions of the co-trustee appointed by the Company, except in the case of certain issues subject to veto under the agreement, 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, and (b) subject to the fulfillment by the Company and Fintech Telecom LLC of certain ownership thresholds regarding the shares of Telecom Argentina, the Company will be entitled to appoint the general manager and other key employees of Telecom Argentina and Fintech Telecom LLC will be entitled to appoint the chief financial officer and the internal auditor.

On July 7, 2017, the Company also accepted an offer for an irrevocable 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 Argentina (which represents approximately 6% of Telecom Argentina's capital stock once the Merger becomes effective) for US\$ 634,275,282 (the "Option"). The maximum term established to exercise the option was one year as from July 7, 2017. The Company had to pay to Fintech Advisory Inc., within a term of thirty days as from July 7, 2017, an option premium of US\$ 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 Option for US\$ 634,275,282. As guarantee for the fulfillment of the outstanding obligations after the above-mentioned prepayment, Fintech Media LLC pledged in favor of the Company a 21.55% interest in VLG.

On December 27, 2017, the Company exercised the Option. As a result, it chose to receive an additional equity interest in VLG of 21.55% (which would represent an indirect interest of approximately 6% in Telecom's capital stock once the Merger becomes effective). In addition, within the framework of the Option, its price was finally established at US\$ 628,008,363. As a result of exercising said option, Fintech Media LLC became the holder of 28.45% of the capital stock of VLG and the Company became the holder of 71.55% of the capital stock of VLG.

Within the framework of the Merger, Fintech Media LLC and the Company undertook to carry out certain corporate reorganization processes and to separate and split the whole capital stock of VLG, between Fintech Media LLC and Cablevisión Holding, in proportion to their respective holdings in VLG after the exercise of an Option in favor of the Company.

In view of the above, VLG started a corporate reorganization process whereby it spun off, in proportion to the respective holdings of its shareholders Fintech Media LLC (28.45%) and the Company (71.55%), a portion of its equity to create a new company called "VLG Argentina Escindida LLC", effective as of the Effective Date of the Merger. As a result of the above-mentioned spin-off process, the Company became the holder of 100% of VLG, which became the holder of 44,059 Class A shares of Cablevisión; and Fintech Media LLC became the holder of 100% of VLG Argentina Escindida LLC, which became the holder of 17,522 Class A shares of Cablevisión S.A.; in both cases together with all the rights inherent to those shares, including (i) the right to collect the dividends approved by the Board of Directors of Cablevisión on December 18, 2017, which resulted in VLG being entitled to collect \$ 1,497,194,601 and VLG Argentina Escindida LLC being entitled to collect \$ 595,425,311, and (ii) as a result of the exchange ratio approved by the shareholders of Cablevisión at the Extraordinary Shareholders' Meeting held on August 31, 2017, the right to receive new shares to be issued by Telecom Argentina at the Exchange Ratio provided under the Pre-Merger Commitment and the Final Merger Agreement, i.e.: VLG received 434,909,475 Class D common book-entry shares with nominal value of \$ 1 each and entitled to one vote per share of Telecom Argentina, representing 20.2% of the capital stock of said company, and VLG Argentina Escindida LLC received 172,960,890 Class A common book-entry shares with nominal value of \$ 1 each and entitled to one vote per share of Telecom Argentina, representing 8.0% of the capital stock of that company.

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As a result of the transactions described above, as from January 1, 2018, the Company became the holder of a 39.08% equity interest in Telecom Argentina after the Merger became effective.

As from January 1, 2018, (i) all the assets and liabilities, including the assets subject to registration, licenses, rights and obligations that belong to Cablevisión were incorporated to the equity of Telecom Argentina, (ii) Telecom Argentina continued with the operations of Cablevisión, thus generating the corresponding operating, accounting and tax effects, (iii) the management and representation of Cablevisión was taken over by the management and representatives of Telecom Argentina, and (iv) the Company became the legal controlling company of Telecom Argentina.

Telecom recorded the Merger under the acquisition method, as described under IFRS 3 and as a reverse acquisition whereby Cablevisión (acquirer for accounting purposes) absorbs Telecom (acquiree for accounting purposes.) See the accounting treatment of the merger between Telecom and Cablevisión under Note 3.d.5) - Specific matters relating to the merger between Telecom Argentina and Cablevisión.

The following are the net identifiable assets of Telecom as of January 1, 2018 incorporated to these consolidated financial statements. The figures disclosed below represent the best estimate made by the Company based on information available to date. If the Company obtains new information about the events and circumstances existing on the date of acquisition, it will introduce changes reassessing the fair value of the net assets already identified and/or identifying any additional assets or liabilities during the measurement period, which will not exceed one year as from the date of acquisition as provided under paragraph 45 of IFRS 3.

The identifiable consolidated assets and liabilities of Telecom Argentina incorporated to the consolidated financial statements as of January 1, 2018 and the impact of the amount paid in excess of the book value recorded in the consolidated statement of income for the three-month period ended March 31, 2018 are the following:

	Telecom (1)	AREA (2)	Effect of the Merger IFRS 3 (3)	Total incorporated net identifiable consolidated assets
ASSETS				
Cash and Cash Equivalents	2,831	-	-	2,831
Trade Receivables	8,636	157	(656)	8,137
Other Current Assets	6,771	-	32	6,803
Total Current Assets	18,238	157	(624)	17,771
Deferred Income Tax Assets	626	-	(624)	2
Investments	2,657	-	3	2,660
Goodwill	2	-	59,653	59,655
Property, Plant and Equipment ("PP&E")	28,538	-	34,209	62,747
Intangible Assets	7,096	(85)	33,175	40,186
Other Non-Current Assets	431	125	(125)	431
Total Non-Current Assets	39,350	40	126,291	165,681
Total Assets	57,588	197	125,667	183,452
LIABILITIES				
Total Current Liabilities	21,987	-	7	21,994
Deferred Income Tax Liabilities	48	83	16,610	16,741
Other Non-Current Liabilities	11,674	-	18	11,692
Total Non-Current Liabilities	11,722	83	16,628	28,433
Total Liabilities	33,709	83	16,635	50,427
SHAREHOLDERS' EQUITY	23,879	114	109,032	133,025
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	57,588	197	125,667	183,452

- (1) As it arises from the consolidated financial statements of Telecom as of December 31, 2017 approved by the Board of Directors of that company on March 7, 2018.
(2) Adjustment to net income from prior fiscal years corresponding to Telecom Argentina due to the application of IFRS 9 and 15 as from fiscal year 2018. (See Note 3 t and 3 u).
(3) Adjustment to fair value under IFRS 3 of the book value of Telecom's net assets.

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Interest attributable to the shareholders of the controlling company on the net identifiable assets.
Interest attributable to the non-controlling interest on the net identifiable assets.

51,468
81,557
133,025

	Impact on the consolidated income statement of the amount paid in excess of book value allocated in 1Q 2018.
Revenues	(6)
Operating Costs	(80)
Operating Income before Depreciation and Amortization	(86)
Depreciation, Amortization and Impairment of PP&E	(1,576)
Operating Income	(1,662)
Financial Results, net	6
Income before Income Tax Expense	(1,656)
Income Tax	497
Net Income	(1,159)

In these interim consolidated financial statements, the merger has been considered as a transaction carried out with a non-controlling interest which does not result in a loss of control in the subsidiary that became the acquirer under the merger for accounting purposes. The incorporation of the identifiable consolidated net assets of Telecom, measured at fair value on the date of acquisition and the change in the interest generated an adjustment between the book value of the controlling interest and that of the non-controlling interest to reflect their relative interests in the subsidiary.

The above-mentioned adjustment was the result of: i) the incorporation of the identifiable consolidated assets and liabilities of Telecom attributable to the shareholders of the controlling company, net of the consideration paid under the call option mentioned above; ii) the recognition of a larger interest attributable to non-controlling interests in the net assets of Cablevisión measured at book value as of December 31, 2017, as a consequence of the change in the equity interest and; iii) the recognition of an interest attributable to the non-controlling interest in the identifiable consolidated net assets of Telecom. The net effect was recognized under the item "Other Reserves" in the consolidated statement of changes in equity.

b) Corporate Reorganization of Cablevisión

b.1) 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, would 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. That merger was approved by the shareholders of Cablevisión at the Extraordinary Shareholders' Meeting held on May 17, 2017. On July 11, 2017, the public deed related to the pre-merger commitment was issued.

On September 18, 2017, the ENACOM authorized, 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.

As a result of the above-mentioned corporate reorganization process, the Absorbed Companies were dissolved without liquidation and Cablevisión assumed 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, or any that may exist or arise due to previous or subsequent acts or activities.

On December 1, 2017, the CNV issued Resolution RESFC-2017-19134-APN-DIR#CNV, whereby it granted the administrative approval of the above-mentioned merger and, on February 23, 2018, the merger was registered with the IGJ under No. 3,469, Book 88 Volume of Stock Companies.

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b.2) 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- 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 reorganization 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.

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 the LAD and the LSCA, 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.

In view of the above, Cablevisión made a filing with the ENACOM in order to inform that Agency of the corporate reorganization 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 broadcasting 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 reorganization process. On August 25, 2017, the ENACOM authorized, 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) Corporate Reorganization of Telecom Argentina

c.1) Redemption of the shares of Sofora

In March 2017, WAI offered Sofora and, Sofora, with the consent of Fintech, its controlling shareholder, accepted an offer to redeem in two tranches all of the 140,704,640 shares issued by Sofora held by WAI pursuant to Articles 223 and 228 of the LGS. As a result of the redemption, Sofora agreed to pay to WAI an amount equal to the nominal value of the shares issued by Sofora, equivalent to \$ 140,704,640 and issue in the name of WAI one or more bonds given in exchange for the redeemed shares (the “Class A Exchange Bonds”) which will serve as proof of the rights of WAI to collect dividends for a total amount of up to US\$ 470 million less the amounts paid to redeem the shares of Sofora held by WAI (equivalent to US\$ 8,683,596.)

Subsequently, bonds in exchange for the redeemed shares were issued in two tranches for a total of US\$ 461,316,404 (the first tranche on May 23, 2017 for US\$ 245,036,017, and the second tranche on June 22, 2017 for US\$ 216,280,387), together with the respective agreed-upon stock redemption.

The main general terms and conditions of the issuance of the Class A Exchange Bonds provided that: (i) they will only grant rights to collect declared dividends at the sole discretion of Sofora for up to the maximum amount provided under the respective bond; (ii) they will be entitled to collect the amount of dividends provided for in the respective bond in preference to the other shareholders of Sofora; (iii) all the payments under those bonds shall be made with realized and liquid profits of Sofora; (iv) the maximum amount of dividends receivable under those bonds shall increase on June 1 of each year for an amount equivalent to 2% per annum applied to the outstanding balance as of May 31 of each year; (v) they may be redeemed by

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Sofora at any time after 36 months, counted as from the date of issuance or after payment of 60% of their value at the time of issuance, whichever occurs later; and (vi) in the event Sofora is absorbed by another company that continues with the activities of Sofora, the preference under the Class A Exchange Bond will be maintained only with respect to those shares of the surviving company received by the shareholders of Sofora under the exchange ratio provided for under said merger so that this preference does not affect the other shareholders of the absorbing company, i.e., in the case of the reorganization mentioned in point c.2) of this note (the "Reorganization of the Telecom Group") the preference of the Class A Exchange Bond will only be verified with respect to Class A shares of Telecom Argentina received by Fintech and will not affect Class B shares or Class C shares of Telecom Argentina.

Taking into consideration that the Reorganization of the Telecom Group described in the next point has entered into effect, Telecom Argentina assumed all the rights and obligations of Sofora as issuer of the Class A Exchange Bonds. Under no circumstance the rights to collect dividends under the Class A Exchange Bonds shall affect the rights to collect dividends that belong to the holders of Class B Shares or Class C Shares or any other class of shares of Telecom Argentina.

The Exchange Bonds have been paid in full through the collection of the dividends to which such bonds were entitled.

c.2) Corporate Reorganization of the Telecom Group

On March 31, 2017, each of the Boards of Directors of Sofora, Personal and Nortel and Telecom Argentina approved a pre-merger commitment, whereby Telecom Argentina would absorb Nortel, Sofora and Personal in accordance with the provisions of Articles 82 and 83 of the LGS.

At the General Ordinary and Extraordinary Shareholders' Meetings of Telecom Argentina and Telecom Personal held on May 23, 2017 and the General Extraordinary Shareholders' Meetings of Nortel and Sofora held on May 22, 2017, the shareholders of such companies approved the Reorganization of the Telecom Group.

In addition, at the above-mentioned General Ordinary and Extraordinary Shareholders' Meeting of Telecom Argentina, the shareholders approved:

- i. the conversion of up to 161,039,447 Class A Shares, with nominal value of \$1 and entitled to one vote per share into the same number of Class B Shares, with nominal value of \$1 and entitled to one vote per share to be delivered to the holders of Preferred Class "B" Shares of Nortel, as explained in Section 4th of the related pre-merger commitment (the conversion was effective on December 15, 2017); 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 redemption of fully-paid shares in accordance with the provisions of Article 223 of LGS and allow the issuance of bonds given in exchange for redeemed shares according to the provisions of Article 228 on the mentioned Law.
- iii. The elimination of Section 9 of the Bylaws, which includes restrictions to the transfer of Class "A" Shares, which is effective since the authorization by the ENACOM of the dissolution of Nortel under 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 with the provisions of the corresponding pre-merger commitment.

On March 21, 2018, the amendment of the Bylaws mentioned in points ii) and iii) was registered with the IGJ.

At the Shareholders' Meetings of Personal, Nortel and Sofora, the shareholders approved the dissolution without liquidation of the respective companies pursuant to Article 94, subsection 7 of the LGS as a consequence of its incorporation to Telecom Argentina under the Reorganization of the Telecom Group.

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The companies involved in the Reorganization requested the ENACOM the following authorizations provided under the pre-merger commitment.

- a) ENACOM authorization for the release of the shares that comprised the second redemption tranche of Sofora's common shares (owned by WAI representing 15% of Sofora's capital stock) from 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. 111/2003 issued by the SC on December 10, 2003.
- b) ENACOM authorization 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 by way of conversion into Telecom Argentina's Class "B" Shares pursuant to the corresponding pre-merger commitment.
- c) ENACOM authorization 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 registrations 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 through Resolution No. RESOL-2017-5120-APN-ENACOM # MCO.

Since the Reorganization of the Telecom Group was approved at all the General and Special shareholders' meetings of the companies involved, and since the term for the opposition of creditors in accordance with the applicable regulations expired on November 13, 2017, Telecom Argentina, Nortel, Sofora, and Personal executed the final merger agreement, which was filed with the Argentine regulatory authorities in accordance with the respective applicable regulations.

On November 24, 2017, Telecom, Personal, Nortel and Sofora were served with Resolution No. 2017-4545-APN-ENACOM#MM, whereby the ENACOM granted the authorizations mentioned in sections b) and c) mentioned above.

The effective date of the reorganization of the Telecom Group began at 0.00 hs of December 1, 2017, date on which the Chairmen of the Boards of Directors of the companies that were part of the Telecom Group signed the Minutes relating to the Transfer of Operations.

As a consequence of the reorganization and effective as of the date thereof: (i) all the equities of Sofora, Personal and Nortel were fully transferred to Telecom Argentina at the book values of such items stated in the respective special-purpose unconsolidated financial statements. According to this, Telecom Argentina acquired all rights, obligations and responsibilities of any nature of Personal, Sofora and Nortel; (ii) Telecom Argentina is the surviving company of all the activities developed by Personal, Sofora and Nortel; (iii) Personal, Sofora and Nortel were dissolved without liquidation. On March 21, 2018, the Reorganization and the dissolution without liquidation of each of the absorbed companies was registered with the IGJ.

As a consequence of the Reorganization of the Telecom Group:

- A portion of the Class A Shares issued by Telecom Argentina was distributed to Fintech as the only holder of the common shares of Sofora;
- The remaining Class A Shares issued by Telecom Argentina were converted into Class B Shares of Telecom Argentina;
- All Class B Shares issued by Telecom Argentina held by Nortel (including Class B Shares as a result of the conversion mentioned above) were distributed to the holders of Nortel Class B Preferred Shares.

Telecom Argentina did not issue any new Class B Shares or Class A Shares in connection with the Reorganization of the Telecom Group.

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NOTE 5 – CASH AND CASH EQUIVALENTS AND INVESTMENTS. ADDITIONAL INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS**a) Cash and Cash Equivalents and Investments**

The breakdown of cash and cash equivalents and investments is as follows:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
<u>Cash and Cash Equivalents</u>		
Cash and Banks	2,739	3,497
Time Deposits	1,732	427
Mutual Funds	1,297	948
Other Investments at fair value	2,742	7
Other Investments at Amortized Cost	195	-
Total Cash and Cash Equivalents	8,705	4,879
<u>Investments</u>		
<u>Current</u>		
Notes and Bonds at Fair Value	624	34
Notes and Bonds at Amortized Cost	236	2
Mutual Funds	1,985	74
Other Investments at fair value	217	-
Total Current Investments	3,062	110
<u>Non-Current</u>		
Notes and Bonds at Amortized Cost	2,652	-
Investments in Associates (*)	301	256
VLG – Acquired shares to be received (1)	-	10,945
Trust “Complejo industrial de Telecomunicaciones 2003”	1	-
Total Non-Current Investments	2,954	11,201

(1) As of December 31, 2017, the only thing pending was the formal delivery of the shares, whereby Cablevisión Holding became the holder for all purposes of 71.55% of VLG’s capital stock.

(*) The information on investments in associates is detailed below:

Financial Position Information

Companies	Main business activity	Country	Interest in Capital and Votes	Valuation as of 03.31.2018	Valuation as of 12.31.2017
Ver T.V. S.A. (1)	Cable Television Station	Argentina	49.00	165	141
Teledifusora San Miguel Arcángel S.A. (1) (2) (3)	Cable Television Station	Argentina	50.10	69	60
La Capital Cable S.A. (2)	Closed-Circuit Television	Argentina	50.00	50	43
Other investments valued under the equity method				17	12
VLG – Acquired shares to be received (4)				-	10,945
Total				301	11,201

(1) The data about the issuer arise from non-accounting information.

(2) Direct and Indirect Interest.

(3) Even though the Company has an interest of more than 50%, it does not exercise control or significant power in accordance with the requirements of IFRS.

(4) As of December 31, 2017, the only thing pending was the formal delivery of the shares, whereby Cablevisión Holding became the holder for all purposes of 71.55% of VLG’s capital stock as of that date.

Information on Income

	<u>March 31, 2018</u>
Ver TV S.A.	25
Teledifusora San Miguel Arcángel S.A.	10
La Capital Cable S.A.	8
Total	43

b) Additional Information about the Consolidated Statement of Cash Flows

The Company applies the indirect method to reconcile the net income for the period with the cash flows generated by its operations.

In the preparation of the statements of cash flows, cash and cash equivalents comprise cash, bank current accounts and highly liquid investments (with maturities originally agreed-upon of three months or less).

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CABLEVISIÓN HOLDING S.A.

Registration number with the IGJ: 1,908,463

Bank overdrafts are disclosed in the statement of financial position as financial debts because they are part of the ongoing short-term financing structure of the Telecom Group.

The breakdown of changes in assets and liabilities is detailed below:

	March 31, 2018
Net Decrease (Increase) of Assets	
Trade Receivables	(2,063)
Other Receivables	387
Inventories	(56)
	<u>(1,732)</u>
Net Increase (Decrease) of Liabilities	
Accounts Payable	1,155
Salaries and Social Security Payables	(842)
Taxes Payable	(696)
Other Liabilities and Provisions	201
	<u>(182)</u>

Main Financing Activities Components

The following table presents the financing activities components:

Bank Overdraft	71
Bank Loans	20,818
Proceeds from Financial Debt	<u>20,889</u>
Bank Loans	(10,460)
For Acquisition of Equipment	(269)
Payment of Financial Debt	<u>(10,729)</u>
Interests on Notes and Related Expenses	(106)
Interests on Bank Loans and Related Expenses	(505)
NDF, Purchase of Equipment and Other	84
Payment of Interest and Related Expenses	<u>(527)</u>

Distribution of dividends of Telecom

• **Fiscal Year 2018**

On January 31, 2018, the Board of Directors of Telecom Argentina approved:

1. the reversal of \$9,729,418,019 Argentine pesos of the "Reserve for future cash dividends" of Telecom Argentina as of December 31, 2017, and its distribution as cash dividends in two installments: i) \$2,863,000,000 Argentine pesos on February 15, 2018 and ii) \$6,866,418,019 Argentine pesos on April 30, 2018. The Board of Directors was vested with the power to make such payment on an earlier date if it deemed it convenient in the future;
2. The distribution of \$5,640,728,444 Argentine pesos as interim cash dividends pursuant to Article 224, 2nd paragraph of the General Associations Law, corresponding to the net profit (liquid and realized) of the period between January 1, 2017 and September 30, 2017, as reflected in the Special-Purpose Unconsolidated Financial Statements of Telecom Argentina as of September 30, 2017, which were settled on February 15, 2018; and
3. The distribution of \$4,502,777,155 Argentine pesos as distribution of interim cash dividends pursuant to Article 224, 2nd paragraph of the General Associations Law, corresponding to the net profit (liquid and realized) of the period between January 1, 2017 and September 30, 2017, as reflected in the Special-Purpose Unconsolidated Financial Statements of Cablevisión S.A.-absorbed by Telecom Argentina- as of September 30, 2017, which were settled on February 15, 2018.

On February 15, 2018 and March 21, 2018, Telecom paid dividends for \$ 13,006,505,599 and \$ 6,866,418,019, respectively, corresponding to the above-mentioned distributions.

Payment of Dividends declared by Cablevisión

On January 8, 2018, Telecom Argentina, as surviving company of Cablevisión paid the dividends declared by Cablevisión on December 18, 2017 for \$4,077,790,056 Argentine pesos.

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Distribution of dividends of associates

During the first quarter of 2018, the Company collected dividends from Ver T.V. for \$12 million. Those dividends were distributed during 2017 and, as of December 31, 2017, they were pending collection.

During the first quarter of 2018, the Company collected dividends from Teledifusora San Miguel Arcángel S.A. for \$6 million. Those dividends were distributed during 2017 and, as of December 31, 2017, they were pending collection.

Additional Information Required under IAS 7

	<u>Balances as of December 31, 2017</u>	<u>Incorpor ation under merger</u>	<u>Cash flows</u>	<u>Accrual of interest</u>	<u>Exchange Differences and effect of currency translation</u>	<u>Balances as of March 31, 2018</u>
Bank Overdraft	-	135	71	-	-	206
Bank Loans - principal	13,989	8,194	10,337	147	1,072	33,739
Notes - principal	9,325	2,158	(78)	-	1,011	12,416
NDF	-	17	61	19	(91)	6
Interest accrued and related expenses	14	1,758	(512)	647	720	2,627
Acquisition of equipment	1,316	-	(246)	21	97	1,188
Companies under Article 33 of General Associations Law No. 19,550, as amended	4	-	-	-	-	4
Total Current and Non-Current Debt (Note 13)	24,648	12,262	(a) 9,633	834	2,809	50,186

(a) Corresponds to loans in the amount of \$20,889 million, payment of principal for \$10,729 million and payment of interest and related expenses for \$527 million.

NOTE 6 – TRADE RECEIVABLES

The breakdown of trade receivables is as follows:

	<u>March 31, 2018</u>	<u>March 31, 2017</u>
Current		
Trade Receivables	12,987	2,196
Contract Asset under IFRS 15 (Note 3.t)	85	-
Companies under Article 33 of General Associations Law No. 19,550, and related parties (Note 27)	45	40
Allowance for Bad Debts	(2,040)	(483)
	11,077	1,753
Non-Current		
Trade Receivables	13	-
Contract Asset under IFRS 15 (Note 3.t)	49	-
	62	-
Total Trade Receivables, Net	11,139	1,753

The evolution of the allowance for bad debts is as follows:

	<u>March 31, 2018</u>
Balances at the beginning of the year:	(483)
Addition under the Merger (Note 4.a)	(596)
AREA IFRS 9 (Note 3.u)	(665)
Increases - Bad Debts (Note 23)	(613)
Uses of the Allowance and Currency Translation	317
Balances at period-end	(2,040)

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NOTE 7 – OTHER RECEIVABLES

The breakdown of Other Receivables is as follows:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
<u>Current</u>		
Prepaid Expenses	1,155	408
Tax Credits	270	98
Advances to Suppliers	109	28
Accounts pending settlement	98	-
Deposits in Guarantee	96	76
Reimbursement of Expenses	87	-
Rental of sites to operators	80	-
financial NDF (Note 21)	71	-
Restricted Funds	67	18
Receivables with Minority Shareholders	19	-
Companies under Article 33 of General Associations Law No. 19,550, and related parties (Note 27)	109	118
Other	303	210
Subtotal	2,464	956
Allowance for Other Debts	(23)	-
	<u>2,441</u>	<u>956</u>
	<u>March 31, 2018</u>	<u>December 31, 2017</u>
<u>Non-Current</u>		
Prepaid Expenses	288	30
Advances to Suppliers	300	165
Receivables under Res. No. 41/07 and IDC	56	-
Tax Credits	57	40
Restricted Funds	51	-
Financial NDF (Note 21)	51	-
Regulatory Receivables (Núcleo)	43	-
Deposits in Guarantee	22	-
Credit of indemnity for Tuves Paraguay acquisition	33	-
Other	9	2
Subtotal	910	237
Allowance for Trade Receivables under Res. No. 41/07 and IDC	(56)	-
Allowance for Regulatory Receivables (Núcleo)	(7)	-
	<u>847</u>	<u>237</u>
Total Other Receivables, Net	3,288	1,193

The evolution of the allowance for other current receivables is as follows:

	<u>March 31, 2018</u>
Balances at the beginning of the year:	-
Addition under the Merger (Note 4.a)	(23)
Balances at period-end	<u>(23)</u>

The evolution of the Allowance for Trade Receivables under Res. No. 41/07 and IDC is as follows:

	<u>March 31, 2018</u>
Balances at the beginning of the year:	-
Addition under the Merger (Note 4.a)	(56)
Balances at period-end	<u>(56)</u>

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The evolution of the allowance for non-current regulatory receivables is as follows:

	<u>March 31,</u>	
	<u>2018</u>	-
Balances at the beginning of the year:		
Addition under the Merger (Note 4.a)		(7)
Balances at period-end		<u>(7)</u>

NOTE 8 – INVENTORIES

The breakdown of inventories is as follows:

	<u>March 31, 2018</u>	<u>December 31,</u>	
		<u>2017</u>	
Mobile Handsets and Other	1,696		-
Radio Equipment and Other	96		115
Fixed telephones and equipment	19		-
Inventories for construction projects	271		-
Subtotal	<u>2,082</u>		<u>115</u>
Allowance for Obsolescence of Inventories	(69)		(32)
	<u>2,013</u>		<u>83</u>

The evolution of the allowance for Obsolescence of Inventories is as follows:

	<u>March 31,</u>
	<u>2018</u>
Balances at the beginning of the year:	(32)
Addition under the Merger (Note 4.a)	(47)
Increases	(5)
Uses of Allowances	15
Balances at period-end	<u>(69)</u>

NOTE 9 – GOODWILL

	<u>March 31, 2018</u>	<u>December 31,</u>	
		<u>2017</u>	
Telecom Argentina (Note 4.a) ⁽¹⁾	59,655		-
Telemas S.A. ⁽²⁾	451		399
Cablevisión Businesses	3,185		3,185
Total	<u>63,291</u>		<u>3,584</u>

(1) Includes \$2 million corresponding to the goodwill of Tuves Paraguay.

(2) Indirect subsidiary of Telecom, through its interest in Adesol. The change arises from the cumulative translation adjustment.

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
PP&E before Allowances	87,184	22,125
Allowance for Obsolescence and Impairment of Materials	(222)	(57)
Allowance for Impairment of PP&E	(342)	-
	<u>86,620</u>	<u>22,068</u>

The evolution of the allowance for Obsolescence and Impairment of Materials is as follows:

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	March 31, 2018
Balances at the beginning of the year:	(57)
Addition under the Merger (Note 4.a)	(144)
Increases	(21)
Balances at period-end	(222)

The evolution of the allowance for Impairment of PP&E is as follows:

	March 31, 2018
Balances at the beginning of the year:	-
Addition under the Merger (Note 4.a)	(305)
Increases	(37)
Balances at period-end	(342)

The following is a detail of the items and evolution of PP&E:

	Gross value as of December 31, 2017	Addition under the Merger (Note 4.a)	CAPEX	Effect of Currency Translation	Transfers and Reclassifications	Retirement s	Gross value as of March 31, 2018
Real Property	698	15,005	-	37	26	-	15,766
Switching Equipment	-	10,715	25	165	39	-	10,944
Fixed Network and Transport	12,371	34,828	873	238	1,074	(380)	49,004
Mobile Network Access	30	12,794	-	175	524	(57)	13,466
Antenna Support Structure	44	3,996	-	57	50	-	4,147
Power Equipment and Installations	-	5,791	-	50	110	-	5,951
Computer Equipment	1,447	14,908	115	287	209	-	16,966
Goods under Loans for Use	2,696	1,037	261	62	501	(429)	4,128
Vehicles	420	1,071	154	5	-	(25)	1,625
Machinery, Equipment and Tools	619	966	3	4	23	-	1,615
Other	58	555	-	10	11	-	634
Asset retirement obligations	90	-	-	-	-	(1)	89
Works-In-Progress	5,277	4,138	2,671	14	(2,567)	(5)	9,528
Materials	4,118	2,570	1,250	17	-	(59)	7,896
Total	27,868	108,374	5,352	1,121	-	(956)	141,759

	Accumulated Depreciation as of December 31, 2017	Addition under the Merger (Note 4.a)	Depreciation for the Period	Effect of Currency Translation	Retirements and Reclassificati ons	Accumulated Depreciation as of March 31, 2018	Net carrying value as of March 31, 2018	Net carrying value as of December 31, 2017
Real Property	(149)	(1,870)	(159)	(28)	-	(2,206)	13,560	549
Switching Equipment	-	(8,209)	(173)	(149)	-	(8,531)	2,413	-
Fixed Network and Transport	(3,915)	(14,173)	(1,596)	(147)	374	(19,457)	29,547	8,456
Mobile Network Access	(27)	(5,025)	(300)	(119)	31	(5,440)	8,026	3
Antenna Support Structure	(9)	(952)	(64)	(30)	-	(1,055)	3,092	35
Power Equipment and Installations	-	(2,084)	(174)	(33)	-	(2,291)	3,660	-
Computer Equipment	(442)	(10,664)	(582)	(251)	-	(11,939)	5,027	1,005
Goods under Loans for Use	(422)	(886)	(503)	(53)	429	(1,435)	2,693	2,274
Vehicles	(239)	(267)	(67)	(3)	12	(564)	1,061	181
Machinery, Equipment and Tools	(499)	(814)	(33)	(2)	-	(1,348)	267	120
Other	(38)	(234)	(22)	(10)	-	(304)	330	20
Asset retirement obligations	(3)	-	(3)	-	1	(5)	84	87
Works-In-Progress	-	-	-	-	-	-	9,528	5,277
Materials	-	-	-	-	-	-	7,896	4,118
Total	(5,743)	(45,178)	(3,676)	(825)	847	(54,575)	87,184	22,125

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NOTE 11 - INTANGIBLE ASSETS

The following is a detail of the items and evolution of Intangible Assets:

	Gross value as of December 31, 2017	Addition under the Merger (Note 4.a).	CAPEX	Effect of Currency Translation	Retirements	Gross value as of March 31, 2018		
3G/4G Licenses	1,860	13,004	-	-	-	14,864		
PCS license (Argentina)	-	7,208	-	-	-	7,208		
PCS License (Núcleo)	-	1,153	471	-	122	1,746		
SRCE License	517	-	-	-	-	517		
Customer Portfolio	-	12,307	-	-	31	11,938		
Brands	-	8,825	-	-	(400)	8,825		
Incremental Costs from the Acquisition of Contracts	-	-	227	-	-	227		
Other	225	2,438	-	-	26	2,689		
Total	2,602	(*) 44,935	698	179	(400)	48,014		

	Accumulated Amortization as of December 31, 2017	Addition under the Merger (Note 4.a).	Amortization for the Period	Effect of Currency Translation	Retirem ents	Accumulated Amortization as of March 31, 2018	Net carrying value as of March 31, 2018	Net carrying value as of December 31, 2017
3G/4G Licenses	-	(1,006)	(217)	-	-	(1,223)	13,641	1,860
PCS license (Argentina)	-	(70)	-	-	-	(70)	7,138	-
PCS License (Núcleo)	-	(1,153)	(8)	(105)	-	(1,266)	480	-
SRCE License	(39)	-	-	-	-	(39)	478	478
Customer Portfolio	-	(1,626)	(676)	(17)	400	(1,919)	10,019	-
Brands	-	-	-	-	-	-	8,825	-
Incremental Costs from the Acquisition of Contracts	-	-	(20)	-	-	(20)	207	-
Other	(210)	(894)	(14)	(23)	-	(1,141)	1,548	15
Total	(249)	(*) (4,749)	(935)	(145)	400	(5,678)	42,336	2,353

(*) Includes AREA for \$(85) million. See Note 3. t).

NOTE 12 - Accounts Payable

This item includes payables from:

- 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

CurrentSuppliers and Trade Provisions
Companies under Article 33 of General Associations Law No.
19,550, and related parties (Note 27)**March 31, 2018** **December 31, 2017**

15,754 3,586

417 300

16,171 **3,886****Non-Current**

Suppliers and Trade Provisions

107 -

107 -**Total Accounts Payable** **16,278** **3,886**See our report dated
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PRICE WATERHOUSE & CO. S.R.L.

(Partner)

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NOTE 13 – FINANCIAL DEBT

The item Financial Debt is composed as follows:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
<u>Current</u>		
Bank Overdraft - Principal	206	-
Banks and other Financial Institutions - principal	25,226	2,818
Notes - principal	2,341	-
Acquisition of equipment	819	852
NDF (Note 21)	6	-
Interest accrued and related expenses	1,683	38
Companies under Article 33 of General Associations Law No. 19,550, and related parties (Note 27)	4	4
	<u>30,285</u>	<u>3,712</u>
<u>Non-Current</u>		
Notes - principal	10,075	9,325
Banks and other Financial Institutions - principal	8,513	11,171
Acquisition of equipment	369	465
Interest accrued and related expenses	944	(25)
	<u>19,901</u>	<u>20,936</u>
Total Debt	<u><u>50,186</u></u>	<u><u>24,648</u></u>

13.1 Telecom and Subsidiaries**Bank Overdraft**

As of March 31, 2018, Telecom Argentina had a bank overdraft balance of approximately \$206 million.

Banks and other Financial Institutions

The following are the main terms of the bank loans as of March 31, 2018:

IFC and IIC Loans

On July 5, 2016, Personal had accepted an offer from the International Finance Corporation (IFC, member of World Bank Group) for the assessment and transfer of funds to finance investment needs, working 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 eight equal semi-annual installments starting on the 30th month, with a six-month LIBO rate + 400bp. This loan will be used to deploy the 4G network and refinance short-term financial liabilities. The loan terms include standard affirmative and negative covenants 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 million).

On April 7, 2017, Personal and the Inter-American Investment Corporation (“IIC”), a member of the Inter-American Development Bank Group, signed a loan agreement for an amount of US\$ 100 million maturing in September 2022, payable in eight equal semi-annual installments starting on the 24th month, with a six-month LIBO rate + 400bp. The funds of this loan were allocated to deploy the 4G network and to finance working capital and other financial needs. The loan terms include standard affirmative and negative covenants for this type of financial transactions.

The funds were effectively disbursed by IIC on September 18, 2017 (approximately \$1,723 million).

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Syndicated Loan

At its meeting held on January 31, 2018, the Board of Directors of Telecom Argentina approved the execution of a syndicated loan agreement for an aggregate amount of up to US\$ 1 billion, which will accrue interest at an annual rate equal to LIBOR for each period of interest accrual plus an applicable margin.

On February 2, 2018, Telecom entered into a syndicated loan agreement with Citibank, NA, HSBC México, S.A., Institución De Banca Múltiple, Grupo Financiero HSBC, Industrial and Commercial Bank of China Limited, JPMorgan Chase Bank, NA and Banco Santander, S.A., in their capacity as lenders, Citigroup Global Markets Inc, HSBC México, S.A., Institución De Banca Múltiple, Grupo Financiero HSBC, Industrial and Commercial Bank of China Limited, JPMorgan Chase Bank, NA and Santander Investment Securities Inc., as arrangers, Citibank NA as an administrative agent, and the branch of Citibank NA in Argentina, as the local collateral agent, for an aggregate amount of US\$ 1,000 million. On February 9, 2018 and on March 9, 2018, Telecom requested disbursements for US\$ 650 million and US\$ 350 million, respectively, under the Syndicated Loan Agreement which expires in February 2019. The funds from the loans were used to finance capital expenditures, working capital and other general corporate purposes. The Loan accrues interest at an annual rate equivalent to LIBO rate, plus the following margins: 1.25 percentage points during the first four months, 1.50 percentage points during the following two months, 1.75 percentage points during the following three months and 2.25 percentage points during the last three months before the maturity date. Interest is paid on a quarterly or semi-annual basis, at the choice of Telecom. Telecom is authorized to make voluntary prepayments at any time without any premium or penalty. Said company shall be obliged to make a prepayment under the loans if it requests any loans (without the payment of a premium) for net cash amounts under bilateral or syndicated bank financing loans exceeding US\$ 500 million, or in case of collateralized offerings or private placements of debt securities denominated in a currency other than the Argentine peso made by Telecom subject to laws other than Argentine Laws with a term of at least three years. Telecom shall be obliged to make a prepayment under the loans in the event of a change of control, at the option of each lender.

Other Bank Loans

- a) US\$ 5.1 million under a loan agreement executed with Banco ICBC to finance imports, accruing interest at an average annual rate of 6.0%, due in January 2022, and
- b) US\$ 5.3 million under a loan agreement executed with Banco Itaú to finance imports, accruing interest at an average annual rate of 5.0%, due in February 2020.

Loans borrowed by Núcleo

The following table summarizes Núcleos' outstanding loans with different local financing entities in Paraguay and their main terms as of March 31, 2018:

Principal (in millions of Guaranies)	Amortization Term	Book value (in millions of \$)	
		Current	Non-Current
80,000	1.9 years	145	145
33,000	1.7 years	69	51
283,000	5.9 years	-	1,026
396,000		214	1,222

The average annual rate of these loans is approximately 8.41% in Guaranies and the average amortization term of these loans is approximately 4.75 years.

The terms and conditions of the loans provide for certain events of default which are considered standard for this kind of financial transactions.

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Global Notes Programs

Cablevisión

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 US\$ 500,000,000 (or its equivalent in other currencies) to US\$ 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 Cablevisión; 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.

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 US\$ 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 US\$ 89,100,000).

On October 30, 2017, within the framework of the merger between Cablevisión and Telecom Argentina (Note 4.a), Cablevisión called for an Extraordinary Noteholders' Meeting in order to request its holders of Class A Notes the amendment and/or removal of certain clauses (or parts thereof) and 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.

On December 11, 2017, the holders of Class "A" Notes held an Extraordinary Noteholders' Meeting with a quorum of 81.8621626 % of the total capital and votes under the Notes. At that Shareholders' Meeting, the shareholders unanimously decided to approve the amendment and/or removal of certain clauses (or parts thereof) 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.

As a result of the amendment of the Indenture mentioned in the previous paragraph, the covenants undertaken by the issuer under its Notes include: (i) limitation on the issuance of guarantees by Cablevisión and its subsidiaries; (ii) merger by acquisition and consolidation, (iii) limitation on incurring debt above certain ratios, and (iv) limitation on the issuance and sale of significant subsidiaries' shares with certain exceptions, among others. Certain clauses that restricted sales of assets under certain conditions, certain payments and related party transactions under certain circumstances and the distribution of dividends were eliminated.

The Notes issued by Cablevisión were assumed by Telecom on January 1, 2018 as a result of the Merger.

Telecom Argentina

On December 28, 2017, Telecom Argentina held an Ordinary General Shareholders' Meeting at which the shareholders approved a Global Notes Program for an aggregate amount of up to US\$ 3,000 million or its equivalent in other currencies. The shareholders also vested in the Board of Directors the power to determine and amend the terms and conditions of the Program as well as to decide on the time of each issuance.

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PRICE WATERHOUSE & CO. S.R.L.

(Partner)

Andrés Riportella
Supervisory Committee

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CABLEVISIÓN HOLDING S.A.

Registration number with the IGJ: 1,908,463

Personal

At the Ordinary and Extraordinary General Shareholders' Meeting of Personal held on December 2, 2010, the shareholders of Personal approved the creation of a Global Notes Program for an aggregate amount of up to 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.

At the Ordinary General Shareholders' Meeting of Personal held on May 26, 2016, the shareholders of Personal authorized an extension of the due date and an increase in the Program's aggregate outstanding amount to up to US\$ 1,000 million or its equivalent in other currencies.

On October 20, 2016, the CNV authorized the extension and increase of the mentioned Program through Resolution No. 18,277. Under such Program, Personal issued notes in four series, three of which are outstanding as of March 31, 2018, under the following conditions:

a) Series II

Issuance Date: December 10, 2015.

Amount Issued: \$ 149,000,000

Maturity Date: 36 months as from its issuance date (December 10, 2018).

Repayment: Principal will be repaid in one installment in an amount equal to 100% of total principal, payable at maturity (December 10, 2018).

Interest Rate: The Series II notes accrue interest as from their Issuance Date, up to and including the ninth month, at an annual nominal fixed rate of 28.75%, and as from the beginning of the tenth month and until the Maturity Date, at a floating rate equal to the "Badlar Privada" rates published by the BCRA, plus 4.00% per annum.

Interest Payment Date: Interest will be paid quarterly in arrears as from the Issuance Date. The last interest payment date will be the Maturity Date.

b) Series III

Issuance Date: November 16, 2016.

Amount Issued: \$ 721,969,404.

Maturity Date: 18 months as from its issuance date (May 16, 2018).

Repayment: Principal will be repaid in one installment in an amount equal to 100% of the aggregate principal, at maturity (May 16, 2018).

Interest Rate: The Series III notes accrue interest as from the Issuance Date until the Maturity Date at a floating rate equal to the "Badlar Privada" rates published by the BCRA plus 2.90% per annum.

Interest Payment Date: Interest will be paid quarterly in arrears as from the Issuance Date. The last interest payment date will be the Maturity Date.

c) Series IV

Issuance Date: November 16, 2016.

Amount Issued: US\$ 77,900,400.

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Maturity Date: 24 months from the Issuance Date (November 16, 2018).

Repayment: Principal will be repaid in one installment in an amount equal to 100% of the aggregate principal, at maturity (November 16, 2018).

Interest Rate: The Series IV notes accrue interest as from the Issuance Date until the Maturity Date, at an annual nominal fixed rate of 4.85%.

Interest Payment Date: Interest will be paid quarterly in arrears as from the Issuance Date. The last interest payment date will be the Maturity Date.

The proceeds from the Series I (already settled), and Series II notes were used for the partial settlement of bank overdrafts that Personal had taken to finance the acquisition of 3G and 4G frequency bands. Funds from notes placement have been applied to “debt refinancing”.

The proceeds from the Series III and Series IV notes were used to cancel local bank overdrafts (“refinancing of liabilities”).

The terms and conditions of the Notes issued by Personal provide for certain events of default, which are usual for this type of transactions.

Pursuant to the terms of the Notes, the occurrence of any event of default allows the noteholders to demand the payment of the outstanding amount of principal and accrued interest, which shall be deemed due and payable at the time of such default (“acceleration clause”). The exercise of this acceleration right is generally optional for noteholders and is subject to the fulfillment of certain conditions.

The Notes issued by Personal were assumed by Telecom on December 1, 2017 as a result of the Reorganization.

As of the date of these interim consolidated financial statements, Telecom is in compliance with the covenants under its various loan agreements.

13.2 – Cablevisión Holding S.A.

On September 24, 2017, the Company 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 (US\$ 750,000,000). On September 25, 2017, the Company received communications from each of the Lenders, the Arrangers, the Collateral Agents and the Administrative Agent stating that they had accepted the Loan Offer, which was disbursed on September 28, 2017.

The loan accrues 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 and guarantees, which are usual for this type of financing.

Of the loan amount, US\$ 18.1 million were allocated to a reserve account, under the terms of the agreement. The Company shall maintain in that account, as of any given calculation date, an amount of cash that may

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not be lower than the aggregate amount of interest payable under the loan during the following six-month period. As of March 31, 2018, the balance of said reserve account included under the item "Other Assets" amounted to US\$ 6.9 million.

The funds from the loan were used, among other things, for the payment of the Exercise Price under the Option Agreement mentioned in Note 4.a) 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 equal 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 \$ 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 the 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. Subsequently, as a result of the merger between Telecom and Cablevisión mentioned in Note 4.a) to these consolidated financial statements, the Company approved the creation of a pledge on 297,346,243 shares of Telecom Argentina S.A. which, according to the exchange Ratio, are equivalent to 30,123 Class A book-entry common shares of Cablevisión S.A. As of the date of these interim consolidated financial statements, the lenders maintain a pledge on 122,845,773 shares of Telecom Argentina S.A. held by the Company.

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 US\$ 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 its own and of Cablevisión and to guarantee a minimum amount to pay dividends from its subsidiary Cablevisión.

On January 11, February 21, and March 27, 2018, the Company made partial prepayments of principal and interest in the amount of US\$ 148.6 million, US\$ 253.8 million and US\$ 132.6 million, respectively, pursuant to the terms and conditions of the Loan, which set out that the collections of dividends by the Company shall be applied to the prepayment of the Loan. As of the date of these consolidated financial statements, the outstanding principal amount of the Loan amounts to US\$ 217.3 million.

During the period covered by these interim consolidated financial statements, the Company complied with all covenants.

NOTE 14 - SALARIES AND SOCIAL SECURITY PAYABLES

Salaries and social security payables include unpaid salaries, vacation and bonuses and their related social security contributions and termination benefits.

The compensation policies applicable to Directors and Managers of the Group include 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 do not have stock option plans for their employees.

Salaries and social security payables consist of the following:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
<u>Current</u>		
Salaries, annual supplementary salary, vacations and bonuses	1,900	1,136
Social Security Payables	1,034	614
Termination Benefits	152	1
	<u>3,086</u>	<u>1,751</u>
<u>Non-Current</u>		
Termination Benefits	135	-
	<u>135</u>	<u>-</u>
Total Salaries and Social Security Payables	<u>3,221</u>	<u>1,751</u>

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The compensation paid to the Key Senior Management for the period ended March 31, 2018 is detailed in Note 27).

NOTE 15 - DEFERRED INCOME TAX ASSETS / LIABILITIES

The breakdown of net deferred income tax assets and liabilities and tax receivables related to reimbursement claims is detailed below:

	<u>March 31, 2018</u>	<u>December 31,</u> <u>2017</u>
Tax Loss Carryforwards	(3)	(3)
Allowance for Bad Debts	(340)	(182)
Provisions for Lawsuits and Other Contingencies	(860)	(268)
Inventories	(98)	-
Pension and Termination Benefits	(133)	-
Total Deferred Tax Assets	(1,434)	(453)
PP&E and Intangible Assets	1,602	746
Dividends from Foreign Companies	251	-
Mobile Handsets Financed Sales	130	-
Tax Effect of the Merger (Note 4.a).	16,737	-
Other Deferred Tax Assets and Liabilities, Net	13	(78)
Total Deferred Tax Liabilities	18,733	668
Total Deferred Tax Assets (Liabilities), Net	17,299	215
Tax Receivables Related to Reimbursement Claims	(774)	-
Net Deferred Tax Liability (*)	16,525	215
Net deferred tax assets - foreign companies	(50)	(44)
Net deferred tax assets - Argentine companies	(7)	(7)
Net deferred tax liabilities - Argentine companies	16,582	266

Deferred tax assets from unused tax loss carryforwards are recognized to the extent their realization is probable against future taxable profits. The Company did not recognize deferred tax assets corresponding to tax loss carryforwards for \$ 2,359 million, which may be offset against future taxable profits. The following is a detail of the expiration of those unrecognized tax loss carryforwards:

Expiration year	Amount of Tax Loss Carryforward
2022	1,225
2023	1,134

As of March 31, 2018, the Company's accumulated tax loss carryforwards amounted to approximately \$ 10 million, which calculated at the current tax rate, represent deferred tax assets in the amount of approximately \$ 3 million. The Company estimates that the non-recoverable tax loss carryforwards amounted to \$ 0.3 million as of that date.

The following is a detail of the expiration dates corresponding to the estimated tax loss carryforwards:

Company	Year in which the tax loss was generated	Amount of the tax loss as of 03.31.2018	Expiration year
Inter Radios S.A.	2015	7.5	2020
Pem	2016	1.1	2021
Inter Radios S.A.	2017	1.4	2022
		10.0	

The breakdown of income tax expense included in the consolidated statement of comprehensive income is the following:

	<u>March 31, 2018</u> <u>Income (loss)</u>
Tax	(1,966)
Deferred Tax	584
Income Tax	(1,382)

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The following is a detail of the reconciliation between income tax charged to net income and the income tax liability that would result from applying the corresponding tax rate on income before income tax:

	<u>March 31, 2018</u>
Income before Income Tax	3,731
Permanent Differences - Equity in Earnings from Associates	(43)
Permanent Differences - other	10
Subtotal	3,698
Average effective tax rate (*)	27.9%
Income Tax at the Average Effective Tax Rate	(1,032)
Tax loss carryforwards not recognized as deferred tax assets	(340)
Income Tax on Dividends from Foreign Companies	(10)
Income Tax on the Income Statement	(1,382)

(*) Effective tax rate based on average tax rate in the different countries where the Company has operations. The effective rate in Argentina is 30% for the years 2018-2019 and 25% for 2020 onwards (See Note 3.o). In Paraguay, effective tax rate is 10% plus an additional rate of 5% in case of distribution of dividends for all the periods presented and, in the USA, the effective tax rate was 39.5% for 2017 and 26.5% for 2018 onwards.

Income Tax - Reimbursement Claims 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 assessed its income tax liabilities pursuant to such laws, without taking into account the income tax inflation adjustment.

After the economic crisis of 2002, many taxpayers began to challenge the legality of the provisions suspending the income tax inflation adjustment. The Argentine Supreme Court issued its decision on 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 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 the one that took place in 2002.)

According to the above-mentioned new judicial precedents of which Telecom learned during 2015, and after making the corresponding assessments, Telecom Argentina filed during 2015, 2016 and 2017, reimbursement claims with the AFIP to claim the full tax overpaid for fiscal years 2009, 2010, 2011 and 2012 for a total estimated amount of \$509 million plus interest, under the argument that the inability to apply income tax inflation adjustment is confiscatory.

As of the date of these interim consolidated financial statements, the tax authority has not rendered a decision on those requests. However, Telecom's Management, with the assistance of its tax advisors, considers that the arguments presented in such reimbursement claims follow the same criteria as the Argentine Supreme Court's precedent cited above, among others. Therefore, the company should obtain a favorable resolution to such claims.

Consequently, the income tax assessed in excess qualifies as a tax credit under IAS 12 and Telecom recorded a non-current tax credit of \$774 million as of March 31, 2018. For the measurement and adjustment of the tax credit, Telecom has estimated the amount of the tax assessed in excess for fiscal years 2009-2017 by weighing the likelihood of the occurrence of certain variables according to the judicial precedents known to date. Telecom's Management will evaluate the Tax Authority's responses to the reimbursement claims filed by Telecom, as well as the evolution of case law on the matter at least on an annual basis, in order to re-assess the tax credit recorded.

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NOTE 16 - TAXES PAYABLE

The breakdown of Taxes Payable is as follows:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
<u>Current</u>		
Income Tax (*)	4,995	1,437
Other National Taxes	1,454	351
Provincial Taxes	291	23
Municipal Taxes	180	76
	<u>6,920</u>	<u>1,887</u>
<u>Non-Current</u>		
Other National Taxes (*)	2	3
	<u>2</u>	<u>3</u>
Total Taxes Payable	<u><u>6,922</u></u>	<u><u>1,890</u></u>

(*) Includes \$ 6 million corresponding to the Tax Regularization Regime under Law No. 26,476 as of March 31, 2018.

The information about the breakdown of income tax expense included in the income statement is disclosed in Note 15.

NOTE 17 – OTHER LIABILITIES

This item includes, among others, the following:

- revenues received from connection fees for fixed telephony, cable television, data and Internet, nonrefundable;
- revenues collected by remaining traffic and packages of data from unexpired cards;
- the value assigned to the points delivered by customer loyalty programs;
- the advanced collection of revenues from services of international capacity;
- the advanced collection of construction projects;
- pension benefits; and
- any liability not included in the other liability items.

The item Other Liabilities is broken down as follows:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
<u>Current</u>		
Deferred revenues on prepaid calling cards	505	20
Deferred revenues on connection fees	106	79
Deferred Revenues from Construction Projects	66	-
Mobile Customer Loyalty Program	104	-
Directors' and Supervisory Committee Members' Fees	62	-
Other	110	3
	<u>953</u>	<u>102</u>
<u>Non-Current</u>		
Pension Benefits (Note 3.m)	230	-
Deferred revenues on connection fees and intern. capacity rental	267	134
Mobile Customer Loyalty Program	161	-
Other	169	-
	<u>827</u>	<u>134</u>
Total Other Liabilities	<u><u>1,780</u></u>	<u><u>236</u></u>

The changes in the pension benefits are as follows:

	<u>March 31, 2018</u>
Balances at the beginning of the year:	-
Addition under the Merger (Note 4.a)	214
Service cost (*)	5
Interest cost (**)	15
Payments	(4)
Balances at period-end	<u><u>230</u></u>

(*) Included in Labor Costs and Severance Payments.

(**) Included in Other Financial Income and Expense, net

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NOTE 18 – PROVISIONS

The 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 for these contingencies, the Group's Management, based on the opinion of its 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, among other reasons, 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 March 31, 2018, the Group set up provisions for \$ 3,308 million (\$56 million to cover regulatory contingencies deducted from assets and \$ 3,252 million included under liabilities) and \$118 million deposited in the Group's bank accounts have been attached in various litigations (included under Other receivables).

Provisions consist of the following:

	Balances as of December 31, 2017	Addition under the Merger (Note 4.a)	Increases (recoveries)		Reclassifications	Payments	Balances as of March 31, 2018
			On Capital Stock	Interest (i)			
Current							
Lawsuits and Contingencies	-	406	-	-	41	(34)	413
Total Current Provisions	-	406	-	-	41	(34)	413
Non-Current							
Lawsuits and Contingencies	856	1,255	80	78	(41)	(17)	2,211
Asset Retirement Obligations	236	371	-	23	-	(2)	628
Total Non-Current Provisions	1,092	1,626	80	101	(41)	(19)	2,839
Total Provisions	1,092	2,032	(ii) 80	101	-	(53)	3,252

(i) Charged to Other Financial Income and Expense, net, interest on provisions.

(ii) \$ 76 million charged to Other Operating Income and Expense and \$ 4 million to Currency Translation Adjustments.

1. Probable Contingent Liabilities

Below is a summary of the most significant claims and legal actions for which provisions have been established:

a) Profit sharing bonds

Various legal actions are brought, mainly by former employees of Telecom Argentina against the Argentine government and Telecom Argentina, requesting that Decree No. 395/92 – which expressly exempted Telefónica and Telecom Argentina 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 found Decree No. 395/92 unconstitutional when resolving a similar case against Telefónica.

Following the Argentine Supreme Court's decision on this matter, several Courts of Appeal have ruled that Decree No. 395/92 is unconstitutional. As a result, in the opinion of Telecom Argentina's counsel, there is an increased probability that Telecom Argentina will have to face certain contingencies, notwithstanding the reimbursement right to which Telecom Argentina would be entitled against the National Government.

The Supreme Court's decision not only found the above-mentioned Decree unconstitutional, but also ordered that the proceedings be remanded to the court of origin so that such court shall decide which

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defendant must pay—the licensee and/or the Argentine government—and set the parameters that are 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.). There are no uniform criteria among the Courts in relation to each of these concepts.

On June 9, 2015, in re “Ramollino Silvana c/Telecom Argentina S.A.”, the Argentine Supreme Court, ruled that the profit sharing bonds do not apply to employees who joined Telecom Argentina after November 8, 1990 and who were not members of the PPP.

This judicial precedent is consistent with the criterion followed by Telecom Argentina for estimating provisions for these claims, based on the advice of its legal counsel, which considered remote the chances of paying compensation to employees who were not included in the PPP.

Statute of limitations criteria applied to claims: Argentine Supreme Court ruling “Dominguez v. Telefónica de Argentina S.A.”

In December 2013, the Argentine Supreme Court decided a case similar to the above-referred legal actions, “Domínguez v. Telefónica de Argentina S.A”, overturning a lower court ruling that had barred the claim as having exceeded the applicable statute of limitations because ten years had passed since the issuance of Decree No. 395/92.

The Argentine Supreme Court’s decision states that the Court of Appeals on Federal Civil and Commercial Matters must hear the case again to consider statute of limitations arguments raised by the appellants that, in the opinion of the Argentine Supreme Court , were not considered by the lower court and are relevant to the resolution of the case.

After the Argentine Supreme Court’s ruling and until the date of issuance of these consolidated financial statements, two chambers of the Court of Appeals on Federal Civil and Commercial Matters have issued opinions interpreting the doctrine developed by the Argentine Supreme Court 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 Court of Appeals on Federal Civil and Commercial Matters in Plenary Session “Parota c/ Estado Nacional y Telefónica de Argentina S.A.”

On February 27, 2014, the Court of Appeals on Federal Civil and Commercial Matters issued its decision in plenary session in the case “Parota, César c/ Estado Nacional”, as a result of a claim filed against Telefónica, ruling: *“that the amount of profit sharing bonds corresponding to former employees of Telefónica de Argentina 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 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 March 31, 2018, Telecom’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 judicial precedents as of the date of issuance of these interim consolidated financial statements.

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Federación Argentina de las Telecomunicaciones and Other v. Telecom Argentina S.A. on Profit Sharing

On June 3, 2013, Telecom was served with the claim entitled “Federación Argentina de las Telecomunicaciones y otros c/ Telecom Argentina S.A. s/ participación accionariado obrero.” The lawsuit was filed by four unions claiming the issuance of 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 have requested that the court declare that Decree No. 395/92 is 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, Telecom filed its response to the claim, arguing that labor courts lack jurisdiction over the matter. 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 appealed the judge’s ruling.

On December 12, 2013, the hearing took place and the intervening court deferred its decision the defense filed by the Company on the basis of the application of statutes of limitations to the moment of the final ruling, among other matters. It also ordered the plaintiff to provide evidence on the mandates granted by each individual to bring the claim against Telecom and suspended the proceeding until such evidence is filed with the court. 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 filed by Telecom on the basis of lack of jurisdiction is pending until the issue of the evidence requested by the court from the plaintiffs is resolved.

Telecom, based on the advice of its legal counsel, believes that there are strong arguments to defend its position in this claim, based, among other things, on the application of statutes of limitations to the claim relating to the unconstitutionality of Decree No. 395/92, the lack of active legal standing for a collective claim relating to the issuance of bonds—due to the existence of individual claims—in addition to arguments based on plaintiff’s lack of active legal standing.

b) Claims filed by former sales representatives of Personal and Nextel

Former sales representatives of Personal and Nextel 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. Telecom’s Management believes, based on the advice of its legal counsel, that certain items included in these claims should be dismissed, while other items, could be admitted by the court, albeit for amounts that are lower 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.

Telecom’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 the company estimates will not have a material adverse impact on the company’s results and financial position.

c) Sanctions imposed by The Regulator

Telecom is subject to various sanction procedures, in most cases promoted by the Regulatory Authority, for delays in repairs and service installations to fixed-line customers. Although generally a sanction considered on an individual basis does not have a material effect on the Company’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 to Telecom Argentina.

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In determining the provisions for regulatory charges and sanctions, Telecom'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 the application of statutes of limitation for charges and sanctions received, the current levels of enforcement of sanctions and the eventual results of legal actions that Telecom 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 ordinary course of business, in accordance with the legal and regulatory analysis performed as of March 31, 2018. If Telecom's and its legal advisors' arguments do not prevail, the Management of Telecom estimates that the amount of provisions for regulatory charges and sanctions might be increased by approximately \$ 78 million as of March 31, 2018.

2. Possible Contingencies

In addition to the possible contingencies related to regulatory matters described in Note 2 d) SU Fund in Telecom and in the last paragraph of the section on "Sanctions Imposed by The Regulator" mentioned above, the following is a summary of the most significant claims and legal actions for which no provisions have been established, although the final outcome of these lawsuits cannot be assured.

a) 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 radioel ctrico 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. Telecom's Management believes that it has solid legal arguments to defend its position. Such arguments were actually confirmed in the recitals of Resolution ENACOM No. 840/18. Therefore, Telecom filed the corresponding administrative response. Subsequently, on August 15, 2017, Personal was served notice of the charges for the differences in the amounts owed, and on August 31, 2017, it filed the corresponding administrative response. However, the company cannot assure that its arguments will be accepted by the ENACOM.

The difference resulting from both criteria is of approximately \$ 514 million since October 2016, plus interest.

b) "Consumidores Financieros Asociaci n Civil para su Defensa" claim

In November 2011, Personal was notified of a lawsuit filed by the "Consumidores Financieros Asociaci n 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 requested that Personal: 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 Naci n Argentina; and v) pay punitive damages provided by article 52 bis of Law No. 24,240.

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Personal filed its response in due course and presented its arguments for the dismissal of the lawsuit, with particular emphasis on the regulatory framework that explicitly endorses Personal's practices, now challenged by the plaintiff in disregard of such regulations.

The proceeding is now in the discovery stage. However, the judge has ordered the accumulation of this claim with two other similar claims against Telefónica Móviles Argentina S.A. and América Móvil S.A. ("Claro"). So, the three legal actions will continue within the Federal Civil and Commercial Court No. 9.

The plaintiffs are seeking damages for unspecified amounts. Although Telecom believes there are strong defenses that should result in a dismissal of the claim, in the absence of judicial precedents on the matter, Telecom's Management (with the advice of its legal counsel) has classified the claim as possible until a judgment is rendered.

c) "Proconsumer" - Lawsuit on changes in services prices

In June 2012, the Consumer Association "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 certain customers (with the "Abono fijo" plan) for a period of two months since the information inconsistencies alleged by the plaintiff.

Telecom's Management considers that Personal had adequately informed its clients of the changes to the terms and conditions of the service, and therefore, believes that this lawsuit should not succeed.

Telecom filed a response and challenged the jurisdiction of the court, which was dismissed by the Argentine Supreme Court. The Supreme Court ordered that the file be submitted to the commercial court. The lawsuit is in the discovery phase and both parties are preparing their evidence.

The Company's Management considers that there are solid arguments for the favorable resolution of this lawsuit. However, if it were to be resolved unfavorably, it would not have a significant impact on Telecom's results and financial position.

d) Proceedings related to value added services - Mobile contents

On October 1, 2015, Personal was notified of a claim brought by the consumer association "*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 Personal customers.

The plaintiff's claim relates to the manner in which content and trivia are contracted, in particular the allegedly improper billing of messages sent to solicit such services and of their subscription. Additionally, it proposes the application of a punitive damages to Personal.

This claim is substantially similar 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, such claims are at preliminary stages.

Personal has responded the claims and filed legal and factual defenses, requesting that the court summon third parties involved in the provision of VAS. Based on the advice of its legal counsel, Personal believes to have strong arguments for its defense in these lawsuits. However, given the absence of any case law, the final outcome of these claims cannot be assured.

e) Claims by certain Telecom Content Providers

Within the framework of the general reorganization of the content business undertaken by Personal in 2016, and given the expiration of agreements with content providers, certain providers were notified that such agreements would not be renewed.

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By virtue of that communication, four of those companies brought claims and obtained injunctions against Personal with the purpose of preventing the decision not to renew such contracts from becoming effective, thus forcing Personal to refrain from disconnecting or interrupting the contractual relationship on the scheduled dates.

On February 24, 2017, the ENACOM served notice on Personal of Resolution 2017-1122-APN-ENACOM # MCO (Resolution No. 1,122), which provided, with respect to content providers that qualify as Value Added Audiotext and Mass Calling Service Providers, that Mobile Operators may receive, as their total consideration, a percentage that shall not exceed 40% of the services invoiced on behalf of such providers. In addition, the Resolution sets forth a 30-day period to file with the ENACOM the interconnection contracts or their addenda, to ensure that contracts that are currently in effect that are related to the services rendered by the members of CAVAM conform to the Resolution.

On March 22, 2017, Personal's Management, with the assistance of its legal advisors and based on solid grounds, filed an administrative appeal against Resolution No. 1,122 before the former Ministry of Communications (MINCOM - currently the Ministry of Modernization.) In addition, Personal has brought legal actions to safeguard its rights.

It should be noted that Telecom has renewed the commercial agreements with most content providers and such contracts are still in force.

On September 29, 2017, the ENACOM served Personal with ENACOM Resolution No. 2,408/17, whereby it rejected the reconsideration appeals filed by Movistar and Claro against Resolution No. 1,122, and the suspension of the effects of said resolution requested by Personal, Movistar and Claro. In addition, in the same act, the ENACOM rejected the reconsideration appeal filed by Personal against ENACOM Note No. 29/17 (in connection with the supplier MOVICLIPS). The appeal filed by Personal against Resolution No. 1,122 with the former MINCOM is still pending resolution.

f) “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, in connection with 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. The claim is currently in the evidence phase.

In 2015, Telecom learned of an adverse court ruling in a similar lawsuit, promoted by the same consumers association against another mobile operator.

Telecom's Management, with the advice of its legal counsel, believes that it has strong arguments for its defense, but given the new court precedent, the outcome of this claim cannot be ensured.

g) Claims filed by unions in connection with union contributions

The unions FOEESITRA, SITRATEL, SILUJANTEL, SOEESIT, FOETRA and SUTTACH brought 6 legal actions against Telecom Argentina claiming unpaid union contributions set forth in their respective collective bargaining agreements, corresponding to employees of third party companies that provide services to Telecom Argentina, for a 5-year term for which the statute of limitations has not expired, plus damages caused by the failure to pay said contributions. The items claimed are “Fondo Especial” (special fund) and “Contribución Solidaria” (solidarity contribution).

The above-mentioned unions argue that Telecom Argentina is jointly and severally liable for the payment of the above-mentioned contributions, based on Articles 29 and 30 of the Employment Contract Law and on the breach of Telecom's obligation to inform the Union about third party contracts under their collective bargaining agreements.

The Company filed responses to on all these claims and the procedural terms have been suspended. The unions are seeking damages for unspecified amounts.

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Even though Telecom's Management believes that there are sound grounds for the favorable resolution of these claims, given the lack of judicial precedents, the final outcome of these claims cannot be assured.

h) Claims for damages between Supercanal Holding S.A. And Cablevisión

Multicanal S.A. brought several legal actions requesting the nullification of: i) all the Ordinary Shareholders' Meetings of Supercanal Holding S.A. held from 2000 to February 2018, 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. Supercanal Holding S.A. On March 29, 2000, Supercanal Holding S.A. 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.

Upon the revocation of an injunction initially granted in favor of Multicanal S.A. 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 \$ 12,000 and to subsequently increase the capital stock to \$ 83,012,000, Multicanal S.A. 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 S.A. 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 that had been suspended by the injunction. In addition, the suspension of the effects of the Shareholders' Meeting did not preclude the capitalization of the Company by other alternative means. Based on legal and factual precedents of the case, Cablevisión, as successor of Multicanal S.A.'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 in 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.

Telecom cannot assure that, as a result of the actions brought, it may obtain a favorable 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.

i) Resolution No. 50/10 et seq. issued by the Secretaría de Comercio Interior de la Nación (Secretariat of Domestic Trade or "SCI")

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 consolidated financial statements Telecom 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, Telecom 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.

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Even though Telecom, 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 favorable. Therefore, Telecom 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 Telecom's business, as surviving company of Cablevisión, which could significantly affect the recoverability of the Company's relevant assets. Notwithstanding the foregoing, as of the date of these 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 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 was also dismissed.

On June 1, 2010, the SCI imposed a \$ 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 \$ 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. Telecom 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. 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 \$ 152. Telecom 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 (including Telecom 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, Telecom continues to be protected by said preliminary injunction, and, therefore, the ordinary course of its business will not be affected.

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.

Currently, all the claims related to this matter are pending before the Federal Courts of Mar del Plata. The judge has not yet ordered discovery proceedings in respect of the main claim, "La Capital Cable v. National Government on Ordinary Proceeding".

Decisions made on the basis of these consolidated financial statements should consider the eventual impact that the above-mentioned resolutions might have on Telecom and its subsidiaries, and the Company's consolidated financial statements should be read in light of such uncertainty.

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j) CNV Resolution No. 16,765

On March 16, 2012, CNV issued Resolution No. 16,765 whereby it ordered the initiation of summary proceedings against Cablevisión, its directors and members of the Supervisory Committee for an alleged failure to comply with the duty to inform. The CNV considers that this deprived the investor community of its right to become fully aware of the Decision rendered by the Supreme Court of Argentina in re "Application for judicial review brought by the National Government Ministry of Economy and Production of the case Multicanal S.A. and other v/CONADECO Decree No. 527/05" and other (this case has concluded to date), and also considers that Cablevisión had not disclosed certain issues related to the information required by the CNV in connection with its Class 1 and 2 Noteholders' Extraordinary Meetings held on April 23, 2010.

On April 4, 2012, Cablevisión filed a response petitioning that its defenses be sustained and all charges dismissed. The discovery stage has been closed and the company submitted the legal brief.

Telecom and its legal advisors believe that the company has strong arguments in its favor. Nevertheless, Cablevisión cannot assure the outcome of the said summary proceedings.

k) CNV Resolution No. 17,769

On August 28, 2015, Cablevisión was served notice of Resolution No. 17,769 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 regarding the registration with the IGJ of the appointment of the officers approved at the Ordinary General Shareholders' Meeting of Cablevisión held on April 30, 2000 and the update of the registered office in the Financial Information Highway.

On January 20, 2016, the preliminary hearing was held pursuant to Article 138 of Law No. 26,831 and Article 8, Subsection b.1. of Section II, Chapter II, Title III of the Regulations (TR 2013).

Telecom and its legal advisors believe that the company has strong arguments in its favor. Nevertheless, Cablevisión cannot assure the outcome of the said summary proceedings.

l) Televisora Privada del Oeste S.A. v. Grupo Clarín S.A. and other on ordinary

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. They claim alleged damages generated as a result of certain decisions, such as maintaining the license and/or the investment after the merger of Multicanal S.A. into Cablevisión, with respect to Televisora Privada del Oeste S.A. Cablevisión and Grupo Clarín S.A., among others, are defendants in such lawsuit. Cablevisión, Grupo Clarín S.A. and Pem S.A. were served with the claim and filed a response in due time and form. The proceeding is now in the discovery stage.

According to Telecom'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. 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, Telecom cannot ascertain the outcome of this claim.

m) Additional Rate for the Tax on Commercial, Industrial or Service Revenues or "IRACIS"

On April 5, 2017, a subsidiary of Cablevisión received a notification from the Under-Secretary of State for Taxation of the Treasury 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.

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The Telecom's subsidiary considers that it has solid arguments to support its position. However, the final outcome of this claim cannot be assured to date.

3. Remote Contingencies

The Group faces other legal, fiscal and regulatory proceedings considered normal in the development of its activities. The Company's Management 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, it has not set up a provision or disclosed additional information in a note in connection with the resolution of these issues.

4. Active Contingencies

a) "AFA Plus Project" Claim

On July 20, 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 Argentina should provide the infrastructure and systems to enable 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 a reference price of 20% of the "popular" ticket price per football fan who attended 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, Telecom made investments and incurred in expenses amounting to \$182 million as of March 31, 2018, of which \$143 million are included in PP&E for the provision and installation of equipment and the execution of civil works for improving the football stadiums, registration center equipment, inventories and material storage and incurred 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 rendered and the work performed. In September 2014, AFA notified Telecom 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 Telecom. Accordingly, negotiations between the parties have started.

In February 2015, AFA made a proposal to compensate the investments and expenditures incurred by Telecom through advertising barter transactions 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. The proposal considered that if the advertising compensation was not realized in one year, AFA would pay to Telecom the agreed amount. The Company analyzed the quality of the assets offered by AFA in its offer of advertising spaces, 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. Subsequently, negotiations were suspended due to internal affairs of AFA.

In October 2015, Telecom formally demanded that AFA pay the amounts due (\$179.2 million plus interest from its implementation). AFA rejected the claim but agreed to resume the negotiation of a settlement agreement. Negotiations were subsequently suspended by the AFA due to its electoral process.

In January 2016, both parties resumed conciliatory negotiations, while Telecom reserved its right to exercise legal claims for amounts due.

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In June 2016 the Company initiated a mandatory pre-judicial mediation procedure. The first hearing, held on July 12, 2016, was attended by both parties. A second hearing was held on August 3, 2016, and a third and last hearing was held on August 23, 2016, resulting in no agreement between the parties.

As of the date of issuance of these consolidated financial statements, Telecom initiated a new pre-judicial mediation procedure which was finished without agreement on February 15, 2018. Telecom is preparing the lawsuit against AFA in order to claim the owed amounts through the judicial system. Telecom's Management, with the assistance of its external advisor, believes that the company has solid legal arguments to support its claim and is evaluating the necessary actions to recover the investments made and expenses incurred.

We note 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 million as of March 31, 2018) has only been recorded in order to comply with accounting standards and in no implies that Telecom has waived or limited its rights as a genuine creditor under the AFA Plus Project agreement.

NOTE 19 – COMMITMENTS

a) Purchase Commitments

As of March 31, 2018, there are outstanding purchase orders with local and foreign providers for the supply of switching equipment, inventories, external wiring works, network infrastructure, and other goods and services amounting in the aggregate to approximately \$17,128 million (of which \$5,116 million corresponds to PP&E acquisition commitments).

b) Undertakings of Personal in connection with the acquisition of Spectrum

The Bidding Terms and Conditions for the auction convened pursuant to SC Resolution No. 38/14 established various coverage and network deployment obligations that would require material investments in PP&E, which, at the time of submission of Personal's bid, were estimated at approximately US\$ 450 million over a five-year period. The breach of such obligations could result in sanctions and adverse effects to Personal.

Some of the obligations included in the Bidding Terms and Conditions are the following:

- to 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;
- to 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) the bidding terms and conditions impose progressive coverage obligations in the territory of the Argentine Republic, in five differentiated stages, which will be 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.

The deadlines shall be calculated as provided under Section 4 d) of Decree No. 1,340/16 (See Note 2.e).

NOTE 20 - CAPITAL STOCK

20.1 – Cablevisión Holding

The Company's capital stock as of May 1, 2017, the date on which it started its operations, was set at \$ 180,642,580, represented by:

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- 47,753,621 Class A common, registered, non-endorsable shares, with nominal value of \$ 1 each and entitled to five votes per share.
- 117,077,867 Class B book-entry common shares, with nominal value of \$ 1 each and entitled to one vote per share.
- 15,811,092 Class C common, registered, non-endorsable shares, with nominal value of \$ 1 each and entitled to one 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, the Company requested the BCBA the listing of its Class B common shares.

On August 10, 2017, the CNV approved the prospectus for admission to the public offering regime filed by Cablevisión Holding and, consequently, the Company fulfilled the conditions detailed in CNV Resolution No. 18,818. On August 11, 2017, the BCBA notified the Company of its admission to the public offering regime.

Having obtained all of the required regulatory authorizations to complete the spin-off process approved on September 28, 2016 by the shareholders of Grupo Clarín S.A., on August 30, 2017, Grupo Clarín and the Company exchanged the shares of Grupo Clarín S.A. 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 March 31, 2018.

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 \$ 1 each and entitled to one vote per share for the same number of Class B book-entry, common shares with nominal value of \$ 1 each and entitled to one 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 \$ 1 each and entitled to one vote per share for the same number of Class B book-entry common shares with nominal value of \$ 1 each and entitled to one vote per share.

On February 16, 2018, the United Kingdom Listing Authority ("UKLA") approved the prospectus related to the listing of the Company's Class B shares in the form of global depositary shares (GDSs) to be traded on the London Stock Exchange. Those GDSs were admitted to the official list of the UKLA on February 21, 2018.

The Company's capital stock as of March 31, 2018 is of \$ 180,642,580 and is represented by:

- 47,753,621 Class A common, registered, non-endorsable shares, with nominal value of \$ 1 each and entitled to five votes per share.
- 121,106,082 Class B book-entry common shares, with nominal value of \$ 1 each and entitled to one vote per share.
- 11,782,877 Class C common, registered, non-endorsable shares, with nominal value of \$ 1 each and entitled to one vote per share.

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20.2 – Telecom Argentina

(a) Capital Stock

As of March 31, 2018, the total capital stock of Telecom Argentina amounted to \$ 2,168,909,384, represented by the same number of common book-entry shares with nominal value of \$1, of which 2,153,688,011 are entitled to one vote per share, given that 15,221,373 are treasury shares that were acquired by Telecom.

All of the Class B Shares and Class C Shares and 340,994,852 Class A Shares of Telecom Argentina have been authorized for public offering by the CNV and the SEC. Class B Shares are listed and traded on the leading companies panel of the BYMA and on the NYSE.

Each American Depositary Share (ADS) represents 5 Class B shares of Telecom and is traded on the NYSE under the ticker symbol TEO.

As of December 31, 2017, the total capital stock of Telecom Argentina amounted to \$ 984,380,978, represented by the same number of common book-entry shares with nominal value of \$1, of which 969,159,605 are entitled to one vote per share, given that 15,221,373 are treasury shares that were acquired by Telecom.

Pursuant to the Pre-Merger Commitment and the Final Merger Agreement, Telecom Argentina issued, effective as of January 1, 2018, 342,861,748 Class A Shares and 841,666,658 Class D common book-entry shares, with nominal value of \$1 and entitled to one vote per share, which have been fully paid in. As of the date of these consolidated financial statements, the merger and the consequent increase in the capital stock is pending registration with the Public Registry of Commerce.

(b) Share Ownership Plan (“PPP”, for its Spanish acronym)

Under the PPP (an employee share ownership program sponsored by the Argentine government) established by the Argentine Government in December 1992, the Argentine Government transferred to the employees that fell within the PPP (employees of the former ENTel, Startel and Telintar and employees of the former Compañía Argentina de Teléfonos that had been transferred to Telecom) 10% of the capital stock of Telecom, then represented by 98,438,098 Class “C” shares. Decree No. 1,623/99 authorized the early availability of PPP shares, but excluded from said availability the shares held by the PPP Guarantee and Repurchase Fund, which were subject to an injunction. In March 2000, at the Shareholders’ Meeting of Telecom, the shareholders approved the conversion of 52,505,360 Class “C” shares into Class “B” shares (these shares didn’t belong to the Guarantee and Repurchase Fund), most of which were sold in a secondary public offering in May 2000.

At the request of the PPP Executive Committee, at the Shareholders’ Meeting of Telecom Argentina held on April 27, 2006, the shareholders approved the delegation on the Board of Directors of the power to decide on the additional conversion of up to 41,339,464 Class “C” shares into Class “B” shares. The delegation of powers on the Board of Directors to decide on the conversion of the shares did not include 4,593,274 Class “C” shares of the Guarantee and Repurchase Fund that fell within an injunction issued in re “Garcías de Vicchi, Amerinda y otros c/ Sindicación de Accionistas Clase C del Programa de Propiedad Participada s/nulidad de acto jurídico” (hereinafter, Garcías de Vicchi). With respect to such shares, at the Shareholders’ Meeting, the shareholders stated that there were legal restrictions to approve said delegation of powers for their conversion into Class “B” shares. As of December 31, 2011, said 41,339,464 Class “C” shares had been converted into Class “B” shares in eleven tranches.

Since the injunction issued in re Garcías de Vicchi was revoked, the Board of Directors of Telecom called an Ordinary and Extraordinary General Shareholders’ Meeting and a Special Shareholders’ Meeting of Class “C” Shares, which were held on December 15, 2011, at which the shareholders approved the delegation of powers on the Board of Directors for the conversion, in one or more tranches, of up to 4,593,274 Class “C” Shares into Class “B” Shares. As of December 31, 2016, 4,358,526 Class “C” Shares were converted into Class “B” Shares in 10 tranches.

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As of the date of these financial statements, 234,748 Class "C" shares have not yet been converted.

NOTE 21 – FINANCIAL INSTRUMENTS**a) Categories of financial assets and liabilities.**

The following tables show, for financial assets and liabilities recorded as of March 31, 2018 and December 31, 2017 and 2016, the supplementary disclosures on financial instruments required by IFRS 7 and the detail of gains and losses by category of financial instrument established by IFRS 9.

As of March 31, 2018	Fair Value			Total
	Amortized cost	accounted through profit or loss	accounted through other comprehensive Income	
Assets				
Cash and Cash Equivalents (1)	4,554	4,151	-	8,705
Investments	2,799	2,915	-	5,714
Trade Receivables	11,139	-	-	11,139
Other Receivables (2)	871	10	112	993
Other Assets	138	-	-	138
Total	19,501	7,076	112	26,689
Liabilities				
Accounts Payable	16,278	-	-	16,278
Financial Debt	50,180	6	-	50,186
Salaries and Social Security Payables	3,221	-	-	3,221
Other Liabilities (2)	201	-	-	201
Total	69,880	6	-	69,886

(1) Includes 2,739, as of March 31, 2018, corresponding to Cash and banks, which were measured as financial assets at amortized cost by the Company.

(2) Includes only financial assets and liabilities that are within the scope of IFRS 7.

As of December 31, 2017	Fair Value			Total
	Amortized cost	accounted through profit or loss	accounted through other comprehensive Income	
Assets				
Cash and Cash Equivalents (1)	3,860	1,019	-	4,879
Investments	-	108	-	108
Trade Receivables	1,753	-	-	1,753
Other Receivables (2)	2,446	-	-	2,446
Other Assets	378	-	-	378
Total	8,437	1,127	-	9,564
Liabilities				
Accounts Payable	3,886	-	-	3,886
Financial Debt	24,648	-	-	24,648
Salaries and Social Security Payables	1,751	-	-	1,751
Other Liabilities and Dividends Payable (2)	4,607	-	-	4,607
Total	34,892	-	-	34,892

(1) Includes 3,496, as of December 31, 2017, corresponding to Cash and banks, which were measured as financial assets at amortized cost by the Company.

(2) Includes only financial assets and liabilities that are within the scope of IFRS 7.

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Financial Income and Expense by Category – 3 months of 2018

	<u>Net Income (expense)</u>	<u>Of which interest</u>
Financial assets at amortized cost	1,028	226
Financial liabilities at amortized cost	(4,118)	(835)
Financial assets at fair value through profit or loss	219	21
Financial liabilities at fair value through profit or loss	(6)	-
Total	<u>(2,877)</u>	<u>(588)</u>

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.

- 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 and premises.

Financial assets and liabilities measured at fair value as of March 31, 2018 and December 31, 2017, their inputs, valuation techniques and the level of hierarchy are listed below:

Mutual Funds: Included in the item Cash and Cash Equivalents and Investments. The Group holds mutual funds in the amount of \$ 3,282 million and \$ 1,022 million as of March 31, 2018 and December 31, 2017, respectively. The fair value is based on information obtained from active markets, measuring each share at quoted market prices as of each year-end; therefore its valuation is classified as Level 1.

Government Notes and Bonds: Included in the item Investments. The Group holds government notes and bonds in the amount of \$ 624 million and \$ 34 million as of March 31, 2018 and December 31, 2017, respectively. The fair value is based on information obtained from active markets, measuring each security at quoted market prices as of each year-end; therefore its valuation is classified as Level 1.

Other Investments at fair value: Included in the item “Cash and Cash Equivalents and Investments.” The Company holds other investments at fair value in the amount of \$ 2,959 million and \$ 7 million as of March 31, 2018 and December 31, 2017, respectively. The fair value is based on information obtained from active markets, measuring each security at quoted market prices as of each year-end; therefore its valuation is classified as Level 1.

Derivative financial instruments (Forward contracts to purchase US dollars at fixed exchange rates): The fair value of 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.

During the first quarter of 2018, there were no transfers between the levels of the fair value hierarchy.

According to IFRS 7, companies are also required to disclose fair value information about financial instruments regardless of whether or not they are recognized at fair value in the statement of financial position, as long as it is feasible to estimate such fair value. The financial instruments discussed in this section include, among others, cash and cash equivalents, investments at amortized cost, accounts receivable, accounts payable and other instruments.

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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 March 31, 2018 and December 31, 2017 are as follows:

Cash and Banks

Carrying amounts approximate their fair value.

Time deposits and National Government notes and bonds (included in Cash and cash equivalents)

The 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 three months. Carrying amounts approximate their fair value.

Investments valued at amortized cost

As of March 31, 2018, the fair value of these investments amounted to \$ 2,853 million, with a book value of \$ 2,888 million. As of December 31, 2017, the book value of these investments approximated their fair value.

Trade Receivables, Net

The book value is considered to approximate fair value due to the short term nature of these accounts receivable. Non-current trade receivables have been recognized at their amortization cost, using the effective interest method and are not significant. An allowance was set up for all doubtful receivables.

Accounts payable (except for NDF)

The carrying amount of accounts payable reported in the consolidated statement of financial position approximates their fair value due to the short term nature of these accounts payable. Non-current accounts payable have been discounted and are not significant.

Financial Debt

As of March 31, 2018, the fair value of loans amounted to \$ 50,477 million, with a book value of \$ 50,186 million. As of December 31, 2017, the fair value of loans amounted to \$ 24,696 million, with a book value of \$ 24,648 million.

Salaries and Social Security Payables

The carrying amount of Salaries and social security payables reported in the consolidated statement of financial position approximates their 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 their fair value.

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Hedge Accounting

The Group believes that a hedging relationship qualifies under IFRS 9 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 Telecom Group 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) There is an economic relation 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 relation, and
 - (iii) the coverage ratio of the hedging relationship is the same as that provided by the amount of the hedged item for which the entity is really covering and the amount of the hedging instrument that the entity actually used to cover that amount of the hedged item.

During fiscal year 2017 and the first quarter of 2018

- **Hedge of LIBO Rate Fluctuations**

During 2017, Telecom Argentina entered into several NDF agreements to hedge the fluctuation of LIBO rate from the International Finance Corporation (“IFC”) loan of US\$ 400 million. The agreements, effective as from March 15, 2017, hedge an amount of US\$ 300 million, while those effective from September 15, 2017 hedge the balance of US\$ 100 million. Such NDFs allow Telecom to fix the variable rate throughout the life of the loan in a range between 2.087% and 2.4525% nominal annual rate (resulting in a weighted average of 2.2258%).

As of March 31, 2018, Telecom recognized a receivable of \$ 99.9 million, which is included in Other receivables (\$ 55.8 million current and \$ 44.1 million non-current) and \$ 90.8 million in other Comprehensive Income under equity. Likewise, during the first quarter of 2018, Telecom recognized losses amounting to \$ 12.3 million in connection with these contracts which are included in Interest on Loans under Financial Expenses on Debt.

During 2017, Telecom Argentina entered into several NDF agreements to hedge the fluctuation of LIBO rate from the Inter-American Investment Corporation (“IIC”) loan of US\$ 40 million. Such NDFs were agreed in two tranches of US\$ 20 million each, both starting on March 15, 2018 and fixing the variable rate throughout the life of the loan to 2.1325% and 2.085% nominal annual rate, respectively (resulting in a weighted average of 2.1087%.)

As of March 31, 2018, Telecom recognized a receivable of \$ 12.5 million, which is included in Other receivables (\$ 5.9 million current and \$ 6.6 million non-current) and \$ 11.3 million in other Comprehensive Income under equity. Likewise, during the first quarter of 2018, Telecom recognized gains amounting to \$ 0.07 million in connection with these contracts which are included in Interest on Loans under Financial Expenses on Debt.

- **Hedge of Exchange Rate Fluctuations**

During 2017, Telecom Argentina entered into several NDF agreements to hedge the fluctuation of the exchange rate under the IFC loan of US\$ 53.5 million, fixing the average exchange rate at \$ 18.30 and expiring between February and April 2018.

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During the first quarter of 2018, upon the expiration of contracts in the amount of US\$ 48.5 million, Telecom recognized gains amounting to \$ 45.3 million, included in Exchange Differences on Debt under Financial Expenses on Debt. As of March 31, 2018, Telecom holds, from existing contracts, a receivable of \$ 8.7 million, included under Other Current Receivables, and recognized a gain of \$ 2.9 million, included in Exchange Differences on Debt under Financial Expenses on Debt.

During the first quarter of 2018, Telecom entered into NDF agreements to hedge the fluctuation of the exchange rate under the IFC loan and Series IV Notes for US\$ 15 million, fixing the average exchange rate at \$ 24.5280 per US dollar, due in March 2019, and US\$ 10 million, fixing the average exchange rate at \$ 23.1390 per US dollar, due in November 2018, respectively.

As of March 31, 2018, Telecom recognized a debt of \$ 6 million, included under Current Debt with an offsetting entry on Exchange Differences on Debt under Financial Expenses on Debt.

In addition, in order to manage the risk of exchange rate fluctuation, over the last years, Telecom Argentina and Cablevisión entered into NDF agreements to hedge the fluctuation of the exchange rate from certain commercial obligations. As of March 31, 2018, the agreements in effect amount to approximately US\$ 48.5 million (due until August 2018). A receivable of \$ 1 million was recognized under Other Current Receivables. Hedge transactions in effect as of March 31, 2018 and those settled during the first quarter of 2018 have generated a gain of \$ 27 million, included in exchange differences under Financial Income and Expense.

Offsetting of Financial Assets and Liabilities.

The information required by the above-mentioned amendment as of March 31, 2018 is as follows:

	As of March 31, 2018			
	Trade Receivables	Other Receivables (1)	Accounts Payable	Other Liabilities (1)
Current and non-current assets (liabilities) - Gross value	12,568	1,036	(17,707)	(244)
Offsetting	(1,429)	(43)	1,429	43
Current and Non-Current Assets (Liabilities) – Book value	11,139	993	(16,278)	(201)

(1) Includes only financial assets and liabilities that are within the scope of IFRS 7.

The Telecom Group offsets the financial assets and liabilities to the extent that such setoff is contractually permitted and provided that the Group has the intention to make such setoff, in accordance with requirements established in IAS 32. The main financial assets and liabilities that are offset correspond to transactions with other national and foreign operators (including interconnection, CPP and Roaming). Offsetting is 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.

As of December 31, 2017, no setoffs were recorded.

NOTE 22 – REVENUES

Revenues consist of the following:

	March 31, 2018
Mobile Services	10,945
Internet Services	7,153
Cable Television Services	6,666
Fixed Telephony and Data	3,625
Other Services	114
Subtotal Service Revenues	28,503
Sale of Handsets	2,195
Total Revenues	30,698

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NOTE 23 – OPERATING EXPENSES

Operating expenses disclosed by nature of expense amounted to \$ 23,585 million for the three-month period ended March 31, 2018. The main components of the operating expenses are the following:

	<u>March 31, 2018</u> <u>Income (loss)</u>
<u>Employee benefit expenses and severance payments</u>	
Salaries, Social Security Payables and Bonuses	(4,925)
Severance Payments and Pensions	(202)
Other Labor Costs	(95)
	<u>(5,222)</u>
<u>Fees for Services, Maintenance, Materials and Supplies</u>	
Maintenance and Materials	(1,624)
Fees for services	(1,253)
Directors' and Supervisory Committee Members' Fees	(19)
	<u>(2,896)</u>
<u>Taxes and Fees with the Regulatory Authority</u>	
Turnover Tax	(1,384)
Municipal Taxes	(391)
Other Taxes and Charges	(694)
	<u>(2,469)</u>
<u>Cost of Equipment and Handsets</u>	
Inventory Balances at the beginning of the year	(115)
Plus:	
Addition under the Merger (Note 4.a)	(1,934)
Purchase of Equipment	(1,539)
Other	(19)
Less:	
Inventory Balances at period-end	2,082
	<u>(1,525)</u>
<u>Other Operating Income and Expense</u>	
Lawsuits and Contingencies	(76)
Rentals and Internet Capacity	(533)
Other	(799)
	<u>(1,408)</u>
<u>Depreciation, Amortization and Impairment of PP&E</u>	
Depreciation of PP&E	(3,676)
Amortization of Intangible Assets	(935)
Retirement of PP&E	(19)
Impairment of PP&E	(37)
	<u>(4,667)</u>

Operating Expenses disclosed by function are as follows:

Item	Cost of services provided	Selling Expenses	Administrative Expenses	Total as of March 31, 2018
Employee benefit expenses and severance payments	(2,805)	(1,635)	(782)	(5,222)
Interconnection and Transmission Costs	(931)	-	-	(931)
Fees for Services, Maintenance, Materials and Supplies	(1,379)	(777)	(740)	(2,896)
Taxes and Fees with the Regulatory Authority	(1,836)	(602)	(31)	(2,469)
Commissions and Advertising	(37)	(1,383)	(289)	(1,709)
Cost of Equipment and Handsets	(1,525)	-	-	(1,525)
Programming and Content Costs	(2,145)	-	-	(2,145)
Bad Debt Expenses	-	(613)	-	(613)
Other Operating Income and Expense	(1,019)	(259)	(130)	(1,408)
Depreciation, Amortization and Impairment of PP&E	(3,955)	(379)	(333)	(4,667)
Total as of March 31, 2018	(15,632)	(5,648)	(2,305)	(23,585)

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Operating Leases

Future minimum lease payments from of non-cancellable operating lease agreements as of March 31, 2018 are as follows:

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
December 31, 2017	467	391	25	883
March 31, 2018	1,231	1,493	245	2,969

For more information, see Note 3.k) to these consolidated financial statements.

NOTE 24 – Financial Income and Expense

	<u>March 31, 2018</u> <u>Income (loss)</u>
Interest Expense	(834)
Exchange Differences on Debt (*)	(2,822)
Financial Discounts on Debt	(25)
Other Financial Expenses on Debt	37
Total Finance Expenses on Debt	<u>(3,644)</u>
Interest and Gains on Investments	292
Taxes and Bank Expenses	(354)
Exchange Differences in Cash	387
Exchange Differences in the Rest of the Items	(186)
Financial Discounts on Assets, debt and Other	(6)
Results from Operations with Notes and Bonds	192
Interest on Allowances	(101)
Interest on Pension Benefits	(15)
Other	10
Total Other Financial Income and Expense, net	<u>219</u>
Total Financial Income and Expense, net	<u>(3,425)</u>

(*) Includes \$42 million of foreign currency exchange gains (losses), net generated by NDF for the three-month period ended March 31, 2018.

NOTE 25 – NET 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:

	<u>March 31, 2018</u>
Net Income used in the Calculation of Basic Earnings per Share (gain):	
from Continuing Operations (in millions of Argentine pesos)	<u>220</u>
	<u>220</u>
Weighted Average of the Number of Common Shares used in the Calculation of Basic Earnings per Share	180,641,002
Earnings per Share (in pesos)	1.22

The weighted average of outstanding shares for the three-month period ended March 31, 2018 was 180,641,002. Since no debt securities convertible into shares were recorded, the same weighted average should be used for the calculation of diluted earnings per share.

	<u>March 31, 2018</u>
Basic and Diluted Earnings per Share	1.22
Total Earnings per Share	1.22

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NOTE 26 – FINANCIAL RISKS MANAGEMENT

FINANCIAL RISK FACTORS

The 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 investments of the Group;
- Liquidity Risk: Related to 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 the Telecom Group are described below:

Market Risk

One of the main market risks faced by the Group is its exposure to changes in foreign currency exchange rates in the markets in which it operates, mainly Argentina, Uruguay and Paraguay.

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. The 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).

The Group has part of its commercial debt denominated in US\$ and euro. Additionally, it holds part of its financial debt is denominated in US\$ at variable 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 (See Note 21).

Additionally, the Group has cash and cash equivalents and investments denominated in US\$ and euro (approximately 46.8% of these items) that are also sensitive to changes in peso/dollar exchange rates and contribute to reduce the exposure to commercial and financial obligations in foreign currency.

The following table shows the monetary assets and liabilities denominated in foreign currency as of March 31, 2018 and December 31, 2017:

	March 31, 2018	December 31, 2017
	(in millions of converted Argentine pesos)	
Assets	11,423	3,986
Liabilities	(57,951)	(24,935)
Assets (Liabilities) net	(46,528)	(20,949)

In order to reduce this net liability position in foreign currency, Telecom holds, as of March 31, 2018, derivatives for US\$ 78.5 million. Therefore, the net debt of the Group that is not covered by these instruments amounts to approximately US\$ 2,230 as of March 31, 2018.

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Exchange rate risk – Sensitivity analysis

Based on the composition of the consolidated statement of financial position as of March 31, 2018, which is a net liability position in foreign currency of \$ 46,528 million, equal to US\$ 2,309 million, Management estimates that any positive or negative 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 would result in a variation of approximately \$231 million of the consolidated amounts of foreign currency position.

If we consider only the portion not covered by derivative financial instruments, the net liability position totals approximately \$ 44,946 million, equal to approximately US\$ 2,230 million, and a variation of the exchange rate of \$ 0.10 pesos as described in the previous paragraph, would generate a variation of approximately \$223 million in the consolidated financial position in foreign currency.

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

In connection with changes in interest rates, as of March 31, 2018, the Group has loans, a portion of which accrue interest at variable interest rates (See Note 13 – Financial Debt.)

Within its structure of financial debt, the Group has bank overdrafts denominated in Argentine pesos accruing interest at rates that are reset at maturity, notes that accrue interest at a mixed rate (fixed rate and floating rate) and fixed rate and foreign bank loans denominated in US\$ and guaraníes that accrue interest at a floating rate.

As of March 31, 2018, the Group had a total debt at variable interest rate of approximately \$ 35,417 million.

In order to reduce the effect of changes in interest rates, Telecom holds as of March 31, 2018 derivatives for an aggregate principal amount of US\$ 440 million, which convert variable rates into fixed rates. Therefore, the total debt subject to variable interest rate taking into consideration the derivatives amounts to approximately \$ 26,549 million as of March 31, 2018.

Management believes that any variation of 10 annual bps in the agreed interest rates would result in a variation of approximately \$ 27 million.

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-in-time view of the market risk sensitivity of certain of the financial instruments. The actual impact of changes in interest rates of financial instruments may differ significantly from this estimate.

➤ Credit Risk:

Credit risk represents the 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 more strictly technical, commercial or administrative factors.

The credit risk affects cash and cash equivalents, deposits held at banks and financial institutions, as well as credit granted to clients, including outstanding accounts receivable and committed transactions.

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(Partner)

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The maximum theoretical credit risk exposure of the Telecom Group is represented by the book value of net financial assets, disclosed in the consolidated statement of financial position.

Maturities	Cash and Cash Equivalents	Investments	Trade Receivables	Other Receivables	Other Assets	Total
Total Due	-	-	2,528	-	-	2,528
Total not due	8,705	5,714	8,611	937	138	24,105
Total as of March 31, 2018	8,705	5,714	11,139	937	138	26,633

The allowance for bad debts is recorded: (i) for an exact amount on credit positions that present an element of individual risk (bankruptcy, customers under legal proceedings with the Telecom Group); (ii) for credit positions that do not present such characteristics allowances are recorded 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 bad debts amount to \$ 2,528 million as of March 31, 2018 (\$ 1,030 million as of December 31, 2017).

Regarding the credit risk relating to the assets included under "Net financial debt" or "net financial asset", it should be noted that the Group evaluates the outstanding credit of the counterparty and the levels of investment, based, among other things, 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 Group has a wide range of clients, including individuals, businesses - medium-and-large-sized companies - and governmental agencies. Therefore, the Group's receivables are not subject to credit risk concentration.

In order to minimize credit risk, the Group also pursues a diversification policy for its investments among different first-class financial entities. Consequently, there are no significant positions with any one single counterparty.

➤ **Liquidity Risk:**

Liquidity risk represents the risk that the Telecom Group have no funds to fulfill 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:

	March 31, 2018	December 31, 2017	Changes
Trade Receivables	11,077	1,753	9,324
Other receivables (not considering financial NDF)	2,370	956	1,414
Inventories	2,013	83	1,930
Other Assets	138	378	(240)
Current liabilities (not considering financial debt)	(27,543)	(9,260)	(18,283)
Operative working capital - negative	(11,945)	(6,090)	(5,855)
Cash and Cash Equivalents	8,705	4,879	3,826
Financial NDF	71	-	71
Investments	3,062	110	2,952
Current Debt	(30,285)	(3,712)	(26,573)
Current Financial (Liabilities) / Assets, net	(18,447)	1,277	(19,724)
Negative operating working capital (current assets – current liabilities)	(30,392)	(4,813)	(25,579)
Liquidity Ratio	0.47	0.63	(0.16)

The Telecom Group has a typical working capital structure for a company with intensive capital that obtains spontaneous financing from its suppliers (especially PP&E) for longer terms than those it grants to its customers. According to this, the negative operating working capital was of \$ 11,945 million as of March 31, 2018 (an increase of \$5,855 million compared to December 31, 2017) mainly due to the addition of

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Telecom's negative operating working capital for \$ 7,339 million partially offset by a larger financing of its business from suppliers.

In 2017 and during the first quarter of 2018, the Group continued to obtain financing from the Argentine financial and capital markets (See Note 13) to cover capital expenditures, working capital and other general corporate purposes. The Group has an excellent credit rating and has several financing sources, with several instruments and offers from first-class international institutions to diversify its current short-term funding structure, which includes access to domestic and international capital markets and competitive bank-loan terms and financial costs.

The Group's management evaluates the national and international macroeconomic context to take advantage of market opportunities to preserve its financial health for the benefit of its investors.

The Group manages its cash and cash equivalents and, in general, its financial assets, trying to match the term of investments with those of its obligations. Its cash and cash equivalents position is invested in highly liquid, short-term instruments.

The Group maintains a liquidity policy that results in a significant volume of available cash in the ordinary course of business. The Group has consolidated cash and cash equivalents of \$ 8,705 million (equal to US\$ 434 million) as of March 31, 2018 (as of December 31, 2017, it had \$4,879 million, equal to US\$ 263 million.) The Group has bank credit lines and a Notes program that allow it to finance its short-term obligations and an investment plan in addition to the operative cash flow for the next years. On December 28, 2017, Telecom Argentina held an Ordinary General Shareholders' Meeting at which its shareholders approved a Global Notes Program for an aggregate amount of up to US\$ 3,000 million or its equivalent in other currencies, as mentioned in Note 13 to these financial statements.

The following table shows the breakdown of financial liabilities by relevant groups of maturities based on the remaining period as from the date of the consolidated statement of financial position through the contractual maturity date. The amounts disclosed in this table represent undiscounted cash flows (principal plus contractual interest).

Maturities	Accounts Payable	Financial Debt	Salaries and Social Security Payables	Other Liabilities	Total
Matured	1,514	-	-	-	1,514
January 2018 through December 2018	14,657	30,861	3,086	174	48,778
January 2019 through December 2019	67	4,580	86	7	4,740
January 2020 through December 2020	49	4,010	48	3	4,110
January 2021 onwards	5	16,451	32	17	16,505
	16,292	55,902	3,252	201	75,647

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 evolution of its business and changes in macroeconomic conditions.

To maintain or adjust its capital structure, the Group may adjust dividend payments to shareholders and the level of indebtedness.

No changes have been made in the objectives, policies or processes for managing capital over the last years, except for those mentioned above.

The Group does not have to comply with regulatory capital adequacy requirements.

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NOTE 27 - BALANCES AND TRANSACTIONS WITH COMPANIES UNDER ARTICLE 33 - LAW No. 19,550 AND RELATED PARTIES**a) Cablevisión Holding S.A.****i. Related Parties**

For the purposes of these consolidated financial statements, related parties are individuals or legal entities that are related (under IAS 24) to Cablevisión Holding, except for companies under Article 33 of the LGS.

For the period presented, the Group has not conducted any transactions with Key Managers and/or persons related to them, except as set forth under e), below.

ii. Balances with Companies under Article 33 of General Associations Law No. 19,550, and related parties

- Companies under art. 33 of the LGS - Associates**

CURRENT ASSETS	Type of related party	March 31, 2018	December 31, 2017
Other Receivables ⁽¹⁾			
La Capital Cable S.A.	Associate	30	23
Teledifusora San Miguel Arcángel S.A.	Associate	22	27
Ver TV S.A.	Associate	57	68
		<u>109</u>	<u>118</u>
CURRENT LIABILITIES			
Accounts Payable			
Televisora Privada del Oeste S.A. ⁽²⁾	Associate	3	3
Financial Debt		<u>3</u>	<u>3</u>
La Capital Cable S.A.	Associate	4	4
		<u>4</u>	<u>4</u>

(1) Includes \$ 73 million and \$ 91 million as of March 31, 2018 and December 31, 2017, respectively, corresponding to dividends receivable.

(2) Associate through Pem.

- Related Parties**

CURRENT ASSETS	Type of related party	March 31, 2018	December 31, 2017
Trade Receivables			
Other Related Parties	Related company	45	40
		<u>45</u>	<u>40</u>
CURRENT LIABILITIES			
Accounts Payable			
Other Related Parties	Related company	414	297
		<u>414</u>	<u>297</u>

As of December 31, 2017, dividends payable to non-controlling interests amounted to \$1,633 million. As of March 31, 2018, there are no unpaid distributions of dividends.

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iii. Transactions with Companies under Article 33 of General Associations Law No. 19,550, and related parties• **Companies under art. 33 of the LGS - Associates**

<u>Transaction</u>	<u>Type of related party</u>	<u>March 31, 2018</u>
		<u>Income (loss)</u>
		<u>Sales and</u>
		<u>Other</u>
		<u>Revenues</u>
La Capital Cable S.A.	Sales of services	Associate 2
La Capital Cable S.A.	Other Sales	Associate 3
		<u>5</u>
		<u>Operating</u>
		<u>Costs</u>
La Capital Cable S.A.	Other Purchases	Associate (4)
		<u>(4)</u>

• **Related Parties**

<u>Transaction</u>	<u>Type of related party</u>	<u>March 31, 2018</u>
		<u>Income (loss)</u>
		<u>Sales and</u>
		<u>Other</u>
		<u>Revenues</u>
Other Related Parties	Other Sales	Related company 17
		<u>17</u>

<u>Transaction</u>	<u>Type of related party</u>	<u>March 31, 2018</u>
		<u>Operating</u>
		<u>Costs</u>
Other Related Parties	Programming Costs	Related company (780)
Other Related Parties	Publishing and distribution of magazines	Related company (76)
Other Related Parties	Advisory Services	Related company (59)
Other Related Parties	Purchase of Advertising	Related company (39)
Other Related Parties	Other Purchases	Related company (48)
		<u>(1,002)</u>

These transactions were carried out by the Group under the same conditions as if they had been carried out with an independent third party.

iv. Key Management

Compensation for the Group's Directors and Key Managers as of March 31, 2018, including social security contributions, amounted to \$66 million, and was recorded as an expense under the line item "Employee benefits expenses and severance payments".

As of March 31, 2018, an amount of \$ 32 million remained unpaid.

The estimated fees payable to the Group's directors for the three-month period ended March 31, 2018 were approximately \$ 17 million.

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NOTE 28 - RESERVES, ACCUMULATED INCOME AND DIVIDENDS

1. Cablevisión Holding

The Company's bylaws provide that retained earnings shall be appropriated as follows: (i) 5% to the Company's legal reserve until such reserve equals 20% of the Company's capital stock; and (ii) the balance, in whole or in part, to the payment of the fees of the members of the Board of Directors and the Supervisory Committee, to dividends on common shares, or reserve accounts, or as otherwise determined by the Shareholders, among other situations.

On April 26, 2018, at the Annual Ordinary Shareholders' Meeting of the Company, the shareholders decided, among other things, to appropriate retained earnings as of December 31, 2017 of \$ 1,616,204,146, to create a new Voluntary Reserve for financial obligations.

2. Cablevisión

On December 18, 2017, at a General Extraordinary Shareholders' Meeting the Shareholders of Cablevisión decided: (i) to reverse partially the Voluntary reserve to maintain the Company's level of capital expenditures and its current solvency level by \$ 4,000,000,000 and to allocate such amount to increase the "Voluntary reserve for future dividend distributions" which, as a result, will be \$ 4,151,000,000 and (ii) to delegate on the Board of Directors the power to reverse, in whole or in part, the Voluntary reserve for future dividend distributions, and distribute such reserve as dividends in the manner (in one or more cash installments), amounts, currency, and on the dates to be established by the Board of Directors pursuant to applicable law, subject to the Board of Directors of Telecom Argentina S.A. having previously approved the payment of dividends prior to the Effective Date of the Merger and provided that the amount that the Board of Directors of Cablevisión decides to distribute is such that, taking into consideration the dividends approved by Telecom Argentina S.A., it will not be necessary to make changes to the Exchange Ratio.

On December 18, 2017, the Board of Directors of Cablevisión, pursuant to its delegated powers, approved the partial reversal of the Voluntary reserve for future dividend distributions by \$ 4,077,790,056 for the distribution of dividends to shareholders in one or more installments within 30 days as from that date, including (i) \$ 77,790,056, which added to the \$ 800,000,000 already distributed, total US\$ 50,000,000, as permitted under the Pre-Merger Commitment without making any changes to the Exchange Ratio; and (ii) \$ 4,000,000,000 to equalize the relative proportions taken into consideration when the Exchange Ratio was set.

On January 8, 2018, Telecom Argentina S.A., surviving company of Cablevisión as from January 1, 2018, settled all of Cablevisión's outstanding dividends owed to its shareholders in the amount of \$ 4,077,790,056.

3. Telecom Argentina

On January 31, 2018, the shareholders of Telecom Argentina S.A. held a General Ordinary Shareholders' Meeting at which they approved the changes in the composition of the Board of Directors and the delegation of the powers vested in the Board of Directors to decide on the total or partial reversal of the "Reserve for future cash dividends" of Telecom Argentina as of December 31, 2017 and the distribution of the funds so reversed as cash dividends in the amounts and on the dates to be established by the Board of Directors.

On January 31, 2018, the Board of Directors of Telecom Argentina approved: (i) pursuant to the powers delegated by the shareholders at the General Ordinary Shareholders' Meeting mentioned above, the reversal of \$ 9,729,418,019 of the "Reserve for future cash dividends" of Telecom Argentina as of December 31, 2017, and its distribution as cash dividends in two installments, the first one of \$ 2,863,000,000 on February 15, 2018 and the second one of \$ 6,866,418,019 on April 30, 2018. The Board of Directors was vested with the power to make such payment on an earlier date if it deems it convenient in the future; (ii) the distribution of \$ 5,640,728,444, paid on February 15, 2018, as interim cash dividends, corresponding to the net profit of the period between January 1, 2017 and September 30, 2017, as reflected in the Special-Purpose Unconsolidated Financial Statements of Telecom Argentina as of September 30, 2017; and (iii) the distribution of \$ 4,502,777,155, paid on February 15, 2018, as distribution of interim cash dividends, corresponding to the net profit of the period ranging from January 1, 2017 to September 30, 2017 as

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reflected in the Special-Purpose Unconsolidated Financial Statements of Cablevisión S.A.-absorbed by Telecom Argentina- as of September 30, 2017, which were audited by external auditors.

On February 15, 2018 and March 21, 2018, Telecom paid dividends for \$ 13,006,505,599 and \$ 6,866,418,019, respectively, corresponding to the above-mentioned distributions. Of those amounts, approximately \$ 5,083 million and \$ 2,683 million, respectively, belong to Cablevisión Holding on account of its direct and indirect interest in Telecom as of those dates.

NOTE 29 – SUBSEQUENT EVENTS

Decisions of the shareholders of Telecom Argentina at the General Ordinary Shareholders' Meeting

At the Ordinary General Shareholders' Meeting held on April 25, 2018, the shareholders of Telecom decided, among other things,:

- a) To ratify the early distribution of dividends in the amount of \$ 5,640,728,444 as decided by the Board of Directors on January 31, 2018, based on the Special Individual Financial Statements of Telecom Argentina as of September 30, 2017, which dividends were paid on February 15, 2018.
- b) To appropriate Retained Earnings of Telecom Argentina as of December 31, 2017, net of \$5,640,728,444 distributed as advanced dividends, i.e. \$1,989,254,041 to set up the "Voluntary Reserve for Future Dividend Distributions." In addition, the shareholders delegated on the Board of Directors of Telecom the power to decide on the reversal, in one or more times, of up to \$994,627,020 of the "Voluntary Reserve for Future Dividend Distributions" and its distribution to the shareholders as cash dividends. The Board may exercise these powers until December 31, 2018;
- c) To ratify the early distribution of dividends in the amount of \$4,502,777,155 as decided by the Board of Directors on January 31, 2018, based on the Special Individual Financial Statements of Cablevisión as of September 30, 2017, which dividends were paid on February 15, 2018;
- d) To appropriate the Retained Earnings of Cablevisión as of December 31, 2017, net of \$4,502,777,155 distributed as advanced dividends, i.e. \$1,311,975,449 to set up the "Voluntary reserve to maintain the Company's level of capital expenditures and current solvency"; and
- e) To ratify the early distribution of dividends in the amount of \$ 212,900,000 as decided by the Board of Directors of Sofora, based on the Special Individual Financial Statements of that company as of March 31, 2017, in accordance with Article 224, 2nd paragraph of the LGS. Sofora paid dividends for \$ 210 million on November 30, 2017; and Telecom Argentina, as surviving company, paid \$3 million on December 29, 2017.

On April 4, 2018, Telecom acquired shares representing 30% of the capital stock and votes of CV Berazategui S.A. for US\$ 8,968,000 (eight million, nine hundred sixty-eight thousand US Dollars.)

The remaining 70% of the capital stock and votes of CV Berazategui is held by Pem, a company controlled by Telecom Argentina.

Purchase of an equity interest in CV Berazategui S.A.

On April 4, 2018, Telecom acquired shares representing 30% of the capital stock and votes of CV Berazategui S.A. for US\$ 8,968,000 (eight million, nine hundred sixty-eight thousand US Dollars.)

The remaining 70% of the capital stock and votes of CV Berazategui is held by Pem, a company controlled by Telecom Argentina.

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CV Berazategui holds a licensee to provide Physical Link Subscription TV services, which had been originally granted through Resolution No. 630/COMFER/91. It provides services in Berazategui, Province of Buenos Aires, to 21,392 cable TV subscribers and 7,190 broadband subscribers.

Distribution of dividends of Núcleo

At the Ordinary General Shareholders' Meeting held on April 24, 2018, the shareholders of Núcleo decided to distribute dividends in the amount of \$416 million (corresponding to 115,000 Guaraníes translated at the exchange rate prevailing on the approval date), of which \$135 million correspond to minority shareholders. These dividends will be paid in May 2018.

Productive Financing Law

On May 9, 2018, the Argentine Congress passed the Productive Financing Law, which amends the Capital Markets Law No. 26,831. This law has not been enacted yet by the National Executive Branch.

As of the date of these consolidated financial statements, the Company is analyzing the impact of the amendments to the Capital Markets Law when they come into effect.

NOTE 30 - 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 May 11, 2018.

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(Partner)

Andrés Riportella
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Sebastián Bardengo
Chairman

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Cablevisión Holding S.A.
SUPPLEMENTARY FINANCIAL INFORMATION

As of March 31, 2018

1. Company Activities

On September 28, 2016, the shareholders of Grupo Clarín decided to implement the merger - spin-off process proposed by the Board of Directors during August 2016, mentioned in Note 1 to the consolidated financial statements. First, Grupo Clarín merged with certain subsidiaries, and then it spun off a portion of its equity to create a new company under the name Cablevisión Holding S.A.

As part of the equity subject to the spin-off, Grupo Clarín transferred to Cablevisión Holding S.A. certain equity interests or participations, including the direct and indirect equity interests held by Grupo Clarín in Cablevisión and in GCSA Equity, LLC. Consequently, after the Corporate Reorganization was executed, Cablevisión Holding S.A. became the owner, directly or indirectly, of 60% of the capital stock and votes of Cablevisión and of 100% of the participation of GCSA Equity, LLC. Grupo Clarín retained and continued with all activities, operations, assets and liabilities that were not specifically allocated to Cablevisión Holding S.A.

The Corporate Reorganization was registered with the IGJ on April 27, 2017. In view of the above and taking into consideration that the effective date of the Spin-off (the "Effective Date of the Spin-off") was the first day of the month following the date on which the latest of the following registrations was completed: (i) the registration of the Corporate Reorganization 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 was May 1, 2017. As from this date, the Effective Date of the Spin-off, Cablevisión Holding S.A. began its activities on its own, and the accounting effects of the Spin-off became effective and the Company transferred the operations, risks and benefits described in the Exhibit to the Prospectus published by the Company as well as the assets and liabilities that make up the "Equity Subsequently Allocated" as decided by Grupo Clarín's Board of Directors on April 28, 2017, pursuant to the powers delegated by Grupo Clarín's Extraordinary Shareholders' Meeting held on September 28, 2016.

Cablevisión Holding S.A. requested authorization to be admitted to the public offering regime in Argentina and the London Stock Exchange. Having 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.

Cablevisión, a subsidiary of the Company, informed on June 30, 2017 that its Board of Directors had approved the "Pre-merger Commitment" whereby Telecom Argentina S.A. ("Telecom Argentina") would absorb Cablevisión under a merger by acquisition process subject to certain corporate and regulatory approvals. The Pre-Merger Commitment provides for: i) an exchange ratio of 9,871.07005 new common shares with nominal value of \$ 1 each of Telecom Argentina to be issued, for each common share with nominal value of \$ 10,000 each of Cablevisión (the "Exchange Ratio"). ii) as a result of the Merger, Telecom Argentina will issue on the Effective Date of the Merger to be established, 1,184,528,406 new common book-entry shares with nominal value of \$ 1 and entitled to one vote per share to be delivered to the shareholders of Cablevisión, under the form of Class "A" Shares of Telecom Argentina or Class "D" Shares of Telecom Argentina, as appropriate, in accordance with the exchange ratio, or the number of new shares resulting from the adjustments to the Exchange Ratio under the Pre-Merger Commitment. iii) the Exchange Ratio was deemed reasonable from a financial standpoint by the financial advisors.

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(Partner)

Sebastián Bardengo
Chairman

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On August 31, 2017, the shareholders of Cablevisión and Telecom Argentina held their respective Shareholders' Meetings, at which their shareholders approved the pre-merger commitment that had been executed between them. On October 31, both companies executed the final merger agreement, which was filed with the CNV to request administrative approval.

In addition, Cablevisión Holding informed that on July 7, 2017, it had executed with Fintech Telecom LLC, the controlling company of Telecom Argentina S.A. ("Telecom") a shareholder agreement that will govern the exercise of the rights of the shareholders of Telecom (the "Agreement") once the merger process between Telecom and Cablevisión S.A. informed on June 30, 2017 has concluded and become effective. The above-mentioned merger process is subject to prior authorizations from their respective shareholders and from the pertinent regulatory authorities. The most relevant terms of the agreement are described under Note 4.a).

On July 7, 2017, Company accepted an offer for a call option granted by Fintech Advisory Inc. and its subsidiaries for the acquisition of an equity interest of 13.51% of Telecom (which will represent approximately 6% of Telecom's capital stock once the merger process becomes effective) for US\$ 634,275,282. The maximum term to exercise the option is one year as from July 7, 2017. On October 5, 2017, the Company paid the aggregate Exercise Price under the Irrevocable Call Option mentioned above for US\$ 634,275,282.

On September 25, 2017, the Company's Board of Directors took note of the acceptance by Citibank, N.A., Goldman Sachs Bank USA, Industrial and Commercial Bank of China Limited, Dubai (DIFC) Branch, Itaú Unibanco S.A., Nassau Branch of the loan offer for US\$ 750,000,000 submitted by the Company. A portion of the funds from the loan was used for the prepayment of the Exercise Price under the Option Agreement signed by the Company, Fintech Advisory Inc and its subsidiaries –Fintech Telecom LLC and Fintech Media LLC-, dated July 7, 2017.

On September 27, 2017, the Company's Board of Directors took note of the acceptance by the Lenders and the Collateral Agent- the branch of Citibank N.A. established in Argentina-, of the pledge offer submitted by the Company and, therefore, it created a first priority pledge on 30,123 Class "A" book-entry common shares of nominal value \$ 10,000 each and entitled to one vote per share, held by the Company in Cablevisión, 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.

On December 27, 2017, the Company informed that it had exercised the call option under the Option Agreement executed between the Company, Fintech Advisory Inc. and its subsidiaries –Fintech Telecom LLC and Fintech Media LLC, dated July 7, 2017, whereby it purchased from Fintech Media LLC an equity interest in VLG Argentina LLC of 21.55 %, which represents a 6.08% interest in Telecom Argentina S.A. -post-merger.

On January 1, 2018, the Company informed that its subsidiary Cablevisión S.A., within the framework of its Merger with Telecom Argentina S.A., had signed the minutes regarding the transfer of operations, in its capacity as Absorbed Company to the Absorbing Company, which supplements the Final Merger Agreement signed on October 31, 2017. Therefore, as provided under the Pre-Merger Commitment and under the Final Merger Agreement, as from 0.00 hours of January 1, 2018, the Merger entered into effect and, consequently, Cablevisión S.A. was dissolved without liquidation and Cablevisión Holding S.A. became the controlling company of Telecom Argentina S.A.

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PRICE WATERHOUSE & CO. S.R.L.

(Partner)

Sebastián Bardengo
Chairman

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On January 11, February 21 and March 23, 2018, the Company made three partial prepayments of principal pursuant to the terms and conditions of the Loan for US\$ 750,000,000 executed with Citibank, NA, Goldman Sachs Bank USA, Industrial and Commercial Bank of China Limited, Dubai (DIFC) Branch and Itaú Unibanco S.A. Nassau Branch, which sets out, under clauses 2.10(b) and 2.11(a), that the collections of dividends by the Company shall be applied to the prepayment of the Loan. In January, the Company prepaid US\$ 148,304,356.83, in February it prepaid US\$ 253,831,455.62 and in March US\$ 132,586,260.44. After those prepayments, the outstanding principal of the Loan amounts to US\$ 217,304,812.89.

On February 21, 2018, 121,106,082 global depositary shares GDSs represented by global depositary receipts were admitted to the official list of the United Kingdom Listing Authority ("UKLA") to be traded on the main market of the London Stock Exchange under the ticker symbol CVH.

As far as business management is concerned, our subsidiary Telecom Argentina recorded in the first quarter revenues in the amount of \$30,698 million, operating costs -including depreciation, amortization and impairment of PP&E- in the amount of \$23,572 million, operating income before depreciation and amortization in the amount of \$11,793 million -equivalent to 38.4% of consolidated revenues -, operating income in the amount of \$7,126 million -equivalent to 23.2% of consolidated revenues - and net income in the amount of \$3,481 million -equivalent to 11.3% of consolidated revenues -. Net income attributable to the Company amounted to \$3,460 million.

Consolidated revenues were mainly driven by mobile, Internet and cable television services. Service revenues amounted to \$28,503 million -equivalent to 92.8% of consolidated revenues- and sales of handsets stood at \$ 2,195 million -equivalent to 7.2% of consolidated revenues-.

2. CONSOLIDATED FINANCIAL STRUCTURE

Note: the amounts are stated in thousands of Argentine Pesos. Pursuant to CNV regulations, the following table shows the balances and results for the period, prepared under IFRS.

	<u>March 31, 2018</u>
Current assets	27,436
Non-current assets	196,167
Total Assets	<u>223,603</u>
Current liabilities	57,828
Non-current liabilities	40,393
Total Liabilities	<u>98,221</u>
Equity of the Parent Company	46,744
Equity of Non-Controlling Interests	78,638
Total Equity	<u>125,382</u>
Total Equity and Liabilities	<u>223,603</u>

See our report dated
May 11, 2018

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

Sebastián Bardengo
Chairman

C.P.C.E.C.A.B.A. Vol. 1 Fol. 17

CABLEVISIÓN HOLDING S.A.

Registration number with the IGJ: 1,908,463

3. CONSOLIDATED COMPREHENSIVE INCOME STRUCTURE

Note: the amounts are stated in thousands of Argentine Pesos. Pursuant to CNV regulations, the following table shows the balances and results for the period, prepared under IFRS.

	<u>March 31, 2018</u>
Operating income/loss from continuing operations ⁽¹⁾	7,113
Financial Income and Expense	(3,425)
Equity in Earnings from Associates	<u>43</u>
Income/loss from continuing operations before income tax and tax on assets	3,731
Income tax and tax on assets	<u>(1,382)</u>
Net Income for the Period	2,349
Other Comprehensive Income for the period	<u>566</u>
Total Comprehensive Income for the Period	<u><u>2,915</u></u>

⁽¹⁾ Defined as net sales less cost of sales and expenses.

4. Cash Flow Structure

Note: the amounts are stated in thousands of Argentine Pesos. Pursuant to CNV regulations, the following table shows the balances and results for the period, prepared under IFRS.

	<u>March 31, 2018</u>
Cash provided by (used in) Operating Activities	9,281
Cash provided by (used in) Investment Activities	(2,456)
Cash provided by (used in) Financing Activities	<u>(3,390)</u>
Total Cash provided (used) for the Period	3,435
Financial Income and Expense Generated By Cash And Cash Equivalents	<u>391</u>
Total Changes in Cash	<u><u>3,826</u></u>

See our report dated
May 11, 2018

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

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Chairman

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5. STATISTICAL DATA

	<u>March 31, 2018</u>
Cable Television Service Subscribers (i)	99.8
Internet Access (i)	241.3
IDEN Telephony Service Lines (ii)	34.8
Fixed Telephony Service Lines (iii)	98.6
Personal Mobile Service Lines (iii)	99.7
Núcleo Customers (iii)	98.2

(i) Base December 2013= 100

(ii) Base December 2015= 100

(iii) Base December 2017= 100

6. RATIOS

	<u>March 31, 2018</u>
Liquidity (current assets / current liabilities)	0.47
Solvency (equity / total liabilities)	1.28
Capital assets (non-current assets / total assets)	0.88

7. OUTLOOK

The Company will provide high quality services through its subsidiaries. It will focus on maintaining and consolidating its presence in the telecommunications market to meet the growing demand for products and services mainly associated with broadband and mobility. Its long-term business strategy is aimed at upgrading the networks of its subsidiaries to improve the quality of the service provided to their customers and increase its penetration in the fixed and mobile broadband business, which has the greatest potential for future growth.

The purpose of the Merger is for Telecom Argentina S.A., in its capacity as merged company ("Merged Company"), to offer in an efficient manner, in line with the national and international trend, technological products for media and telecommunications that converge the different separate or independent modalities in which voice, data, sound and video transmission wired and wireless services are provided, into a single product or a series of products to be provided as a whole for the benefit of the users and consumers of those multiple individual services. Both companies understood that their respective operating and technical structures were highly complementary and could be optimized through a structural consolidation, achieving synergies and efficiencies in the development of convergence products along with the demand of the market. Without a doubt, the merger is the most relevant highlight of the year in the telecommunications sector, and marks the beginning of a stage of expansion, technological innovation and unprecedented challenges in our country.

As expected by the end of 2017, during the first quarter of 2018 the economy continued to grow, though the expansion rate was slightly reduced due to the impact of climatic factors, mainly the severe drought that affected the central agricultural area and affected the country's economic activity in these first months.

See our report dated
May 11, 2018

PRICE WATERHOUSE & CO. S.R.L.

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CABLEVISIÓN HOLDING S.A.

Registration number with the IGJ: 1,908,463

One of the most relevant factors in the economic context was the slow reduction of inflation levels, which could stabilize within the next months, with the definition of economic measures aimed at regulating the exchange rate parity, as well as the unfolding of salary agreements with pre-established goals.

In terms of the regulatory framework, Telecom Argentina, as a comprehensive operator of ITC services, will seek to contemplate the government's intent to encourage technological convergence, with projects that foster competition and favor the deployment of networks to boost the dynamism of the sector. With a focus on the convergence of services and in line with the global trend in the sector, we understand that the regulatory framework should propose a comprehensive approach to communications, contemplating all the players capable of investing in modern and powerful networks to provide high level products and services in Argentina.

Upon the consummation of the merger, Telecom has become one the main economic players of Argentina with over 33 million subscribers to fixed and mobile telephony, Internet and TV services.

We expect that our subsidiary Telecom, through the process it is undergoing, will increase its infrastructure, unify its systems and develop new connectivity services worldwide. In order to achieve this goal, Telecom decided to implement an investment plan of US\$ 5,000 million in the 2018-2020 three-year term, which will allow it to boost its fixed and mobile networks through the deployment of its 4G network.

Cablevisión Holding will continue to focus on the core processes that allow for a sustainable and efficient growth from different perspectives: financial structure, management control, business strategy, human resources, innovation and corporate social responsibility.

City of Buenos Aires, May 11, 2018.

See our report dated
May 11, 2018

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. Vol. 1 Fol. 17

Sebastián Bardengo
Chairman

Free translation from the original prepared in Spanish

REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders, President and Directors of
Cablevisión Holding S.A.
Legal domicile: Tacuarí 1842, 4th floor,
City of Buenos Aires
Tax ID No. 30-71559123-1

Introduction

We have reviewed the attached interim consolidated financial statements of Cablevisión Holding S.A. and its controlled subsidiaries (the "Company") which comprise the consolidated statement of financial position at March 31, 2018, the consolidated statements of comprehensive income, changes in equity and of cash flows for the three-month period ended on that date and a summary of significant accounting policies and other explanatory information.

The balances and other information corresponding to fiscal year 2017 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 interim consolidated 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 interim consolidated 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 statement of financial position, consolidated comprehensive income and consolidated cash flows of the Company.

Conclusion

Based on our review, nothing has come to our attention that caused us to believe that the 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 34.

Emphasis of Matter

Without modifying our conclusion, we would like to emphasize the information contained in Note 18.2.i) 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 television services provided by the subsidiary Telecom Argentina S.A., whose decision cannot be foreseen to date.

Report on compliance with current regulations

In accordance with current regulations, in respect to Cablevisión Holding S.A., we report that:

- a) the interim consolidated financial statements of Cablevisión Holding S.A. have been transcribed to the "Inventory and Balance Sheet" book and comply with the General Companies Law and pertinent resolutions of the Argentine Securities Commission, as regards those matters that are within our competence;
- b) the interim condensed individual financial statements of Cablevisión Holding 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)
- e) at March 31, 2018, the debt accrued in favor of the Argentine Integrated Social Security System of Cablevisión Holding S.A. according to the Company's accounting records and calculations amounted to \$ 533,233, none of which was claimable at that date.

City of Buenos Aires, May 11, 2018.

PRICE WATERHOUSE & CO. S.R.L.

by _____ (Partner)
Dr. Carlos A. Pace



Cablevisión Holding S.A.

Interim Condensed Individual Financial Statements

For the three-month period ended March 31, 2018
presented on a comparative basis

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CABLEVISIÓN HOLDING S.A.

Registration number with the IGJ: 1,908,463

CABLEVISIÓN HOLDING S.A.
INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018
(In millions of Argentine pesos)

	Notes	<u>March 31, 2018</u>
Equity in Earnings from Associates	4.5	39,885
Fees for services	4.1	(15)
Salaries	4.1	(5)
Other expenses	4.1	(1)
Other Operating Income and Expense		8
Financial Costs	4.2	(1,114)
Other Financial Results, net	4.3	(5)
		<hr/>
Income before Income Tax and Tax on Assets		38,753
Income Tax and Tax on Assets	4.4	-
		<hr/>
Net income for the period		38,753
Other Comprehensive Income		
Items that can be reclassified to net income		
Variation in Translation Differences of Foreign Operations		170
		<hr/>
Total Comprehensive Income for the Period		38,923
		<hr/> <hr/>

The accompanying notes are an integral part of these interim condensed individual financial statements.

See our report dated
May 11, 2018

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. Vol. 1 Fol. 17

Dr. Carlos A. Pace

Certified Public Accountant (UBA)
C.P.C.E.C.A.B.A. Vol. 150 F 106

Andrés Riportella
Supervisory Committee

Sebastián Bardengo
Chairman

CABLEVISIÓN HOLDING S.A.

Registration number with the IGJ: 1,908,463

CABLEVISIÓN HOLDING S.A.
INDIVIDUAL STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2018 AND DECEMBER 31, 2017
(In millions of Argentine pesos)

	Notes	March 31, 2018	December 31, 2017
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	4.6	856	466
Other Receivables	4.7	16	1,528
Other Assets	4.8	138	378
Total Current Assets		1,010	2,372
NON-CURRENT ASSETS			
Deferred Tax Assets	4.4	7	7
Investments in Unconsolidated Affiliates	4.5	49,734	19,045
Total Non-Current Assets		49,741	19,052
Total Assets		50,751	21,424
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	4.10	1	-
Bank and Financial Debt	4.9	4,322	2,775
Salaries and Social Security Payables		1	-
Taxes Payable	4.11	16	29
Total Current Liabilities		4,340	2,804
NON-CURRENT LIABILITIES			
Bank and Financial Debt	4.9	-	11,029
Total Non-Current Liabilities		-	11,029
Total Liabilities		4,340	13,833
EQUITY (as per the corresponding statement)			
Owners' Contribution		1,264	1,264
Other Items		1,078	944
Retained Earnings		44,069	5,383
Total Equity		46,411	7,591
Total Equity and Liabilities		50,751	21,424

The accompanying notes are an integral part of these interim condensed individual financial statements.

See our report dated
May 11, 2018

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C.P.C.E.C.A.B.A. Vol. 1 Fol. 17

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CABLEVISIÓN HOLDING S.A.

Registration number with the IGJ: 1,908,463

CABLEVISIÓN HOLDING S.A.
INDIVIDUAL STATEMENT OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018
(In millions of Argentine pesos)

	Equity attributable to Shareholders of the Parent Company									
	Owners' Contribution				Other Items		Retained Earnings			Total Equity of Controlling Interests
	Capital Stock	Inflation Adjustment on Capital Stock	Additional Paid-in Capital	Subtotal	Other Comprehensive Income	Other Reserves	Legal Reserve	Voluntary Reserves (2)	Retained Earnings	
Balances as of December 31, 2017	181	195	888	1,264	948	(4)	75	3,692	1,616	7,591
Adjustment to Net Income from Prior Years (Note 2.3)	-	-	-	-	-	-	-	-	(67)	(67)
Changes in Other Reserves	-	-	-	-	-	(36)	-	-	-	(36)
Net Income for the Period	-	-	-	-	-	-	-	-	38,753	38,753
Other Comprehensive Income	-	-	-	-	170	-	-	-	-	170
Balances as of March 31, 2018	(1) 181	195	888	1,264	1,118	(40)	75	3,692	40,302	46,411

(1) Includes 1,578 treasury shares. See Note 10.

(2) Broken down as follows: (i) Voluntary reserve for future dividends of \$ 1,813; (ii) Voluntary reserve for illiquidity of results of \$ 437, (iii) Voluntary reserve to ensure the liquidity of the Company and its subsidiaries of \$ 660, and (iv) Voluntary reserve to provide financial aid to subsidiaries and in connection with the Audiovisual Communication Services Law of \$ 782.

The accompanying notes are an integral part of these interim condensed individual financial statements.

See our report dated
May 11, 2018

PRICE WATERHOUSE & CO. S.R.L.

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CABLEVISIÓN HOLDING S.A.

Registration number with the IGJ: 1,908,463

CABLEVISIÓN HOLDING S.A.
INDIVIDUAL STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018
(In millions of Argentine pesos)

	March 31, 2018
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	
Net Income for the Period	38,753
Accrued Interest, net	298
Adjustments to reconcile net income for the period to cash used in operating activities:	
Exchange Differences and Other Financial Results	821
Equity in Earnings from Associates	(39,885)
Changes in Assets and Liabilities:	
Other Receivables	105
Trade and Other Payables	2
Taxes Payable	(13)
Net Cash Flows Provided by Operating Activities	81
CASH FLOWS PROVIDED BY (USED IN) INVESTMENT ACTIVITIES	
Dividends collected	10,664
Net Cash Flows provided by Investment Activities	10,664
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES	
Reversal of Reserve Account	264
Payment of Interest	(161)
Repayment of Loans	(10,435)
Net Cash Flows used in Financing Activities	(10,332)
Net Increase in Cash Flow	413
FINANCING RESULTS PROVIDED BY CASH	(23)
Cash and Cash Equivalents at the Beginning of the Year (Note 4.6)	466
Cash and Cash Equivalents at the Closing of the Period (Note 4.6)	856

The accompanying notes are an integral part of these interim condensed individual financial statements.

See our report dated
May 11, 2018

PRICE WATERHOUSE & CO. S.R.L.
(Partner)

C.P.C.E.C.A.B.A. Vol. 1 Fol. 17

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CABLEVISIÓN HOLDING S.A.
NOTES TO THE INTERIM CONDENSED INDIVIDUAL FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018
PRESENTED ON A COMPARATIVE BASIS
(In millions of Argentine pesos)

NOTE 1 – GENERAL INFORMATION

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 reorganization 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 reorganization was registered with the IGJ on April 27, 2017, and the effective date of the spin-off was 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 the Company 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 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.

The core business of Cablevisión and some of its subsidiaries was the operation of the cable television networks installed in different regions of Argentina and Uruguay and the provision of telecommunication services.

Cablevisión exploited cable television services through licenses original granted by the Federal Broadcasting Committee (COMFER, for its Spanish acronym) and telecommunication services through licenses granted by the SC.

The corporate reorganization process of its subsidiary Cablevisión is described under Note 6 to these interim condensed individual financial statements.

Telecom provides mainly fixed-line public and mobile telecommunication services, international long-distance service, data transmission and Internet services in Argentina and through its subsidiaries, mobile telecommunications services in Paraguay and international wholesale services in the United States of America.

As a consequence of the merger between Telecom and Cablevisión S.A., Telecom Argentina, as surviving entity, develops, as from fiscal year 2018, the operations that Cablevisión S.A. developed until December 31, 2017.

NOTE 2 - BASIS FOR THE PREPARATION AND PRESENTATION OF THE INTERIM CONDENSED INDIVIDUAL FINANCIAL STATEMENTS

2.1. Basis for the preparation

Through General Resolutions No. 562/09 and No. 576/10, the Argentine Securities Commission ("CNV", for its Spanish acronym) provided for the application of Technical Resolutions ("TR") No. 26 and No. 29 issued by the Argentine Federation of Professional Councils of Economic Sciences ("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. 26,831, 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 resolutions in Argentina.

See our report dated
May 11, 2018

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

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Supervisory Committee

CABLEVISIÓN HOLDING S.A.

Registration number with the IGJ: 1,908,463

Technical Resolution No. 43 "Amendment of Technical Resolution No. 26", effective for fiscal years beginning on or after January 1, 2016, sets out that individual financial statements shall be prepared fully in accordance with IFRS without applying any changes, i.e. complying with the full contents of those standards as issued by the IASB and with the mandatory or guiding provisions established by IASB in each document.

That Resolution provides that for its disclosure in individual financial statements of entities that are required to present consolidated financial statements, the investments in subsidiaries, joint ventures and associates shall be valued under the equity method as set out by IFRS.

In preparing these interim condensed individual financial statements for the three-month period ended March 31, 2018, the Company has followed the guidelines provided by TR 43, and, therefore, these financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". Some additional matters were included as required by the Argentine General Associations Law and/or CNV regulations, including the supplementary information provided by 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 interim condensed individual financial statements, as provided by IFRS. The interim condensed individual financial statements have been prepared in accordance with the accounting policies the Company expects to adopt in its annual individual financial statements as of December 31, 2018. 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").

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 condensed individual 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.

These interim condensed individual financial statements should be read together with the Company's financial statements for the irregular eight-month fiscal year beginning May 1, 2017 and ended December 31, 2017, prepared under IFRS.

The accounting policies used in the preparation of these interim condensed individual financial statements are consistent with those used in the preparation of the financial statements for the irregular eight-month fiscal year beginning May 1, 2017 and ended December 31, 2017.

The Company began operating on May 1, 2017. Therefore, these interim condensed financial statements are not presented on a comparative basis with the financial statements for the three-month period ended March 31, 2017.

Certain figures reported in the financial statements presented on a comparative basis were reclassified in order to maintain the consistency in the disclosure of the figures corresponding to this period.

See our report dated
May 11, 2018

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. Vol. 1 Fol. 17

Andrés Riportella
Supervisory Committee

CABLEVISIÓN HOLDING S.A.

Registration number with the IGJ: 1,908,463

The attached information, approved by the Board of Directors of the Company at the meeting held on May 11, 2018, is presented in Argentine Pesos (\$), the Argentine legal tender, and arises from accounting records kept by the Company.

2.2. Standards and Interpretations issued but not adopted to date

The Company has not adopted the IFRS or revisions of IFRS issued, as per the detail below, since their application is not required for the period ended March 31, 2018:

- 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 interim condensed individual financial statements, the Company cannot estimate its quantitative and qualitative impact because it is analyzing the corresponding accounting effects.

- IFRIC 23 "Uncertainty over Income Tax Treatments": issued in October 2017. In case of uncertainty over tax treatments, this IFRIC provides that: (i) if uncertain tax treatments must be assessed separately; (ii) the assumptions used by the tax authority over the tax treatments (the company will have to assess if it's probable that the tax authority will accept the uncertain tax treatment assuming that the taxation authority is going to assess such uncertain tax treatment); (iii) how a company measures the tax income (loss), the tax bases, taxes and fiscal credits not deducted and tax rates (assessment of the probability of occurrence); and (iv) how the changes in facts and circumstances are considered.

The new standard is effective for fiscal years beginning on or after January 1, 2019. Earlier application is permitted. The Company does not expect impacts on the application of this amendment on the statement of financial position, the statement of comprehensive income or the statement of cash flows.

2.3. Standards and Interpretations issued and adopted to date

- 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 1, 2018.

Upon conducting an analysis of the accounting standard, the Company and its subsidiaries identified that the main impact is, given the direct and indirect interest in Telecom Argentina, on the accounting policy concerning the allowance for doubtful trade receivables, as a result of the application of the model called "expected credit losses". The effect of the initial application of the standard as of January 1, 2018 amounts to approximately \$ 67 million, based on its interest in Cablevisión as of December 31, 2017.

- 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 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.

Upon conducting an analysis of the accounting standard, the Company and its subsidiaries have not identified any impact as of January 1, 2018 on the recognition of revenues from contracts with customers.

NOTE 3 - ACCOUNTING ESTIMATES AND JUDGMENTS

In applying the accounting policies used in the preparation of these interim condensed individual financial statements, the Company has to make judgments and prepare accounting estimates of the value of the assets and liabilities that may not be obtained otherwise. 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

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accounting estimates are recognized for the period in which estimates are reviewed.

The estimates and assumptions used in the preparation of these interim condensed individual financial statements are consistent with those used in the preparation of the financial statements as of December 31, 2017, which are disclosed in Note 3 to such annual individual financial statements for the irregular eight-month fiscal year beginning May 1, 2017 and ended December 31, 2017.

NOTE 4 – BREAKDOWN OF MAIN ITEMS**4.1 - Information Required under Article 64, Subsection b) of Law No. 19,550**

Item	Administrative Expenses
	March 31, 2018
Fees for services	15
Salaries	5
Other expenses	1
Total	21

4.2 - Financial Costs

	March 31, 2018
Exchange Differences	(814)
Interest	(300)
	(1,114)

4.3 – Other Financial Results, net

	March 31, 2018
Exchange Differences	(7)
Interest Income	2
	(5)

4.4 – Deferred Tax Asset, Income Tax, and Tax on Assets.

The balance of the item deferred income tax is broken down as follows:

	March 31, 2018	December 31, 2017
Other	7	7
Net Deferred Tax Assets	7	7

Deferred tax assets from unused tax loss carryforwards are recognized to the extent their realization is probable against future taxable profits. The Company did not recognize deferred tax assets corresponding to tax loss carryforwards for \$ 2,359 million, which may be offset against future taxable profits. The following is a detail of the expiration of those unrecognized tax loss carryforwards:

Expiration year	Amount of Tax Loss Carryforward
2022	1,225
2023	1,134

The following table shows the reconciliation between the income tax and tax on assets charged to net income for the three-month period ended March 31, 2018 and the income tax liability that would result from

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applying the current tax rate on income before income tax and tax on assets and the income tax liability assessed for the year:

	<u>March 31, 2018</u>
Income Tax Assessed at the Current Tax Rate (30%) on Income before Income Tax	(11,626)
Permanent Differences:	
Equity in Earnings from Associates	11,966
Tax loss carryforwards not recognized as deferred tax assets	<u>(340)</u>
Income Tax	<u><u>-</u></u>

4.5 - Investments in Associates

(amounts in millions of Argentine pesos, except for those corresponding to the nominal value of shares)

Companies	Country	Class	Nominal Value	Number	Valuation as of March 31, 2018 ⁽¹⁾	Valuation as of December 31, 2017 ⁽¹⁾	Interest (%)
Non-Current Investments:							
Telecom Argentina ⁽²⁾	Argentina	Common	\$ 1	406,757,183	23,735	-	18.89%
Telecom Argentina – Goodwill					556	-	
VLG ^{(2) (3)}	USA	-	-	-	25,378	3,655	100%
VLG – Goodwill					65	100	
Cablevisión ⁽²⁾	Argentina	Common	\$ 10,000	41,207	-	3,491	34.34%
Cablevisión – Goodwill					-	854	
VLG – Acquired shares to be received ^{(2) (4)}					-	10,945	
PEM	Argentina	Common	\$ 1	1	-	-	0.00000007%
Total					<u><u>49,734</u></u>	<u><u>19,045</u></u>	

(1) In certain cases, the equity value does not correspond to the related shareholders' equity due to: (i) the adjustment of the equity value to the Company's accounting policies, as required by professional accounting standards, (ii) the elimination of goodwill generated by transactions between companies under the Company's common control, (iii) the existence of irrevocable contributions, and (iv) adjustments to fair market value of net assets for acquisitions made by the Company.

(2) See Note 6.

(3) Company through which an indirect interest is held in Telecom / Cablevisión as of March 31, 2018 and December 31, 2017, respectively.

(4) As of December 31, 2017, the only thing pending was the formal delivery of the shares, whereby the Company became the holder for all purposes of 71.55% of VLG's capital stock.

The information about the issuer is detailed below (in millions of Argentine pesos):

Companies	Main business activity	Date	Capital Stock	Net Income	Equity
Telecom	Provision of Information and Communications Technology Services ("ICT Services")	March 31, 2018	2,169	3,460	127,211
VLG	Investing and financing	March 31, 2018	5,792	25,467	25,690
PEM	Investing	March 31, 2018	14	7	88

The following is the evolution of the Investments in Unconsolidated Affiliates:

	<u>March 31, 2018</u>
Balance at the beginning of the year:	19,045
Equity in Earnings for the period from subsidiaries	1,352 (*)
Effect of the Transaction described under Note 6	38,533 (*)
Adjustment to Net Income from Prior Years (Note 2.3)	(67)
Interest in the dividends distributed by subsidiaries	(9,263)
Other Comprehensive Income	170
Changes in Other Reserves	(36)
Balance at period-end	<u><u>49,734</u></u>

(*) Included in the item "Equity in Earnings from Associates" of the individual statement of comprehensive income.

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Equity in Earnings from Associates

	<u>March 31, 2018</u>
Telecom	23,673
VLG	16,212
Total	<u>39,885</u>

4.6 - Cash and Cash Equivalents

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Banks in Local Currency	-	1
Banks in Foreign Currency (Note 4.12)	447	28
Mutual Funds	4	31
Interest-bearing accounts (Note 4.12)	405	71
Fixed-Term Deposits (Note 4.12)	-	335
Total	<u>856</u>	<u>466</u>

4.7 – Other Receivables

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Current		
Tax Credits	16	12
Sundry Receivables (Note 4.12)	-	116
Dividend Receivable (Note 5)	-	1,400
Total	<u>16</u>	<u>1,528</u>
Non-Current		
Income Tax Credit	4	4
Valuation Allowance (Note 4.14)	(4)	(4)
Total	<u>-</u>	<u>-</u>

4.8 – Other Assets

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Current		
Reserve account (Notes 4.9 and 4.12)	138	378
Total	<u>138</u>	<u>378</u>

4.9 – Bank and Financial Debt

The following is a breakdown of the Company's loans and indebtedness:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Current		
Bank Loans - principal	4,318	2,766
Bank Loans - Interest	4	9
Total	<u>4,322</u>	<u>2,775</u>
Non-Current		
Bank Loans - principal	-	11,221
Financial debt measured at present value	-	(192)
Total	<u>-</u>	<u>11,029</u>

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On September 24, 2017, the Company 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 (US\$ 750,000,000). On September 25, 2017, the Company received communications from each of the Lenders, the Arrangers, the Collateral Agents and the Administrative Agent stating that they had accepted the Loan Offer, which disbursement was made on September 28, 2017.

The loan accrues 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 and guarantees, which are usual for this type of financing.

Of the loan amount, US\$ 18.1 million were allocated to a reserve account, under the terms of the agreement. The Company 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 loan during the following six-month period. As of March 31, 2018, the balance of said reserve account included under the item "Other Assets" amounted to US\$ 6.9 million.

The funds from the loan were used, among other things, for the payment of the Exercise Price under the Option Agreement mentioned in Note 6 to these interim condensed individual financial statements.

For as long as the Loan is outstanding, the Company undertakes to create and maintain guarantees for an amount equal 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 \$ 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 the 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. Subsequently, as a result of the Merger between Telecom and Cablevisión mentioned in Note 6 to these interim condensed individual financial statements, the Company approved the creation of a pledge on 297,346,243 shares of Telecom Argentina S.A. which, according to the exchange Ratio, are equivalent to 30,123 Class A book-entry common shares of Cablevisión S.A. As of the date of these interim condensed individual financial statements, the lenders maintain a pledge on 122,845,773 shares of Telecom Argentina S.A. held by the Company.

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 US\$ 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 its own and of Cablevisión and to guarantee a minimum amount to pay dividends from its subsidiary Cablevisión.

On January 11, February 21, and March 27, 2018, the Company made partial prepayments of principal and interest in the amount of US\$ 148.6 million, US\$ 253.8 million and US\$ 132.6 million, respectively, pursuant to the terms and conditions of the Loan, which set out that the collections of dividends by the Company shall be applied to the prepayment of the Loan. As of the date of these interim condensed individual financial statements, the outstanding principal amount of the Loan amounts to US\$ 217.3 million.

During the period covered by these interim condensed individual financial statements, the Company complied with such covenants.

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The following table details the changes in loans and indebtedness in the three-month period ended March 31, 2018:

	<u>March 31, 2018</u>
Balance at the Beginning	13,804
Accrued Interest	300
Exchange Differences	814
Payment of Financial Debt	(10,435)
Payment of Interest	(161)
Balances at period-end	<u>4,322</u>

4.10 Accounts Payable

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Current		
Suppliers and Trade Provisions	1	-
Total	<u>1</u>	<u>-</u>

4.11 - Taxes Payable

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Current		
National Taxes	16	29
Total	<u>16</u>	<u>29</u>

4.12 - Assets and Liabilities in Foreign Currency

Items	As of March 31, 2018			As of December 31, 2017	
	Amount in Foreign Currency (1)	Prevailing Exchange Rate (2)	Amount In local Currency (3)	Amount in Foreign Currency (1)	Amount In local Currency (3)
			\$		\$
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	42	20.049	852	23	434
Other Receivables	-	20.049	-	6	116
Other Assets	7	20.049	138	20	378
Total Current Assets	<u>49</u>		<u>990</u>	<u>49</u>	<u>928</u>
Total Assets	<u>49</u>		<u>990</u>	<u>49</u>	<u>928</u>

⁽¹⁾ US\$.⁽²⁾ Bid/offered exchange rates, as appropriate.⁽³⁾ Since the amounts in foreign currency and the equivalent amount in Argentine pesos are stated in millions, the calculation of the amount in foreign currency as per the prevailing exchange rate may not be accurate.

Items	As of March 31, 2018			As of December 31, 2017	
	Amount in Foreign Currency (1)	Prevailing Exchange Rate (2)	Amount In local Currency (3)	Amount in Foreign Currency (1)	Amount In local Currency (3)
			\$		\$
LIABILITIES					
CURRENT LIABILITIES					
Bank and Financial Debt	214	20.149	4,322	149	2,775
Total Current Liabilities	<u>214</u>		<u>4,322</u>	<u>149</u>	<u>2,775</u>
NON-CURRENT LIABILITIES					
Bank and Financial Debt	-	20.149	-	591	11,029
Total Non-Current Liabilities	<u>-</u>	<u>20.149</u>	<u>-</u>	<u>591</u>	<u>11,029</u>
Total Liabilities	<u>214</u>		<u>4,322</u>	<u>740</u>	<u>13,804</u>

⁽¹⁾ US Dollars.⁽²⁾ Bid/offered exchange rates, as appropriate.⁽³⁾ Since the amounts in foreign currency and the equivalent amount in Argentine pesos are stated in millions, the calculation of the amount in foreign currency as per the prevailing exchange rate may not be accurate.

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4.13 – Maturities of Investments, Receivables and Liabilities

The following table shows the classification of investments, receivables and liabilities as of March 31, 2018 in the following categories:

	Investments (1)	Other Assets (2)	Receivables	Other Liabilities (3)	Bank and Financial Debt (4)
In millions of Argentine pesos					
Without any established term	409	-	-	-	-
Due					
Within three months	-	70	16	18	4
More than three months and up to six months	-	68	-	-	-
More than six and up to nine months	-	-	-	-	4,318
Total with upcoming maturity	-	138	16	18	4,322
Total	409	138	16	18	4,322

(1) Includes US\$ 20.2 million, the remaining balance is denominated in Argentine pesos, the remaining balance accrues interest at a variable rate. Included in the item "Cash and Cash Equivalents."

(2) Includes US\$ 6.9 million which does not accrue any interest.

(3) Does not accrue any interest. Includes taxes payable, trade and other payables.

(4) Includes US\$ 214.4 million which accrues interest at a variable rate.

4.14 Changes in Allowances

Items	Balances as of December 31, 2017	Increases	Decreases	Balances as of March 31, 2018
Deducted from Assets				
Valuation Allowance	4	-	-	4
Total	4	-	-	4

NOTE 5 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The following table shows the breakdown of the Company's balances with its related parties as of March 31, 2018 and December 31, 2017.

Company	Item	March 31, 2018	December 31,
<u>Subsidiaries</u>			
Cablevisión	Dividends Receivable	-	1,400

The following table details the transactions carried out by the Company with related parties for the three-month period ended March 31, 2018:

Company	Item	March 31, 2018
<u>Other Related Parties</u>		
Grupo Clarín	Fees for services	(9)
Gestión Compartida	Fees for services	(1)

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NOTE 6 – ACQUISITION OF COMPANIES AND CORPORATE REORGANIZATION PROCESSES

Merger between Telecom Argentina and Cablevisión

On June 30, 2017, the Boards of Directors of Telecom Argentina and Cablevisión approved a pre-merger commitment (“Pre-Merger Commitment”) whereby Telecom Argentina, a company organized and existing under the laws of Argentina with shares currently listed in the stock markets of Buenos Aires (under ADRs) and New York (NYSE: TEO, BCBA: TECO2), in its capacity as absorbing company, absorbed Cablevisión, which was dissolved without liquidation as of the effective date of the merger, pursuant to the provisions of Articles 82 and 83 of the General Associations Law No. 19,550 (the “Merger”).

Pursuant to Article 83, subsection c) of the Argentine General Associations Law No. 19,550, the parties set 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 (the “Exchange Ratio”). This Exchange Ratio was deemed reasonable, from a financial standpoint, by the independent professional appraiser Lion Tree Advisors LLC.

On June 30, 2017, the Boards of Directors of Telecom Argentina and Cablevisión, respectively, decided to call an Ordinary and Extraordinary Shareholders’ Meeting, in the case of Telecom Argentina, and an Extraordinary Shareholders’ Meeting, 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 and with regard to Telecom Argentina, the amendment of the Bylaws and the increase of its capital stock.

On August 31, 2017, the shareholders of Telecom Argentina and Cablevisión held their respective Shareholders’ Meetings and, after making the publications required by law- since no oppositions to the above-mentioned corporate reorganization process were filed-, on October 31, 2017, they executed the final Merger Agreement which was cast onto Public Deed No. 2,142, transcribed to page No. 12,398 of Notarial Record Book No. 15 of Federal Capital (“Final Merger Agreement”).

Pursuant to the Pre-Merger Commitment and the Final Merger Commitment, on September 6, 2017, Telecom Argentina and Cablevisión made a joint filing with the ENACOM in order to request the authorization of the change of control, transfer of registrations and spectrum held by Cablevisión.

Consequently, after filing all the requested documentation, on December 22, 2017, Telecom Argentina and Cablevisión were served with ENACOM Resolution No. 5,644-E/2017, whereby that agency decided, among other things, to authorize Cablevisión to transfer in favor of Telecom Argentina: (i) the Registration of physical and/or radio electric link broadcasting services, including permits/frequencies required to provide radio electric link subscription broadcasting services, as well as area authorizations to provide those services (via physical and radio electric link), which may operate in Area II, as defined under Decree No. 1,461/93, as amended, and the city of Rosario, Province of Santa Fe, and the city of Córdoba, Province of Córdoba, as from January 1, 2018, as provided under Article 5 of National Decree No. 1,340/2016, and in the rest of the areas authorized, on the dates and in the modalities provided under ENACOM Resolution No. 5,641/2017 dated December 20, 2017; (ii) The Registration of the Radio Electric Trunking Service (SRCE); and (iii) the authorizations and frequency use permits and allocations of numbering and signposting resources to provide the above-mentioned services held by Cablevisión, pursuant to effective regulations (Annex IV of Decree No. 764/2000), and the agreement executed by Nextel on April 12, 2017 (IF-2017-08818737-APN-ENACOM#MCO), whereby Telecom Argentina, in its capacity as absorbing company of Cablevisión, shall within a term of two years as from the date the merger is approved by the National Antitrust Commission and the ENACOM or by any agency that may substitute them in the future, return the radio electric spectrum that exceeds the limit set under Article 5 of Resolution No. 171-E/17 issued by the Ministry of Communications and/or any regulation that may replace it in the future. To that effect, Telecom Argentina shall file with the ENACOM, no later than one year prior to the expiration of the two-year term, a proposal to conform to that limit. The ENACOM may accept the proposal, reject it and/or request a new filing with any changes it may deem appropriate.

In addition, through that Resolution, the ENACOM authorized the change of corporate control (as defined under Article 33 of the General Associations Law No. 19,550) of Telecom Argentina that will occur once the merger becomes effective and the shareholders agreement dated July 7, 2017 enters into effect, as a

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result of which Cablevisión Holding would become the controlling company of Telecom Argentina as surviving company of Cablevisión.

The purpose of the Merger is for Telecom Argentina, in its capacity as merged company (“Merged Company”), to offer in an efficient manner, in line with the national and international trend, technological products for media and telecommunications that converge the different separate or independent modalities in which voice, data, sound and video transmission wired and wireless services are provided, into a single product or a series of products to be provided as a whole for their benefit and that of the consumers of those multiple individual services. Both companies understood that their respective operating and technical structures were highly complementary and could be optimized through a structural consolidation, achieving synergies and efficiencies in the development of convergence products along with the demand of the market.

On January 1, 2018, since the conditions precedent to which the Merger was subject had been fulfilled, the Chairmen of the Boards of Directors of both companies signed the minutes regarding the transfer of operations, marking the occurrence of the Effective Date of the Merger.

In accordance with the Pre-Merger Commitment and the Final Merger Agreement, on that date, Telecom Argentina increased its capital stock in the amount of \$ 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 received 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, as applicable, according to the Exchange Ratio.

As from said Effective Date of the Merger: (i) all the assets and liabilities, including the assets subject to registration, the licenses, the rights and obligations that belonged to Cablevisión were deemed to have been incorporated to the equity of Telecom Argentina, (ii) Telecom Argentina continued with the operations of Cablevisión, thus generating the corresponding operating, accounting and tax effects, (iii) the management and representation of Cablevisión was undertaken by the management and representatives of Telecom Argentina.

In connection with the above-mentioned transaction, on July 7, 2017, the Company, together with VLG Argentina LLC (“VLG”), Fintech Media LLC, Fintech Advisory Inc., GC Dominio S.A. and Fintech Telecom LLC executed a shareholders' agreement that governs their relationship as shareholders of Telecom Argentina (the “Agreement”) and which became effective on the Effective Date of the Merger. Under such Agreement, the parties agreed on:

- representation in corporate bodies, establishing that, subject to the fulfillment of certain conditions set therein and provided Cablevisión Holding complies with certain minimum participation requirements in the Merged Company, it may appoint the majority of the members of the Board of Directors, the Executive Committee, the Audit Committee and the Supervisory Committee; and
- a scheme of special majority requirements for the approval by the Board of Directors and/or the Shareholders, as applicable, 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) acquisitions of certain assets, viii) sales of certain assets, ix) increases of capital stock, x) incurring indebtedness above certain limits, xi) capital investments in infrastructure, plant and equipment above certain amounts, xii) related party transactions, xiii) contracts that impose restrictions on the distribution of dividends, xiv) new lines of business or the discontinuation of existing ones, and xv) actions to be taken in insolvency situations, among others.

Pursuant to the Agreement, (a) Fintech Telecom LLC and the Company (i) will each contribute certain shares of Telecom to a voting trust (the “Voting Trust”) which, once the shares in Telecom Argentina held by the Company are incorporated, will exceed fifty percent (50%) of the outstanding shares after the Merger becomes effective, 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 shares under the Voting Trust shall be

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voted as per the instructions of the co-trustee appointed by the Company, except in the case of certain issues subject to veto under the agreement, 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, and (b) subject to the fulfillment by the Company and Fintech Telecom LLC of certain ownership thresholds regarding the shares of Telecom Argentina, the Company will be entitled to appoint the general manager and other key employees of Telecom Argentina and Fintech Telecom LLC will be entitled to appoint the chief financial officer and the internal auditor.

On July 7, 2017, the Company also accepted an offer for an irrevocable 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 Argentina (which represents approximately 6% of Telecom Argentina's capital stock once the Merger becomes effective) for US\$ 634,275,282 (the "Option"). The maximum term established to exercise the option was one year as from July 7, 2017. The Company had to pay to Fintech Advisory Inc., within a term of thirty days as from July 7, 2017, an option premium of US\$ 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 Option for US\$ 634,275,282. As guarantee for the fulfillment of the outstanding obligations after the above-mentioned prepayment, Fintech Media LLC pledged in favor of the Company a 21.55% interest in VLG.

On December 27, 2017, the Company exercised the Option. As a result, it chose to receive an additional equity interest in VLG of 21.55% (which would represent an indirect interest of approximately 6% in Telecom's capital stock once the Merger becomes effective). In addition, within the framework of the Option, its price was finally established at US\$ 628,008,363. As a result of exercising said option, Fintech Media LLC became the holder of 28.45% of the capital stock of VLG and the Company became the holder of 71.55% of the capital stock of VLG.

Within the framework of the Merger, Fintech Media LLC and the Company undertook to carry out certain corporate reorganization processes and to separate and split the whole capital stock of VLG, between Fintech Media LLC and Cablevisión Holding, in proportion to their respective holdings in VLG after the exercise of an Option in favor of the Company.

In view of the above, VLG started a corporate reorganization process whereby it spun off, in proportion to the respective holdings of its shareholders Fintech Media LLC (28.45%) and the Company (71.55%), a portion of its equity to create a new company called "VLG Argentina Escindida LLC", effective as of the Effective Date of the Merger. As a result of the above-mentioned spin-off process, the Company became the holder of 100% of VLG, which became the holder of 44,059 Class A shares of Cablevisión; and Fintech Media LLC became the holder of 100% of VLG Argentina Escindida LLC, which became the holder of 17,522 Class A shares of Cablevisión S.A.; in both cases together with all the rights inherent to those shares, including (i) the right to collect the dividends approved by the Board of Directors of Cablevisión on December 18, 2017, which resulted in VLG being entitled to collect \$ 1,497,194,601 and VLG Argentina Escindida LLC being entitled to collect \$ 595,425,311, and (ii) as a result of the exchange ratio approved by the shareholders of Cablevisión at the Extraordinary Shareholders' Meeting held on August 31, 2017, the right to receive new shares to be issued by Telecom Argentina at the Exchange Ratio provided under the Pre-Merger Commitment and the Final Merger Agreement, i.e.: VLG received 434,909,475 Class D common book-entry shares with nominal value of \$ 1 each and entitled to one vote per share of Telecom Argentina, representing 20.2% of the capital stock of said company, and VLG Argentina Escindida LLC received 172,960,890 Class A common book-entry shares with nominal value of \$ 1 each and entitled to one vote per share of Telecom Argentina, representing 8.0% of the capital stock of that company.

As from January 1, 2018, (i) all the assets and liabilities, including the assets subject to registration, licenses, rights and obligations that belong to Cablevisión were incorporated to the equity of Telecom Argentina, (ii) Telecom Argentina continued with the operations of Cablevisión, thus generating the corresponding operating, accounting and tax effects, (iii) the management and representation of Cablevisión was taken over by the management and representatives of Telecom Argentina, and (iv) the Company became the controlling company of Telecom Argentina.

Telecom recorded the Merger following the acquisition method, as described under IFRS 3. According to the provisions of the final merger agreement effective as of January 1, 2018 and the shareholder agreement

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executed between Fintech and Cablevisión Holding, Telecom (surviving company for legal purposes) is deemed the acquiree for accounting purposes and Cablevisión (the absorbed company for legal purposes) is deemed the acquirer for accounting purposes, which qualifies as a “reverse acquisition” pursuant to IFRS 3. Therefore, for the application of the acquisition method, Cablevisión incorporated as of the effective date of the merger the identifiable net assets of Telecom measured at fair value as of that date.

The following is a detail of the identifiable consolidated net assets of Telecom incorporated as of January 1, 2018. The figures disclosed below represent the best estimate made by Telecom based on information available to date. If the Company obtains new information about the events and circumstances existing on the date of acquisition, it will introduce changes reassessing the fair value of the net assets already identified and/or identifying any additional assets or liabilities during the measurement period, which will not exceed one year as from the date of acquisition as provided under paragraph 45 of IFRS 3.

The identifiable consolidated assets and liabilities of Telecom Argentina incorporated as of January 1, 2018 and the impact of the amount paid in excess of the book value recorded in the statement of income for the three-month period ended March 31, 2018 are the following:

	Telecom (1)	AREA (2)	Effect of the Merger IFRS 3 (3)	Total incorporated net identifiable consolidated assets
ASSETS				
Cash and Cash Equivalents	2,831	-	-	2,831
Trade Receivables	8,636	157	-656	8,137
Other Current Assets	6,771	-	32	6,803
Total Current Assets	18,238	157	-624	17,771
Deferred Income Tax Assets	626	-	-624	2
Investments	2,657	-	3	2,660
Goodwill	2	-	59,653	59,655
Property, Plant and Equipment (“PP&E”)	28,538	-	34,209	62,747
Intangible Assets	7,096	-85	33,175	40,186
Other Non-Current Assets	431	125	-125	431
Total Non-Current Assets	39,350	40	126,291	165,681
Total Assets	57,588	197	125,667	183,452
LIABILITIES				
Total Current Liabilities	21,987	-	7	21,994
Deferred Income Tax Liabilities	48	83	16,610	16,741
Other Non-Current Liabilities	11,674	-	18	11,692
Total Non-Current Liabilities	11,722	83	16,628	28,433
Total Liabilities	33,709	83	16,635	50,427
SHAREHOLDERS’ EQUITY	23,879	114	109,032	133,025
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY	57,588	197	125,667	183,452

(1) As it arises from the consolidated financial statements of Telecom as of December 31, 2017 approved by the Board of Directors of the Company on March 7, 2018.

(2) Adjustment to net income from prior fiscal years corresponding to Telecom Argentina due to the application of IFRS 9 and 15 as from fiscal year 2018.

(3) Adjustment to fair value under IFRS 3 of the book value of Telecom’s net assets.

Interest held by the Company in the net identifiable assets.	51,468
Non-controlling interest on the net identifiable assets.	81,557
	<u>133,025</u>

	Impact on the individual statement of income statement of the amount paid in excess of book value allocated in 1Q 2018.
Revenues	(6)
Operating Costs	(80)
Operating Income before Depreciation and Amortization	(86)
Depreciation, Amortization and Impairment of PP&E	(1,522)
Operating Income	(1,608)
Equity in Earnings from Associates and Subsidiaries	(27)
Financial Results, net	6
Income before Income Tax Expense	(1,629)
Income Tax	483
Net Income	(1,146)

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As a result of the transactions described above, as from January 1, 2018, the Company became the holder, directly and indirectly, of a 39.08% equity interest in Telecom Argentina after the Merger became effective, which represented a change in the equity interest held in the subsidiary without loss of control.

As a consequence of the application of the equity method as a valuation criterion to measure the investments in controlled companies, the Company recognized in the interim condensed individual financial statements the effect of the change in the value of the interest in the controlled company upon applying the equity method, as provided under IAS 28. Such change in the interest value arose from: i) change in the equity interest held, directly or indirectly, by the Company in controlled companies as of December 31, 2017, net of the price paid under the call option mentioned above; ii) change in the controlled company's equity as a result of the incorporation of the identifiable net assets of the acquired company; iii) reduction in the goodwill recognized by the Company at the time of the initial acquisition of Cablevisión, in proportion to the change in the equity interest.

As of March 31, 2018, the effect of the change in the value of the equity interest mentioned above was recognized in the individual statement of comprehensive income for the period and is included under the item "Earnings (Losses) from Affiliates and Subsidiaries."

NOTE 7 – REGULATORY FRAMEWORK

a) REGULATORY AUTHORITY

The activities carried out by Telecom, provider of telecommunications services, are governed by a set of regulations that make up the regulatory framework applicable to the sector.

Until the enactment of the LAD, published in the Official Gazette on December 19, 2014, and effective since its publication, the telecommunication services rendered by Telecom and its national subsidiaries were subject to the oversight of the CNC, a decentralized agency under the jurisdiction of the SC, which was in turn under the jurisdiction of the Ministry of Federal Planning, Public Investment and Services. The LAD provided for the creation of a decentralized and autarchic agency under the jurisdiction of the National Executive Branch: the Information and Communications Technology Federal Enforcement Authority (AFTIC, for its Spanish acronym), to act as the LAD Enforcement Authority and replace, for all purposes, the SC and the CNC.

The LAD granted the AFTIC regulatory, control, oversight and verification powers regarding Information Technology and Communications ("ICT", for its Spanish acronym) in general, telecommunications in particular, postal service and any and all matters within its competence pursuant to the provisions of the LAD.

With regard to licenses for the exploitation of physical link and/or radio electric link subscription broadcasting services, originally awarded under Law No. 22,285, the COMFER was the enforcement authority empowered by said law. Under Law No. 22,285 subscription broadcasting 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 No. 26,522 ("LSCA", for its Spanish acronym) was passed and enacted on October 10, 2009. This law 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 National Executive Branch, and vested the new agency with authority to enforce the law.

By the end of December 2015, the National Executive Branch issued Emergency Decree No. 267/15 ("Emergency Decree No. 267/15" published in the Official Gazette on January 4, 2016), whereby significant amendments were introduced to the LSCA and the LAD and a new Enforcement Authority for those laws was created, called the ENACOM, which replaces the AFTIC and the AFSCA, and which acts as an autarchic agency within the jurisdiction of the Ministry of Communications.

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On August 11, 2017, the National Government issued Decree No. 632, whereby it approved the organizational structure of the Ministry of Modernization. According to the organization chart established in said Decree, the ENACOM is currently under the jurisdiction of the Ministry of Modernization.

The subsidiary Núcleo, with operations in the Republic of Paraguay, is under the oversight of the CONATEL, and its subsidiary Personal Envíos is under the oversight of the Central Bank of the Republic of Paraguay.

Telecom USA, a company indirectly controlled, which operates in the United States of America, is under the oversight of the Federal Communications Commission ("FCC").

Adesol is a subsidiary of Telecom incorporated in Uruguay, which is related under an agreement to Bersabel S.A. and Satelital Visión S.A., two licensees that provide subscription broadcasting services in said country and are under the oversight of the Communication Services Regulatory Agency ("URSEC", for its Spanish acronym).

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"). Article 202 of this law provides that the National 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 condensed individual 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.

Article 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. Article 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 of Uruguay in those proceedings may be favorable to the position of Adesol S.A. in the future. On April 7, 2016, 28 unconstitutionality claims were brought against the above mentioned law. As of the date of these interim condensed individual financial statements, the Supreme Court has issued 28 decisions, whereby it declared the unconstitutionality of Articles 39 subsection 3, 55, 56 subsection 1, 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 Article 54 of that Law.

b) LICENSES HELD BY SUBSIDIARIES:

Under the Licencia Única Argentina Digital, Telecom currently provides the following services:

- Local fixed telephony,
- Public telephony,
- Domestic and international long-distance telephony,
- Domestic and international point-to-point link services,
- Value added, data transmission, videoconferencing and transportation of broadcasting signals, and Internet access,
- STM, SRMC, PCS and SCMA. Those services are also called mobile communications services ("SCM", for its Spanish acronym),

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- SRS,
- SRCE.

The licenses for rendering SCM services had been originally granted to Personal and were subsequently transferred to Telecom under the merger with Personal pursuant to ENACOM Resolution No. 4,545-E/2017. Such non-expiring licenses were granted for the competitive provision of STM in the Northern Region of Argentina, SRMC in the AMBA area, PCS throughout the country, and, since November 2014, SCMA (the latter with frequencies awarded for 15 years.)

The licenses and authorizations for rendering SRCE were transferred to Telecom under the merger with Cablevisión pursuant to ENACOM Resolution No. 5,644-E/2017 (see point f under this Note).

The registration to provide physical and/or radio-electric link subscription broadcasting services and the respective area authorizations were transferred to Telecom under the merger with Cablevisión pursuant to the provisions of ENACOM Resolution No. 5,644-E/2017.

Núcleo holds a license to provide mobile telecommunication services - STMC and PCS throughout Paraguay. In addition, Núcleo holds a license for the installation and exploitation of Internet and data services throughout Paraguay. All these licenses were granted for renewable five-year periods. For additional information, see Note 7.e) regarding the recent award of the 700 MHz band spectrum in Paraguay.

Personal Envíos, a company controlled by Núcleo, was authorized by the Central Bank of the Republic of Paraguay to operate as an Electronic Payment Company ("EMPE", for its Spanish acronym) through Resolution No. 6 issued on March 30, 2015, and its corporate purpose is restricted to such service.

Tuves Paraguay, a company controlled by Núcleo, has a license for the provision of direct-to-home subscription audio and television services ("DATDH"), for a term of five years. The license was granted in March 2010 and renewed in March 2015 for a five-year term.

c) REGULATORY FRAMEWORK OF THE SERVICES PROVIDED BY TELECOM.

Among the main regulations that govern the services rendered by Telecom, the following stand out:

- The LAD, amended by Emergency Decree No. 267/15 and Decree No. 1,340/16,
- Law No. 19,798 to the extent it does not contradict the LAD,
- The Privatization Regulations, which regulated that process,
- The Transfer Agreement,
- The Licenses for providing telecommunication services granted to Telecom and Personal through several regulations (subsequently transferred to Telecom as a result of the merger, and the Bidding Terms and Conditions and their respective general rules,
- Law No. 22,285 and the different Bidding Terms for the provision of Subscription Broadcasting Services approved during its effectiveness.

The exploitation of physical and/or radio electric link subscription broadcasting services held by Telecom, originally granted under Law No. 22,285, are currently governed by the LAD since Emergency Decree No. 267/15 was issued.

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 ENACOM which must be renewed on an annual basis.

In addition, Telecom renews on an annual basis its Certificate to operate as an Advertising Agency, Direct Advertiser and Advertising Producer before the ENACOM.

✓ **LAW NO. 27,078 – DIGITAL ARGENTINA LAW ("LAD")**

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Enacted in December 2014, the LAD maintained the single country-wide license scheme and the individual registration of the services to be rendered, but replaced the name telecommunication services with ICT Services.

The LAD incorporated several changes to the telecommunications regulatory framework effective until December 19, 2014, among which the following stand out:

- ✓ The rule regarding prices and rates that provides that the licensees of ICT Services shall set their prices, which shall have to be fair and reasonable, cover the exploitation costs and tend towards the efficient supply and a reasonable operation margin;
- ✓ The amendments related to SU.
- ✓ It declared of public interest the development of ICT Services 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 licensees of the ICT Services may supply audiovisual communication services (including the licensees that fall within the restrictions of the LSCA, including, Telecom), with the exception of those provided through satellite link, in which case, the corresponding license must be requested from the competent authority.

Law No. 19,798, the 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 (among them, for example, Article 39 of Law No. 19,798 regarding the 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 the Regulatory Authority to issue new licensing, interconnection services, SU and spectrum regulations (see New General Rules).

✓ **DECREE NO. 267/15 – AMENDMENTS TO THE LAD**

On January 4, 2016, Emergency Decree No. 267/15 was issued, amending Law No. 26,522 (the Audiovisual Communication Services Law or the Media Law) and Law No. 27,078 (LAD). As mentioned above, the ENACOM was created as the Enforcement Authority for these laws.

Among the main amendments to the LAD, the following stand out:

- ✓ The incorporation of Subscription Broadcasting Services (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 subscription television services (known as satellite TV) shall remain within the scope of Law No. 26,522. Furthermore, Decree No. 267/15 states that the ownership of a satellite subscription television license is incompatible with having any other kind of audiovisual communication or ICT Services license.
- ✓ Any subscription broadcasting license (such as cable television), granted before the application of Emergency Decree No. 267/15 will be considered, for all purposes, a Licencia Única Argentina Digital, with a registration for such service. Furthermore, the Decree provides for a 10-year extension counted as from January 1, 2016 for the use of spectrum frequencies by radio electric link subscription broadcasting services licensees.
- ✓ Emergency Decree No. 267/15 replaces Article 94 of the LAD, providing that SBT suppliers, holders of fixed telephony licenses granted under Decree No. 264/98, and holders of mobile telephony licenses granted under Decree No. 1,461/93, cannot provide subscription broadcasting 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 radio electric link, for example, video cable and IP TV services) for a term of 2 years counted as from January 1, 2016 (this term can be extended by 1 additional year). Also, the Decree replaces article 95 of the LAD and provides

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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 subscription broadcasting services. This provision was subsequently amended by Decree No. 1,340/16.

- ✓ In addition, holders or shareholders with an interest of 10% or more in companies that provide public services may not be holders of a subscription broadcasting registration. However, this will not apply in the following cases: (i) non-profit legal entities to which the national, provincial or municipal government has granted the license, concession or permission to provide a public service (such as telecommunications cooperatives); (ii) persons mentioned in Article 94 (including Telecom) which will only be able to provide the service after the expiration of the term specified therein.

Article 28 of Emergency Decree No. 267/15 created, under the jurisdiction of the Ministry of Communications, the “Comisión para la Elaboración del Proyecto de Ley de Reforma, Actualización y Unificación de las Leyes LSCA y LAD” (Commission for the Development of a Bill for the Amendment, Updating and Unification of the LSCA and LAD.) The Commission is responsible for the review of the amendment of both laws under the principles set out herein.

The Commission should submit a bill for the amendment, updating and adaptation of a unified regime under a Regulatory Framework Law for the Telecommunications and Audiovisual Communication Services in Argentina, within 180 calendar days following the date of its constitution.

Through Resolution No. 1,098-E/2016 published on October 31, 2016, the Ministry of Communications extended for 180 calendar days the term for the development of the bill to amend the LSCA and LAD.

As of the date of issuance of these interim condensed individual financial statements, the development of the bill to amend those laws is still pending.

Furthermore, the Decree provides that the transfers of licenses and equity interests involving the loss of corporate control must be approved by the ENACOM, providing for a new procedure under Article 8 of Emergency Decree No. 267/15. Those transfers of licenses and equity interests or shares in licensees will be subject to the ENACOM’s approval.

Decree No. 267/15 repealed Article 15 and the second paragraph of Article 48 of the LAD, thus revoking: (i) the essential and strategic nature of public ICT Services to be provided on a competitive basis regarding the use and access to telecommunications networks for and between ICT Service licensees; and (ii) the Regulatory Authority’s power to regulate tariffs based on reasons of public interest.

On April 8, 2016, the Chamber of Representatives voted in favor of the validity of Emergency Decree No. 267/15. Thus, such Decree acquired the status of Law.

It should be noted that pursuant to Article 21 of Emergency Decree No. 267/15 and until the enactment of a law that will unify the fee regime provided under the LSCA and the LAD, the physical link and radio-electric link subscription broadcasting services 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 Articles 22 and 49 of the LAD.

✓ **DECREE NO. 1,340/16 - AMENDMENTS TO EMERGENCY DECREE 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 the LSCA and the LAD. This Decree supplements Emergency Decree No. 267/15, which has the status of Law.

Among the most relevant provisions, it establishes:

- That a 15-year-term, as from the publication of the Decree, be fixed as differential condition pursuant to Article 45 of the LAD, for the protection of last-mile fixed new generation networks for

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Broadband deployed by ICT licensees for Broadband regarding the regulations of open access to Broadband and infrastructure to be issued, notwithstanding the provisions of Article 56 of the LAD.

- That the Ministry of Communications or the ENACOM, as appropriate, shall establish the rules for the administration, management, and control of the radio spectrum.
- That Operators that fall within Article 94 of the LAD (including Telecom Argentina), may register the physical or radio electric link subscription broadcasting service as from the effective date of this Decree, 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 (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 services by these operators shall be determined by the ENACOM (See Resolution E 5,641 E/ 2017 under Note 7.f).
- That ICT licensees and Satellite Link Subscription Broadcasting licensees that as of December 29, 2016 simultaneously provided both services, may retain ownership of both types of licenses.
- That for the purposes of the provisions of Article 92 of the LAD and Article 2, paragraph g) of Decree No. 798 issued on June 21, 2016, the Ministry of Communications shall ensure the following principles on interconnection matters:
 - a) Until the implementation of the interconnection price determination systems provided by the National Interconnection Regulation, averages of regional Latin America prices shall be considered for similar functions and facilities, adjusted under parameters that comply with the conditions of the sector, as determined by the Regulatory Authority;
 - b) In accordance with section 46 of the LAD, the National Interconnection Regulation shall provide asymmetric interconnection rates for mobile services for a 3-year term as from the date on which the service actually begins to be rendered, extendable for a maximum of 18 months.
 - c) The National Interconnection Regulation shall provide rules concerning the automatic national roaming service, forcing mobile service 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 final 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 establish, 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 the 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 rate of return to ensure speed, neutrality, non-discrimination and balanced 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 providers to access the market.

d) UNIVERSAL SERVICE REGULATION

- **Decree No. 764/00**

Annex III of Decree No. 764/00 required providers of telecommunications services to contribute 1% of their total accrued revenues, net of applicable taxes and charges, to the FFSU. 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 exist in connection with a formula that combines loss of revenues and the market share of other operators which provide local telephony

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services. Additionally, the regulation created an Executive Committee responsible for the management of the SU Fund and the development of specific SU programs.

Resolution No. 80/07, issued by the SC, provided that until the SU Fund was effectively implemented, telecommunication service providers were required to open an account at Banco de la Nación Argentina to deposit the corresponding amounts on a monthly basis. Resolution No. 2,713/07, issued by the former CNC in August 2007, established clarifications about the items that fall within this regulation and those that are deductible for the purposes of the calculation of the obligation to contribute to the FFSU.

- **Decree No. 558/08**

Decree No. 558/08, published on April 4, 2008, approved a new General Regulation of the Universal Service ("RGSU"), replacing Annex III of Decree No. 764/00.

Decree No. 558/08 established that, with respect to the obligations imposed under Decree No. 764/00, the SC would determine the quantification of those that were fulfilled and, with respect to those obligations pending fulfillment, the methodology to be applied to the SU. In addition, it may consider as SU other services developed by Licensees for their compensation and eventual continuity.

With regard to the Initial SU Programs established under the previous Regulation, it stated that the SC would redefine them, ensuring "...the continuity of those already underway..." and implementing those to be redefined as such. The financing of ongoing Initial Programs recognized as such would be determined by the SC. The providers of the new programs that the SC may decide to implement would be selected pursuant to an auction.

The Decree maintained the contribution to the SU Fund of 1% of total accrued revenues (from telecommunication services, net of applicable taxes and charges) and also maintained the "pay or play" principle to determine the monthly contribution or, where appropriate, the receivable that may be claimed.

On November 11, 2010, the SC issued Resolution No. 154/10, whereby it approved 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 the issuance of Decree No. 558/08. It also provided that until the SC determined the existence of Initial Programs, the amounts that may correspond to their implementation could be discounted by the telecommunication providers when determining their contribution to the SU Fund. If upon completing the verification from the SC there were unrecognized amounts, they should be contributed into the SU Fund or used for the development of new SU works or services, with the prior approval of the SC.

- **Amendments of the LAD to the SU Regulation**

The LAD introduced substantial modifications to the SU regulations pursuant to 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, whose assets belong to the National Government.

The licensees of ICT Services are required to make investment contributions to the SU Fund equivalent to one per cent (1%) of the total accrued revenues from the provision of the ICT Services that fall within the scope of the law, net of applicable taxes and charges. The investment contribution may not be passed on to users for any reason whatsoever. In addition, the Regulatory Authority may provide, once the SU objectives are reached, the total or partial, permanent or temporary exemption, of the obligation to perform said investment contributions.

This law provides that by virtue of Sections 11.1 and 11.2 of the SU Fund Management Trust Agreement under Decree No. 558/08, the resources therein provided under section 8 of Annex III of Decree No. 764/00, as amended, shall be integrated to the SU Fund created by the LAD under the conditions determined by the Regulatory Authority.

The SU funds shall be applied by means of specific programs established by the Regulatory Authority, which may entrust the execution of these plans directly to the entities included in article 8, paragraph b), of

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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 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 in 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 deposited the corresponding contribution in the new SU Fund account reported through the Official Notice published by the AFTIC.

In its filings, Telecom and Personal stated that the filing of the affidavits and, in the case of Personal, the deposit did not entail explicit or implicit consent to 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 acknowledgment of this argument.

As of the date of these interim condensed individual financial statements, Telecom 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 SU regulation was issued within the framework of the LAD.

The new regulation maintains the obligation to contribute 1% of total accrued revenues from ICT Services net of applicable taxes and charges, and provides for the possibility of granting exemptions, in which case the subjects liable for payment must comply with the obligations established by the Regulatory Authority.

On October 19, 2016, the ENACOM issued Resolution No. 6,981-E/16, whereby it approved a new FFSU Investment Contribution Reporting Regime and the forms for the settlement of those contributions and interest reports, which became effective as from January 1, 2017, and were implemented on March 2017.

On May 4, 2017, ENACOM Resolution No. 2,884/17 was published in the Official Gazette. This Resolution amends the FFSU Contributions Affidavit Form, adding, within the possible deductions, the "Discount Annex. SC Resolution No. 154/10 Article 1, Sub-section B) i), second paragraph". Such Resolution allows the deduction, until the Regulatory Authority expresses its opinion, of any amounts that may eventually correspond to SU Initial Programs or services other than those provided for in Annex III of Decree No. 764/00, in accordance with the provisions of Article 2 of Decree No. 558/08 and Article 6 of Annex III of Decree No. 764/00, replaced by Decree No. 558/08.

- **SU Fund - Impact on Telecom with respect to its original license to provide SBT**

Several years after the market's liberalization and the effectiveness of the first SU regulations, which were replaced with Decree No. 558/08 and the LAD, incumbent operators have still not received any set-offs for providing services with the characteristics set forth under the SU regime.

As of the date of these interim condensed individual financial statements and in compliance with SC Resolutions No. 80/07 and No. 154/10 and CNC Resolution No. 2,713 /07, since July 2007 Telecom has filed its monthly SU affidavits, which resulted in a receivable of approximately \$3,044 million (unaudited). The programs and the valuation methodology used to estimate this receivable are pending approval by the Regulatory Authority. This receivable has not yet been recorded in the interim consolidated financial statements of Telecom as of March 31, 2018 since it is subject to the approval of the SU Programs and the review of those affidavits by the Regulatory Authority and the confirmation of the existence of sufficient contributions to the SU Trust so as to compensate the incumbent operators.

On April 8, 2011, the SC issued Resolution No. 43/11 notifying Telecom that investments associated with "High-Cost Areas" – amounting to approximately \$2,819 million since July 2007 to date and which are included in the above-mentioned receivable - did not qualify as an Initial Indicative Program. Telecom Argentina appealed Resolution No. 43/11.

Through SC Resolutions No. 53, 54, 59, 60, 61, 62, 69 and 70/12, Telecom was notified that: the "Special Information Service 110", the "Discounts for Retired People, Pensioners and Low Consumption Households", the services of "Social Public Telephony and Loss-Making Public Telephony", the "Services

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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 (SSPLD)”, respectively, did not qualify as Initial SU Programs, 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, cannot be financed with SU Funds, pursuant to the terms of Article 2 of Decree No. 558/08.

Telecom’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 SC Resolutions amount to approximately \$1,075 million and are included in the credit balance mentioned in the third paragraph.

As of the date of these interim condensed individual financial statements, the resolution of these appeals is still pending.

On September 13, 2012, the CNC ordered Telecom to deposit approximately \$208 million. Telecom has filed a recourse refusing the CNC’s order on the grounds that the appeals against the SC Resolutions are still pending resolution.

Although it cannot be assured that these issues will be favorably resolved at the administrative stage, Telecom’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 - Impact on Telecom with respect to the SCMs originally provided by Personal**

Since January 2001, Personal has recorded a liability with an impact on the income statement related to its obligation to make contributions to the SU Fund. In addition, in compliance with SC Resolution No. 80/07 and No. 154/10 and CNC Resolution No. 2,713/07, since July 2007 Personal has filed its affidavits and deposited the corresponding contributions in the amount of approximately \$112 million in an account held in its name at Banco de la Nación Argentina in January 2011.

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 only allocate to investment projects under this program the amounts corresponding to outstanding investment contribution obligations arising from Annex III of Decree No. 764/00 before the effective date of Decree No. 558/08.

On July 5, 2012, the SC issued Resolution No. 50/12 pursuant to which it notified that the services declared by the SCM Providers, 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 requests relating to the installation of radio-bases and/or investment in infrastructure development in various localities, did not constitute items that could be discounted from the amount of SU contributions 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 could be used for investment projects within the framework of the Program created under SC Resolution No. 9/11, or deposited in the SU Fund, as applicable.

Personal filed an administrative appeal against SC Resolution No. 50/12 requesting its nullity. As of the date of these interim condensed individual financial statements, this appeal is still pending resolution.

On October 1, 2012, in response to the order issued by the SC, Personal deposited under protest approximately \$23 million in the SU Fund, corresponding to the assessment of the SU services provided by Personal since the effectiveness 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 its monthly affidavits.

Telecom’s Management cannot assure that this issue will be resolved in its favor at the administrative stage.

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- **SU Fund - Impact on Telecom with respect to the services originally provided by Cablevisión.**

Cablevisión was not able to fulfill its contribution obligations during the period in which its license was revoked, but it resumed the fulfillment of its payment obligations as from the moment the revocation was declared null and void. Therefore, it owes the amount of those unpaid obligations.

The Regulatory Authority has not yet approved the Project filed by Cablevisión on June 21, 2011, within the framework of SC Resolution No. 9/11, in order to fulfill the SU contribution obligation for the amounts accrued since January 2001 until the effectiveness of Decree No. 558/08.

e) SPECTRUM

- **SC Resolution No. 38/14**

The Public Auction that had been approved under SC Resolution No. 38 was held on October 31, 2014 for the award of the remaining frequencies to provide Personal Communication Services (PCS) and Cellular Mobile Radiocommunication Services (SRMC), as well as those of the new spectrum to provide Advanced Mobile Communications Services (SCMA). Personal presented its economic bids and was awarded Lots 2, 5, 6 and 8 through SC Resolution No. 79/14 (SCMA) and through SC Resolutions No. 80/14, 81/14, 82/14 and 83/14 (PCS and SRMC).

Through SC Resolution No. 25/15, issued on June 11, 2015, Personal was awarded the rest of frequency bands which composed Lot 8. 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.

The Auction Terms also provided for stringent coverage and network deployment obligations, which would require significant investments by Telecom.

Pursuant to the Auction terms, the authorizations for the use of the frequencies under the Auction are granted for a term of fifteen (15) years counted as from the notice of the award administrative act that awards such frequencies. Upon the expiration of said term, the Regulatory Authority may extend the effectiveness at the express request of the awardee (which will be for consideration, under the conditions and price to be determined by the Regulatory Authority.) Pursuant to Decree No. 1,340/16, the term of the authorizations for the use of frequencies of SCMA, as well as the corresponding deployment obligations, shall be computed as from the effective migration of services currently operating in these bands in the scope of Area II (AMBA).

As of the date of these interim condensed individual financial statements, the "Authorization Agreement for the Use of Frequency Bands" related to the bands awarded to Personal under the public auction called pursuant to the provisions of SC Resolution No. 38/14 is still pending execution by the Regulatory Authority.

- **ENACOM Resolution No. 4,656-E/2017 – Model Agreement for the Authorization for Infrastructure Sharing - Supplements Rights and Obligations of Awardees of the Frequencies awarded under the Frequency Bands Auction - SC Resolution No. 38/2014**

The Board of Directors of the ENACOM issued Resolution No. 4,656-E/2017, published in the Official Gazette 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 executed with each of the current providers of SCMA who were awarded the frequency bands for the provision of PCS, SRMC and SCMA approved by SC Resolution No. 38/2014, delegating to the President of ENACOM the powers to execute the agreement within 15 business days.

On August 8, 2017, the ENACOM served Personal with ENACOM Note No. 206/2017, whereby that agency granted a 15-day term to coordinate the execution of the Authorization Agreement for the Sharing of Active

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and / or Passive Infrastructure, Automatic Roaming and Goals of Service. Personal filed the required documentation.

On November 2, 2017, the ENACOM issued Resolution No. 3,420-E/2017, whereby that agency decided to extend the delegation made under Resolution No. 4,656-E/2017 for a term of 180 days. As of the date of these interim condensed individual financial statements, this agreement has not been executed yet.

- **Regulations relating to Refarming with Financial Compensation and Shared Use of Frequencies**

On January 31, 2017, the Ministry of Communications issued Resolution No. 171-E 2017, whereby it approved the Regulations relating to Refarming with Financial Compensation and Shared Use of Frequencies, and modified the spectrum cap, setting it at 140 MHz per provider for each area and/or operating location.

In addition, on February 20, 2017, the ENACOM issued Resolution No. 1,033-E/17, whereby it allocated the 905-915 MHz and 950-960 MHz frequency bands to mobile services with primary status for the provision of the SCMA, and, on the same date, it also issued Resolution No. 1,034-E/2017, whereby it allocated the 2,500-2,690 MHz frequency bands to mobile services with primary status to provide SCMA, in addition to the services currently provided where 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 for Nextel Communications Argentina S.R.L. ("Nextel", currently Telecom under the merger with Cablevisión), to provide the SCMA, granting this company the registration for the provision of such service, and authorizing it to:

- ✓ use the 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 SCMA in locations and areas described in the Project approved by the Resolution.
- ✓ Use the 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 within 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 SCMA in locations and areas described in the Project approved thereby.

The implementation of the approved Project is subject to the agreement that provided for the terms, conditions, goals, obligations and other issues inherent to the provision of SCMA.

- **ENACOM Resolution No. 3,687-E/2017 On-demand Frequency Allocation.**

ENACOM Resolution No. 3,687-E/2017, published in the Official Gazette on May 12, 2017, called bidders for the on-demand frequency allocation of the 2,500 to 2,690 MHz radio electric spectrum, stating the procedure, obligations and compensations to be fulfilled by SCM providers that qualify to participate, in accordance with the provisions of Article 4 of Decree No. 1,340/17.

The Resolution provided for the grouping of 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 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 for the use of the frequency channels that compose each Lot must be issued by each locality.

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On May 24, 2017, Personal filed with the ENACOM the Envelope with its On-demand Allocation Request, according to the provisions of Resolution No. 3,687-E/17.

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 Telefónica Móviles Argentina S.A., the frequencies included in Lot B were assigned to América Móvil S.A. and the frequencies included in Lot C were assigned to Personal, as stated in Annex I of ENACOM Resolution No. 3,687 E/2017, in the locations detailed in the respective Annexes attached to Resolution No. 5,478-E/2017, as requested by each Operator. 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) has been revoked.

The spectrum allocation will last 15 years as from the date which CABA plus other 13 areas over a total of 18 provincial capitals plus Rosario, Mar del Plata and Bahía Blanca become free of interferences and will demand payment of up to approximately US\$ 55.9 million. 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 could involve the frequency return plus a fine equal to 15% of the spectrum value of the locality involved) and certain required guarantees, including deployment.

- **700 MHz- Band Spectrum Licenses in Paraguay**

In September 2017, the public consultation process was launched for the auction of the 700 MHz band spectrum. The final bidding terms were issued on October 30, 2017. As a result of the prequalification of offerors carried out in December 2017, Núcleo was one of the prequalified providers and had to make a deposit of US\$ 15 million in said month as guarantee of its participation in the auction on account of the final price if that company is awarded the license. The process ended on January 4, 2018, with the simultaneous ascending price auction of 7 sub bands of 5 + 5 MHz each. Núcleo was awarded two of such sub bands for US\$ 12 million each, subject to compliance with certain conditions provided under the Resolution issued by CONATEL.

On February 27, 2018, that company paid the outstanding amount of US\$ 9 million in compliance with CONATEL's Resolution.

On March 6, 2018, CONATEL issued Resolution No. 375/2018, whereby it granted the license to provide "Cellular Mobile Telephony, Internet Access and Data Transmission Services" in the 700 MHz frequency band, with national coverage, for a 5-year term.

f) OTHER RELEVANT REGULATORY MATTERS

- ✓ **ENACOM RESOLUTION No. 5,641-E/2017**

Pursuant to this Resolution, published on December 22, 2017, the ENACOM decided:

- To defer until January 1, 2019 the launch date for the Licensees referred to in Article 94 of the LAD (including Telecom) to provide subscription broadcasting services by means of physical or radio-electric link in those locations in Argentina that do not fall within the scope of the second paragraph of Section 5 of Decree No. 1,340/16, which have less than 80,000 inhabitants. To defer until January 1, 2019 the launch date for the Licensees referred to in Article 94 of the LAD to provide broadcasting services by means of physical or radio-electric link in those locations in Argentina that do not fall within the scope of the second paragraph of Section 5 of Decree No. 1,340/16, which have more than 80,000 inhabitants and where those services are rendered only by Cooperatives and Small-and-Medium Sized Companies.
- To provide that in all those locations in Argentina that do not fall within the scope of the second paragraph of Article 5 of Decree No. 1,340/16, whatever the size of their population, where the Subscription Broadcasting Service by means of physical or radio-electric link is rendered by at

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least, one licensee that has more than 700,000 subscribers nationwide, the Licensees mentioned in Article 94 of the LAD may start providing services as from January 1, 2018.

- The Licensees mentioned in Article 94 of the LAD (including Telecom) that are authorized to provide Subscription Broadcasting Service by means of physical or radio-electric link pursuant to Article 2 of said law may not make an integrated offering to provide said service with the rest of the services that they are currently providing in those locations until January 1, 2019.
- To provide that in those locations in Argentina where subscription broadcasting services by means of physical or radio-electric link are not provided, the Licensees mentioned in Article 94 of Law No. 27,078 may, as from January 1, 2018, request authorization to provide services in the respective coverage areas, subject to an evaluation by the ENACOM.

✓ **Programming Grid for Physical and/or Radio Electric Link Subscription Broadcasting Services.**

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 broadcasting 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 Regulatory Decree No. 1,225/2010.

The AFSCA, as enforcement authority of the LSCA, held that Cablevisión had infringed the provisions of AFSCA Resolution No. 296/2010 therefore that agency initiated summary administrative proceedings against several licenses that had been merged into Cablevisión. That company filed the corresponding responses to those proceedings. The summary administrative proceedings resulted in fines being imposed on Cablevisión, which filed appeals, claiming that said Resolution was unconstitutional.

Insofar as Telecom 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 Article 65 of Law No. 26,522 and Decree No. 1.225/2010. Therefore, it also suspended the application of Article 6 of AFSCA Resolution No. 296/2010 on the grounds that Cablevisión’s allegedly 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 Article 65, subsection 3 b of Decree No. 1,225/2010 and Articles 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 appealed such order.

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 that company of \$ 20,000 per day for each day of delay in complying with the injunction that ordered Cablevisión to comply with Article 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 \$ 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.

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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, that Company filed an appeal, but no decision has been rendered on the matter as of the date of these financial statements.

Article 7 of the Emergency Decree No. 267/15, which amends, among other things, Article 10 of the LAD sets forth that all the physical link and radio electric link subscription television services shall be governed by the Digital Argentina Act. Therefore, Telecom is no longer subject to Article 65 and its implementing regulations.

As a result of the issuance of Emergency Decree No. 267/15, which excludes the physical link or radio-electric link subscription television services from the scope of the LAD, the claim that had been brought by AFSCA against Cablevisión has become moot.

The 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. Telecom states that it complies with all the obligations set out under that Resolution.

Subsequently, the ENACOM issued Resolution No. 5,160/2017, whereby it decided that the inclusion of broadcast television signals within the coverage area by the holders of a physical link or radio electric link subscription television registration shall be subject to the terms agreed with the owner of the broadcast television service and their retransmission shall only be mandatory if such signals are delivered by their owner free of charge. In addition, the Resolution sets forth that the retransmission of cable news signals shall only be mandatory for 24-hour news signals provided that they broadcast live programming during 12 of those 24 hours.

✓ REGULATORY SITUATION IN URUGUAY

Adesol S.A. is a subsidiary of Telecom incorporated in Uruguay which has contractual relationships with several licensees that provide subscription TV services through various systems in said country and are under the oversight of the Communication Services Regulatory Agency ("URSEC", for its Spanish acronym).

On January 11, 2018, Decree No. 387/017 dated December 28, 2017 was published in the Official Gazette. The Decree provides that all subscription TV services provided through the Codified UHF System shall be migrated to the TDH Satellite system, without it entailing any changes to the original authorizations to operate or to the rest of the conditions established in the respective licenses. Those authorizations shall remain unchanged in the authorized service areas for a term of 18 months.

On February 9, 2018, Bersabel S.A. and Visión Satelital S.A., two of the licensees that use Codified UHF systems to provide services and have contractual relationships with Adesol, filed the migration plan for their subscribers with the URSEC. In view of the above, and taking into consideration the contractual relationship that links Adesol to those services, the subsidiary of Telecom is, as of the closing date of these interim condensed individual financial statements, carrying out the necessary proceedings to implement the migration technical plan.

✓ NEW GENERAL RULES

• General Rules Governing ICT Service Licenses

On January 2, 2018, the Ministry of Modernization issued Resolution No. 697/2017, whereby it approved the new General Rules Governing ICT Service Licenses. This Resolution repealed the General Rules approved pursuant to Annex I of Decree No. 764/2000, as from the date the resolution became effective (February 1, 2018), and it also repealed ENACOM Resolutions No. 2,483/2016 and No. 1,394/2016 (except for Article 12 of its Annex I, which will remain in effect).

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- **General Rules Governing ICT Service Customers**

On January 4, 2018, the Ministry of Modernization issued Resolution No. 733/2017, whereby it approved the new General Rules Governing ICT Service Customers. This Resolution became effective on March 5, 2018, repealing SC Resolutions No.490/1997, and Annexes I and III of SC Resolution No. 10,059/1999 and its supplementing regulations. Annex II of SC Resolution No. 10,059/1999 shall remain in effect, to the extent applicable, until the enactment of the penalty regime provided under Article 63 of the LAD. Said New General Rules repeal the current general rules governing mobile and basic telephony service customers, thus becoming the only general rules that govern ICT Service customers, including Internet access services and subscription broadcasting services.

Telecom made a filing with the Ministry of Modernization in connection with certain regulations that infringe its right to sell its services (such as the 180-day prepaid credit; Section 56, which provides for compensation in favor of the customer, and Section 79, which establishes the obligation to replace any channels eliminated from the programming grid with other channels of similar quality.)

- **Number Portability Regulation**

On April 4, 2018, the Ministry of Modernization issued Resolution No. E-203/2018, whereby it approved the new Number Portability Regulation, including the portability of fixed telephony service lines. Through said Resolution, said Ministry also approved the implementation schedule for the portability of these services and revoked SC Resolutions Nos. 98/2010, 67/2011 and 21/2013 and MINCOM Resolution No. E-170/2017, as supplemented. Telecom is evaluating the impact of the new regulation regarding the implementation of number portability for fixed telephony services that fall within this regulation.

- ✓ **DECREE NO. 1,060/2017 - DEVELOPMENT OF MOBILE COMMUNICATION SERVICE NETWORKS**

This Decree, published in the Official Gazette on December 21, 2017, provides for the facilitation of the development of mobile communication service networks, providing, among other things, that the jurisdictions and agencies included under subsections a) and b) of Article 8 of Law No. 24,156 shall guarantee ICT Services licensees and independent operators of passive infrastructure, multiple or shared access, for consideration, to passive infrastructure for the deployment of networks under neutral, unbiased, transparent, fair and non-discriminatory conditions, without the possibility of granting any exclusiveness or preference whatsoever, in fact or in law, provided that such access does not compromise the continuity and security of the services provided by its owner.

The Decree also provides:

(1) That the Ministry of Modernization:

- ✓ shall issue comprehensive general rules with supplementary regulations for infrastructure sharing;
- ✓ shall develop, within a term of 180 days, a multi-year spectrum plan in order to maximize and increase the radio electric resources for the deployment of next-generation mobile networks and mobile services and SCM in order to support traffic growth and improve service quality;
- ✓ shall issue supplementary or clarifying regulations relating to Article 29 of the LAD, establishing efficient procedures and avoiding distortions in competition;
- ✓ shall identify radio electric spectrum frequency bands for the development of new services and wireless applications and issue regulations allowing for their shared non-authorized use.

(ii) For the substitution of Article 3 of Decree No. 798 dated June 21, 2016 with the following: "ARTICLE 3.- Mobile communications service (SCM, for its Spanish acronym) is defined as wireless telecommunications service with multiple capabilities which, irrespective of its operating frequency, through the use of mobile network architectures and the use of digital access technology, supports low and high user mobility, allows for interoperability with other fixed and mobile networks for worldwide roaming. It comprises STM, SRMC, PCS and SCMA services, as well as their technological evolution."

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(iii) That the frequencies that are allocated and authorized to render SRCE may only be used to provide those services. The ENACOM may allocate frequencies to provide SCM and require the return of the frequencies and migration of services pursuant to Article 28 and 30 of the LAD, and its regulations, or, at the request of the interested party, apply Article 4, subsection b) of Decree No. 1,340 dated December 30, 2016, and its regulations, establishing an economic compensation in favor of the National Government.

(iv) That SBT licensees may provide basic telephony services through the use of radio electric spectrum frequencies using those allocated for the provision of mobile services using 4G technology, notwithstanding the provision of fixed telephony service pursuant to Article 2, subsection a) of the PCS General Rules approved as an annex to Article 1 of Decree No. 266 dated March 10, 1998, through the execution of agreements with the licensees of those frequencies, which agreements shall be reported to the ENACOM.

(v) For the delegation on the Ministry of Modernization of the power to issue the penalty rules provided under Article 63 of the LAD, which shall repeal the current rules approved under Decree No. 1,185 dated June 22, 1990, as amended and supplemented.

✓ REGISTRATIONS AND AUTHORIZATIONS FOR THE USE OF THE SPECTRUM INCORPORATED TO TELECOM UNDER THE CORPORATE REORGANIZATIONS OF THE TELECOM GROUP AND THE MERGER WITH CABLEVISIÓN:

1) Personal:

On November 24, 2017, Telecom Argentina and Personal were served with ENACOM Resolution No. 4,545-E/2017, whereby that agency decided:

- i. to authorize Personal to transfer in favor of Telecom Argentina the registrations of Mobile Telephony Services, Cellular Mobile Radiocommunication Services; Personal Communication Services Area I,II,III, and Mobile Advanced Communication Services, as well as the resources, permits and frequencies granted in its name;
- ii. to revoke the licenses granted to Personal to render Data Transmission, Value Added and National and International Long Distance Telephony Services; and
- iii. to authorize the transaction reported by Telecom whereby the controlling companies Sofora and Nortel are dissolved without liquidation pursuant to the Bidding Terms and Conditions approved under Decree No. 62/1990.

2) Cablevisión:

On December 22, 2017, Telecom Argentina and Cablevisión were served with ENACOM Resolution No. 5,644-E/2017, whereby that agency decided, among other things, to authorize Cablevisión to transfer in favor of Telecom Argentina:

- i. the Registration of physical and/or radio electric link broadcasting services, including permits/frequencies required to provide radio electric link subscription broadcasting services, as well as area authorizations to provide those services (via physical and radio electric link), which may operate in Area II, as defined under Decree No. 1,461/93, as amended, and the city of Rosario, Province of Santa Fe, and the city of Córdoba, Province of Córdoba, as from January 1, 2018, as provided under Article 5 of Decree No. 1,340/16, and in the rest of the areas authorized, on the dates and in the modalities provided;
- ii. SRCE; and
- iii. The authorizations and permits to use frequencies and allocations of numbering and sign-posting resources to provide the above-mentioned services held by Cablevisión, pursuant to effective regulations, and the agreement executed by Nextel on April 12, 2017 (IF-2017-08818737-APN-ENACOM#MCO), whereby Telecom Argentina, in its capacity as absorbing company of Cablevisión, shall, within a term of two years as from the date on which the merger is approved by

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the CNDC the ENACOM or any agency that may replace them in the future, return the radio electric spectrum that exceeds the limit set under Article 5 of Resolution No. 171-E/17 issued by the Ministry of Communications and/or any regulation that may replace it in the future. To such effects, Telecom shall file with the ENACOM, no later than one year prior to the expiration of the two-year term, a proposal to conform to that limit. The ENACOM may accept the proposal, reject it and/or request a new filing with any changes it may deem appropriate.

In addition, through that Resolution, the ENACOM authorized the change of corporate control (as defined under Article 33 of the LGS) in Telecom Argentina that occurred when the merger became fully effective and the shareholders agreement dated July 7, 2017 entered into effect, as a result of which Cablevisión Holding became the controlling company of Telecom Argentina, as surviving company of Cablevisión.

The Resolution approves:

- i. The relinquishment of the service registrations that are currently non-operative that had been requested by Cablevisión (Paging, Community Retransmission, Public Telephony, Vehicle Tracking and Radio Electric Link Alarm services) and by TELECOM (Community Retransmission);
- ii. The revocation of the licenses and registrations granted to Cablevisión, now held by Telecom.

In addition, the Resolution provides that:

- i. Telecom shall comply with Article 95 of the LAD, which provides for the conditions under which it may operate the physical and/or radio electric link subscription broadcasting service, transcribed below:
 - a. The Company shall create a business unit to provide the audiovisual communication service and manage it separately from the public service business unit;
 - b. It shall keep separate accounting records and bill the licensed services separately;
 - c. It shall not conduct anti-competitive practices such as tie-in practices and cross subsidies with funds from public service to licensed services;
 - d. It shall provide - upon request- to the competitors in licensed services access to its own support infrastructure, especially posts, masts and ducts under market conditions. In the absence of agreement between the parties, the ENACOM shall intervene;
 - e. It shall not conduct anti-competitive practices concerning the right to broadcast content over its networks and shall facilitate a growing percentage of its network to be set by the ENACOM, to the distribution of contents from independent third parties; and
 - f. It shall respect the professional competences and job classifications of the workers in the different activities it is engaged in.
- ii. (ii) Telecom is declared to be an operator with significant influence in the Fixed Internet Access retail market in the locations detailed in the Report prepared by the National Directorate for the Development of Network and Service Competition of the ENACOM. As a result, ENACOM provided that:
 - Telecom shall, within 60 days as from the date of issuance of the Resolution, offer the Fixed Internet Access service in those locations at a price that may not be higher than the lower value offered by the company in Area II for that service. If a similar service is not provided in that Area, it shall apply the lower price offered at national level by the licensee for a similar service.
 - Telecom shall, within 60 days as from the date of issuance of the Resolution, report to the ENACOM and publish in its institutional website all the business plans, promotions and discounts for the Retail Internet Access service. Telecom shall guarantee access to its own support infrastructure, especially, posts, masts and ducts to other providers, under transparent, non-discriminatory and cost-oriented conditions.

As of the date of these interim condensed individual financial statements, Telecom has complied with such provisions.

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All of the provisions mentioned above shall be in effect for a term of 2 years as from the date that the authorization granted by ENACOM was notified to Telecom, or until effective competition in all or in some of the locations involved actually exists. The ENACOM may extend or revoke that term.

With regard to the provision of Quadruple Play services, Article 7 of Decree No. 1,340/16 shall apply. It provides that: *“The providers of Information Technology and Communication Services that make joint service offerings shall detail the price of each of those services, including the breakdown of those prices and discounts or benefits applied to each service or product for the above-mentioned offerings. Pursuant to Article 2, subsection i) of Law No. 25,156 and to Article 1,099 of the Civil and Commercial Code of Argentina, such providers may not subject, in any way or under any condition, the purchase of any service to the purchase of another service, thus preventing the customer from purchasing any service separately or individually.”*

Finally, the Company shall file, within a term of 180 days, proof of the registration of the change of authorities in Cablevisión Holding.

✓ **ENACOM RESOLUTIONS Nos. 840/18 AND 1,196/18 – NEW REGIME FOR RADIOELECTRIC SPECTRUM FEES**

On February 27, 2018, ENACOM Resolutions Nos. 840/18 and 1,196/18 were published in the Official Gazette. Through these Resolutions, the ENACOM updated the value of the Radioelectric Spectrum Fee per Unit and, in addition, established a new regime for mobile communications services, which substantially increases the amounts to be paid for such service. As of the date of these interim condensed individual financial statements, Telecom is evaluating the impact of these resolutions and the actions it may take in connection therewith.

NOTE 8 – PROVISIONS AND OTHER CHARGES

1. Probable Contingent Liabilities

Below is a summary of the most significant claims and legal actions for which Telecom has set up provisions:

a) Profit sharing bonds

Various legal actions are brought, mainly by former employees of Telecom Argentina against the Argentine government and Telecom Argentina, requesting that Decree No. 395/92 – which expressly exempted Telefónica and Telecom Argentina 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 found Decree No. 395/92 unconstitutional when resolving a similar case against Telefónica.

Following the Argentine Supreme Court's decision on this matter, several Courts of Appeal have ruled that Decree No. 395/92 is unconstitutional. As a result, in the opinion of Telecom Argentina's counsel, there is an increased probability that Telecom Argentina will have to face certain contingencies, notwithstanding the reimbursement right to which Telecom Argentina would be entitled against the National Government.

The Supreme Court's decision not only found the above-mentioned Decree unconstitutional, but also ordered that the proceedings be remanded to the court of origin so that such court shall decide which defendant must pay the licensee and/or the Argentine government and set the parameters that are 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.). There are no uniform criteria among the Courts in relation to each of these concepts.

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On June 9, 2015, in re “Ramollino Silvana c/Telecom Argentina S.A.”, the Argentine Supreme Court ruled that the profit sharing bonds do not apply to employees who joined Telecom Argentina after November 8, 1990 and who were not members of the PPP.

This judicial precedent is consistent with the criterion followed by Telecom Argentina for estimating provisions for these claims, based on the advice of its legal counsel, which considered remote the chances of paying compensation to employees who were not included in the PPP.

Statute of limitations criteria applied to claims: Argentine Supreme Court ruling “Dominguez v. Telefónica de Argentina S.A.”

In December 2013, the Argentine Supreme Court decided on a case similar to the above-referred legal actions, “Domínguez v. Telefónica de Argentina S.A”, overturning a lower court ruling that had barred the claim as having exceeded the applicable statute of limitations because ten years had passed since the issuance of Decree No. 395/92.

The Argentine Supreme Court’s decision states that the Court of Appeals on Federal Civil and Commercial Matters must hear the case again to consider statute of limitations arguments raised by the appellants that, in the opinion of the Argentine Supreme Court, were not considered by the lower court and are relevant to the resolution of the case.

After the Argentine Supreme Court’s ruling and until the date of issuance of these interim condensed individual financial statements, two chambers of the Court of Appeals on Federal Civil and Commercial Matters have issued opinions interpreting the doctrine developed by the Argentine Supreme Court 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 Court of Appeals on Federal Civil and Commercial Matters in Plenary Session “Parota c/ Estado Nacional y Telefónica de Argentina S.A.”

On February 27, 2014, the Court of Appeals on Federal Civil and Commercial Matters issued its decision in plenary session in the case “Parota, César c/ Estado Nacional”, as a result of a claim filed against Telefónica, ruling: *“that the amount of profit sharing bonds corresponding to former employees of Telefónica de Argentina 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 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 March 31, 2018, Telecom’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 judicial precedents as of the date of issuance of these consolidated financial statements.

Federación Argentina de las Telecomunicaciones y otros c/ Telecom Argentina S.A. s/ participación accionariado obrero

On June 3, 2013, Telecom was served with the claim entitled “Federación Argentina de las Telecomunicaciones y otros c/ Telecom Argentina S.A. s/ participación accionariado obrero.” The lawsuit was 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

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this claim, the plaintiffs have requested that the court declare that Decree No. 395/92 is 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, Telecom filed its response to the claim, arguing that labor courts lack jurisdiction over the matter. 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 appealed the judge's ruling.

On December 12, 2013, the hearing took place and the intervening court deferred its decision on the defense filed by the Company on the basis of the application of statutes of limitations to the moment of the final ruling, among other matters. It also ordered the plaintiff to provide evidence on the mandates granted by each individual to bring the claim against Telecom and suspended the proceeding until such evidence is filed with the court. The plaintiff appealed the decision and the judge deferred this issue to the time of sentencing.

As of the date of issuance of these interim condensed individual financial statements, the appeal filed by Telecom on the basis of lack of jurisdiction is pending until the issue of evidence requested by the court from the plaintiffs is resolved.

Telecom, based on the advice of its legal counsel, believes that there are strong arguments to defend its position in this claim, based, among other things, on the application of statutes of limitations to the claim relating to the unconstitutionality of Decree No. 395/92, the lack of active legal standing for a collective claim relating to the issuance of bonds due to the existence of individual claims -in addition to arguments based on plaintiff's lack of active legal standing.

b) Claims filed by former sales representatives of Personal and Nextel

Former sales representatives of Personal and Nextel 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. Telecom's Management believes, based on the advice of its legal counsel, that certain items included in these claims should be dismissed, while other items could be admitted by the court, albeit for amounts that are lower than those claimed. As of the date of issuance of these interim condensed individual financial statements, some legal actions are in the discovery phase and with expert opinions in progress.

Telecom'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 the company estimates will not have a material adverse impact on the company's results and financial position.

c) Sanctions imposed by The Regulator

Telecom is subject to various sanction procedures, in most cases promoted by the Regulatory Authority, for delays in repairs and service installations to fixed-line customers. Although generally a sanction considered on an individual basis does not have a material effect on the Company'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 to Telecom Argentina.

In determining the provisions for regulatory charges and sanctions, Telecom'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 the application of statutes of limitation for charges and sanctions received, the current levels of enforcement of sanctions and the eventual results of legal actions that Telecom has

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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 ordinary course of business, in accordance with the legal and regulatory analysis performed as of March 31, 2018. If Telecom's and its legal advisors' arguments do not prevail, the Management of Telecom estimates that the amount of provisions for regulatory charges and sanctions might be increased by approximately \$ 78 million as of March 31, 2018.

2. Possible Contingencies

In addition to the possible contingencies related to regulatory matters described in Note 7 d) SU Fund in Telecom and in the last paragraph of the section on "Sanctions Imposed by The Regulator" mentioned above, the following is a summary of the most significant claims and legal actions for which no provisions have been established, although the final outcome of these lawsuits cannot be assured:

a) 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. Telecom's Management believes that it has solid legal arguments to defend its position. Such arguments were actually confirmed in the recitals of Resolution ENACOM No. 840/18. Therefore, Telecom filed the corresponding administrative response. Subsequently, on August 15, 2017, Personal was served notice of the charges for the differences in the amounts owed, and on August 31, 2017, it filed the corresponding administrative response. However, the company cannot assure that its arguments will be accepted by the ENACOM.

The difference resulting from both criteria is of approximately \$ 514 million since October 2016, plus interest.

b) "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 requested that Personal: 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 filed its response in due course and presented its arguments for the dismissal of the lawsuit, with particular emphasis on the regulatory framework that explicitly endorses Personal's practices, now challenged by the plaintiff in disregard of such regulations.

The proceeding is now in the discovery stage. However, the judge has ordered the accumulation of this claim with two other similar claims against Telefónica Móviles Argentina S.A. and América Móvil S.A. ("Claro"). So, the three legal actions will continue within the Federal Civil and Commercial Court No. 9.

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The plaintiffs are seeking damages for unspecified amounts. Although Telecom believes there are strong defenses that should result in a dismissal of the claim, in the absence of judicial precedents on the matter, Telecom's Management (with the advice of its legal counsel) has classified the claim as possible until a judgment is rendered.

c) "Proconsumer" - Lawsuit on changes in services prices

In June 2012, the Consumer Association "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 certain customers (with the "Abono fijo" plan) for a period of two months since the information inconsistencies alleged by the plaintiff.

Telecom's Management considers that Personal had adequately informed its clients of the changes to the terms and conditions of the service, and therefore, believes that this lawsuit should not succeed.

Telecom filed a response and challenged the jurisdiction of the court, which was dismissed by the Argentine Supreme Court. The Supreme Court ordered that the file be submitted to the commercial court. The lawsuit is in the discovery phase and both parties are preparing their evidence.

The Company's Management considers that there are solid arguments for the favorable resolution of this lawsuit. However, if it were to be resolved unfavorably, it would not have a significant impact on Telecom's results and financial position.

d) Proceedings related to value added services - Mobile contents

On October 1, 2015, Personal was notified of a claim brought by the consumer association "*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 Personal customers.

The plaintiff's claim relates to the manner in which content and trivia are contracted, in particular the allegedly improper billing of messages sent to solicit such services and of their subscription. Additionally, it proposes the application of a punitive damages to Personal.

This claim is substantially similar 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 interim condensed individual financial statements, such claims are at preliminary stages.

Personal has responded the claims and filed legal and factual defenses, requesting that the court summon third parties involved in the provision of VAS. Based on the advice of its legal counsel, Personal believes to have strong arguments for its defense in these lawsuits. However, given the absence of any case law, the final outcome of these claims cannot be assured.

e) e) Claims by certain Telecom Content Providers

Within the framework of the general reorganization of the content business undertaken by Personal in 2016, and given the expiration of agreements with content providers, certain providers were notified that such agreements would not be renewed.

By virtue of that communication, four of those companies brought claims and obtained injunctions against Personal with the purpose of preventing the decision not to renew such contracts from becoming effective, thus forcing Personal to refrain from disconnecting or interrupting the contractual relationship on the scheduled dates.

On February 24, 2017, the ENACOM served notice on Personal of Resolution 2017-1122-APN-ENACOM # MCO (Resolution No. 1,122), which provided, with respect to content providers that qualify

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as Value Added Audiotext and Mass Calling Service Providers, that Mobile Operators may receive, as their total consideration, a percentage that shall not exceed 40% of the services invoiced on behalf of such providers. In addition, the Resolution sets forth a 30-day period to file with the ENACOM the interconnection contracts or their addenda, to ensure that contracts that are currently in effect that are related to the services rendered by the members of CAVAM conform to the Resolution.

On March 22, 2017, Personal's Management, with the assistance of its legal advisors and based on solid grounds, filed an administrative appeal against Resolution No. 1,122 before the former Ministry of Communications (MINCOM - currently the Ministry of Modernization.) In addition, Personal has brought legal actions to safeguard its rights.

It should be noted that Telecom has renewed the commercial agreements with most content providers and such contracts are still in force.

On September 29, 2017, the ENACOM served Personal with ENACOM Resolution No. 2,408/17, whereby it rejected the reconsideration appeals filed by Movistar and Claro against Resolution No. 1,122, and the suspension of the effects of said resolution requested by Personal, Movistar and Claro. In addition, in the same act, the ENACOM rejected the reconsideration appeal filed by Personal against ENACOM Note No. 29/17 (in connection with the supplier MOVICLIPS). The appeal filed by Personal against Resolution No. 1,122 with the former MINCOM is still pending resolution.

f) "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, in connection with 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. The claim is currently in the evidence phase.

In 2015, Telecom learned of an adverse court ruling in a similar lawsuit, promoted by the same consumers association against another mobile operator.

Telecom's Management, with the advice of its legal counsel, believes that it has strong arguments for its defense, but given the new court precedent, the outcome of this claim cannot be ensured.

g) Claims filed by unions in connection with union contributions

The unions FOESITRA, SITRATTEL, SILUJANTEL, SOEESIT, FOETRA and SUTTACH brought 6 legal actions against Telecom Argentina claiming unpaid union contributions set forth in their respective collective bargaining agreements corresponding to employees of third party companies that provide services to Telecom Argentina, for a 5-year term for which the statute of limitations has not expired, plus damages caused by the failure to pay said contributions. The items claimed are "Fondo Especial" (special fund) and "Contribución Solidaria" (solidarity contribution).

The above-mentioned unions argue that Telecom Argentina is jointly and severally liable for the payment of the above-mentioned contributions, based on Articles 29 and 30 of the Employment Contract Law and on the breach of Telecom's obligation to inform the Union about third party contracts under their collective bargaining agreements.

The Company filed responses to all these claims and the procedural terms have been suspended. The unions are seeking damages for unspecified amounts.

Even though Telecom's Management believes that there are sound grounds for the favorable resolution of these claims, given the lack of judicial precedents, the final outcome of these claims cannot be assured.

h) Claims for damages between Supercanal Holding S.A. and Cablevisión

Multicanal S.A. brought several legal actions requesting the nullification of: i) all the Ordinary Shareholders' Meetings of Supercanal Holding S.A. held from 2000 to February 2018, ii) the guarantees granted by Supercanal Holding S.A. on bank loans exclusively in favor of the group

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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. Supercanal Holding S.A. On March 29, 2000, Supercanal Holding S.A. 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.

Upon the revocation of an injunction initially granted in favor of Multicanal S.A. 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 \$ 12,000 and to subsequently increase the capital stock to \$ 83,012,000, Multicanal S.A. 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 S.A. 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 that had been suspended by the injunction. In addition, the suspension of the effects of the Shareholders' Meeting did not preclude the capitalization of the Company by other alternative means. Based on legal and factual precedents of the case, Cablevisión, as successor of Multicanal S.A.'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 in 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.

Telecom cannot assure that, as a result of the actions brought, it may obtain a favorable 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.

i) Resolution No. 50/10 et seq. issued by the *Secretaría de Comercio Interior de la Nación* (Secretariat of Domestic Trade or "SCI")

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 interim condensed individual financial statements Telecom 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, Telecom 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 Telecom, 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 favorable. Therefore, Telecom 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 Telecom's business, as surviving company of Cablevisión, which could significantly affect the recoverability of the Company's relevant assets. Notwithstanding the foregoing, as of the date of these interim condensed individual 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 Argentine Cable Television Association ("ATVC", for its Spanish acronym). Upon being served on the SCI and

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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 \$ 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 \$ 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. Telecom 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. 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 \$ 152. Telecom 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 (including Telecom 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, Telecom continues to be protected by said preliminary injunction, and, therefore, the ordinary course of its business will not be affected.

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.

Currently, all the claims related to this matter are pending before the Federal Courts of Mar del Plata. The judge has not yet ordered discovery proceedings in respect of the main claim, "La Capital Cable v. National Government on Ordinary Proceeding".

Decisions made on the basis of these interim condensed individual financial statements should consider the eventual impact that the above-mentioned resolutions might have on Telecom and its subsidiaries, and the Company's interim condensed individual financial statements should be read in light of such uncertainty.

j) CNV Resolution No. 16,765

On March 16, 2012, CNV issued Resolution No. 16,765 whereby it ordered the initiation of summary proceedings against Cablevisión, its directors and members of the Supervisory Committee for an alleged failure to comply with the duty to inform. The CNV considers that this deprived the investor community of its right to become fully aware of the Decision rendered by the Supreme Court of Argentina in re "Application for judicial review brought by the National Government Ministry of Economy and Production of the case Multicanal S.A. and other v/CONADECO Decree No. 527/05" and other (this case has concluded to date), and also considers that Cablevisión had not disclosed certain issues related to the information required by the CNV in connection with its Class 1 and 2 Noteholders' Extraordinary Meetings held on April 23, 2010.

On April 4, 2012, Cablevisión filed a response petitioning that its defenses be sustained and all charges dismissed. The discovery stage has been closed and the company submitted the legal brief.

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Telecom and its legal advisors believe that the company has strong arguments in its favor. Nevertheless, Cablevisión cannot assure the outcome of the said summary proceedings.

k) CNV Resolution No. 17,769

On August 28, 2015, Cablevisión was served notice of Resolution No. 17,769 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 regarding the registration with the IGJ of the appointment of the officers approved at the Ordinary General Shareholders' Meeting of Cablevisión held on April 30, 2000 and the update of the registered office in the Financial Information Highway.

On January 20, 2016, the preliminary hearing was held pursuant to Article 138 of Law No. 26,831 and Article 8, Subsection b.1. of Article II, Chapter II, Title III of the Regulations (TR 2013).

Telecom and its legal advisors believe that the company has strong arguments in its favor. Nevertheless, Cablevisión cannot assure the outcome of the said summary proceedings.

l) Televisora Privada del Oeste S.A. v. Grupo Clarín S.A. and other on ordinary

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. They claim alleged damages generated as a result of certain decisions, such as maintaining the license and/or the investment after the merger of Multicanal S.A. into Cablevisión, with respect to Televisora Privada del Oeste S.A. Cablevisión and Grupo Clarín S.A., among others, are defendants in such lawsuit. Cablevisión, Grupo Clarín S.A. and Pem S.A. were served with the claim and filed a response in due time and form. The proceeding is now in the discovery stage.

According to Telecom'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. 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, Telecom cannot ascertain the outcome of this claim.

m) Additional Rate for the Tax on Commercial, Industrial or Services Revenues or "IRACIS"

On April 5, 2017, a subsidiary of Cablevisión received a notification from the Under-Secretary of State for Taxation of the Treasury 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 Telecom's subsidiary considers that it has solid arguments to support its position. However, the final outcome of this claim cannot be assured to date.

3. Remote Contingencies

Telecom faces other legal, fiscal and regulatory proceedings considered normal in the development of its activities. Telecom's Management 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, it has not set up a provision or disclosed additional information in a note in connection with the resolution of these issues.

4. Active Contingencies

a) "AFA Plus Project" Claims

On July 20, 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")

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related to the secure access to first division football stadiums whereby Telecom Argentina should provide the infrastructure and systems to enable 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 a reference price of 20% of the “popular” ticket price per football fan who attended 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, Telecom made investments and incurred in expenses amounting to \$182 million as of March 31, 2018, of which \$143 million are included in PP&E for the provision and installation of equipment and the execution of civil works for improving the football stadiums, registration center equipment, inventories and material storage and incurred 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 rendered and the work performed. In September 2014, AFA notified Telecom 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 Telecom. Accordingly, negotiations between the parties have started.

In February 2015, AFA made a proposal to compensate the investments and expenditures incurred by Telecom through advertising barter transactions 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. The proposal considered that if the advertising compensation was not realized in one year, AFA would pay to Telecom the agreed amount. The Company analyzed the quality of the assets offered by AFA in its offer of advertising spaces, 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. Subsequently, negotiations were suspended due to internal affairs of AFA.

In October 2015, Telecom formally demanded that AFA pay the amounts due (\$179.2 million plus interest from its implementation). AFA rejected the claim but agreed to resume the negotiation of a settlement agreement. Negotiations were subsequently suspended by the AFA due to its electoral process.

In January 2016, both parties resumed conciliatory negotiations, while Telecom reserved its right to exercise legal claims for amounts due.

In June 2016 the Company initiated a mandatory pre-judicial mediation procedure. The first hearing, held on July 12, 2016, was attended by both parties. A second hearing was held on August 3, 2016, and a third and last hearing was held on August 23, 2016, resulting in no agreement between the parties.

As of the date of issuance of these interim condensed individual financial statements, Telecom initiated a new pre-judicial mediation procedure which was finished without agreement on February 15, 2018. Telecom is preparing the lawsuit against AFA in order to claim the owed amounts through the judicial system. Telecom’s Management, with the assistance of its external advisor, believes that the company has solid legal arguments to support its claim and is evaluating the necessary actions to recover the investments made and expenses incurred.

We note 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 million as of March 31, 2018) has only been recorded in order to comply with accounting standards and in no way implies that Telecom has waived or limited its rights as a genuine creditor under the AFA Plus Project agreement.

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NOTE 9 – FINANCIAL INSTRUMENTS

Grupo Clarín's activities are exposed to several financial risks: Market risk (including exchange risk, fair value interest rate risk and price risk), credit risk and liquidity risk.

No changes were made in the risk department or to risk management policies, as from the time the Company's individual financial statements as of December 31, 2017 were issued.

The following table shows the monetary assets and liabilities denominated in foreign currency (US\$) as of March 31, 2018 and December 31, 2017:

	US\$ March 31, 2018	US\$ December 31, 2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	42	23
Other Receivables	-	6
Other Assets	7	20
Total Current Assets	49	49
Total assets	49	49
LIABILITIES		
NON-CURRENT LIABILITIES		
Bank and Financial Debt	-	591
Total Non-Current Liabilities	-	591
CURRENT LIABILITIES		
Bank and Financial Debt	214	149
Total Current Liabilities	214	149
Total Liabilities	214	740

Applicable bid/offered exchange rates as of March 31, 2018 and December 31, 2017 were of \$ 20.049 / \$ 20.149 and \$ 18.549 / \$ 18.649; respectively.

9.1.10. Financial Instruments at Fair Value

The following table shows the Company's financial assets and liabilities measured at fair value as of March 31, 2018 and December 31, 2017:

	March 31, 2018	Quoted Prices (Level 1)	Other Significant Observable Items (Level 2)
Assets			
Current Investments	409	4	405
Liabilities			
Assets			
Current Investments	102	31	71

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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). As of March 31, 2018 and December 31, 2017, the Company did not have any asset or liability for which a comparison had not been conducted against observable market data to determine their fair value (Level 3).

9.1.11. Fair Value of Financial Instruments

The book value of cash and banks, accounts receivable and short-term liabilities is similar to the fair value because these are instruments with short-term maturities.

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>March 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
Bank and Financial Debt	-	-	11,029	10,700

NOTE 10 - CAPITAL STOCK STRUCTURE

The Company's capital stock as of May 1, 2017, the date on which it started its operations, was set at \$ 180,642,580, represented by:

- 47,753,621 Class A common, registered, non-endorsable shares, with nominal value of \$ 1 each and entitled to five votes per share.
- 117,077,867 Class B book-entry common shares, with nominal value of \$ 1 each and entitled to one vote per share.
- 15,811,092 Class C common, registered, non-endorsable shares, with nominal value of \$ 1 each and entitled to one 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, the Company requested the BCBA the listing of its Class B common shares.

On August 10, 2017, the CNV approved the prospectus for admission to the public offering regime filed by Cablevisión Holding and, consequently, the Company fulfilled the conditions detailed in CNV Resolution No. 18,818. On August 11, 2017, the BCBA notified the Company of its admission to the public offering regime.

Having obtained all of the required regulatory authorizations to complete the spin-off process approved on September 28, 2016 by the shareholders of Grupo Clarín S.A., on August 30, 2017, Grupo Clarín and the Company exchanged the shares of Grupo Clarín S.A. 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 March 31, 2018.

On September 26, 2017, the Company's Board of Directors approved, pursuant to Article 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 \$ 1 each and entitled to one vote per share for the same number of Class B book-entry, common shares with nominal value of \$ 1 each and entitled to one 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

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the listing of 4,028,215 non-endorsable, registered common shares with nominal value of \$ 1 each and entitled to one vote per share for the same number of Class B book-entry common shares with nominal value of \$ 1 each and entitled to one vote per share.

On February 16, 2018, the United Kingdom Listing Authority (“UKLA”) approved the prospectus related to the listing of the Company's Class B shares in the form of global depositary shares (GDSs) to be traded on the London Stock Exchange. Those GDSs were admitted to the official list of the UKLA on February 21, 2018.

The Company's capital stock as of March 31, 2018 is of \$ 180,642,580 and is represented by:

- 47,753,621 Class A common, registered, non-endorsable shares, with nominal value of \$ 1 each and entitled to five votes per share.
- 121,106,082 Class B book-entry common shares, with nominal value of \$ 1 each and entitled to one vote per share.
- 11,782,877 Class C common, registered, non-endorsable shares, with nominal value of \$ 1 each and entitled to one vote per share.

NOTE 11 - RESERVES, ACCUMULATED INCOME AND DIVIDENDS

1. Cablevisión Holding

The Company's bylaws set forth that retained earnings shall be appropriated as follows: (i) 5% to the Company's legal reserve until such reserve equals 20% of the Company's capital stock; and (ii) the balance, in whole or in part, to the payment of the fees of the members of the Board of Directors and the Supervisory Committee, to dividends on common shares, or reserve accounts, or as otherwise determined by the Shareholders, among other situations.

On April 26, 2018, at the Annual Ordinary Shareholders' Meeting of the Company, the shareholders decided, among other things, to appropriate retained earnings as of December 31, 2017, which amounted to \$ 1,616,204,146, to the creation of a new Voluntary Reserve for financial obligations.

2. Cablevisión

On December 18, 2017, at a General Extraordinary Shareholders' Meeting the Shareholders of Cablevisión decided: (i) to reverse partially the Voluntary reserve to maintain the Company's level of capital expenditures and its current solvency level by \$ 4,000,000,000 and to allocate such amount to increase the “Voluntary reserve for future dividend distributions” which, as a result, will be \$ 4,151,000,000 and (ii) to delegate on the Board of Directors the power to reverse, in whole or in part, the Voluntary reserve for future dividend distributions, and distribute such reserve as dividends in the manner (in one or more cash installments), amounts, currency, and on the dates to be established by the Board of Directors pursuant to applicable law, subject to the Board of Directors of Telecom Argentina S.A. having previously approved the payment of dividends prior to the Effective Date of the Merger and provided that the amount that the Board of Directors of Cablevisión decides to distribute is such that, taking into consideration the dividends approved by Telecom Argentina S.A., it will not be necessary to make changes to the Exchange Ratio.

On December 18, 2017, the Board of Directors of Cablevisión, pursuant to its delegated powers, approved the partial reversal of the Voluntary reserve for future dividend distributions by \$ 4,077,790,056 for the distribution of dividends to shareholders in one or more installments within 30 days as from that date, including (i) \$ 77,790,056, which added to the \$ 800,000,000 already distributed, total US\$ 50,000,000, as permitted under the Pre-Merger Commitment without making any changes to the Exchange Ratio; and (ii) \$ 4,000,000,000 to equalize the relative proportions taken into consideration when the Exchange Ratio was set.

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On January 8, 2018, Telecom Argentina S.A., surviving company of Cablevisión, as from January 1, 2018, settled all of Cablevisión's outstanding dividends owed to its shareholders in the amount of \$ 4,077,790,056.

3. Telecom Argentina

On January 31, 2018, the shareholders of Telecom Argentina S.A. held a General Ordinary Shareholders' Meeting at which they approved the changes in the composition of the Board of Directors and the delegation of the powers vested in the Board of Directors to decide on the total or partial reversal of the "Reserve for future cash dividends" of Telecom Argentina as of December 31, 2017 and the distribution of the funds so reversed as cash dividends in the amounts and on the dates to be established by the Board of Directors.

On January 31, 2018, the Board of Directors of Telecom Argentina approved: (i) pursuant to the powers delegated by the shareholders at the General Ordinary Shareholders' Meeting mentioned above, the reversal of \$ 9,729,418,019 of the "Reserve for future cash dividends" of Telecom Argentina as of December 31, 2017, and its distribution as cash dividends in two installments, the first one of \$ 2,863,000,000 on February 15, 2018 and the second one of \$ 6,866,418,019 on April 30, 2018. The Board of Directors was vested with the power to make such payment on an earlier date if it deemed it convenient in the future; (ii) the distribution of \$ 5,640,728,444, paid on February 15, 2018, as interim cash dividends, corresponding to the net profit of the period between January 1, 2017 and September 30, 2017, as reflected in the Special-Purpose Unconsolidated Financial Statements of Telecom Argentina as of September 30, 2017; and (iii) the distribution of \$ 4,502,777,155, paid on February 15, 2018, as distribution of interim cash dividends, corresponding to the net profit of the period ranging from January 1, 2017 to September 30, 2017 as it arises from the Special-Purpose Unconsolidated Financial Statements of Cablevisión S.A.- absorbed by Telecom Argentina- as of September 30, 2017, which were audited by external auditors.

On February 15, 2018 and March 21, 2018, Telecom paid dividends for \$ 13,006,505,599 and \$ 6,866,418,019, respectively, corresponding to the above-mentioned distributions. Of those amounts, approximately \$ 5,083 million and \$ 2,683 million, respectively, belong to Cablevisión Holding on account of its direct and indirect interest in Telecom as of those dates.

NOTE 12 – CNV GENERAL RESOLUTION No. 629/2014 - RECORD KEEPING

On August 14, 2014, the Argentine Securities Commission issued General Resolution No. 629, which provides for record keeping regulations.

The Company keeps certain supporting documentation related to the record of its operations and economic-financial events at GCGC located at Patagones 2550, City of Buenos Aires, and at the warehouse located at Ruta 36 Km 31.500, Florencio Varela, of the supplier AdeA - Administración de Archivos S.A., during the periods established by effective laws.

NOTE 13 – SUBSEQUENT EVENTS

Decisions of the shareholders of Telecom Argentina at the General Ordinary Shareholders' Meeting

At the Ordinary General Shareholders' Meeting held on April 25, 2018, the shareholders of Telecom decided, among other things,:

- a) To ratify the early distribution of dividends in the amount of \$ 5,640,728,444 as decided by the Board of Directors on January 31, 2018, based on the Special Individual Financial Statements of Telecom Argentina as of September 30, 2017, which dividends were paid on February 15, 2018;
- b) To appropriate Retained Earnings of Telecom Argentina as of December 31, 2017, net of \$5,640,728,444 distributed as advanced dividends, i.e. \$1,989,254,041 to set up the "Voluntary Reserve for Future Dividend Distributions." In addition, the shareholders delegated on the Board of Directors of Telecom the power to decide on the reversal, in one or more times, of up to \$994,627,020 of the "Voluntary Reserve for Future Dividend Distributions" and its distribution to the shareholders as cash dividends. The Board may exercise these powers until December 31, 2018;

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- c) To ratify the early distribution of dividends in the amount of \$4,502,777,155 as decided by the Board of Directors on January 31, 2018, based on the Special Individual Financial Statements of Cablevisión as of September 30, 2017, which dividends were paid on February 15, 2018;
- d) To appropriate the Retained Earnings of Cablevisión as of December 31, 2017, net of \$4,502,777,155 distributed as advanced dividends, i.e. \$1,311,975,449 to set up the "Voluntary reserve to maintain the Company's level of capital expenditures and current solvency"; and
- e) To ratify the early distribution of dividends in the amount of \$ 212,900,000 as decided by the Board of Directors of Sofora, based on the Special Individual Financial Statements of that company as of March 31, 2017, in accordance with Article 224, 2nd paragraph of the LGS. Sofora paid dividends for \$ 210 million on November 30, 2017; and Telecom Argentina, as surviving company, paid \$3 million on December 29, 2017.

Acquisition of an equity interest in CV Berazategui S.A.

On April 4, 2018, Telecom acquired shares representing 30% of the capital stock and votes of CV Berazategui S.A. for US\$ 8,968,000 (eight million, nine hundred sixty-eight thousand US Dollars.)

The remaining 70% of the capital stock and votes of CV Berazategui is held by Pem, a company controlled by Telecom Argentina.

CV Berazategui holds a licensee to provide Physical Link Subscription TV services, which had been originally granted through Resolution No. 630/COMFER/91. It provides services in Berazategui, Province of Buenos Aires, to 21,392 cable TV subscribers and 7,190 broadband subscribers.

Distribution of dividends of Núcleo

At the Ordinary General Shareholders' Meeting held on April 24, 2018, the shareholders of Núcleo decided to distribute dividends in the amount of \$416 million (corresponding to 115,000 Guaraníes translated at the exchange rate prevailing on the approval date), of which \$135 million corresponds to minority shareholders. These dividends will be paid in May 2018.

Productive Financing Law

On May 9, 2018, the Argentine Congress passed the Productive Financing Law, which amends the Capital Markets Law No. 26,831. This law has not been enacted yet by the National Executive Branch.

As of the date of these interim condensed individual financial statements, the Company is analyzing the impact of the amendments to the Capital Markets Law when they come into effect.

NOTE 14 - APPROVAL OF THE INTERIM CONDENSED INDIVIDUAL FINANCIAL STATEMENTS

The Company's Board of Directors has approved these interim condensed individual financial statements and authorized their issuance for May 11, 2018.

See our report dated
May 11, 2018

PRICE WATERHOUSE & CO. S.R.L.

(Partner)
C.P.C.E.C.A.B.A. Vol. 1 Fol. 17

Andrés Riportella

Supervisory Committee

Sebastián Bardengo

Chairman

CABLEVISIÓN HOLDING S.A.

Registration number with the IGJ: 1,908,463

**ADDITIONAL INFORMATION REQUIRED UNDER SECTION No. 12,
CHAPTER III, TITLE IV OF THE 2013 RESTATED RULES
ISSUED BY THE ARGENTINE SECURITIES COMMISSION
INDIVIDUAL FINANCIAL STATEMENTS
AS OF MARCH 31, 2018**

- 1.a) There are no specific material regulatory regimes currently applicable to the Company that may entail the contingent loss or acquisition of legal benefits.
- 1.b) Note 1 to the interim condensed individual financial statements includes additional information about the date on which the Company began operating. Note 6 details the reorganization process between Cablevisión S.A. and Telecom Argentina S.A.
- 2) The classification of receivables and liabilities by maturity is detailed in Note 4.13 to the interim condensed individual financial statements.
- 3) The classification of receivables and liabilities according to their related financial effects is detailed in Note 4.13 to the interim condensed individual financial statements.
- 4) Equity interest under Article 33 of Law No. 19,550 is detailed in Note 4.5 of the interim condensed individual financial statements. Accounts receivable from and payable to related parties are disclosed under Note 5 to the interim condensed individual financial statements. As of March 31, 2018, there are no balances pending collection/payment with those companies.
- 5) There are no trade receivables or loans to directors, members of the Supervisory Committee and their relatives up to, and including, the second degree of kinship and no such trade receivables or loans existed during the fiscal year.
- 6) The Company does not have any inventories.
- 7) The Company is not subject to the restrictions under section 31 of Law No. 19,550, since its main corporate purposes are investment and finance.
- 8) The Company assesses the recoverable value of its long-term investments each time it prepares its financial statements. In the case of investments for which the Company does not book goodwill with an indefinite useful life, it assesses their recoverable value when there is any indication of impairment. In the case of investments for which the Company books goodwill with an indefinite useful life, it assesses their recoverable value by comparing the book value with cash flows discounted at the corresponding discount rate, considering the weighted average capital cost, and taking into consideration the projected performance of the main operating variables of the respective companies.
- 9) As of March 31, 2018, the Company does not have any tangible property, plant and equipment.
- 10.a) Booked provisions for contingencies do not exceed, either individually or as a whole, two percent (2%) of the Company's shareholders' equity.
- 10.b) As of the date of these financial statements, the Company does not have any contingent situations, the financial effects of which, if any, have not been booked (see Notes 7 and 8 to the interim condensed individual financial statements).
- 11) The Company does not have any irrevocable contributions on account of future share subscriptions.

See our report dated
May 11, 2018

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. Vol. 1 Fol. 17

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12) The Company does not have any unpaid cumulative dividends on preferred shares

13) In Note 11.1 to the interim condensed individual financial statements reference is made to the treatment given to retained earnings.

See our report dated

May 11, 2018

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. Vol. 1 Fol. 17

Andrés Riportella
Supervisory Committee

Sebastián Bardengo
Chairman

Free translation from the original prepared in Spanish

REPORT ON REVIEW OF INTERIM CONDENSED INDIVIDUAL FINANCIAL STATEMENTS

To the Shareholders, President and Directors of
Cablevisión Holding S.A.
Legal domicile: Tacuarí 1842, 4th floor,
City of Buenos Aires
Tax ID No. 30-71559123-1

Introduction

We have reviewed the attached interim condensed individual financial statements of Cablevisión Holding S.A. and its controlled subsidiaries (the "Company") which comprise the individual statement of financial position at March 31, 2018, the individual statements of comprehensive income, changes in equity and of cash flows for the three-month period ended on that date and a summary of significant accounting policies and other explanatory information.

The balances and other information corresponding to fiscal year 2017 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 interim condensed individual 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 interim condensed individual 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 individual statement of financial position, individual comprehensive income and individual cash flows of the Company.

Conclusion

Based on our review, nothing has come to our attention that caused us to believe that the interim condensed individual 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 8.2.i) to the interim condensed individual financial statements, which describes the situation related to the resolution issued by the regulator to calculate the monthly fee payable by the users of television services provided by the subsidiary Telecom Argentina S.A., whose decision cannot be foreseen to date.

Report on compliance with current regulations

In accordance with current regulations, in respect to Cablevisión Holding S.A., we report that:

- f) the interim condensed individual financial statements of Cablevisión Holding S.A. have been transcribed to the "Inventory and Balance Sheet" book and comply with the General Companies Law and pertinent resolutions of the Argentine Securities Commission, as regards those matters that are within our competence;
- g) the interim parent company only financial statements of Cablevisión Holding S.A. arise from accounting records kept in all formal respects in conformity with legal provisions;
- h) we have read the additional information to the Notes to the interim condensed individual financial statements required by Article 12°, Chapter III, Title IV of the regulations of the Argentine Securities Commission, on which, as regards those matters that are within our competence, we have no observations to make;
- i) at March 31, 2018, the debt accrued in favor of the Argentine Integrated Social Security System of Cablevisión Holding S.A. according to the Company's accounting records and calculations amounted to \$ 533,233, none of which was claimable at that date.

City of Buenos Aires, May 11, 2018.

PRICE WATERHOUSE & CO. S.R.L.

by _____ (Partner)
Dr. Carlos A. Pace

SUPERVISORY COMMITTEE'S REPORT ON THE REVIEW OF INTERIM FINANCIAL STATEMENTS

To the Shareholders of:

Cablevisión Holding S.A.

CUIT (Taxpayer Identification Number): 30-71559123-1

Registered office: Tacuarí 1842, Piso 4°

City of Buenos Aires

I. INTRODUCTION

In our capacity as members of Cablevisión Holding S.A.'s Supervisory Committee, pursuant to the regulations of the Argentine Securities Commission (CNV, for its Spanish acronym) and of the Buenos Aires Stock Exchange, we have performed a review of:

- a) The attached interim condensed individual financial statements of Cablevisión Holding S.A. comprising the individual statement of financial position as of March 31, 2018, the individual statement of comprehensive income, the individual statement of changes in equity and the individual statement of cash flows for the three-month period then ended and selected explanatory notes.
- b) The attached interim consolidated financial statements of Cablevisión Holding S.A. and its subsidiaries comprising the consolidated statement of financial position as of March 31, 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three-month period then ended and a summary of the significant accounting policies and other explanatory information.

The balances and other information as of December 31, 2017 are an integral part of the financial statements mentioned above and should therefore be considered in connection with said financial statements.

II. RESPONSIBILITY OF THE COMPANY'S MANAGEMENT

The Company's Board of Directors is responsible for the preparation and presentation of the financial statements in accordance with the International Financial Reporting Standards (IFRS) adopted by the Argentine Federation of Professional Councils of Economic Sciences ("FACPCE", for its Spanish acronym) as professional accounting standards and incorporated by the CNV to its regulations, as approved by the International Accounting Standards Board (IASB). Therefore, the Board of Directors is responsible for the preparation and presentation of the financial statements mentioned in point I., paragraphs a) and b) in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34).

III. SCOPE OF OUR REVIEW

We conducted our review in accordance with effective statutory auditing standards established by the Argentine General Associations Law (Law No. 19,550, as amended) and by Technical Resolution No. 15 issued by the FACPCE. (amended by Technical Resolution No. 45 issued by the FACPCE). Said standards require that the review of the documents detailed in point I, paragraphs a) and b) be conducted in accordance with effective audit standards for the review of interim condensed financial statements; that the documents be checked for consistency with the information on corporate decisions stated in minutes and that such decisions conform to the law and the by-laws, in all formal and documentary aspects.

In order to conduct our professional work on the documents detailed in point I., we have reviewed the work performed by the Company's external auditor, Carlos A. Pace, a partner of Price Waterhouse & Co. S.R.L., who issued his reports on May 11, 2018, pursuant to International Standard on Review Engagements 2410 ("ISRE 2410") about "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", which was adopted as a standard of review in Argentina through Technical Resolution No. 33 issued by the FACPCE as approved by the International Auditing and Assurance Standards Board (IAASB).

A review of interim financial information consists of making inquiries of the Company's personnel engaged in the preparation of the information included in the interim consolidated financial statements and in the interim condensed individual financial statements and applying analytical and other review procedures. The scope of this review is substantially lower than that of an audit review performed in accordance with international auditing standards and, consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that may be identified in an audit. Accordingly, we do not express an audit opinion on the Company's financial position, the comprehensive income and the cash flow position (both on a consolidated and individual basis).

We have not performed any management control and, therefore, we have not assessed the business criteria and decisions on administrative, financing, commercialization and production matters, since these issues are the exclusive responsibility of the Board of Directors.

IV. CONCLUSION

Based on our work, within the review scope described in point III of this report, nothing has come to our attention that caused us to believe that the financial statements mentioned in point I, paragraphs a) and b) are not prepared, in all material respects, in accordance with International Accounting Standard 34.

V. EMPHASIS OF MATTER

Without modifying our conclusion, we would like to emphasize the information disclosed under Note 8.2. i) to the Interim Condensed Individual Financial Statements and under Note 18.2. i) to the Interim Consolidated Financial Statements, which describe the situation related to the resolution issued by the regulatory agency for the calculation of the monthly fee payable by the users of cable television services provided by the subsidiary Telecom Argentina S.A., whose decision cannot be foreseen to date.

VI. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with effective regulations, we report with respect to Cablevisión Holding S.A. that:

- a) The interim financial statements detailed in point I, paragraphs a) and b) comply with the provisions of the General Associations Law and the regulations concerning accounting documentation issued by the CNV, and have been transcribed to the Inventory and Statement of Balance Sheet Book.
- b) The financial statements detailed in point I paragraph a) arise from the Company's accounting records kept, in all formal aspects, in accordance with effective legislation.
- c) Furthermore, we report that in exercise of the legality control within our field of competence, during the three-month period ended March 31, 2018 we have applied the procedures set forth in Section 294 of the General Associations Law, as deemed necessary pursuant to the circumstances and we have no observations to make in that regard.

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- d) We have read the additional information to the notes to the financial statements detailed in point I paragraph a) required under Section 12, Chapter III, Title IV of CNV regulations, on which, as regards those matters that are within our competence, we have no observations to make.

City of Buenos Aires, May 11, 2018

Supervisory Committee

Andrés G. Riportella
Permanent Statutory Auditor

