



Cablevisión Holding S.A.

Annual Report and Consolidated Financial Statements

For the year ended December 31, 2018,
presented on a comparative basis

CABLEVISIÓN HOLDING S.A.

2018 ANNUAL REPORT

To the Shareholders of
Cablevisión Holding S.A.

We hereby submit for your consideration the Annual Report and Exhibit, the Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Shareholders' Equity and the Consolidated Statement of Cash Flows and Notes of Cablevisión Holding S.A. (hereinafter, "the Company", "Cablevisión Holding" or "CVH") for fiscal year No. 2 ended December 31, 2018.

The main subsidiary of the Company is Telecom Argentina S.A., a telecommunication operator.

1. 2018 MACROECONOMIC ENVIRONMENT

During 2018, the performance of the Argentine economy was marked by two events that significantly reduced the circumstantial currency flow recorded in the first two years of the current administration.

The severe drought that affected the agricultural sector, coupled with the sharp decrease of external financing, triggered a currency crisis that completely changed the baseline scenario originally foreseen for an economy that, in the first months of the year, was growing at rates above 3%, with seamless access to financing that allowed to maintain the country's high public spending.

As a result of the drought, the production volume of cereals and oilseed crops decreased around 25 MM tons (equivalent to almost 20% of the total), deducting approximately 1.5 percentage points directly from the 2018 GDP and US\$ 7.5 MM from the export value. The significant capital outflow observed in emerging economies and, in particular, Argentina as a result of the tightening of international financial conditions as from April, worsened this scenario, causing the significant erosion of the level of reserves of the Central Bank and of the value of the Argentine peso.

Argentina's dual currency economy amplifies the inflationary and recessive effects that are typical of devaluations. In this sense, the depreciation of the Argentine peso tends to have a larger impact on prices compared to other countries in the region due to the high pass-through coefficient at a local level.

The external front imbalance often improves mostly through a fast decline in the consumption of foreign currency (mainly imports) given the lag that is often recorded in exports value when the exchange rate competitiveness improves.

Finally, this situation hinders the projected unwinding of the fiscal imbalance and increases subsidies as a consequence of the effective regulatory framework applicable

to gas and electricity tariffs and the interest payments of a debt mainly denominated in foreign currency.

The scenario described above makes it difficult for Argentina to completely absorb, through exchange rate flexibility, the shocks in order to avoid the erosion of the Central Bank's reserves and the fall of the GDP, as was the case with other economies in the region.

The above factors forced the Government to abandon its fiscal gradualism plans and accelerated the unwinding of the existing imbalances in the fiscal and external accounts. By mid-April, and in order to mitigate the magnitude of the budding adjustment, the Argentine Government and the International Monetary Fund reached a 3-year Standby Arrangement (SBA) for a total of US\$ 50.0 Bn (subsequently increased to US\$ 57.1 Bn) aimed at providing certainty on the compliance with interest payments on its debt denominated in foreign currency during the remainder of the current administration.

The evolution of the fundamental variables of Argentine economy during the year, mainly the evolution of the Argentine peso, can be divided into three clearly differentiated stages. In the first stage, during the first quarter of the year, the economy showed relative tranquility because the country was still able to finance its fiscal imbalance and the \$/US\$ exchange rate slid on a par with retail prices.

The second stage lasted from May until the end of the third quarter, when, as a consequence of the sudden loss of external financing, the exchange rate surged from approximately \$/US\$20 to slightly above \$/US\$40 in an environment of growing uncertainty.

In the third stage, during the last quarter of the year, the new monetary and exchange framework, established by the new authorities of the Central Bank, allowed the country to stabilize the exchange rate and even reverse the upward trend with high real interest rates.

On a point-to-point basis, the wholesale \$/US\$ exchange rate increased by 101% during 2018 (from US\$18.77 to \$/US\$37.81). As it always happens, the high impact of devaluations on prices along with the higher increase of regulated prices, generated a worrying inflationary acceleration (+47.6% point-to-point - a record high since 1991 to date -, +34.3% on average) which could have been even higher if it had not been for its recessive implications.

In fact, the impact of this price acceleration on the purchasing power of salaries and pensions depressed private consumption and plunged the 2018 GDP into a deep decline of 2.6% on average (7.0% negative on a year-on-year point-to-point basis.) Apart from increasing the national unemployment rate by almost 10%, the above circumstances worsened the troubling poverty and extreme poverty rates in an overly delicate social context.

On the fiscal front, the impossibility of continuing to finance large gaps generated several downward revisions of the gradual reduction path. The annual target set for the operating deficit on a national level was revised from 3.2% to 2.7% of the GDP. Argentina managed to exceed this target (2.4% of GDP or 5.2% including debt interest). On the other hand, the Government committed to a challenging fiscal balance target for 2019, placing even more fiscal pressure on the formal sector of the economy.

In addition, the IMF approved an increase in the disbursements for the period 2018/2019 (from US\$32.5 Bn of the original SBA to US\$51.2 Bn, respectively.) The fall of the GDP measured in US\$, as a result of the devaluation, spiraled the sovereign-debt-to-GDP ratio to around 85% (40% is held by public sector agencies) from the 57% recorded by the end of 2017.

On the external front, the lower availability of foreign currency and its consequences, the exchange rate surge and its short-term negative side effects significantly depressed the consumption of US dollars over the last months of the year. Consequently, the deficit accrued in the current account, which in 2017 stood at US\$31.6 Bn (5.0% of GDP, more than double the figure recorded in 2016), would decrease in absolute values in 2018 though continue in high relative values as a result of the smaller size of the economy.

Perspectives for the Upcoming Year

At the beginning of the year, the Argentine economy will have a competitive exchange rate and its external/fiscal imbalances are expected to improve significantly (necessary to face the larger external debt of the public and private sectors.) If the current exchange rate were to remain stable, the challenging fiscal targets (primary fiscal balance for the country) and monetary targets (a commitment to cap the growth of money to virtually zero percent until June 2019 and no more than 13.5% during the year) undertaken with the IMF would pave the way for a gradually disinflationary path. However, the above would not be enough to encourage the recovery of the GDP as a consequence of the inherited strongly negative statistics carried over from previous years (of almost three percentage points) and the very same recessionary bias of the scheme.

In fact, and in contrast with previous years, this election year will not be expansive: The GDP would fall again (-1.2% on average, according to the latest review conducted by the Central Bank) and would thus accumulate two years of decline for the first time since the 2001/2002 crisis. The above is mostly accounted for by the strongly negative carryover and the difficult recovery of private consumption (~75% of GDP). The positive contributions expected from the agricultural and energy sectors will make exports the most dynamic component of the GDP.

On the external front, and in view of the reduced availability of foreign currency, the imbalance would be considerably redressed with the reversal of the trade deficit. The expected normalization of the soy and corn harvests, in addition to the expected improvement in industrial exports as a result of the perspectives about Brazil, and the reduction of the items that are sensitive to the depreciation of the Argentine peso, such as imports and tourism, would reduce the external imbalance to less than half the negative ~5% estimated for 2018.

Finally, it should be noted that the quarterly disbursements provided under the arrangement with the IMF depend on the strict compliance with the fiscal targets (considerably challenging in an election year and with the declining GDP.) With a public sector that needs to normalize its access to voluntary credit, any deviation from the targets would hinder these disbursements and would return the economy to a highly uncertain environment, with a negative impact on the solvency of a financial program expected to reach fiscal surpluses as from 2020.

2. 2018 REGULATORY FRAMEWORK

The main subsidiary of CVH, Telecom Argentina S.A., as a telecommunications operator, is subject to Argentine regulations.

Regulatory Authority

Decree No. 267/15, issued on December 29, 2015 and published in the Official Gazette on January 4, 2016, created the National Communications Agency (ENACOM, for its Spanish acronym) as a decentralized and autarchic agency under the jurisdiction of the Ministry of Communications and vests the new agency with authority to enforce Laws Nos. 26,522 and 27,078, as amended and regulated.

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 set out in said Decree, the ENACOM was under the jurisdiction of the Ministry of Modernization.

Through Decree No. 801/18, published in the Official Gazette on September 5, 2018, the Executive Branch once again amended the Law of Ministries, eliminating the Ministry of Modernization and appointing the Chief of the Cabinet of Ministers as the successor of said Ministry, for all purposes. On the same date, and through Decree No. 802/18, the Government created the office of Secretary of Modernization, who will act as Deputy Chief of Cabinet to assist the Chief of the Cabinet of Ministers in the establishment of cross-cutting modernization policies for the administration of the National Government.

REGULATORY FRAMEWORK

On January 4, 2016, Emergency Decree No. 267/15 was published in the Official Gazette, whereby the Government amended the Audiovisual Communication Services Law and the LAD.

After this amendment, the licenses for physical link and for radio-electric link subscription television services that had been granted under Laws Nos. 22,285 and 26,522 are now called "Registrations" of a Licencia Única Argentina Digital.

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 26,522 y 27,078" (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.

As of the date of this Annual Report, said Bill has not been developed yet.

The Executive Branch issued Decree No. 1,340/16 on December 30, 2016 and published it on the Official Gazette on January 2, 2017. Among other things, the Decree:

- Provides for the protection for fifteen years of last mile fixed NGN for broadband Internet services that may be deployed by the licensees of ICT services.
- Orders the issuance of regulations for the following purposes:

- To call for a Public Bid for the allocation of new frequency bands for mobile services.
- To ensure the re-allocation of radio-electric spectrum frequencies with economic compensation to render mobile services or fixed wireless services with LTE or higher technologies.
- To allocate radio electric spectrum frequencies on demand, imposing compensation, deployment and coverage obligations on the current local or regional providers of ICT services and on the current providers of mobile communication services.
 - Sets forth that the persons restricted under Decree No. 267/15 from rendering physical or radio-electric link subscription television services may request the corresponding registration and begin to provide those services in certain areas as from January 1st, 2018.
 - Recognizes that the holders of satellite link subscription television service licenses that as of December 29, 2015 rendered ICT services may maintain the ownership of both services.
 - Orders the Ministry of Communications to guarantee the interconnection principles provided under the applicable legislation in order to ensure the impartiality, non-discrimination and fair competition among providers of mobile services.

Main Regulatory Amendments Issued During 2018.

- **General Rules Governing ICT Service Licenses**, published on January 2, 2018. This Resolution repealed the General Rules approved pursuant to Annex I of Decree No. 764/2000, 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). The Company has filed an appeal against some aspects of said Resolution, which, to date, is pending resolution.
- **General Rules Governing ICT Service Customers**, which will come into effect on March 5, 2018. Said New General Rules repeal the previous 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. 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.
- **Number Portability Regulation**, issued by the Ministry of Modernization on April 4, 2018. It includes 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.
- **General Rules Governing Interconnection and Access**, published on May 18, 2018, effective as from July 3, 2018, repealing the Rules approved under Decree No. 764/00. Pursuant to the new General Rules, the interconnection and access terms, conditions and prices may be freely established by mutual agreement between the parties. Such agreements may not be discriminatory or establish technical conditions that prevent, delay or obstruct interconnection services. Notwithstanding the foregoing, the ENACOM is empowered to set provisional interconnection charges, as established under

Decree No. 1,340/16. The providers of ICT Services will have the obligation to provide interconnection at the request of another provider of ICT Services, on no less favorable technical and economic conditions than those applied by the requested ICT Service provider to itself or to third parties. They shall also guarantee the same quality of the services they provide for themselves, as well as transparency in compensation, and shall refrain from charging the requesting ICT Service Providers for functions or services that are not needed to render their services.

These Rules set out what is considered to be included in the Essential Facilities that must be provided separately and respecting the charges to be established by the enforcement authority. To such effect, the Enforcement Authority may establish reference values, which serve as maximum values, though lower values may be agreed upon between the parties.

- **Quality Rules for Information Technology and Communication Services**, published in the Official Gazette on September 6, 2018. This Resolution repeals Resolution No. 5/2013 issued by the former Argentine Secretariat of Communications and Resolution No. 3,797/2013 issued by the former Argentine Communications Commission. Notwithstanding the foregoing, those Resolutions will remain in effect until the new Quality Rules come into effect. In addition, the Ministry of Modernization ordered the ENACOM to issue the implementing regulations within a term of 90 calendar days.
- **National Rules for Contingencies**, published on November 6, 2018. The ENACOM is ordered to issue the Implementing Procedures or Contingency Plan within a term of 90 days as from its publication in the Official Gazette As of the date of this Annual Report, the ENACOM has not issued said procedures yet.
- **Single Desk System**. Through Decree No. 997/2018, published on November 6, 2018, the Secretariat of Modernization established a single desk system for the installation of antenna support structures of any kind for rendering SCM services in order to expedite the granting of authorizations and permits for the construction and installation of structures for the deployment of mobile services.
- **Implementation of the Online Proceedings (TAD, for its Spanish acronym) Platform for notices issued by the ENACOM**. Through Resolution No. 4,703/2018, published on July 24, 2018, the ENACOM provided for the use of the TAD Platform for requests and notices. In view of the legal and operating implications of this implementation, on August 8, 2018, TELECOM filed with the ENACOM an appeal against said resolution, which, to date, is still pending resolution.
- **Implementation of the Rules for the Registration of SCM Customers**, published on December 2, 2016. The terms for said implementation were extended by ENACOM Resolution No. 466/2018.

Registrations and authorizations to use the spectrum that are now held by the Company as a result of corporate reorganizations:

On December 22, 2017, the Company was 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:

(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 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 COMMUNICATIONS ARGENTINA S.R.L. on April 12, 2017 (IF-2017-08818737-APN-ENACOM#MCO), whereby Telecom, 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 those effects, the Company 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 that occurred when the merger became effective and the shareholders agreement dated July 7, 2017 entered into effect, as a result of which Cablevisión Holding S.A. became the controlling company of Telecom Argentina for legal purposes as surviving company of Cablevisión.

Said Resolution also approved:

(i) The relinquishment of the service registrations that are currently non-operative that had been requested by Cablevisión (SAP, SRC, STP, SLV and SAVR) and by Telecom (SRC); 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 television service:

- 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.
- f. It shall respect the professional competences and job classifications of the workers in the different activities it is engaged.
 - (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:
 - a. 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.
 - b. 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.
 - c. 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.

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.

Article 7 of Decree No. 1,340 shall be applicable to the provision of Quadruple Play services. It sets out that the providers of ICT 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.

On June 29, 2018, the Secretary of Commerce issued Resolution No. 374/2018, whereby it authorized the merger transaction in the terms of paragraph a) of Article 13 of Law No. 25,156.

Supply Law

The effects of Resolution No. 50/2010 of the Secretariat of Domestic Trade and subsequent resolutions issued in connection thereto, which arbitrarily and discriminatorily sought to impose a limit on Cablevisión S.A.'s monthly basic subscription price, are still

suspended by the decision rendered by the Federal Court of the City of Mar del Plata in response to a claim from Telecom filed by the Argentine Cable Television Association.

3. THE COMPANY. ORIGIN, EVOLUTION, PROFILE AND ACTIVITIES

Cablevisión Holding is the first Argentine Holding engaged in the development of infrastructure and delivery of convergent telecommunications services, focused on Argentina and the region. CVH was created on May 1, 2017 as a result of the spin-off process of Grupo Clarín S.A. that began in September 2016 to promote the specialization of the assets of each company and its subsidiaries, allowing for the implementation of differentiated growth strategies and goals for each segment.

CVH focuses its investments on the telecommunications sector through the distribution of video, voice and data under the global technological convergence process, which tends towards the integrated provision of ICT Services.

Cablevisión Holding S.A. focuses, through its subsidiaries, on investing in technology, developing convergent networks and providing competitive high quality integrated services, which will increasingly provide universal access to knowledge society. The companies, products and brands of Cablevisión Holding are benchmark providers in the telecommunications and content distribution industries.

Cablevisión Holding's controlling shareholders are Argentine. It competes with major local and international players, providing quality services across all the segments in which it operates.

On August 30, 2017, CVH obtained authorization for admission to the public offering regime and the listing of its shares on the Buenos Aires Stock Exchange. On February 21, 2018, CVH's 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.

During 2017, Cablevisión S.A., a subsidiary of Cablevisión Holding at that time, was absorbed by Telecom Argentina S.A. under a merger by acquisition process. On June 30, 2017, the directors of both companies approved the pre-merger commitment. The transaction sought to be in line with the global convergence process in the provision of fixed and mobile telecommunication services and the distribution of video and Internet, known as quadruple play.

The transaction was consummated through the absorption of Cablevisión S.A. by Telecom Argentina S.A., which continued with the operations of both companies, under a merger by acquisition process. On December 22, 2017, the *Ente Nacional de Comunicaciones* (National Communications Agency, "ENACOM", for its Spanish acronym) authorized the transfer to Telecom Argentina S.A. of the licenses and frequencies of subscription television, broadband Internet and mobile telecommunications held by Cablevisión and approved the change of control in Telecom Argentina.

On July 7, the 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% in 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 for US\$ 634,275,282. On December 27, 2017, the Company exercised the Option. As a result, it decided to receive an additional equity interest in VLG of 21.55% (which represents an indirect interest of approximately 6% in Telecom's capital stock once the Merger becomes effective). As a result, as from January 1, 2018, Cablevisión Holding S.A. became the holder of a 39.08% equity interest in Telecom Argentina S.A. after the merger became effective.

Also as from January 1, 2018, CVH became the controlling company of Telecom Argentina S.A. through its direct and indirect interest of 39.08%. On June 29, the Secretary of Commerce authorized the merger transaction whereby Telecom Argentina absorbed Cablevisión S.A.

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 June 21, 2018, CVH submitted and formulated its PTO (public tender offer) due to the change of control for the acquisition of Class B shares of Telecom at a price of \$ 110.85 per share. As part of the administrative process for the authorization of the PTO, the CNV served various notices on CVH in which it challenged the price offered by CVH and held that the price for each Class B share of Telecom should be US\$ 4.8658 payable in Argentine pesos at the exchange rate prevailing on the business day immediately preceding the date of the payment of the PTO. The process is being heard in court.

5. CABLEVISIÓN HOLDING AND ITS BUSINESS AREAS IN 2018

During 2018, the Company focused its businesses on the cable television services, fixed and mobile telephony and Internet access sectors, through the operations of its subsidiary Telecom Argentina S.A.

Consolidated net sales stood at \$ 168,046 million and the consolidated gross financial indebtedness of CVH (including sellers financing, accrued interest and fair value adjustments) stood at \$ 84,493 million.

5.1. TELECOM

Telecom is a telecommunication services provider that operates mainly in Argentina, with businesses in Paraguay and Uruguay.

As of December 31, 2018, Telecom had 20.7 million mobile subscribers (of which 2.4 million were from the Paraguayan subsidiary Núcleo), 3.5 million cable television

subscribers, 4.1 million Internet access subscribers and 3.5 million fixed telephony subscribers.

Capital expenditures reached \$42,480 million, which were mainly allocated to equipment for fixed and transport networks and for access to the mobile network. In addition, Telecom invested in the acquisition of the 700Mhz-band license in Paraguay.

5.1.1. FIXED TELEPHONY, INTERNET AND CABLE TELEVISION SERVICES

Aspects of Management

The number of service lines decreased by 6.6% compared to the previous year, in line with the maturity of the market and the trend towards the use of mobile services, totaling 3.5 million lines by the end of 2018. Voice service revenues increased by 37% due to the adjustment of prices, mainly as a result of the adjustment of the price for basic telephony services, which was regulated until 2015 and the Company was not allowed to make any adjustments.

With respect to the traditional Internet business, during 2018, Internet access lines increased by 1.1%. Traditional Internet services revenues increased by 38.3%, including the services rendered both by Fibertel and Arnet.

As from 2019, Telecom decided to discontinue the use of the brand Arnet for its broadband product. The customers that currently use said brand will now use said service under the brand Fibertel. This will allow Telecom to simplify its brand portfolio, completing the alignment of products. Fibertel will also offer those customers the subscription to the product Flow.

PRODUCTS

- **RESIDENTIAL SERVICES**

The Company continued to encourage customers to contract higher broadband speeds for those that have technical availability to activate them, offering a portfolio focused on fostering such increase. During 2018, Telecom continued with the deployment of equipment to increase its capacity and be able to provide higher speeds for more broadband service customers. It installed 56 new CMTSs (Cable Modem Termination Systems) with CCAP technology (Converged Cable Access Platform).

During 2018, Telecom continued to invest in upgrading and rebuilding its networks, in order to increase the number of homes that can receive the bi-directional and digital video transmission services. Such network, equipped with state-of-the-art technology, allows not only for adding new and improved services to enhance the quality of the products offered in the market, but also for enabling Telecom to meet the growing large-scale demand required by the evolution of the digital video, HD, Flow and broadband business.

Telecom continued to boost the service Cablevisión Flow, a product offers the possibility of watching all the live channels and On Demand contents, from any device, through a modern platform with new functionalities. Among them, the most relevant are the possibility of watching from the beginning any content that has already started, pause all

live programs, record contents on the cloud to be able to watch them at any time from any device and watch programs that have already been broadcast. Telecom believes that Flow has been a turning point in the progress achieved towards the convergence of telecommunication services, since it offers customers the possibility of having a customized experience and enjoying the service at any time, in any location and from any available device.

In connection with Cable Television Services, Telecom's customers can acquire basic cable television services or the premium package, which offers exclusive contents. By the end of 2018, the HD programming grid had 87 signals of different genres, including sports, films and series, music, lifestyle and documentaries. During the last year, Telecom added 34 signals, including: Golf Channel HD; Boomerang HD; HBO 2 HD; Disney Channel HD and Discovery Turbo HD, among them.

- **CORPORATE AND BUSINESS SERVICES**

During 2018, Telecom continued to provide the following solutions focused on the segment Large Customers:

Launch of Solutions Focused on Information Security and Managed Services:

Telecom launched security solutions aimed at protecting connectivity accesses and Datacenter infrastructure. This portfolio includes the following services: vulnerability assessment and penetration testing, mitigation of denial-of-service attacks and cloud firewall. These services allow customers to assess the level of security of a company's IT assets through the identification of vulnerabilities in network infrastructure, and to maintain accesses clear and without any risks through policies that ensure business continuity. Telecom also added the Network Monitoring and Management service, which allows customers to delegate to Telecom's NOC (Network Operation Center) the supervision and management of incidents in their LAN (Local Area Network) and WAN (Wide Area Network) networks.

Streamlining of Processes with an impact on Customers: Telecom took several actions such as changing provision processes, assessing resource availability and distributing equipment, incorporating centers, using 4G for bypass of works, replacing obsolete equipment, among others, which enabled the company to reduce installation and repair times, thus achieving a global efficiency of 80%.

Evolution of Data Portfolio: As part of the technological evolution, since 2018, Telecom has been incorporating FTTH technology to dedicated solutions for the Corporate segment. The main benefit of FTTH technology compared to other access technologies based on copper or coaxial cable or radio waves, is the higher speed for data transmission and its extreme stability in external conditions (weather - heat, humidity or electrical noise - engines, machinery, home appliances.)

Launch of the program PyMES Partners: During 2018, Telecom continued with its program Partners, which allows PyMES (small-and-medium sized companies) to boost the development of their businesses. Through this program, aimed at cloud productivity solution providers, Telecom makes available its services and Datacenter infrastructure with a distinctive proposal that includes offerings, support, cobranding and integration in Telecom's billing. 26 companies have been added to the program during 2018.

Oracle Partner Network Membership: Telecom is a Gold member of the Oracle Partner program. This membership provides a differentiated advantage to develop, sell and implement Oracle solutions. Telecom is the first provider in Latin America to offer Oracle Engineering System infrastructure on Telecom's cloud, stored in a Datacenter located in Argentina.

5.1.2. MOBILE TELEPHONY SERVICES

Aspects of Management

During 2018, Telecom implemented a very significant improvement in its mobile network, both in terms of the number of deployed sites and of technological upgrading, which allowed it to reduce the gap with the services offered by the competition, considerably improving the button up NPS (Net Promoter Score) of its customers. Personal closed 2018 with the 4G network with the highest speed. During 2018 FIFA World Cup Russia, Telecom offered to all Personal customers subscribed to Flow the possibility of watching from their mobile phone Argentina matches without being charged for data usage.

All the service plans continued to evolve towards an offering that includes more data, so that customers can enjoy the 4G experience, and unlimited calls to Personal customers, unlimited text messages, national long distance calls at local prices, in addition to extra credit for customers with "Abono fijo" (or "Cuentas claras") plans or minutes included to call other carriers for postpaid plans.

By the end of 2018, the deployment of the 4G network reached 1,604 locations throughout the country, supplemented with a broad range of phones that use this technology at affordable prices and with the possibility of financing them through different payment methods. The offering of devices is published on the website of Personal, where customers can control their data use in the section "Mi cuenta Personal" or download the application "Mi Cuenta Personal", promoting self-management and accessibility.

During 2018, the Company focused on improving user experience for the international roaming service, making the offer more attractive, with a perceived higher quality.

In line with consumption and data use trends around the world, Personal evolved its international roaming offering during 2018, launching the benefit "Free WhatsApp worldwide" during the FIFA World Cup in Russia, under the offering "Pack Mundo".

In addition, in the last quarter of the year, Personal launched benefits for the 2018-2019 summer included in the plan, without customers having to activate them first, so that they can stay connected from abroad enjoying the best service experience.

On the other hand, Personal offered a benefit that includes a 2GB package to browse the Internet and use WhatsApp free of charge in countries located in America and Europe. The standard pricing is still among the most competitive in the local market.

With a focus on improving user experience, Personal worked towards making available to the whole customer base the international roaming service, through the massive activation of the service.

Continuing with the focus on improving customer experience abroad, Personal granted to its customers the benefit of calling Customer Service from overseas free of charge.

PRODUCTS

- **STRATEGY FOR THE MASS SEGMENT**

Brand: During 2018, Personal, Fibertel and Cablevisión announced the new relationship between the brands, leveraging the message with the new benefits that will be provided to their users: the best service, the best technology and the best entertainment. All this was summarized in the advertising claim “*nos unimos para acompañarte mejor*” (working as one to serve you better).

4G/LTE: During 2018, Personal continued to work on providing the 4G experience to its customers through the deployment of the network, the sale of smart phones and the offering of plans with data quota according to the consumption volume required for that technology.

WhatsApp for 30 days even if you run out of credit: With any recharge, customers obtain the benefit of using WhatsApp for 30 days even if they run out of credit. This promotion contributed to the growth of the prepaid customer base.

Promo Personal Recarga (ExSuperchip): For prepaid customers, Personal continued to offer this benefit with every recharge, such as free calls for a certain number of days depending on the amount of the recharge.

Mobile Broadband: Leveraging on the new 4G LTE technology, Personal continued with the sale of mobile Internet through new devices that allow customers to share data via WIFI.

“Black” Segment: For high value customer segment, Personal continued to consolidate the “Personal Black” platform. It offered more benefits and updated the smart phone portfolio.

Phones: Personal continued to encourage customers to upgrade their devices to 4G phones, which enable better connection, data download at higher speeds and broader signal transport capacity.

Shared Gigas: It allows customers to share data usage between Personal lines.

Financing: Personal continued to promote ways to finance the purchase of phones, especially through the option “Débito en Próxima Factura” (Debit in the next invoice).

- **STRATEGY FOR THE BUSINESS SEGMENT**

Internet-Of-Things: During 2018, Telecom continued with its aggressive expansion in the Internet-of-things market achieving an accumulated growth of 54% in the last 4 quarters. The stake in this segment was driven by management platforms available to integrators and end-to-end solutions aimed at different business segments (such as fleet tracking, asset management and connected car.)

Competitiveness of the Mobile Services Offering: With a view to embracing the evolution in the consumption of services, Personal increased the GB quotas in all its plans, and included free roaming data passports for mid-range plans and unlimited off-net calls for Abono Fijo plans and higher.

New Convergent Tools: During 2018, Telecom launched a series of convergent tools for the sales force in order to simplify and improve sales offering processes.

Unification of the TELECOM- Fibercorp Portfolio: Telecom conducted a review with the aim of selecting the best solutions and offerings rearranging them in nine families of services specifically focused on the segments PYMEs (small- and medium-sized businesses) and Large Customers. During this process, that company consolidated the name given to connectivity products and adjusted the standard prices in order to streamline and align the offering. In addition, a datacenter, both physical and virtual, was used to prioritize the preexisting resources and improve solutions delivery times.

New Mobile Plans Offering: Personal redesigned the mobile offering by adding to the plans a larger data quota and unlimited WhatsApp. Simultaneously, it launched a new roaming offering. Personal also launched new packs and plans in specific regions for frequent corporate travelers.

Launch of Smart Radio: During the second quarter of 2018, it launched the Smart Radio service, the evolution of the push-to-talk service over Personal's mobile network. During this period, Personal rolled out campaigns to retain and win customers mainly for Nextel. Among the rollout and business-boosting actions, Personal made available an Offering Quotation System to the sales force exclusively for this service, and launched advertising and communication campaigns in graphic, radio and web media. During the last quarter, Personal added rugged devices aimed at specific segments of the industry. These actions have allowed Telecom to drive portability and win 22,700 lines to Personal, of which 5,200 have purchased the Smart Radio service.

WHOLESALE SERVICES

National Businesses

During 2018, Telecom Argentina continued to be one of the leading providers of wholesale telecommunications solutions for different Providers and Operators of the market, among which the following stand out: Cable operators, ISP, TV channels, radios, producers and other service providers. The main services offered are infrastructure, dedicated Internet access, audio and video signals transport, dedicated links, VPN IP networks and hosting/housing at Datacenters, among others.

During 2018, the data and Internet services business was once again focused on IP transit, demanded by different operators and ISP to provide Internet connectivity to customers in different market segments.

The main revenues derived from National Wholesale Businesses are national roaming charges, termination charges from third parties' mobile networks (TLRD), calling party pays (CPP), leasing of conventional and non-conventional infrastructure sites, and interconnection charges (origination, termination and transport.)

Of particular note are the actions carried out by Telecom Argentina upon the enactment by the ENACOM of the new Rules Governing National Interconnection. These new rules provide for changes in the fixed and mobile interconnection model, eliminating the then effective calling party pays (CPP) charges, and adopting a mobile call termination charge model.

As a result of the strengthening of the relationship and streamlining of Telecom's management with the telecommunication service operators and providers, cooperative federations and clearing service suppliers, Telecom renewed the agreements in effect, and executed agreements with new customers and operators.

Among them, the most relevant are the agreements executed with cooperatives for the installation of new sites in the geographic area of influence. These activities have allowed to expand or improve Telecom Argentina's mobile coverage and move forward with the fulfillment of the Company's 4G mobile infrastructure deployment plan.

International Businesses

- **International Operators**

During 2018, Telecom focused on maximizing the profitability of the voice traffic business through the streamlining of costs and capturing of traffic to Argentina, the development of regional markets, and the consolidation of transmission capacity and IP transit sales. The highlights were:

- Capacity sales, co-location and IP transit in regional markets: the sale of local and regional capacity and co-location services to customers from Uruguay; and the sale of local capacity to global integrators and operators.
- An improvement in the results of the voice business, upon successful bilateral negotiations focusing on service quality, minimizing costs of international outgoing communication, and capturing more return traffic to Argentine fixed and mobile networks.
- Execution of the cooperation agreement between Telecom Argentina and Vodafone. Within the framework of said agreement, a comprehensive and thorough assessment was conducted on Telecom's international roaming wholesale business unit. This activity included, among others, a comparison between the current level of Telecom Argentina's international roaming service and Vodafone's best practices worldwide.

- **Telecom Argentina USA, Inc. ("Telecom USA")**

During 2018, Telecom continued with the sales actions aimed at wholesale products with higher profitability, among which the services rendered for OTT and for temporary events stand out. The presence of Telecom in the United States of America through its subsidiary has allowed it to establish relationships with the main US content and cloud service providers, which has led to important co-location and data transport projects. It also allowed for the development of new smaller customers with varied requirements in Argentina and which requests continue to grow.

5.1.3. SERVICES OF SUBSIDIARIES IN PARAGUAY AND URUGUAY

BUSINESSES IN PARAGUAY

Aspects of Management

Amid a sound economic performance, the company launched segmented offerings for prepaid plans and simplified the offering of plans focused on the use of Internet.

As of December 31, 2018, mobile customers in Paraguay totaled 2.4 million. Its residential customers increased to 68 thousand.

By the end of 2018, 64% of the data traffic used the 4G network (61% of mobile customers use that network to access the Internet), as a result of the constant enhancement of the network infrastructure capacity that has allowed the company to meet the needs of our customers for higher data usage.

PRODUCTS

Postpaid

The strategy of the postpaid mobile telephony service was focused on winning new customers and balancing the benefits of postpaid plans with those of prepaid plans.

The company focused its communication on offering MB for web browsing as a value proposition, with unlimited calls, WhatsApp included, cumulative GB and the possibility of sharing GB included in the plan between different mobile lines. The Company is the only provider in the market that offers this last benefit.

Prepaid

The value proposition for prepaid customers during 2018 was aimed at several segmented and aggressive offerings focused on winning new customers and developing existing ones.

During 2018, Telecom continued to develop the digital channels with larger advertising in social networks, to feature the Prepaid Portability offering, among other benefits. The sales area embraced the growth strategy for the Prepaid product, with the addition and development of points of sale for recharge and activation points.

Internet Services

In August, Núcleo started to offer services with higher speeds using FTTH technology.

This offering, together with the plans focused on web browsing and calls included, and the different mobile applications, complete the product portfolio for the corporate segment.

In addition, the sales area created the Corporate Technological Solutions and Comprehensive Support Center to provide better customer service and innovative solutions to our customers.

Value Added Services

In order to generate significant improvements in customer experience, the Company completed the migration of suppliers that provide value added services to a platform that allows to control and monitor the subscription to those contents, ensuring the transparency and sustainability of the business.

Roaming

At the beginning of the year, Telecom made changes in the offering with Internet packs per regions in South America. In addition, through agreements with other companies, it offered web browsing in Brazil, Uruguay and the United States of America using the GB available on the plan subscribed in Argentina (Personal Argentina), and also added browsing packs in Europe, highlight the convenience of said offering.

BUSINESSES IN URUGUAY

Services

Telecom provides management and administration services to companies that render cable TV services in Uruguay under the brand Cablevisión through the company Telemás S.A.

As of December 31, 2018, Cablevisión had approximately 143,500 subscribers in Uruguay and is present in the departments and locations mentioned below providing cable TV services under different technological platforms.

Southern Area: UHF and TDH Platform: Montevideo and the metropolitan area comprising Ciudad del Plata (department of San José) and different locations in the department of Canelones.

The Company is conducting a migration process of its customers in the Southern Area from the UHF platform to the satellite platform, as provided by Decree No. 387/017. On July 11, 2019, the Company must return the UHF frequencies. For that purpose, it has to migrate 100% of its UHF customers to free up the spectrum.

This evolution towards the satellite product and the platform Flow represent another step forward that places Cablevisión at the forefront of the industry and strengthens its leadership in Montevideo and different areas in Canelones and San José.

Departments: Cable and TDH Platform: In the capital cities of the departments of Artigas, Salto, Paysandú, Rivera and Tacuarembó, and in the city of Paso de los Toros (department of Tacuarembó) the Company renders cable TV services. In rural areas and in some locations of those departments, services are rendered via the satellite platform (DTH).

The subscription TV market showed a downward trend, marked by the increase of online entertainment alternatives. During the first half of 2018, the market experienced an increase, mainly driven by DTV and its broadcast of the 2018 FIFA World Cup Russia through its online platform.

5.1.4. IT

ARGENTINA:

Convergent Business:

- Implementation and unification into a single convergent platform for the management of customer service provided on the phone, in person, social networks and multimedia. It is currently available for Personal's customer service provided on the phone.
- RTD (Real Time Decisions) Solution: A tool for contextual real-time decision-making and analytically optimized personalized service, giving customers a unique treatment.
- Telecom developed the necessary functionality in management systems for convergent sales of television, fixed telephony and Internet services (triple play), and television, fixed and mobile telephony and Internet services (quadruple play.)
- Telecom adapted all of the Company's management systems upon the merger with Cablevisión in order to operate under the corporate name Telecom Argentina S.A.
- Telecom ran a connectivity and integration test between the ACL and the Hadoop platforms (both are used for the analysis of large volumes of data).

Corporate Systems:

- Telecom implemented INTIZA, a solution for the convergent management of overdue receivables for the Corporate Segment.
- Creation and delivery of the new PUSH-TO-TALK service and new offerings for former Nextel customers migrated to Personal. This solution is already available and Personal has initiated the migration process.

Technical and Operation Support Systems:

- Launch of the OSS (Operation Support System) program, aimed at the monitoring and comprehensive tracking of all the technical projects that will be key to achieve the transformation of the operations and the business. The milestones include:
 - Telecom completed the migration of all the technical bases in Argentina that manage the HFC (Hybrid Fiber Coaxial) network to the new Workforce Management CSG tool, providing the Field Service with a new solution that streamlines the management and delivery of working orders.
 - As far as the unification of inventories is concerned, Telecom completed the migration of all the fiber optic to the Physical Inventory (PI), and all the copper in the AMBA region and in the Mediterranean region was migrated to the new system.
- Migration to the new Qlikview Architecture.
- Implementation of SCTR (System used to set up, classify and test fixed and mobile interconnection traffic.)
- Telecom implemented the integration with the remote assistance tool based on artificial intelligence DoIT (a system that manages incidents, requests and changes in IT) related to the cases identified by RIA (Remote Intelligent Assistance.)
- Telecom implemented the project FlowOne which comprised the technological upgrading of Personal's suppliers. This allows for the integration between Fan Order Manager and the mobile network. This new platform is the first step towards a single convergent supplier and has high availability on site and geographical contingency.

IT Operations & Datacenter

During 2018, Telecom implemented technological upgrades in the main business support systems, both for mobile and fixed telephony, broadband and video. Those upgrades allowed Telecom to provide enhanced stability and performance to its main systems.

It migrated the hardware of the Open system to the last version available in the market, which enabled the Company to reduce by more than 60% the number of incidents and to increase by over 8% system availability. It also enabled the Company to achieve batch processing times significantly higher than those achieved with the previous hardware. This upgrade allowed the Company to add new users to the system as a result of convergence (over 800 users) without any impact on service performance.

During 2018, Telecom implemented the infrastructure required for convergent Billing, which had to be integrated into the "OCS" prepaid online charging system productive infrastructure (Implementation of the Convergent Billing System "CBS" – enhancement of the Online Charging System "OCS").

During 2018, Telecom worked on improving operational efficiency. It virtualized over 150 physical servers, achieved performance improvements, optimizing the use of spaces in the datacenters, and terminated maintenance, licensing and support agreements.

In addition, Telecom constantly worked on the consolidation of the critical storages, with truly positive results in terms of storage capacity, consumption, consolidation, and filling of spaces. With these actions, it achieved significant operational savings in the items mentioned above.

The enhancement and virtualization actions and the constant search for operational efficiency paved the way for the shutdown, disconnection and uninstalling of over 700 servers (productive and non-productive.) These actions also generated savings in the items described above.

In 2018, the Company implemented significant improvements in the datacenter. During this year, it carried out several actions to boost the sites in terms of environment infrastructure and its enhancement.

In addition, it completed the replacement of UPS (uninterruptible power supply) that started in 2017, which doubled the installed power and reduced consumption.

During 2018, it began incorporating the fourth chiller equipment for the datacenter with a 675-ton capacity. 80% of the project has been completed, as planned.

Telecom expanded the Datacenter located in Pacheco adding 500 m2, with a capacity to store 177 new racks. This expansion was essential to meet the constant growing demand of B2B businesses.

Finally, another milestone of 2018 was the deployment and support of the solution implemented to provide services for the Youth Olympic Games held in the City of Buenos Aires. This project of high technical complexity required working hard with the project integrator and several support groups.

5.1.5. TECHNOLOGY

Fixed Services

Network Strategy

Telecom's network strategy follows and is consistent with the medium and long-term guidelines, in consonance with the technological evolution, the demand for services and the customers' user experience.

Telecom seeks to increase the capacity and availability of services for the end user in the Core and Backbone Networks, as well as to begin to pave the way for a single internal convergent network, which will streamline not only the operations, but also maintenance and growth costs. It also continued with the standardization of protocols and network architectures, which allows to reduce the related operating costs and streamline operations.

For access networks, the strategy was based on continuing to meet the growing bandwidth needs for the services requested by our customers, mainly Internet access to video and multimedia content. In this sense, the Company continued with the growing deployment of fiber optic access infrastructure in different architectures and technologies, optimized according to the demands and geographical areas involved, as well as the with growth of the access equipment for the HFC (Hybrid Fiber-Coaxial) network and the reduction of the service areas (less customers per port.)

2018 Highlights

Transport:

Telecom continued with the geographical expansion of "Red Centurion", which consists of a DWDM (Dense Wavelength Division Multiplexing) ROADM (Reconfigurable Optical Add-Drop Multiplexer) network, DWDM data transport equipment, which provides greater flexibility and security by routing traffic in case of a fiber optic cutoff) with an initial capacity of 40 lambdas of 100 Gbps each. In 2018, Telecom increased network coverage and capacity throughout the country.

Additionally, the Company continued to expand and update the transport capacity in $n \times 10$ Gbps or $n \times 100$ Gbps lambdas in the DWDM Network of AMBA, some of which link the Datacenters located in Pacheco, Hornos or San Lorenzo, and some other important nodes of other operators.

During 2018, Telecom completed the laying and lighting of more than 120 km of new interurban fiber optic (backbone fiber optic connectivity Jardín de Reyes – Humahuaca, Jujuy). Telecom added to the backbone fiber optic network the reception and lighting of swaps with other operators in order to increase the capillarity and security of high capacity networks.

It also continued with the deployment of the PTN (Packet Transport Network) and PoTN (Packet Optical Transport Network) to 10 Gbps, adding more than 1,350 active equipment units in the network and 870 locations covered. As part of this deployment, the Company began the division of preexisting PTN rings towards rings with less number of elements, in order to absorb the growth of bandwidth for state-of-the-art mobile services, such as 4G and 4G+.

Backbone IP (“BBIP”):

The Company completed the collapse of layers at the core of the IP network (backbone), which allows to minimize intermediate failure points in the IP network. In addition, Telecom increased the regional security and interconnection capacity of the backbone in

the six geographical areas with the highest internal traffic of Argentina (Buenos Aires, Tucumán, Córdoba, Rosario, Santa Fe and Corrientes).

It also made progress with the capacity enhancements and implementation of new content POPs, both at regional and local level, allowing for a better user experience for contents such as Live TV / Video on demand / Streaming (Flow, YouTube, Google, Netflix, Facebook, Instagram or WhatsApp).

Metro Ethernet Network:

In 2018, Telecom continued to deploy new access aggregation equipment. Some of the equipment was replaced with over 80 new units, which allowed for the better use of the transport network, the increase of the capillarity of the MPLS (Multi-protocol Label Switching) network, and the increase of network availability.

Fiber Optic Access:

Telecom continued to provide access to fiber optic to customers with the consolidation of the deployment of the different associated architectures in the access network (both FTTH and HFC.) It provided access both for residential and business customers, new neighborhoods, gated communities, buildings, and malls.

Deployment of UBB Capacity in the Fixed Access Network:

Telecom continued with the replacement of active equipment and increased the deployment of VDSL equipment to provide UBB in FTTC architecture both with indoor and outdoor equipment installed in the main buildings.

In 2018, the Company built networks with FTTH architecture in areas in which there are customers currently connected via copper pairs. 90,000 residential customers were added to FTTH coverage and 70,000 to HFC coverage, through which the Company provides not only UBB services but also HD digital video services.

Mobile Services

Argentina

Network Strategy

During 2018, the Company continued with its strategy to improve the coverage and capacity of the mobile access network. To that end, it implemented an important 4G (LTE) technology deployment plan and continued upgrading the 2G/3G network, using new spectrum acquired in the bidding process carried out in 2014. This deployment allows increasing Internet access speed and improving customer experience, in particular, with the access to multimedia content.

From the beginning of the deployment, where the 700 MHz band has no interference, 700 MHz and 1,700/2,100 MHz bands were enabled allowing the simultaneous optimal use of both spectrums through the "carrier aggregation" functionality (a functionality that enables adding carriers to increase bandwidth.) In line with the above-mentioned, Telecom continued to increase the capacity of existing sites after the activation of the

reassigned spectrum of the 2G network and the new PCS/SRMC spectrum acquired in the 2014 bidding process.

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

During 2018, Telecom implemented the virtualized Huawei IMS (IP Multimedia Subsystem) platform. This platform is aimed at convergence and the evolution of services such as VoWiFi (Voice over WiFi), VoLTE (Voice over LTE) and VOIP (Voice over IP.)

Telecom also completed the migration of the customers to the new virtualized Huawei HLR/HSS platform, also aimed at the convergence of services.

2018 Highlights

Mobile Access Network:

During 2018, Telecom continued with the deployment of the LTE service in the locations specified in the spectrum award bidding terms and in other locations. LTE coverage has already reached 87% of urban population with presence in more than 1,100 locations throughout the country. 4G coverage has reached approximately 98% of the population in the capital cities of the provinces. In 2018, Telecom installed over 1,400 sites. Some of them were new and other sites existed but did not have this technology.

Other Improvements:

Telecom worked hard on the strategy of increasing the number of base radios with full IP connectivity. As a result of the increase of these base radios in more than 800 sites during 2018, 95% of Telecom's network sites now have said connectivity available.

Paraguay

On Air Sites: In 2018, Núcleo put into operation 135 new cellular sites throughout the country, representing an increase of approximately 11% in the total number of operative sites in the network, which total 1,351.

LTE On-Air Nodes: In 2018, Núcleo increased the capacity and coverage of the LTE mobile network, both in the 1,900MHz and 700MHz bands, putting into operation 468 LTE nodes, achieving 0% overlapping over the total network with LTE nodes sites.

5.1.6. HUMAN CAPITAL

In 2018, Telecom presented the Cultural Transformation Plan for the Company. The key pillars of that plan are:

- The customer and the employee at the core of decisions
- Dynamic structures and processes
- Digital culture

- Committed leaders and talents
- Innovative environment and communication
- Social agenda
- Competitive total compensation

During 2018, the Company created the Employee Experience Department in order to develop the internal strategy to design and optimize employee experience and thus boost the relationship with the customers and drive cultural transformation. In line with the cultural transformation plan, the Company also created the People Analytics Department to improve decision making with data analyses.

Cultural Principles:

During 2018, Telecom established and informed its employees about its purpose and the cultural principles that will guide the cultural transformation path. The purpose is “We will support you in boosting your world” and the 7 cultural principles are: We are Customers; We Make Things Easier; We Work, Risk and Continue Trying; We Function as a Team, Without Barriers; We Trust and Believe in You; We Have Fun, and ¡We Give Our All!

Human Capital Management Tool:

In 2018, Telecom established and began the Success Factors – SAP implementation plan. It is a human capital management tool based on the concept of self-management. The modules implemented in 2019 are related to the processes covering the development, performance, compensation, learning, employment and employee information and management center.

Training:

During 2018, the Learning Strategies and Digital Campus area designed and implemented a new learning model. It established its identity and purpose and created an innovative structure and space to develop the skills that will allow the Company to face changes and overcome challenges.

The new model is based on six learning experiences in four learning worlds that are part of its pedagogical design, each with specific purposes. These worlds are: Teaching World, Connecting World and Exploring World.

This new organization of the model contributes to the development of a new organizational culture based on learning skills required to face changes. The model links groups and people through networking, integration and knowledge sharing. It connects, offers support and generates spaces for co-creation.

The six learning experiences were:

1. Project Journey
2. Innovation Journey
3. Cultural Transformation and Leadership Journey
4. Communication Journey
5. Collaborative Work Journey

6. Digital and Analytics Journey

Labor Relations:

Telecom actively promoted communication with all the trade unions and with the different actors involved creating formal and informal channels, at national, with union leaders and internal committees. It encouraged and fostered working in shared spaces with all the trade unions, convening joint and ongoing work meetings to address the following topics: Occupational Health and Safety, the Environment, Training, Diversity and Occupational Guidance and Work Organization. All the union representations attended and actively participated in those meetings.

As far as work organization is concerned, the Company has executed several convergent conventional agreements based on effective agreements to ensure the operating convergence of the areas that have contact with customers (Field Service, Customer Service, etc.) and the operation over all of the Company's networks and technologies and all the product offerings.

Wage negotiations, aimed at adjusting salaries in light of the significant rise in inflation rates, have been conducted with all the trade unions within a framework of social peace and without any direct action measures. Collective bargaining agreements were executed with the Argentine Association of Cable Television for the employees represented by SATSAID and SAL, and directly with the Trade Union Unity that groups the different telephone trade unions (FATEL, FOESITRA, FOPPSTA, CEPETEL).

Diversity and Inclusion:

The Company consolidated the multidisciplinary diversity and inclusion committee composed of officers from several departments in order to address several lines of work.

Gender: The purpose is to build a sense of commitment in the organization for the development of active policies in favor of diversity and inclusion in its areas of influence, with a view to generate an inclusive, innovative and sustainable organization.

In this sense, Telecom installed and refurbished breastfeeding rooms in several buildings, introduced consultations about the work environment survey, established different mechanisms to report discrimination or violence at work, and communicated the anniversaries of important events related to processes or programs already developed.

Disability: seeks to improve the work environment of its current employees with disabilities, and promote the integration of people with disabilities to improve their inclusion and full development. A diagnosis was conducted on the whole current support program for people with disabilities and the Company continued working with La Usina Asociación Civil to address some cases of current employees with disabilities.

Generations: Generate spaces to encourage the creation of bonds between the different generations at work.

Communication:

During 2018, Telecom worked on improving the communication channel “Conversaciones en Línea” where all the employees can listen live to the Company's directors and make questions through a digital tool.

In addition to the communication channels already used in previous years such as email, notice boards, among others, Telecom implemented Microsoft Yammer, an internal cooperation and communication network tool for all the Company, which allows to create groups, spaces for cooperation and private messages.

Work Environment Survey:

Telecom conducted the work environment survey to measure the emotional impact of employees, understand the existing relationships and assess the health of the company to analyze data, establish the best Employee Value Proposition in order to increase productivity, achieve greater sustainability and more competitive advantages.

In addition, it seeks to generate a cultural change based on trust in the new company, improve the ENPS (Employee Net Promoter Score), develop and foster the defined leadership model.

5.1.7. SUSTAINABILITY

Telecom carries out its activities and operations taking into consideration the importance of telecommunications services and the Company's global impact on Argentine society.

The Company's sustainable management is aware of the contributions of telecommunications to the effective social and economic development of the country. This is why it develops actions integrated into the business that promote the use of technology with an innovative approach, focused on meeting social and environmental demands. These actions seek to strengthen the social, economic and environmental ecosystems in which the Company carries out its operations and work on the promotion of equitable growth to improve the quality of life of people.

Since 2004, Telecom has adhered to the United Nations Global Compact and complied with the 10 principles on human rights, quality of employment, environmental care and the fight against corruption; a commitment that is ratified every year and that is part of our Sustainability model. The Company's Code of Ethics and Conduct follows said model and incorporates, through declarations of principles and values, universal moral and ethical foundations within the organization.

The Sustainability Department plans and conducts a follow-up on sustainability actions and coordinates the Action Plan with an Operative Group, composed of managers of all the internal areas, to work on the management of the social and environmental impact.

With the commitment of the whole organization, the Company seeks to sustain the maximum economic performance taking into consideration the impacts and opportunities of the Company and its environment.

The 2018 Sustainability Plan drove good practices for all the stakeholders and focused on boosting Telecom's social and environmental performance and contribution.

Community

Telecom, as a telecommunications operator, believes that technology has a great potential to contribute to the development of Argentine society. To this end, it encourages the social use of technology and digital literacy to generate new skills and favor human development. Today, the access to information technology and communication is an education, labor, economic and social growth driver for millions of people.

In 2018, Telecom continued with the community investment plan, focused on the development of its own projects with high social impact and in line with the interests of the business. Under the motto “Conectados con lo que más importa”, Telecom was actively engaged with the community with proposals that foster the responsible use of technology and encourage young people to access the digital world.

One of the programs developed during 2018 was Nuestro Lugar, a comprehensive program that seeks to raise awareness on the impact of technology in everyday life and highlights good practices and productive uses of ITC.

Also during 2018, Telecom gave over 120 workshops in alliance with Tigre, Morón and Quilmes, in Buenos Aires, and in La Rioja, Villa Carlos Paz, Orán, Santa Rosa, Eldorado, Rafaela, Pergamino, Jujuy and San Luis, in the provinces. The workshops were attended by more than 6,000 students and 1,000 teachers from 70 schools throughout the country.

Digit@lers: Digit@lers is an education proposal on digital competencies for young people aged 18-32 who are in a vulnerable situation and are looking for a personal growth proposal. It seeks to inspire their digital calling and help them develop their potential to find jobs in the current and future market.

Telecom also gives back to the society in the form of donations and sponsorships.

Through the initiative “Puente Digital”, Telecom provides free cable television and broadband Internet access services to community organizations, thus contributing to digital inclusion, access to contents and promoting the integration of technology into community development processes.

Value Chain

Our suppliers are a key pillar of the value chain. In addition, being aware of the impacts generated in the value chain –in terms of human rights, labor conditions, environmental factors, among others– and managing the consequent risks and opportunities are key factors to the success of an organization.

In this context, Telecom works hard on a supplier development plan as part of the Company's commitment to provide tools that will allow them to delve into a sustainable business model.

A highlight of this plan in 2018 was the seventh edition of the workshop “Taller de Buenas Prácticas y Fortalecimiento a Proveedores”, an initiative that seeks to provide conceptual information, tools and experiences to strengthen sustainable management in companies. The workshop addresses issues related to Corporate Ethics and Transparency, Labor Risks, Health and Safety, and Control and Management of Providers. More than 60 representatives of companies engaged in several activities from Buenos Aires, Rosario and Santa Fe participated in this Workshop.

Telecom bases its value chain on a supplier management model that contributes to creating value and boosting the activities of the companies with which it is related. This model is based on four areas of action that support the “life cycle of suppliers”: Development, certification of productive processes granted by Telecom, assessment and certification assurance. The purpose of this scheme is to apply continuous improvements both in the assessment and in its results so that suppliers become true “strategic partners” of the Company.

This is how Telecom prioritizes a business model that promotes sustainable practices in its whole value chain as a tool to increase the global competitiveness of companies and foster development.

The Environment:

At Telecom, we consider sustainability as a way to develop our activities, focused on constantly improving the performance of our business and minimizing the environmental footprint of the services we provide. This commitment is embodied in our environmental care, through the responsible use of natural resources and the materials we use, and its proper management at the end of their life cycle. For this reason, Telecom has a department specialized in the Environment which conducts various action lines that fulfill the Environmental Commitment undertaken by the Company in 2018.

The environmental commitment is founded on 7 pillars:

- Sustainable Energy: Improve energy efficiency, increase the use of renewable sources of energy and less polluting energy technologies, among other actions.
- Water and Sanitation: Make an efficient use of water resources and ensure the rational use of freshwater to prevent the pollution of all the sources of life.
- Natural Resources: Ensure sustainable consumption and service provision practices. Make rational use of resources, reducing the environmental footprint.
- Climate Change: Reduce greenhouse gas emissions. Adopt technologies that minimize the impact.
- Legal Commitment: Comply with applicable environmental legislation and agreements undertaken.
- Risks and Opportunities: Ensure sustainable business and environmental control and performance.
- Continuous Improvement Provide tools for the sustained improvement of performance indicators.

SECURITY

The mission of Telecom's Security Department is to establish and implement a security and anti-fraud strategy aimed at ensuring the protection of shareholders investments through comprehensive programs for the security of individuals, the safeguard of the Company's assets, the preservation of confidentiality, the completeness and availability of information, the prevention of fraudulent practices, the compliance with judicial

injunctions, and the development of Security products and services to integrate them into Telecom's product and service portfolio in order to increase the Company's sales volume.

6. TRANSPARENCY AND ETHICS

Cablevisión Holding believes that one of the pillars of a good management is transparency. Therefore, through its communication it seeks to make available as much information as possible about its operations and businesses. In addition, it establishes ethical standards for the development of its operations.

The Company has a policy called Code of Ethics and Conduct, which, among other things, seeks to avoid potential conflicts between the Company's -and its subsidiaries'- interests and the personal interests of its directors and employees and their respective direct relatives. The code describes objective scenarios where a conflict of interest may arise and provides a non-exhaustive list of examples that standardize conflicts.

The Code of Ethics and Conduct deals with the handling of confidential information by the Company's officers, where confidential information is understood as all such information that has not become publicly known and that may be important for an investor to make a buy, sell or hold decision concerning any of the Company's securities. The Code prohibits the use of such information by the Company's officers for their own benefit or for the benefit of a third party.

Cablevisión Holding makes available to its investors and shareholders all the relevant information about its performance. CVH has employees who are in charge of the relationship with investors and shareholders, answering their inquiries and providing financial and operating information. The Company issues and distributes quarterly reports and holds periodic conference calls during which the information provided is discussed. All the reports are subsequently uploaded to the corporate website.

The Company maintains communication channels with the minority shareholders through the disclosure of relevant information in the stock exchanges where its shares and GDSs are listed and through information disclosed in the Company's web site.

7. RISK FACTORS

As an Argentine corporation whose only significant assets currently are shares of Telecom S.A. ("Telecom"), another Argentine corporation into which Cablevision S.A. was merged effective January 1, 2018, Cablevisión Holding S.A. is exposed to a wide range of risks related to the country and to its operations. The Company relies on a strong internal control system and its control of Telecom, which is the result of its ownership interest and the provisions of a shareholders agreement that entitles the Company to designate a majority of the members of the board of directors of Telecom. The identification of risk and its assessment is part of Telecom's business plans, and is also addressed by a corporate based control department and by the Company's board on a regular basis.

Risks Relating to Argentina

Overview

A substantial majority of Telecom's property, operations and customers are located in Argentina, and a portion of its assets and liabilities are denominated in foreign currencies. Accordingly, our financial condition, results of operations and cash flows depend to a significant extent on economic and political conditions prevailing in Argentina and on the exchange rates between the peso and foreign currencies. In the recent past, Argentina has experienced severe recessions, political crises, periods of high inflation and significant currency devaluation. Argentina experienced economic growth in the last decade, although the Argentine economy has been volatile since year 2011. For example, Argentina's economy grew in 2017, but contracted in 2018. Uncertainty remains as to how several factors would impact the Argentine economy, including among others, inflation rates, exchange rates, commodity prices, level of BCRA reserves, public debt, tax pressures and healthy trade and fiscal balances.

Devaluation of the Argentine peso may adversely affect our results of operations, our capital expenditure program and the ability to service our liabilities and transfer funds abroad.

Since we generate a substantial portion of our revenues in Argentine pesos (our functional currency), any devaluation may negatively affect the U.S. dollar value of our earnings while increasing, in peso terms, our expenses and capital expenditures denominated in foreign currency. The Argentine peso has been subject to significant devaluation against the U.S. dollar in the past and may be subject to fluctuations in the future. A depreciation of the Argentine Peso against major foreign currencies may also have an adverse impact on our capital expenditure program and increase the Argentine peso amount of our trade liabilities and financial debt denominated in foreign currencies. As of December 31, 2018, approximately 63% of our liabilities were denominated in foreign currencies.

Telecom seeks to manage the risk of devaluation of the Argentine peso by entering, from time to time, into certain NDF agreements to partially or completely hedge its exposure to foreign currency fluctuations caused by its liabilities denominated in foreign currencies (mainly U.S. dollars). Telecom also has financial assets denominated in U.S. dollars, as well as international operations that generate profits in foreign currencies and help reduce the exposure to liabilities denominated in foreign currencies.

Beginning on December 17, 2015, the current administration lifted most of the restrictions to access the foreign exchange markets ("FX Markets") and the multiple exchange rate system was unified into a floating rate regime. This measure allowed almost a total unification of the multiple exchange rate system applicable at that time over commercial and financial transactions in Argentina.

In 2018, the Argentine Peso experienced a rapid devaluation against major foreign currencies, particularly against the U.S. dollar. According to the exchange rate information published by the *Banco de la Nación Argentina*, the Argentine peso depreciated by 102.2% against the U.S. dollar during the year ended December 31, 2018 (compared to 17.4% and 21.9% in the years ended December 31, 2017 and 2016, respectively). As a result of the Argentine Peso's increased volatility, the Argentine government announced several measures to restore market confidence and stabilize its value. Measures implemented by the BCRA include, among others, an increase of short-

term interest rates and selling foreign currency reserves. The Argentine government, in turn, announced that it would accelerate the proposed reduction of the fiscal deficit.

Since October 2018, the BCRA established an exchange rate band. The band in which the BCRA would not intervene was initially defined between \$34 and \$44, which will be adjusted upwards on a monthly basis. As of March 2019, the flotation thresholds are \$39.39 and \$50.97. The BCRA has stated that it would allow the free floating of the currency within the band. These measures implemented by the BCRA have been complemented with, among others, an increase of short-term interest rates and a strict control of the money supply. The intention of the BCRA is to avoid excessive fluctuations of the exchange rate. The success of these measures is subject to uncertainty and the continued depreciation of the Argentine Peso could have a material adverse effect on our financial condition and results of operations.

Given the economic and political conditions in Argentina, we cannot predict whether, and to what extent, the value of the Argentine peso may depreciate or appreciate against the U.S. dollar, the euro or other foreign currencies. We cannot predict how these conditions will affect the consumption of services provided by Telecom or our ability to meet our liabilities denominated in currencies other than the Argentine peso. Moreover, we cannot predict whether the Argentine government will further modify its monetary, fiscal, and exchange rate policy. If any of these changes takes place we cannot anticipate the impact these could have on the value of the Argentine peso and, accordingly, on our financial condition, results of operations and cash flows, and on our ability to transfer funds abroad in order to comply with commercial or financial obligations or dividend payments to shareholders located abroad.

Inflation could accelerate, causing adverse effects on the economy and negatively impacting Telecom’s margins and/or ratios.

In the past, Argentina has experienced periods of high inflation. Inflation has increased since 2005 and has remained relatively high since then. There can be no assurance that inflation rates will not be higher in the future.

On January 2014, a new consumer price index, the National Urban Consumer Price Index (*Indice de Precios al Consumidor Nacional Urbano*, or “IPCNu”) was published with the aim of improving the accuracy of measurements of the evolution of prices in the Argentine economy. The IPCNu integrates a set of price indexes which allows for the monitoring of the change in several prices in the economy (wholesale, commodities and construction costs, among others) by considering the price information from all the provinces in Argentina. The IPCNu increased by 11.9% over the period from January to October 2015 (according to last available data); and by 23.9% in 2014. In the past, there has been a substantial disparity between the inflation indexes published by the INDEC and the higher inflation indexes estimated by private consulting firms. The INDEC estimated that the Argentine wholesale price index increased by 13.1% in 2012, 14.8% in 2013, 28.3% in 2014 and 10.6% in the period of January to October 2015 (according to the last available data). The INDEC resumed publication of the full-year wholesale price index in 2016. The Argentine WPI increased by 18.8% in 2017 and 73.5% in 2018 on a year-over-year comparison.

On January 8, 2016, the current administration issued Decree No. 55/2016 declaring a state of administrative emergency with respect to the national statistical system and the

INDEC until December 31, 2016 (which was not extended). During this state of emergency, the INDEC had suspended publication of certain statistical data (regarding prices, poverty, unemployment and GDP) until it completed a reorganization of its technical and administrative structure capable of producing sufficient and reliable statistical information.

As a consequence of the aforementioned events, the full year 2015 inflation measure for IPCNu index was not disclosed, and according to last available data (from October 2015) the IPCNu registered an increase of 11.9% over the January to October 2015 period. As alternative guidance to IPCNu, the authorities suggested that other measures should be observed, such as those published by the statistical entity of the City of Buenos Aires (IPC CABA) and the Province of San Luis, which registered an annual increase of 26.9% and 31.6% in 2015, respectively. The publication of a CPI index for the City of Buenos Aires and the Greater Buenos Aires Area resumed in June 2016, disclosing May 2016 monthly inflation figures, while data for the months in the period January to April 2016 is unavailable. Taking this into account, the CPI variation from May to December 2016 was 16.9% and, as alternative guidance, the indexes published by the Province of San Luis and the City of Buenos Aires from January to April 2016 represented an increase of 13.9% and 19.2%, respectively. Since July 2017, the INDEC resumed the regular publication of a national consumer price index ("National CPI") on a monthly basis. The National CPI index registered an increase of 24.7% on a year-over-year comparison for 2017 and an increase of 47.6% on a year-over-year comparison for 2018. The efforts made by the current administration to reduce the inflation rate have not achieved the desired results.

The Argentine government continued implementing measures to monitor and control prices for the most relevant goods and services. Despite such measures, the Argentine economy continues to experience high levels of inflation. If the value of the Argentine peso cannot be stabilized through fiscal and monetary policies, an increase in inflation rates could be expected.

Since the majority of our revenues are denominated in pesos, any further increase in the rate of inflation not accompanied by a parallel increase in our prices would decrease our revenues in real terms and adversely affect our results of operations.

Also, higher inflation leads to a reduction in purchasing power, thus increasing the risk of a lower level of service consumption from our fixed and mobile telephony, cable television and broadband customers in Argentina.

As of July 1, 2018, the Argentine peso qualifies as a currency of a hyperinflationary economy, and we are required to apply inflationary adjustments to our financial statements, which could adversely affect our financial statements, results of operations and financial condition and those of our Argentine subsidiaries.

Pursuant to the International Accounting Standards ("IAS") 29 (Financial Reporting in Hyperinflationary Economies), the financial statements of entities whose functional currency is that of a hyperinflationary economy must be restated for the effects of changes in a suitable general price index. IAS 29 does not prescribe when hyperinflation arises, but includes several characteristics of hyperinflation. The International Accounting Standards Board ("IASB") does not identify specific hyperinflationary jurisdictions. However, in June 2018, the International Practices Task Force of the Centre for Quality ("IPTF"), which monitors "highly inflationary countries," categorized Argentina as a country with a projected three-year cumulative inflation rate greater than 100%. Additionally, some of the other qualitative factors of IAS 29 were present, providing prima

facie evidence that the Argentine economy is hyperinflationary for purposes of IAS 29. Therefore, Argentine companies using International Financial Reporting Standard as adopted by the IASB (“IFRS”) are required to apply IAS 29 to their financial statements for periods ending on and after July 1, 2018.

Adjustments to reflect inflation, such as those required by IAS 29, were prohibited by law No. 23,928 (the “Law 23,928”). Additionally, Decree No. 664/03, issued by the Argentine government (the “Decree”), instructed regulatory authorities, such as Public Registries of Commerce, the Corporate Registry of the City of Buenos Aires and the Argentine Securities Commission (*Comisión Nacional de Valores*) (“CNV”), to accept only financial statements that comply with the prohibition set forth by the Law 23,928. However, on December 4, 2018, Law 27,468 abrogated Decree No. 664/03 and amended Law 23,928 indicating that the prohibition of indexation no longer applies to financial statements. Some regulatory authorities, such as the CNV, have required that financial statements for periods ended on and after December 31, 2018 filed with the CNV should be restated for inflation, following the guidelines in IAS 29.

Restatement standards for tax purposes, however, differ from IAS 29. Law 27,468 replaced the WPI with the National CPI, and modified the standards for triggering the tax indexation procedure. During the first three years as from January 1, 2018, the tax indexation will be applicable if the variation of the National CPI exceeds 55% in 2018, 30% in 2019 and 15% in 2020. The tax indexation determined during any such year will be allocated as follows: 1/3 in that same year, and the remaining 2/3 in equal parts in the following two years. As from January 1, 2021, the tax indexation procedure will be triggered under similar standards as those set forth by IAS 29. We cannot predict the full future impact that the eventual application of the tax indexation procedure and related adjustments will have on our financial statements or the effects on our business, results of operations and financial condition.

Economic and political developments in Argentina and future policies of the Argentine government may affect the economy as well as the operations of the telecommunications industry, including the operations of Telecom Argentina.

Since assuming office on December 10, 2015, the current administration has undertaken a wide range of economic and policy reforms. As of the date of this Annual Report, the long-term impact of these measures and any future measures taken by the current administration on the Argentine economy as a whole and the telecommunication sector in particular remains uncertain. We believe that the long-term effect of the planned liberalization of the economy and the integration of Argentina to international markets, will be positive for our business. However, it is not possible to predict such effect with certainty and such liberalization could also be disruptive to the economy and fail to benefit or harm the Argentine economy and our business in particular.

Further, presidential and federal congressional elections will be held in Argentina in October 2019, and their impact on the future economic and political environment is uncertain, but likely to be material. No assurances can be made as to the policies that may be implemented by a new Argentine administration, or that political developments in Argentina will not adversely affect the Argentine economy or our business, financial condition or results of operations. In addition, we cannot assure you that future economic, regulatory, social and political developments in Argentina will not impair our business,

financial condition or results of operations, or cause the market value of our shares to decline.

The Argentine government may exercise greater intervention in private sector companies, including Telecom.

In November 2008, through Law No. 26,425, Argentina nationalized its private pension and retirement system, which had been previously administered by private pension funds (“AFJPs”), and appointed the National Social Security Administration (“ANSES”) as its administrator. Argentina’s nationalization of its pension and retirement system constituted a significant change in the Argentine government’s approach towards Argentina’s main publicly traded companies. A significant portion of the public float of these companies, including Telecom, was owned by the AFJPs and is currently held by ANSES-FGS. The Argentine government could exercise influence over corporate governance decisions of companies in which it owns shares by combining its ability to exercise its shareholder voting rights to designate board and supervisory committee members with its ability to dictate tax and regulatory matters. Additionally, since the AFJPs were significant institutional investors and active market traders in Argentina, the nationalization of the private pension and retirement system affected the access to financing in capital markets for publicly traded companies as well as liquidity within the market.

In addition, prior administrations took several steps to re-nationalize the concessions and utilities that were privatized during the 1990s. We cannot predict whether current or future administrations will take similar or further measures, including nationalization, expropriation and/or increased Argentine governmental intervention in companies. Government intervention in the industries in which we operate could create uncertainties for investors in public companies in Argentina, including Telecom, as well as have a material adverse effect on our business, financial condition and results of operations.

Argentina’s economy contracted in 2018 and may contract in the future due to international and domestic conditions which may adversely affect our operations.

The Argentine economy has experienced significant volatility in recent decades, characterized by periods of low or negative GDP growth, high and variable levels of inflation and currency depreciation and devaluation. Argentina’s economy contracted during 2018 and the country’s economy remains unstable notwithstanding efforts by the Argentine government to address inflation and foreign exchange instability. Substantially all of our operations, properties and customers are located in Argentina, and, as a result, our business is, to a large extent, dependent upon economic and legal conditions prevailing in Argentina. If economic conditions in Argentina were to deteriorate, they could have an adverse effect on our results of operations, financial condition and cash flows.

Global economic and financial crises, and the general weakness of the global economy typically, negatively affect emerging economies like Argentina’s economy. Global financial instability or increasing interest rates in the United States and other developed countries may impact the Argentine economy and cause a slowdown in Argentina’s growth rate or could lead to a recession with consequences in the trade and fiscal balances and in the unemployment level.

Moreover, Argentine economic growth might be negatively affected by several domestic factors such as an appreciation of the real exchange rate, which could affect its competitiveness, reductions and even reversion of a positive trade balance, which, combined with capital outflows could reduce the levels of consumption and investment resulting in greater exchange rate pressure. Additionally, abrupt changes in monetary and fiscal policies or the foreign exchange regime could rapidly affect local economic output, while lack of appropriate levels of investment in certain economy sectors could reduce long-term growth. Access to the international financial markets could be limited. Consequently, an increase in public spending not correlated with an increase in public revenues could affect Argentina's fiscal results and generate uncertainties that might affect the economy's level of growth, which was already affected in 2018.

In recent years, several trading partners of Argentina (such as Brazil, Europe and China) have experienced significant slowdowns or recession periods in their economies in recent years. If such slowdowns or recessions were to recur, this may impact the demand for products coming from Argentina and hence affect its economy.

During 2018, the Argentine economy was adversely affected by some of the aforementioned factors. If international and domestic conditions for Argentina were to worsen, the Argentine economy could be negatively affected as a result of lower international demand and lower prices for its products and services, higher international interest rates, lower capital inflows and higher risk aversion, which may also adversely affect our business, results of operations, financial condition and cash flows.

Economic and legal conditions in Argentina remain uncertain, which may affect our financial condition, results of operations and cash flows.

Although general economic conditions have shown improvement in the last decade, and political protests and social disturbances have diminished since the economic crisis of 2001 and 2002, the nature of the changes in the Argentine political, economic and legal environment over the past several years has given rise to uncertainties about the country's business environment.

In the event of any economic, social or political crisis, companies operating in Argentina may face the risk of strikes, expropriation, nationalization, forced modification of existing contracts, and changes in taxation policies including tax increases and retroactive tax claims. In addition, Argentine courts have issued rulings changing the existing case law on labor matters and requiring companies to assume greater responsibility for, and assumption of costs and risks associated with, sub-contracted labor and the calculation of salaries, severance payments and social security contributions. Since we operate in a context in which the governing law and applicable regulations change frequently, including as a result of changes in government administrations, it is difficult to predict if and how our activities will be affected by such changes.

Argentina's ability to obtain financing from international markets is limited, which could affect its capacity to implement reforms and sustain economic growth.

After Argentina's default on certain debt payments in 2001, the government successfully restructured 92% of the debt through two debt exchange offers in 2005 and 2010. Commencing in 2002, holdout creditors filed numerous lawsuits against Argentina in

several jurisdictions, including the United States, Italy, Germany and Japan. These lawsuits generally assert that Argentina failed to make timely payments of interest and/or principal on their bonds, and seek judgments for the face value of and/or accrued interest on those bonds. Judgments have been issued in numerous proceedings in the United States, and Germany and Japan. As of the date of this Annual Report, creditors with favorable judgments have not succeeded, with a few minor exceptions, in executing on those judgments.

In 2014, the New York courts enjoined Argentina from making payments on its bonds issued in the 2005 and 2010 exchange offers unless it satisfied amounts due to the holders of defaulted bonds. The Argentine government took a number of steps intended to continue servicing the bonds issued in the 2005 and 2010 exchange offers, which had limited success. Holdout creditors continued to litigate expanding the scope of issues, aiming to include payment by the Argentine government on debt other than the 2005 and 2010 exchange bonds and disputed, albeit unsuccessfully, the independence of the BCRA.

The current administration submitted a settlement proposal for holders of defaulted bonds in December 2015, with a view to bringing closure to fifteen years of litigation. Between February and April 2016, the Argentine government entered into agreements in principle with certain holders of defaulted debt and put forward a proposal to other holders of defaulted debt, including those with pending claims in U.S. courts, subject to two conditions: (i) obtaining approval by the Argentine National Congress and (ii) the lifting of the *pari passu* injunctions. On March 31, 2016, the Argentine Congress eliminated the legislative obstacles to the settlement and approved the settlement proposal. On April 22, 2016, Argentina issued government bonds for US\$16.5 billion, of which US\$9.3 billion were applied to satisfy payments under the settlement agreements reached with holders of defaulted debt. Since then, substantially all of the remaining claims under defaulted bonds have been settled. Judge Thomas Griesa ordered the lifting of the injunctions that prevented payments to participants from the 2005 and 2010 exchange offers, subject to confirmation of the settlement payments indicated above.

As of the date of this Annual Report, litigation initiated by bondholders that have not accepted Argentina's settlement offer continues, although the size of the claims involved has decreased significantly.

In addition, since 2001, foreign shareholders of some Argentine companies have initiated claims for substantial amounts before the International Centre for Settlement of Investment Disputes ("ICSID") against Argentina, pursuant to the arbitration rules of the United Nations Commission on International Trade Law. Claimants allege that certain measures of the Argentine government issued during the economic crisis of 2001 and 2002 were inconsistent with the norms or standards set forth in several bilateral investment treaties by which Argentina was bound at the time. To date, several of these disputes have been settled, and a significant number of cases are in process or have been temporarily suspended due to the agreement of the parties.

Notwithstanding that the lifting of the injunction affecting payments to bondholders that participated in the debt exchange offers of 2005 and 2010 eliminated an important obstacle for the country's access to international capital markets, there can be no assurance that litigation initiated by non-accepting bondholders as well as pending claims before the ICSID could not result in legal procedures against the Argentine government and this could entail embargoes/seizures or precautionary measures in relation to Argentine assets that the Argentine government allocated to other uses. As a result, the

Argentine government may not have the financial resources to implement reforms and boost growth, which could have a significant adverse effect on the country's economy and, consequently, on our activities. Likewise, Argentina's inability to obtain credit in international markets could have a direct impact on the Company's ability to access those markets to finance its operations and its growth, including the financing of capital investments, which would negatively affect our financial condition, results of operations and cash flows. In addition, we have investments in Argentine sovereign bonds amounting to \$5,009 million as of December 31, 2017. Any new event of default by the Argentine government could negatively affect the valuation and repayment terms of those bonds, as well as have a material adverse effect on the Argentine economy and, consequently, our business and results of operations.

On May 8, 2018, the current administration announced that the Argentine government would initiate negotiations with the International Monetary Fund (the "IMF") with a view to entering into a stand-by credit facility that would give Argentina access to financing by the IMF. On June 20, 2018, the executive board of the IMF approved the terms of the stand-by arrangement (the "SBA"), consisting of a stand-by credit facility for U.S.\$50.0 billion, subject to adjustments and compliance with certain political and fiscal performance guidelines by the Argentine government. On October 26, 2018, a first review of the SBA concluded with the enlargement of the arrangement by an additional US\$5.7 billion. We cannot predict whether the Argentine government will be able to comply with all terms of the SBA. The ability of the Argentine government to stabilize the foreign exchange market, restore economic growth and meet the terms of the SBA, is subject to uncertainty. The continued depreciation of the Argentine Peso and the failure to meet the terms of the SBA could have a material adverse effect on Argentina's economy and, consequently, our cash flows, financial condition and results of operations.

The Argentine banking system may be subject to instability, which may affect our operations.

The Argentine banking system has experienced several crises in the past. Among those, the Argentine banking system collapsed in 2001 and 2002, when the Argentine government restricted bank withdrawals and required mandatory conversion of dollar deposits to pesos. From 2005 to 2007, a period of economic growth coupled with relative stability of the country's exchange rate and inflation resulted in the restoration of public confidence, a gradual accumulation of deposits in Argentine financial institutions, and improved liquidity of the financial system. However, since 2008 certain events such as internal conflicts with certain sectors of the Argentine economy, the international financial crisis and the increased regulation on the FX Market, have decreased depositors' confidence. In recent years, the Argentine financial system grew significantly with a marked increase in loans and private deposits, showing a recovery of credit activity. In spite of the fact that the financial system's deposits continue to grow, they are mostly short-term deposits and the sources of medium and long-term funding for financial institutions are currently limited. In 2018, private deposits in pesos rose by 41% year-over-year, fueled by the growth of time deposits with a 66% increase, while savings and current accounts each experienced a 23% increase year-over-year. In contrast, peso-denominated loans increased at a slower pace than prior years. Meanwhile, loans in foreign currency (composed mainly of corporate loans) showed less dynamism, increasing by 4% at the end of 2018.

Financial institutions are particularly subject to significant regulation from multiple Regulatory Authorities, all of whom may, among other things, establish limits on commissions and impose sanctions on the financial institutions. The lack of a stable regulatory framework could impose significant limitations on the activities of the financial institutions and could induce uncertainty with respect to the financial system stability.

Despite the strong liquidity currently prevailing in Argentina's financial system, a new crisis or the consequent instability of one or more of the larger banks, public or private, could have a material adverse effect on the prospects for economic growth and political stability in Argentina, resulting in a loss of consumer confidence, lower disposable income and fewer financing alternatives for consumers. These conditions could have a material adverse effect on us by resulting in lower usage of our services, lower sales of devices and the possibility of a higher level of uncollectible accounts or increase the credit risk of the counterparties regarding the Company investments in local financial institutions.

The BCRA has imposed restrictions on the transfer of funds outside of Argentina in the past; some restrictions may be imposed again in the future, which could prevent us from making payments on dividends and liabilities.

In the past, the Argentine government has imposed a number of monetary and currency exchange control measures, including temporary restrictions on the free availability of funds deposited with banks and restrictions or limitations on the access to foreign exchange markets and transfers of funds abroad for purposes of paying principal and interest on debt, trade liabilities to foreign suppliers and dividend payments to foreign shareholders. Between the end of 2001 and 2002, the Argentine government implemented a unified exchange market (*Mercado Único y Libre de Cambios* or "MULC") with significant regulations and restrictions for the purchase and transfer of foreign currency.

Between 2011 and 2015, the Argentine government implemented a series of measures aimed to increase procedures and controls on the foreign trade and capital flows. To that effect, certain measures were implemented to control and limit the purchase of foreign currency, such as the prior approval of the AFIP for any purchase of foreign currency made by private companies and individuals for saving purposes, among others. In addition, the BCRA expanded the controls and measures to make payments abroad accessing the local foreign exchange market, regarding trade payables and financial debt, and also established demanding procedures that must be met to pay certain trade payables with related parties. Although no regulations prohibited making dividend payments to foreign shareholders, in practice authorities substantially limited any purchase of foreign currency to pay dividends during the 2011 through 2015 period.

The current administration has eliminated all substantial exchange restrictions implemented by the previous administration. Notwithstanding the measures adopted by the current government, there can be no assurance that the BCRA or other government agencies will not in the future increase controls and restrictions for making payments to foreign creditors or dividend payments to foreign shareholders, which would limit our ability to comply in a timely manner with payments related to our liabilities to foreign creditors or non-resident shareholders.

Exchange controls and restrictions on transfers abroad and capital inflows have limited, and in the future could limit, the availability of international credit.

We are subject to Argentine and international anti-corruption, anti-bribery and anti-money laundering laws. Our failure to comply with these laws could result in penalties, which could harm our reputation and have an adverse effect on our business, financial condition and results of operations.

The United States Foreign Corrupt Practices Act of 1977, the Organisation for Economic Co-Operation and Development Anti-Bribery Convention, the Argentine Anti-Money Laundering Law (*Ley de Prevención del Lavado de Activos*), the Argentine Corporate Criminal Liability Law (*Ley de Responsabilidad Penal Empresaria*) and other applicable anti-corruption laws prohibit companies and their intermediaries from offering or making improper payments (or giving anything of value) to government officials and/or persons in the private sector for the purpose of influencing them or obtaining or retaining business and require companies to keep accurate books and records and maintain appropriate internal controls. In particular, the Argentine Corporate Criminal Liability Law provides for the criminal liability of corporate entities for criminal offences against the public administration and transnational bribery committed by, among others, its attorneys-in-fact, directors, managers, employees, or representatives. Under certain circumstances, a company may be held liable and subject to fines and/or suspension of its activities if such offences were committed in its name, behalf or interest.

If we or individuals or entities that are or were related to us are found to be liable for violations of applicable anti-corruption laws (either due to our own acts or our inadvertence, or due to the acts or inadvertence of others), we or other individuals or entities could face civil and criminal penalties or other sanctions, which in turn could have a material adverse impact on our reputation, business, financial condition and results of operations.

In addition, any future press allegations of instances of misbehavior on the part of former agents, current or former employees or others acting on our behalf or on behalf of public officials or other third parties doing or considering business with us, might have a negative impact on our reputation and lead to increased regulatory scrutiny of our business practices.

Risks Relating to Telecom and its Operations

Telecom faces substantial and increasing competition in the Argentine fixed and mobile telephony, cable television and broadband businesses.

The fixed and mobile telephony, cable television and broadband businesses in Argentina are competitive. Telecom's competitors may consummate transactions that result in a further consolidation of the industry and convergence with the telecommunications industry. Therefore, we may lose a portion of our market share, which may create additional risks and adversely impact our financial condition and results of operations.

Telecom competes with other cable television operators that have built networks in the areas in which Telecom operates, providers of other pay television services, including direct broadcasting, direct-to-home satellite and multi-channel multi-point distribution system services, licensed suppliers of basic telephone services and cooperative entities providing utility services and also with free broadcasting services which are currently available to the Argentine population in certain areas from four privately-owned television networks (including one owned by Grupo Clarín) and their local affiliates and one state-

owned national public television network. We expect competition to increase in the future due to a number of factors, including the development of new technologies.

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

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

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

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

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

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

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

Competitiveness is and will continue to be affected by the business strategies and alliances put in place by Telecom's competitors. Telecom may face additional pressure on the prices that it charges for its services or experience a loss of market share of fixed and mobile services. In addition, the general business and economic climate in Argentina may affect Telecom and its competitors differently; thus, Telecom's ability to compete in the market could be adversely affected.

Additionally, if in the future licensees of ICT services are allowed to register and provide subscription-broadcasting service by satellite link, it will ease the entry of new competitors into the market. As a result, Telecom may face additional pressure with respect to prices it charges for its services or experience a loss of participation in the subscription broadcasting market.

Given the range of regulatory, business and economic uncertainties we face, it is difficult to predict with precision and accuracy Telecom's future market share in relevant geographic areas and customer segments, or to anticipate a decrease in demand for the products offered by Telecom that could result in a reduction of its revenue, market share, or the speed with which such change in its market share or prevailing prices for services may occur or the effects of competition. Those effects could be material and adverse to our overall financial condition, results of operations and cash flows.

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

Revenues generated by Telecom's fixed and mobile telephony, cable television and broadband operations have proven cyclical and depend on general economic conditions. In the past, a general economic downturn in Argentina has had, and would be expected to have in the future, a negative effect on Telecom's revenues and a material adverse effect on its results of operations. Historically, for example, increases in losses of cable television subscribers have corresponded with general economic downturns and regional and local economic recessions. In particular, the 2001 - 2002 Argentine economic crisis had a material adverse effect on cable television revenues. Moreover, most of Telecom's revenues are denominated in Pesos, exposing us to risks related with fluctuations in the value of the Peso.

Telecom may become subject to burdensome regulations, ordinances and laws affecting the services it offers, which could adversely affect our operations.

Activities in the fixed and mobile telephony, cable television and broadband businesses are subject to risks associated with the adoption and implementation of laws and governmental regulations that reflect changing governmental policies over time. The Argentine government has historically exercised significant influence over the economy, and telecommunications companies in particular have operated in a highly regulated environment. In the past, the Argentine government promulgated numerous, far-reaching regulations affecting the economy and telecommunications companies in particular.

After the deregulation of Argentina's telecommunications and media industries in 1995, Law No. 22,285 (the "Broadcasting Law"), Law No. 27,078 (*Ley Argentina Digital* or "LAD") and their implementing regulations have been amended on a number of occasions, modifying requirements to hold or transfer broadcasting licenses. In addition,

Telecom is subject to the regulations of certain other governmental entities, including the Argentine Secretary of Domestic Trade (“SCI”), which has issued resolutions requiring Argentine cable television operators to apply a formula to calculate their customers’ monthly subscription prices. We can offer no assurances that Telecom will not be subject to similar regulations in the future, which could force it to modify the prices of subscription services and have a material adverse effect on the revenues generated by its activities relating to the cable television and broadband businesses.

Regulations such as Resolution No. 5/13 of the Secretariat of Communications (“SC”) and the new regulatory framework governing the quality of telecommunication services established by Resolution MIDMOD N°580/2018 could further increase penalties imposed by the regulatory authorities. In addition, local municipalities in the regions where Telecom operates have also introduced regulations and proposed various taxes and fees for the installation of infrastructure, equipment and expansion of fixed line and mobile networks. For example, municipalities usually restrict areas where antennas may be deployed; negatively impacting Telecom’s mobile service coverage, which in turn affects its quality of services. Provinces have increased their tax rates, particularly turnover tax rates. Municipal and provincial tax authorities have also brought an increasing number of claims against Telecom, which Telecom is contesting. If changes to existing laws and regulations lead to negative consequences for Telecom, our business, financial condition, results of operations and cash flows may be adversely affected.

Regulatory authorities have imposed increasing burdens and new regulations on companies that could increase the penalties they can impose for breaches of the regulatory framework. If Telecom’s technical comments are not taken into consideration, compliance with the current standards could be difficult, which may result in penalties for telecommunications operators, including Telecom, affecting its ability to execute its business plan, since such penalties could impose increased operation costs, among other effects.

Furthermore, the LAD, which became effective on December 19, 2014 and regulates Information and Communications Technology (“ICT”) services, incorporated numerous modifications to the regulatory framework applicable to telecommunications services in Argentina. Although the law requires the enactment of new regulations, most such regulations have not been issued to date. Therefore, there is still uncertainty regarding how certain aspects, such as the sanctions regime, the provision of infrastructure to other providers and the asymmetries that may be imposed on the dominant operator, among others, will be regulated as well as uncertainty regarding the impact that any new regulations may have on Telecom.

Additionally, the LAD (as amended by Decree No. 267/15), under Article 48 of Title VI, provides that licensees of ICT services may freely set their prices, which shall be fair and reasonable, to offset the costs of exploitation and to tend to the efficient supply and reasonable margin of operation. However, the regulatory authority is entitled to monitor, and intervene with respect to, prices set by the Company if it understands that such prices do not comply with Article 48 of the LAD. If prices are deemed unreasonable, and the regulatory authority consequently imposes restrictions on Telecom’s prices, its operating margins may be adversely affected.

Telecom’s ability to comply with the conditions in its license, as well as the relevant provisions in applicable regulations and laws, may be affected by events or circumstances outside of its control, and therefore we cannot predict whether such events or

circumstances could result in an adverse effect on our financial condition, our operations and cash flows.

We may also be subject to additional and unanticipated governmental regulations in the future.

Technological advances and replacement of our equipment may require us to make significant expenditures to maintain and improve the competitiveness of the services offered by Telecom.

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

Moreover, broadband and mobile telephony services—which we expect will continue to account for an increasing percentage of Telecom's revenues in the future—are characterized by rapidly changing technology, evolving industry standards, changes in customer preferences and the frequent introduction of new services and products. To remain competitive in the fixed telecommunications market, we must invest in Telecom's fixed-line network and information technology. Specifically, Telecom must constantly upgrade its access technology and software for the Internet service market in order to increase the speed of its network and improve commercial offers and user experience. Also, to remain competitive in the mobile telecommunications market, Telecom must continue to enhance its mobile networks by expanding its 3G network and completing deployment of its 4G network.

Future technological developments may result in decreased customer demand for certain of Telecom's services or even render them obsolete. In addition, as new technologies develop, equipment may need to be replaced or upgraded or network facilities (in particular, mobile and Internet network facilities) may need to be rebuilt in whole or in part, at substantial cost, to remain competitive. These enhancements and the implementation of new technologies will continue requiring increased capital expenditures.

The media industry is a dynamic and evolving industry, and if it does not develop and expand as we currently expect, Telecom's results and operations relating to its cable television and broadband businesses may suffer.

We expect to derive an increasing amount of revenues from Telecom's activities in the cable television and broadband industries, but we may not do so if these non-traditional media operations do not develop and expand as we currently expect. The role of cable

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

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

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

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

Telecom may not be able to renew programming contracts on favorable terms.

Telecom purchases basic and premium programming from approximately 52 programming suppliers. Several programming suppliers agreed to offer Telecom volume discount pricing structures because of its growth and market share. Following Argentina’s economic crisis in 2002, participants in the cable television industry renegotiated the terms of a majority of the respective programming contracts that had originally been denominated in U.S. Dollars to provide for Peso-denominated pricing formulas that were generally linked to the number of subscribers and eliminated minimum purchase requirements. As a result of the renegotiation, contract terms were generally shortened and pricing provisions were adjusted in order to transfer the benefit of increases in the monthly fee for basic cable television services to the programming companies. The new contracts also provided for automatic termination upon the occurrence of major macroeconomic disruptions. We cannot assure you that Telecom will continue to be able regularly to negotiate renewals of its programming contracts at current cost levels, particularly since many of its suppliers have U.S. Dollar-based costs. Additionally, suppliers are expected to seek price increases as a reflection of economic conditions in Argentina. There can similarly be no assurances that we will be able to obtain volume discounts in the future.

Telecom may not be able to renew some leases of the facilities for the installation of its fixed and mobile telephony, cable television and broadband systems.

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

Our revenues may be adversely affected by an increase in churn rates, with respect to mobile telephony, cable television and broadband services, or reductions in fixed telephony lines in service, with respect to fixed telephony services.

Our revenues will depend partially on Telecom's ability to retain customers by limiting churn rates, with respect to mobile telephony, cable television and broadband services, or net reductions in fixed telephony lines in service, with respect to fixed telephony services. The churn rate is determined by calculating the total number of disconnected customers of each of Telecom's mobile telephony, cable television and broadband services over a given period as a percentage of the initial number of customers for such services as of the beginning of the applicable measurement period. Reductions in fixed telephony lines in service refers to the reductions of fixed telephony lines in service that form part of the public telephone network, or are connected to such network, as of the end of two relevant measurement periods. Telecom seeks to enforce a strict disconnection policy, which provides for the disconnection of cable television services after a three-month period of non-payment and delivery of a notice of disconnection.

With respect to broadband services, Telecom disconnects services after a two-month period of non-payment and delivery of a corresponding notice of disconnection. With respect to mobile telephony services, Telecom disconnects services after a 150-day period of non-payment and delivery of a notice of disconnection. With respect to fixed telephony services, Telecom disconnects services after a 180-day period of non-payment and delivery of a notice of disconnection. For the year ended December 31, 2018, Telecom's mobile telephony services customer churn rate was 2.7%, its cable television services customer churn rate was 1.45% and its broadband services customer churn rate was 1.9%. With respect to its fixed telephony services, the number of fixed telephony lines in service as of December 31, 2018 totaled approximately 3.5 million. Any substantial increase in churn rates, with respect to mobile telephony, cable television and broadband services, or reductions in lines in service, with respect to fixed telephony services, may have a material adverse effect on our revenues and results of operations.

Our revenues relating to Telecom’s cable television services are subject to uncertainty due to, and may be adversely affected by, the formula set forth in SCI Resolution No. 50/10 to estimate monthly fees paid by cable television subscribers.

In 2010, the SCI issued Resolution No. 50/10 (“Resolution 50”), setting forth certain rules for the sale of pay television service. These rules provide that cable television operators must apply a specific formula to estimate monthly fees to be paid by cable television subscribers and report these estimates to the Office of Business Loyalty (*Dirección de Lealtad Comercial*). Given the wide range of factors set forth in Resolution 50 to calculate such formula, as of the date of this Annual Report, the actual impact of these rules on the monthly fees collected by Telecom is uncertain and may have a material adverse effect on our revenues and results of operations relating to Telecom’s cable television services.

Notwithstanding the foregoing, it should be noted that as of the date of this Annual Report, according to the decision issued on August 1, 2011 in re "LA CAPITAL CABLE S.A. c/ Ministerio de Economía-Secretaría de Comercio Interior de la Nación", the Federal Court of Appeals of the City of Mar del Plata has ordered the SCI to suspend the application of Resolution 50 with respect to all cable television licensees represented by the Argentine Cable Television Association (“ATVC”). Upon being notified to 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 issued by the Federal Court of Appeals of Mar del Plata to have the case brought before the Supreme Court. Such appeal was dismissed. The National Government filed a direct appeal with the Supreme Court, which has also been dismissed.

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

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

Additionally, many municipal governments have issued regulations that exceed their authority, many of which limit, hinder or restrict the installation of the infrastructure required to comply with the commitments approved by Resolution SC No. 38/14. Therefore, such municipal regulations impact negatively on the obligations assumed by Telecom (as well as its competitors) to comply with the requirements set forth in Resolutions SC No. 5/13, 38/14, 580/18 and their respective amendments (Regulations for the Quality of Telecommunication Services).

Similarly, Resolution SC No. 25/15, issued on June 11, 2015, awarded to Personal the “SCMA” 713-723 MHz and 768-778 MHz frequency bands that make up Lot 8 and that were previously pending assignment by the SC. These frequency bands were partially occupied by broadcasting licensees prior to the public auction. Pursuant to Decree No. 1,340/16 the term of authorizations for the use of all the frequencies that make up Lot 8 for the provision of SCMA, as well as the corresponding deployment obligations, shall be computed since the effective migration of services currently operating in these bands in the scope of Area II, defined according to the provisions of Decree No 1,461/93 and its amendments. On August 30, 2018, the Ministry of Modernization issued Resolution No.

528/2018, pursuant to which it confirmed that the effective migration of such services on February 27, 2018 had been verified.

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

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

Telecom complies with the international security standards established by the World Health Organization (“WHO”) and Argentine regulations, which are similar to WHO requirements and mandatory for all Argentine mobile operators. Telecom’s mobile business may be harmed as a result of any future alleged health risk. For example, the perception of these health risks could result in a lower number of customers, reduced usage per customer or potential consumer liability, all of which could have a material adverse effect on our financial condition and results of operations.

Our operations and financial condition could be affected by union negotiations.

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

Labor costs are one of Telecom’s largest cost items. In addition, certain labor unions have initiated claims against Telecom alleging non-compliance of certain conditions provided for in the collective bargaining agreements that could allow unions to extend the application of their collective bargaining agreement to some of the employees of certain contractors of Telecom. If union claims continue or are sustained, this could result in increased costs, greater conflict in the negotiation process and strikes (including general strikes and strikes by Telecom’s employees and the contractors and subcontractors’ employees) that may adversely affect Telecom’s operations.

In addition, an agreement with labor unions and union associations relating to the impact of the convergence of services on the organization of labor, is still pending. Failure by Telecom to agree with unions on the treatment of convergent services, failure by the unions to agree among themselves or failure by union associations to recognize agreements reached by Telecom with individual unions, could result in an increase in individual claims, class actions, higher union contributions, operating impacts related to work organization (lack of unification or synergy), impairment of services due to inefficient processes, union conflicts and direct action measures, and social impacts that might affect the provision of services to customers.

Telecom is or may be involved in legal and regulatory proceedings, which could result in unfavorable decisions and financial penalties for Telecom.

Telecom is a party to a number of legal and regulatory proceedings, some of which have been pending for several years. We cannot be certain that these claims will be resolved in Telecom's favor. Responding to the demands of litigation claims and responding to, or initiating proceedings against, regulatory agencies, may divert management's time, attention and financial resources. As of December 31, 2018, Telecom recorded provisions that it estimates are sufficient to cover those contingencies considered probable.

Argentine law incentivizes individuals to pursue employment-related litigation and certain judicial rulings have created a negative precedent in these matters that could increase our labor costs. The Company is also exposed to employment-related claims by the employees of suppliers, contractors and commercial agents claiming direct or indirect liability of Telecom, based on a broad interpretation of labor legislation.

Further, customers and consumers' unions have in the past initiated different claims against Telecom's mobile brand, Personal, regarding improperly billed charges. Although Personal has taken certain actions in order to reduce risks in connection with these claims, we cannot assure that new claims will not be filed in the future.

Telecom has in the past been subject to technical sanctions from regulatory agencies, mainly related to the delay in repairing defective lines, installing new lines and/or service failures. Although sanctions are appealed in the administrative stage, failure to obtain a favorable resolution on appeal or the rendering of adverse decisions for amounts larger than those recorded by Telecom, could have an adverse effect on our financial situation, results of our operations and cash flows.

As of December 31, 2018, Telecom recorded provisions that it estimates are sufficient to cover legal and regulatory contingencies. However, Telecom may face increased risk of employment, commercial, regulatory, tax, consumer union and customers' proceedings, among others. If this occurs, we cannot guarantee that those proceedings will not have an adverse effect on our results of operations and financial condition, despite the provisions that Telecom has recorded to cover these matters.

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

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

The employers included in the Repsal are subject to sanctions, such as: the inability to access public programs, benefits, subsidies or credit from state-owned banks, the inability to enter into contracts and licenses of property owned by the Argentine government, or the inability to participate in the awarding of concessions of public services and licenses. Employers that commit the same infringement for which they were added to the Repsal within a 3-year period after the final first decision imposing sanctions, shall not be able to

deduct from the Income Tax the expenses related to their employees for as long as they are listed in the Repsal. This new regulation applies both to Telecom and its contractors and subcontractors, whose employees could bring claims against Telecom for direct or indirect liability.

As of the date of this Annual Report, Telecom has no sanctions registered in the Repsal. However, the application of sanctions in the future could have a significant impact on Telecom's financial position, result of operations and cash flows.

A cyberattack, could adversely affect our business, balance sheet, results of operations and cash flow.

In general, information security risks have increased in recent years as a result of the proliferation of new and more sophisticated technologies and also due to cyberattack activities. As part of our development and initiatives, more equipment and systems have been connected to the Internet. We also rely on digital technology, including information systems to process financial and operational information. Due to the nature of our business and the greater accessibility allowed through the Internet connection, we could face an increased risk of cyberattacks. In the event of a cyberattack, Telecom could experience an interruption of its commercial operations, material damage and loss of customer information; a substantial loss of income, suffering response costs and other economic losses; and it could subject us to more regulation and litigation, affecting our reputation. As a result, a cyberattack could adversely affect our business, results of operations and financial condition.

Operational risks could adversely affect our reputation and our profitability.

Telecom faces operational risks inherent in its business, including those resulting from inadequate internal processes; fraud; employee errors or misconduct; failure to comply with applicable laws and regulations; failure to document transactions properly; system failures (including cloud services); errors or failures not foreseen in the foundational projects that Telecom is carrying out in order to update its core systems; inadequate maintenance of posts or their electrification by proximity to the electric network; inadequate environmental management, including reverse logistics of goods and materials in disuse that could become hazardous waste; failure to preserve the secrecy and content of telecommunications required by law; weaknesses in datacenters' energy provision; the loss or improper use of confidential information; excessive dependence on certain providers with which a large number of operations are concentrated due to the exclusivity of the technology or service they provide, economic convenience or for strategic reasons; among others. Moreover, certain assets of Telecom could be damaged by acts of vandalism, theft of components or by works of third parties on public thoroughfares that damage infrastructure. These events could result in direct or indirect losses, inaccurate information for decision making, adverse legal and regulatory proceedings, technical failures in Telecom's ability to provide its services and damages to third parties, which could harm Telecom's reputation and its operational effectiveness, among others.

Telecom maintains insurance policies to cover its main assets, particularly its properties. If economic and financial conditions in Argentina were to deteriorate (i.e. devaluation,

inflation, etc.), the insurance coverage may not be representative of the market value of the properties, which could result in losses for the Company.

Even though Telecom applies risk management practices at the highest levels, including a Risk Management Committee designed to detect, manage and monitor the evolution of operational risks, we can give no assurances that these measures will be successful in effectively mitigating the operational risks that Telecom faces. Failure to prevent such risks could harm Telecom's reputation and have a material adverse effect on our business, results of operations and financial condition.

Any failure by a strategic supplier to comply with its legal and contractual obligations could adversely affect Telecom's operations and any action or restriction by a foreign government against a strategic supplier could adversely affect Telecom's reputation.

Telecom relies on strategic suppliers of equipment and materials to provide it with equipment and materials that it needs in order to expand and to operate its business. As a result, we are exposed to risks associated with these suppliers, including restrictions of production capacity for equipment and materials, availability of equipment and materials, delays in delivery of equipment, materials or services, and price increases. If these suppliers or vendors fail to provide equipment, materials or services to Telecom on a timely basis or otherwise in compliance with the terms of its contracts with these suppliers, Telecom could experience disruptions or declines in the quality of its services, which could have an adverse effect on our revenues and results of operations.

Telecom's suppliers of goods and services are contractually obliged to comply with applicable laws and regulations (including tax, labor, social security, anti-corruption, money laundering standards, etc.). Despite these legal safeguards, as well as monitoring efforts by Telecom, we cannot ensure that Telecom's suppliers will comply with all applicable standards. As a result, our financial condition and reputation could be adversely affected.

In addition, the U.S. Congress and certain regulatory agencies have raised concerns about American companies purchasing equipment and software from Chinese telecommunications companies such as Huawei, one of Telecom's strategic suppliers, including concerns relating to alleged violations of intellectual property rights and potential security risks. The U.S. Government is likewise urging other countries to avoid the operations of Chinese companies such as Huawei in their territory, citing concerns regarding potential use of the equipment for espionage. Our reputation could be adversely affected if such actions or restrictions were imposed on Huawei or if the equipment and materials that Telecom purchases from Huawei are thought to pose a security risk for its network.

Telecom and/or its administrators are subject to environmental and safety regulations, non-compliance of which could result in increased costs and/or penalties for Telecom's administrators

Some of the goods and facilities used in Telecom's operations are subject to federal, state and municipal environmental and safety regulations. Failure adequately to comply with such rules could result in fines, potential delays or inability to obtain authorizations for

Telecom's facilities and operations, which could have an adverse effect on our business and result in penalties for Telecom's administrators.

In addition, in accordance with global trends, new and stricter standards may be issued, or authorities may enforce or construe existing laws and regulations in a more restrictive manner, which may force Telecom to incur increased costs.

Restrictive covenants in Telecom's outstanding indebtedness may restrict its ability to pursue its business strategies.

Telecom has outstanding financial debt (including but not limited to Cablevisión's existing notes to which Telecom became a successor by virtue of the merger) that contains a number of restrictive covenants that impose significant operating and financial restrictions and may limit Telecom's ability to engage in acts that may be in its long-term best interests. These agreements governing its indebtedness include covenants restricting, among other things, Telecom's ability to:

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

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

We may be adversely affected by changes in LIBOR reporting practices or the method in which LIBOR is determined or fluctuations in interest rates.

As of December 31, 2018, approximately US\$217 million of our outstanding debt and US\$1,400 million of Telecom's outstanding debt was indexed to the London Interbank Offered Rate ("LIBOR").

On July 27, 2017, the Financial Conduct Authority (the "FCA") announced its intention to phase out LIBOR rates by the end of 2021. It is not possible to predict the further effect of the rules of the FCA, any changes in the methods by which LIBOR is determined, or any other reforms to LIBOR that may be enacted in the United Kingdom, the European Union or elsewhere. Any such developments may cause LIBOR to perform differently than in the past, or cease to exist. In addition, any other legal or regulatory changes made by the FCA, ICE Benchmark Administration Limited, the European Money Markets Institute (formerly Euribor-EBF), the European Commission or any other successor governance or oversight body, or future changes adopted by such body, in the method by which LIBOR is determined or the transition from LIBOR to a successor benchmark may result in, among other things, a sudden or prolonged increase or decrease in LIBOR, a delay in the publication of LIBOR, and changes in the rules or methodologies in LIBOR,

which may discourage market participants from continuing to administer or to participate in LIBOR's determination, and, in certain situations, could result in LIBOR no longer being determined and published. If a published U.S. Dollar LIBOR rate is unavailable after 2021, the interest rates on our debt, which is indexed to LIBOR, will be determined using various alternative methods, any of which may result in interest obligations which are more than, or do not otherwise correlate over time with, the payments that would have been made on such debt if U.S. Dollar LIBOR was available in its current form. Further, the same costs and risks that may lead to the discontinuation or unavailability of U.S. Dollar LIBOR may make one or more of the alternative methods impossible or impracticable to determine. Any of these proposals or consequences could have a material adverse effect on our financing costs.

Additionally, the Company and Telecom are exposed to the fluctuations of the interest rates applicable to their indebtedness indexed to variable interest rates. We may also incur additional variable-rate debt in the future. Increases in interest rates on variable-rate debt would increase our and Telecom's interest expense, which would negatively affect their financial costs.

Risks Relating to the merger between Telecom and Cablevisión S.A. (the "Merger")

Antitrust approval of the Merger was subject to ongoing conditions that require continued compliance.

The approval of the Merger by the Argentine antitrust authority required (i) the assignment by Telecom of 143,464 residential clients of Telecom's broadband service "Arnet" to Universo Net S.A., (ii) the commitment by us, Telecom and Fintech Telecom LLC ("FT") not to sell television services through physical link and mobile communications services as a combined package until certain conditions set forth in the SC Resolution are met, and (iii) the commitment by us, Telecom and FT to offer to any new provider of internet services with the capacity to take advantage of Telecom's wire ADSL network, the possibility of using such network in order to provide retail internet services pursuant to the terms set forth in the approval. Failure to honor these undertakings in a timely manner may result in sanctions by the Antitrust Authority.

In addition, as a result of the Merger, Telecom's radio spectrum currently exceeds the legal cap set forth under Section 5 of Resolution No. 171-E/17, issued by the Ministry of Communications. Telecom is required under current regulations to submit a proposal to conform to that legal cap by no later than June 29, 2019 (i.e. a year following approval of the Merger by the Argentine antitrust authority. ENACOM may accept or reject said proposal, and/or request further information, as necessary.

Cablevisión's business may fail to integrate successfully with Telecom's business and, as a result, we may not realize all of the anticipated benefits of the merger.

Telecom and Cablevisión entered into the Merger with the expectation that the Merger will result in various benefits, including, among other things, the ability to become a successful quadruple-play service provider in Argentina. The success of the Merger will depend, in part, on the ability of Telecom as the combined company to realize such anticipated benefits from combining the businesses of Telecom (including Personal) and Cablevisión, and on the implementation of certain regulatory changes in the telecommunications sector that began in January 2018. The past financial performance

of each of Telecom and Cablevisión may not be indicative of their future financial performance as a combined company. The anticipated benefits and cost savings of the Merger may not be realized fully, or at all, or may take longer to realize than expected. Failure to achieve anticipated benefits could result in increased costs and decreases in the amounts of expected revenues or results of the combined company.

Telecom and Cablevisión have operated independently until the completion of the Merger. It is possible that the integration process could result in the loss of key employees, the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures or policies that adversely affect the combined company's ability to maintain its relationships with customers and employees or to achieve the anticipated benefits of the Merger.

The future results of the combined company will suffer if the combined company does not effectively manage its expanded operations following the Merger.

Following the Merger, the size of the business of Telecom has increased significantly beyond the previous size of either Telecom's or Cablevisión's business. The combined company's future success depends, in part, upon its ability to manage this expanded business, which could pose substantial challenges for management. There can be no assurances that the combined company will be successful or that it will realize the expected operating efficiencies, cost savings, revenue enhancements and other benefits currently anticipated from the Merger.

The Merger could generate risks not evaluated at the time of analysis of the transaction.

Although both Telecom and Cablevisión made detailed assessments of the potential impacts of the Merger in order to properly manage the process, obtain all the necessary regulatory authorizations, minimize impacts on the operation and ensure continuity and quality in the provision of services to its customers, we cannot ensure that unforeseen issues may arise and generate operational, compliance, technology and / or service provision risks, which in turn could affect our operation, our profitability and / or damage our image.

Risks Relating to Our Shares and GDSs

No Liquid Market

Our Class B shares are listed on the BCBA and on the London Stock Exchange in the form of GDSs. We cannot assure you as to the liquidity of any markets that may develop for the shares or the price at which the shares may be sold. Also, the liquidity and the market for our shares may be affected by a number of factors including variations in exchange and interest rates, the deterioration and volatility of the markets for similar securities and any changes in the Company's liquidity, financial condition, creditworthiness, results and profitability. As a result, the trading prices of our shares following the split from Grupo Clarin S.A. in August 2017 may not be indicative of future trading prices.

Historical Performance not Indicative of Future Performance

Our historical performance may not be representative of our performance as a separate company from Grupo Clarín S.A. Our historical performance might have been different had we been a separate entity from Grupo Clarín S.A. Changes will occur in our cost structure, funding and operations as a result of our separation from Grupo Clarín S.A., including increased costs associated with reduced economies of scale, and increased costs associated with being a publicly traded, stand-alone company. All of these, and other changes that may not have been foreseeable at the moment of the split from Grupo Clarín S.A., may affect the performance of our stock differently than those affecting performance of the Grupo Clarín S.A. shares and GDSs

The U.K. Listing Authority (“UKLA”), the London Stock Exchange (“LSE”) and/or the Buenos Aires Stock Exchange (“BYMA”) may suspend trading and/or delist our GDSs and Class B common shares, respectively, upon occurrence of certain events relating to our financial situation or compliance with ongoing regulatory obligations.

The UKLA, the LSE and/or the BYMA may suspend and/or cancel the listing of our GDSs and Class B common shares, respectively, in certain circumstances, including upon the occurrence of certain events relating to our financial situation or compliance with ongoing regulatory obligations.

The UKLA and the LSE may in their sole discretion determine the suitability for continued listing and admission to trading of our GDSs in the light of all pertinent facts. Some of the factors that may subject a company to suspension and potential delisting procedures, include, *inter alia*, (i) failure to comply with continuing obligations set out in the U.K. Listing Rules (such as the requirement to maintain a “free float” of at least 25 per cent), and (ii) an inability to assess accurately the financial position of the company and inform the market accordingly. The UKLA and the LSE may also suspend and ultimately cancel a company’s listing if they determine that such action is necessary to protect investors with a view to maintaining a proper functioning of the market.

We cannot assure you that the UKLA, the LSE and/or the BYMA will not commence any suspension or delisting procedures in light of our financial situation or failure to comply with ongoing regulatory obligations. A delisting or suspension of trading of our GDSs or Class B common shares by the UKLA, the LSE and/or the BYMA, respectively, could adversely affect our results of operations and financial conditions and cause the market value of our GDSs and Class B common shares to decline.

In addition, a delisting or suspension of trading of Telecom’s ADSs or Class B common shares by the New York Stock Exchange and/or the BYMA, respectively, could also adversely affect our results of operations and financial conditions and cause the market value of our GDSs and Class B common shares to decline.

The price of our Class B Shares and the GDSs may fluctuate substantially, and your investment may decline in value.

The trading price of our Class B Shares is likely to be highly volatile and may be subject to wide fluctuations in response to factors, many of which are beyond our control. Such other factors include:

- Fluctuations in the value of Telecom's shares;
- fluctuations in our and/or Telecom's periodic operating results;
- changes in financial estimates, recommendations or projections by securities analysts;
- changes in conditions or trends in Telecom's industry;
- events affecting equities markets in the countries in which we operate;
- legal or regulatory measures affecting our and/or Telecom's financial conditions;
- departures of our and/or Telecom's management and key personnel; or
- potential litigation or the adverse resolution of pending litigation against us or our subsidiaries.

The stock markets in general have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the companies involved. We cannot assure you that trading prices and valuations will be sustained. These broad market and industry factors may materially adversely affect the market price of our Shares and the GDSs, regardless of our operating performance. Market fluctuations, as well as general political and economic conditions in the markets in which we operate, such as recession or currency exchange rate fluctuations, may also adversely affect the market price of our Shares and the GDSs.

Future sales of substantial amounts of our Class B Shares and GDSs, or the perception that such future sales may occur, may depress the price of our Class B Shares and GDSs.

Following periods of volatility in the market price of a company's securities, that company may often be subject to securities class-action litigation. This kind of litigation may result in substantial costs and a diversion of management's attention and resources, which would have a material adverse effect on our business, results of operations and financial condition.

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

The Argentine government may impose restrictions on the conversion of Argentine currency into foreign currencies and on the remittance to foreign investors of proceeds from their investments in Argentina. Beginning in December 2001, the Argentine government implemented an unexpected number of monetary and foreign exchange control measures that included restrictions on the free disposition of funds deposited with banks and on the transfer of funds abroad, including dividends, without prior approval by the Central Bank. Although the transfer of funds abroad in order to pay dividends no longer requires Central Bank approval to the extent such dividend payments are made in connection with audited financial statements approved by a shareholders' meeting, future restrictions on the movement of capital to and from Argentina such as those that previously existed could, if reinstated, impair or prevent the conversion of dividends, distributions, or the proceeds from any sale of shares, as the case may be, from Argentine Pesos into U.S. Dollars and the remittance of such U.S. Dollars abroad. We cannot assure you that the Argentine government will not take similar measures in the future. In

such a case, the Depositary for the GDSs may hold the Argentine Pesos it cannot convert for the account of the GDS holders. In addition, any future adoption by the Argentine government of restrictions to the movement of capital out of Argentina may affect the ability of our foreign shareholders and holders of GDSs to obtain the full value of their Class B Shares and GDSs, and may adversely affect the market value of the GDSs.

Holders of GDSs may be adversely affected by currency devaluations and foreign exchange fluctuations.

If the peso exchange rate falls relative to the U.S. dollar, the value of the GDSs and any distributions made thereon from the depositary could be adversely affected. Cash distributions made in respect of the GDSs may be received by the depositary (represented by the custodian bank in Argentina) in pesos, which will be converted into U.S. dollars and distributed by the depositary to the holders of GDSs if in the judgment of the depositary such amounts may be converted on a reasonable basis into U.S. dollars and transferred to GDS holders on a reasonable basis, subject to such distribution being impermissible or impracticable with respect to certain GDS holders. In addition, the depositary will incur foreign currency conversion costs (to be borne by the holders of the GDSs) in connection with the foreign currency conversion and subsequent distribution of dividends or other payments with respect to the GDSs.

The relative volatility and illiquidity of the Argentine securities markets may substantially limit your ability to sell the shares underlying the GDSs on the BYMA at the price and time desired by the shareholder.

Investing in securities that trade in emerging markets, such as Argentina, often involves greater risk than investing in securities of issuers in the United Kingdom, and such investments are generally considered to be more speculative in nature. The Argentine securities market is substantially smaller, less liquid, more concentrated and can be more volatile than major securities markets in the United Kingdom, and is not as highly regulated or supervised as some of these other markets. There is also significantly greater concentration in the Argentine securities market than in major securities markets in the United Kingdom. The ten largest companies in terms of market capitalization represented approximately 91% of the aggregate market capitalization of the BYMA as of December 31, 2018. Accordingly, although shareholders are entitled to withdraw the shares underlying the GDSs from the depositary at any time, the ability to sell such shares on the BYMA at a price and time shareholders might elect may be substantially limited.

We are traded on more than one market and this may result in price variations; in addition, investors may not be able to easily move shares for trading between such markets.

Trading in the shares underlying GDSs or the GDSs in Argentina and the United Kingdom, respectively, will use different currencies and take place at different times (resulting from different trading platforms, different time zones, different trading days and different public holidays in the United Kingdom and Argentina). The trading prices of the shares underlying GDSs on these two markets may differ due to these and other factors. Any decrease in the price of the shares underlying GDSs on the BYMA could cause a

decrease in the trading price of the GDSs on the LSE. Investors could seek to sell or buy the shares underlying GDSs to take advantage of any price differences between the markets through a practice referred to as “arbitrage.” Any arbitrage activity could create unexpected volatility in both our share prices on one exchange, and the GDSs available for trading on the other exchange. In addition, holders of GDSs will not be immediately able to surrender their GDSs and withdraw the underlying shares for trading on the other market without effecting necessary procedures with the depository. This could result in time delays and additional cost for holders of GDSs.

If we do not file or maintain a registration statement and no exemption from the Securities Act of 1933 (“Securities Act”) registration is available, U.S. holders of GDSs may be unable to exercise preemptive rights granted to our holders of shares underlying GDSs.

Under the GCL, if we issue new shares as part of a capital increase, our shareholders may have the right to subscribe to a proportional number of shares of the same class to maintain their existing ownership percentage. Rights to subscribe for shares in these circumstances are known as preemptive rights. In addition, shareholders are entitled to the right to subscribe for the unsubscribed shares remaining at the end of a preemptive rights offering on a pro rata basis, known as accretion rights.

Upon the occurrence of any future increase in our class B shares, U.S. persons (as defined in Regulation S under the Securities Act) holding our shares underlying GDSs or our GDSs may be unable to exercise preemptive and accretion rights granted to our holders of shares underlying GDSs in connection with any future issuance of our shares underlying GDSs unless a registration statement under the Securities Act is effective with respect to both the preemptive rights and the new shares underlying GDSs, or an exemption from the registration requirements of the Securities Act is available.

We are not obligated to file or maintain a registration statement relating to any preemptive rights offerings with respect to our shares underlying GDSs, and we cannot assure that we will file or maintain any such registration statement or that an exemption from registration will be available. Unless those shares underlying GDSs or the GDSs are registered or an exemption from registration applies, a U.S. holder of our shares underlying GDSs or our GDSs may receive only the net proceeds from those preemptive rights and accretion rights if those rights can be assigned by the GDS depository. If the rights cannot be sold, they will be allowed to lapse. Furthermore, the equity interest of holders of shares or GDSs located in the U.S. may be diluted proportionately upon future capital increases.

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

On September 23, 2013, the Argentine income tax law was amended by Law No. 26,893 (the “Argentine Income Tax Law”). The Argentine Income Tax Law provides that the sale, exchange or other transfer of shares and other securities is subject to a capital gain tax at a rate of 15% for Argentine resident individuals and foreign beneficiaries.

Until the enactment of Law No. 27,430, in force since fiscal year 2018, there was an exemption for Argentine resident individuals if certain requirements were met. However,

there was no such exemption for non-Argentine residents. For transactions made until December 31, 2017, many aspects of the Argentine Income Tax Law as they apply to the holding and sale of GDSs still remain unclear and they were subject to further regulation and interpretation which may adversely affect the tax treatment of our Shares underlying GDSs and/or GDSs. The income tax treatment of income derived from the sale of GDSs or exchanges of shares from the GDS facility may not be uniform under the revised Argentine Income Tax Law. The possibly varying treatment of the source of income could impact both Argentine resident holders as well as non-Argentine resident holders.

Law No. 27,430 requires the capital gains tax to be paid for transactions carried out between September 2013 (when taxation on the sale of shares for nonresidents was introduced) and the effective date of the tax reform, providing that no tax, however, will be due for stock exchange transactions as long as the tax has not yet been paid due to the lack of regulations for the withholding or collection by the stock exchange agents or intermediaries.

Consequently, holders of our Class B Shares, including in the form of GDSs, are encouraged to consult their tax advisors as to the particular Argentine income tax consequences of owning our Shares or the GDSs.

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

Our corporate affairs are governed by our bylaws and by Argentine corporate law, which differ from the corporate regulatory framework that would apply if we were incorporated in other jurisdictions outside Argentina. Thus, your rights under Argentine corporate law to protect your interests relative to actions by our Board of Directors may be fewer and less well defined than under the laws of those other jurisdictions. Although insider trading and price manipulation are illegal under Argentine law, the Argentine securities markets may not be as highly regulated or supervised as the United Kingdom securities markets or markets in some of the other jurisdictions. In addition, rules and policies against self-dealing and regarding the preservation of shareholder interests may be less well defined and enforced in Argentina than in the United Kingdom, or other jurisdictions outside Argentina, putting holders of our Class B shares and GDSs at a potential disadvantage.

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

Under Argentine law, a shareholder's liability for losses of a company is limited to the value of his or her shareholdings in the company. However, shareholders who have a conflict of interest with us and who do not abstain from voting at the respective shareholders' meeting may be liable for damages to us, but only if the transaction would not have been approved without such shareholders' votes. Furthermore, shareholders who willfully or negligently vote in favor of a resolution that is subsequently declared void by a court as contrary to the law or our bylaws may be held jointly and severally liable for damages to us or to other third parties, including other shareholders.

We are organized under the laws of Argentina and holders of the GDSs may find it difficult to enforce civil liability claims against us, our directors, officers and certain experts.

We are organized under the laws of Argentina. A significant portion of our and our subsidiaries' assets is located in Argentina. Furthermore, almost all of our directors, officers and advisors reside in Argentina. Investors may not be able to effect service of process in England upon such persons or to enforce against them or us in English courts judgments predicated upon the civil liability provisions of English law. Likewise, it may also be difficult for an investor to enforce in English courts judgments obtained against us or these persons in courts located in jurisdictions outside England, including judgments predicated upon the civil liability provisions of English law. It may also be difficult for an investor to bring an original action in an Argentine court predicated upon the civil liability provisions of English law against us or these persons.

Prior to any enforcement in Argentina, a judgment issued by an English court will be subject to the requirements of Article 517 through 519 of the Argentine Federal Civil and Commercial Procedure Code if enforcement is sought before federal courts or courts with jurisdiction in commercial matters of the City of Buenos Aires. Those requirements are: (1) the judgment, which must be valid and final in the jurisdiction where rendered, was issued by a competent court in accordance with the Argentine principles regarding international jurisdiction and resulted from a personal action, or an in rem action with respect to personal property which was transferred to Argentine territory during or after the prosecution of the foreign action; (2) the defendant against whom enforcement of the judgment is sought was personally served with the summons and, in accordance with due process of law, was given an opportunity to defend against foreign action; (3) the judgment must be valid in the jurisdiction where rendered, and its authenticity must be established in accordance with the requirements of Argentine law; (4) the judgment does not violate the principles of public policy of Argentine law; and (5) the judgment is not contrary to a prior or simultaneous judgment of an Argentine court. Any document in a language other than Spanish, including, without limitation, the foreign judgment and other documents related thereto, requires filing with the relevant court of a duly legalized translation by a sworn public translator into the Spanish language.

8. CORPORATE GOVERNANCE, ORGANIZATION AND INTERNAL CONTROL SYSTEM

Cablevisión Holding S.A.'s Board of Directors is responsible for the Company's management and approves its policies and overall strategies. Pursuant to the By-laws, the Board of Directors is composed of ten permanent directors and ten alternate directors who are elected at the Ordinary Shareholders' Meeting on an annual basis. Four of them (two permanent and two alternate members) are required to be independent directors, appointed in accordance with the requirements provided under the CNV rules.

Members of the Board of Directors

Cablevisión Holding's Board of Directors is composed of the following members, appointed at the Annual Ordinary Shareholders' Meeting and Special Meeting per Class of Shares, held on April 26, 2018:

Bardengo, Sebastián	Chairman
Sáenz Valiente, Ignacio José María	Vice Chairman
Whamond, Alan ¹	Permanent Director
Salaber, Sebastián ¹	Permanent Director
Pozzoli, Nelson Damián ¹	Permanent Director
Blaquier, Gonzalo ¹	Permanent Director
Pagliari, Lucio Andrés	Permanent Director
Aranda, Antonio Román	Permanent Director
Magnetto, Marcia Ludmila	Permanent Director
Noble Herrera, Marcela	Permanent Director
Domenech, Fernando ¹	Alternate Director
Rio, Alejandro ¹	Alternate Director
Oria, Jorge ¹	Alternate Director
Colombres, Gervasio ¹	Alternate Director
Cassino, Damián Fabio	Alternate Director
Novoa, Nicolás Sergio	Alternate Director
Frabosqui Díaz, Sebastián Ricardo	Alternate Director
Ostergaard, Claudia Irene	Alternate Director
Paez, María de los Milagros	Alternate Director
Romero, María Lucila	Alternate Director

¹ *Independent members of the Board of Directors.*

Cablevisión Holding also has a Supervisory Committee composed of 3 permanent members and 3 alternate members, who are also appointed on an annual basis at the Ordinary Shareholders' Meeting. The Board of Directors, through an Audit Committee, is in charge of the ongoing oversight of all matters related to control information systems and risk management, and issues an annual report on these topics. The members of the Company's Audit Committee may be nominated by any member of the Board of Directors and a majority of its members must meet the independence requirement provided under CNV rules.

Supervisory Committee

The Company's Supervisory Committee is composed of the following members, appointed at the Annual Ordinary Shareholders' Meeting and Special Meeting per Class of Shares, held on April 26, 2018:

Riportella, Andrés Gabriel ¹	Permanent Member of the Supervisory Committee
Fredriks, Matías Alejandro ¹	Permanent Member of the Supervisory Committee
San Martín, Pablo Gabriel ¹	Permanent Member of the Supervisory Committee
Rios, Martin Guillermo ¹	Alternate Member of the Supervisory Committee
Suarez, Rubén ¹	Alternate Member of the Supervisory Committee
Cartamil, María Celina ¹	Alternate Member of the Supervisory Committee

¹ Independent members of the Supervisory Committee

Audit Committee

The Audit Committee is composed as follows:

Bardengo, Sebastián	Chairman
Whamond, Alan	Vice Chairman
Pozzoli, Néstor Damián	Permanent Member
Sáenz Valiente, José Ignacio	Alternate Member
Salaber, Sebastián	Alternate Member
Blaquier, Gonzalo	Alternate Member

The overall criteria used to appoint Cablevisión Holding S.A.'s management are based on the background and experience in the position and the industry, companies they have worked for, age, professional and moral aptitude, among other factors.

In order to identify opportunities and streamline structures and systems with the aim of improving processes and making informed decisions, Cablevisión Holding S.A. sets forth several procedures and policies for controlling the Company's operations. The areas responsible for the Company's internal controls, both at the Company level and at the level of its subsidiaries and affiliates, contribute to the safeguarding of shareholders' equity, the reliability of financial information and the compliance with laws and regulations.

Compensation of the Members of the Board of Directors and Senior Management

Compensation of the members of the Board of Directors is decided at the Shareholders' Meeting after the close of each fiscal year, considering the cap established by Section 261 of Law No. 19,550 and related regulations of the CNV.

Cablevisión Holding has compensation arrangements with all of its officers in executive and managerial positions, which contemplate a fixed and variable remuneration scheme. Fixed compensation is tied to the level of responsibility attached to each position, prevailing market salaries and performance. The annual variable component is tied to performance during the fiscal year based on the objectives set at the beginning of the year.

In addition, the parameters used in fixing compensations are in line with market practices, using market surveys issued by prestigious consultancy firms and the evaluation of the positions based on the size of the company and the complexity of the assigned tasks.

Dividend Policy

CVH does not have a formal dividend policy governing the amount and payment of dividends or other distributions. According to its By-laws and the Argentine Corporate Law, CVH may lawfully pay and make declarations of dividends only out of the retained earnings stated in the Company's annual Financial Statements prepared in accordance with Argentine GAAP and CNV regulations and approved at the Shareholders' Meeting. In such case, dividends must be paid on a pro rata basis to all holders of shares of common stock as of the relevant record date.

Notwithstanding the above-mentioned, in accordance with the terms of the loan executed with Citibank, N.A., Goldman Sachs Bank USA, Industrial and Commercial Bank of China Limited, Dubai (DIFC) Branch, Itaú Unibanco S.A., Nassau Branch for the original amount of US\$ 750 million (the "Loan"), CVH will not be able to pay cash dividends to its shareholders until its total repayment.

Set-up of reserves

Pursuant to the Argentine General Associations Law and CNV resolutions, CVH is required to set up a legal reserve of no less than 5% of each year's retained earnings until such reserve reaches 20% of its outstanding capital stock plus the corresponding adjustment. The legal reserve is not available for distribution to shareholders.

Code of Corporate Governance

In addition to the aforementioned and in conformity with the CNV's decisions concerning the filing of the report about compliance with the Code of Corporate Governance (Resolution No. 606/12), the Company prepared the report for the year under analysis, which is attached as an exhibit to this annual report.

9. BUSINESS PROJECTIONS AND PLANNING

Cablevisión Holding seeks to consolidate its role as leading holding company engaged in investing in convergent telecommunications, focused on Argentina and the region.

Its subsidiary, Telecom, will strive to seize opportunities, seeking to reinforce, improve and expand the range of products and services offered; reach new customers and promote permanent innovations in all of its activities.

Cablevisión Holding will continue to optimize even more the productivity and efficiency levels in all of the areas of CVH and its subsidiary. It will seek to develop and apply best practices in each of its processes.

At a corporate level, it will continue to focus on the main processes that allow sustainable, healthy and efficient growth from different perspectives: Financial structure, management control and business strategy. Cablevisión Holding will continue to analyze alternative new ventures related to its mission and strategic objectives both in Argentina and abroad, as long as they add value to shareholders and are feasible and viable under the prevailing economic environment.

Cablevisión Holding was created as result of Grupo Clarín's corporate spin-off, which sought to deepen the specialization of each of the organizations. In this way, each company was able to adjust even further its strategic, financial and operational focus with the global demands of each of these markets, allowing them to enhance their competitiveness.

Cablevisión Holding renews its sustained commitment to regulatory compliance, the customers of its subsidiary and the country.

10. FINANCIAL POSITION AND RESULTS OF ITS OPERATIONS

As mentioned in Note 1 to the Company's consolidated financial statements, CVH was created as a company that was spun off Grupo Clarín S.A., being the Effective Date of the Spin-off 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 S.A. 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 S.A. and of 100% of the capital stock of GCSA Equity LLC. The Company was allocated a US\$ 6 million loan with VLG Argentina, LLC and a US\$ 23 million financial debt with Cablevisión S.A.

In addition, as mentioned in Note 4.a) to the consolidated financial statements, Telecom and Cablevisión undertook a corporate reorganization process consisting of the merger between Telecom and Cablevisión. Consequently, 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.

During this year, the main changes in the Company's financial position (comparing and results of its operations were the following:

- i) Sales revenues from customers located in Argentina amounted to \$ 129,199 million and \$ 27,645 million for the year ended December 31, 2018 and the irregular eight-month year ended December 31, 2017, respectively; while sales revenues from foreign customers amounted to \$ 7,691 million and \$ 739 million for the year ended December 31, 2018 and the irregular eight-month year ended December 31, 2017, respectively;
- ii) PP&E, Goodwill and Intangible Assets, corresponding to the segment "Services rendered in Argentina" amounted to \$ 196,594 million and \$ 27,010 million as of December 31, 2018 and 2017, respectively; while PP&E, Goodwill and Intangible Assets corresponding to the segment "Services rendered abroad" amounted to \$ 11,804 million and \$ 999 million as of December 31, 2018 and 2017, respectively.

Additional information per geographical area required under IFRS 8 (Operating Segments) is disclosed below (amounts restated for inflation):

- i) Sales revenues from customers located in Argentina amounted to \$ 158,221 million and \$ 43,475 million for the year ended December 31, 2018 and the irregular eight-month year ended December 31, 2017, respectively; while sales revenues from foreign customers amounted to \$ 9,825 million and \$ 1,178 million for the year ended December 31, 2018 and the irregular eight-month year ended December 31, 2017, respectively;
- ii) PP&E, Goodwill and Intangible Assets, corresponding to the segment "Services rendered in Argentina" amounted to \$ 312,293 million and \$ 74,185 million as of December 31, 2018 and 2017, respectively; while PP&E, Goodwill and Intangible Assets corresponding to the segment "Services rendered abroad" amounted to \$ 11,781 million and \$ 1,475 million as of December 31, 2018 and 2017, respectively.

With respect to the Consolidated Financial Debt and Net Debt reached Ps. 84,493 million and Ps. 78,367, respectively. Debt Coverage Consolidated ratio as of December 2018 was 1.6x for Total Financial Debt and 1.4x in terms of Net Debt.

The Consolidated Statement of Income as of December 31, 2018 recorded a net income of \$ 1,874 million. Such figure is mainly accounted for by the results of the business performance, improved by the result of the inflation adjustment, which was partially offset by the negative impact of the dollar denominated debt due to the 100% depreciation of the currency.

Cablevisión Holding S.A. is controlled by GC Dominio S.A., which holds 64.2% of its voting rights. Balances and transactions with related parties are detailed in Note 27 to the Consolidated Financial Statements.

11. PROPOSAL OF THE BOARD OF DIRECTORS

The separate financial statements of the Company as of December 31, 2018 recorded a net profit of \$ 47,109 million. Retained earnings as of that date amount to \$ 58,339 million.

Cablevisión Holding is a holding company. Its results derive mainly from the operations of its subsidiary, Telecom Argentina S.A. Therefore, its liquidity position depends, among other things, on the distribution of dividends of Telecom Argentina S.A.-which has to meet its own investment and interest payments needs-, and the expected future cash flows from its own operating and financing activities. In addition, in accordance with the terms of the loan executed with Citibank, N.A., Goldman Sachs Bank USA, Industrial and Commercial Bank of China Limited, Dubai (DIFC) Branch, Itaú Unibanco S.A., Nassau Branch for the original amount of US\$ 750 million, CVH has to apply the dividends collected from its subsidiaries to the mandatory prepayments under said loan.

As of to date, in view of the prepayments made, the outstanding balance of the Loan amounts to US\$ 217.3 million.

In view of the above, pursuant to Article 27, Chapter II, Title II of CNV Rules (RT 2013), as follows, the Board of Directors believes it would be reasonable to propose to the Shareholders the appropriation of Retained Earnings in the amount of \$ 58,339 million to:

- i) increase the Legal Reserve -an amount of no less than 5% of net income for the year and adjustments until reaching 20% of the capital stock plus the balance of the Capital Stock Adjustment account-, \$688 million;
- ii) increase the Voluntary Reserve for financial obligations, \$9,614 million;
- iii) increase the Reserve for Illiquidity of Results, \$48,037 million.

In addition, the Board of Directors proposes to the Shareholders the full reversal of the Voluntary Reserve for Future Dividends, the Reserve to Ensure the Liquidity of the Company and its Subsidiaries and the Voluntary Reserve to Provide Financial Aid to subsidiaries and in connection with the Broadcasting Law to reallocate those amounts to the Voluntary Reserve for Illiquidity of Results.

The Board of Directors of CVH and its subsidiaries would like to thank its customers, suppliers, banking and financial institutions and other stakeholders, who are the key players in achieving the results obtained this fiscal year by the Company's management.

The Board of Directors

Buenos Aires, April 17, 2019

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CABLEVISIÓN HOLDING S.A.

Registration number with the IGJ: 1,908,463

Consolidated Financial Statements for the year ended December 31, 2018, presented on a comparative basis

GLOSSARY OF TERMS

The Company / Cablevisión Holding	Interchangeably, Cablevisión Holding S.A.
Telecom Argentina/Telecom Group	Interchangeably, Telecom Argentina S.A.
Telecom Group	Economic group composed by the Company and its subsidiaries.
Telecom Personal/Personal/Micro Sistemas/Telintar/Pem/CV Berazategui/Cable Imagen/ Última Milla/AVC Continente Audiovisual/Inter Radios	Economic group composed by Telecom Argentina and its subsidiaries. These companies are corporations or limited liability companies that are controlled directly or indirectly pursuant to the definition established under the General 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.U.
Sofora	Sofora Telecomunicaciones S.A.
Fintech	Fintech Telecom LLC, 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	Bolsas y Mercados Argentinos and the New York Stock Exchange, respectively.
BCRA	(Banco Central de la República Argentina): 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.
VAT	Value Added Tax
Gestión Compartida	GC Gestión Compartida S.A.
Grupo Clarín	Grupo Clarín S.A.
IDEN	(<i>Red Mejorada Digital Integrada</i>): Integrated Digital Enhanced Network.
NDF	Non-Deliverable Forward: 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.
LGS	(<i>Ley General de Sociedades</i>) General Associations Law No. 19,550, as amended.
IFRS	International Financial Reporting Standards, issued by IASB.
NORTEL	Nortel Inversora S.A.
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.
Gain (Loss) on Net Monetary Position	Results from changes in the purchasing power of the currency ("RECPAM", for its Spanish acronym)
Roaming	Charges for the use of network availability to customers of other national and foreign carriers.

CABLEVISIÓN HOLDING S.A.

Registration number with the IGJ: 1,908,463

Consolidated Financial Statements for the year ended December 31, 2018, presented on a comparative basis

GLOSSARY OF TERMS

TR/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.
VAS	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.
VLG	VLG S.A.U., previously VLG Argentina LLC.
VPP	(<i>Valor Patrimonial Proporcional</i>): Equity Method.
WAI	W de Argentina-Inversiones S.A, former controlling company of Telecom

CABLEVISIÓN HOLDING S.A.

Registration number with the IGJ: 1,908,463

Consolidated Financial Statements as of December 31, 2018 and for the irregular fiscal year beginning May 1, 2017 and ended December 31, 2017

Amounts stated in Argentine Pesos - Note 1.c) to the 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 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 December 31, 2018		<u>180,641,002</u>	<u>1,578</u>	<u>180,642,580</u>
Total as of December 31, 2017		<u>180,641,002</u>	<u>1,578</u>	<u>180,642,580</u>

CABLEVISIÓN HOLDING S.A.

Registration number with the IGJ: 1,908,463

CABLEVISIÓN HOLDING S.A.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018 AND FOR THE IRREGULAR EIGHT-MONTH
FISCAL YEAR BEGINNING MAY 1, 2017 AND ENDED DECEMBER 31, 2017
(in millions of Argentine pesos)

	<u>Note</u>	<u>December 31,</u> <u>2018</u>	<u>Irregular</u> <u>Eight-Month</u> <u>Fiscal Year</u> <u>Ended</u> <u>12.31.2017</u>
Revenues	22	168,046	44,653
Employee benefit expenses and severance payments	23	(30,073)	(7,971)
Interconnection and Transmission Costs		(5,525)	(912)
Fees for Services, Maintenance, Materials and Supplies	23	(16,424)	(5,166)
Taxes and Fees with the Regulatory Authority	23	(13,635)	(3,254)
Commissions and Advertising		(11,210)	(2,473)
Cost of Equipment and Handsets	23	(9,667)	(368)
Programming and Content Costs		(12,156)	(6,281)
Bad Debt Expenses	6	(3,527)	(598)
Other Operating Income and Expense	23	(9,763)	(2,251)
Operating Income before Depreciation and Amortization		56,066	15,379
Depreciation, Amortization and Impairment of PP&E and Intangible Assets	23	(35,103)	(7,093)
Operating Income		20,963	8,286
Equity in Earnings from Associates	5	236	263
Financial Expenses on Debts	24	(37,274)	(4,398)
Other Financial Results, net	24	15,128	4,462
(Loss) / Income before Income Tax Expense		(947)	8,613
Income Tax and Tax on Assets	15	2,821	(2,344)
Net Income		1,874	6,269
Other Comprehensive Income			
<u>To be subsequently reclassified to profit or loss</u>			
Currency Translation Adjustments (no effect on Income Tax)		1,198	(576)
Effect of NDF classified as hedges		128	-
Tax Effect of NDF classified as hedges		(36)	-
<u>Not to be subsequently reclassified to profit or loss</u>			
Actuarial Results		38	-
Tax Effect		(10)	-
Other Comprehensive Income, net of Taxes		1,318	(576)
Total Comprehensive Income		3,192	5,693
Net Income attributable to:			
Shareholders of the Controlling Company		(1,604)	3,294
Non-Controlling Interest		3,478	2,975
Total Comprehensive Income Attributable to:			
Shareholders of the Controlling Company		(1,161)	2,968
Non-Controlling Interest		4,353	2,725
Basic and Diluted Earnings per Share attributable to the Shareholders of the Controlling Company (in pesos)	25	(8.88)	18.23

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

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

CABLEVISIÓN HOLDING S.A.

Registration number with the IGJ: 1,908,463

CABLEVISIÓN HOLDING S.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND DECEMBER 31, 2017
(in millions of Argentine pesos)

ASSETS	Note	December 31, 2018	December 31, 2017
CURRENT ASSETS			
Cash and Cash Equivalents	5	7,456	7,204
Investments	5	1,371	162
Trade Receivables	6	17,415	2,588
Other Receivables	7	5,130	1,412
Inventories	8	2,737	136
Other Assets	13.2	299	557
Total Current Assets		34,408	12,059
NON-CURRENT ASSETS			
Trade Receivables	6	61	-
Other Receivables	7	1,997	352
Deferred Income Tax Assets	15	117	111
Investments	5	5,595	17,644
Goodwill	9	114,091	25,595
Property, Plant and Equipment ("PP&E")	10	150,369	45,591
Intangible Assets	11	59,714	4,475
Total Non-Current Assets		331,944	93,768
Total Assets		366,352	105,827
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	12	22,889	5,737
Loans	13	28,225	5,481
Salaries and Social Security Payables	14	5,955	2,585
Taxes Payable	16	2,350	2,787
Dividends Payable	27	-	2,411
Other Liabilities	17	1,599	152
Provisions	18	744	-
Total Current Liabilities		61,762	19,153
NON-CURRENT LIABILITIES			
Accounts Payable	12	570	-
Loans	13	59,268	30,911
Salaries and Social Security Payables	14	347	-
Deferred Income Tax Liabilities	15	24,542	3,982
Taxes Payable	16	26	4
Other Liabilities	17	1,159	194
Provisions	18	3,468	1,611
Total Non-Current Liabilities		89,380	36,702
Total Liabilities		151,142	55,855
EQUITY (as per the corresponding statement)			
Attributable to Shareholders of the Parent Company		83,741	33,458
Attributable to Non-Controlling Interests		131,469	16,514
TOTAL EQUITY		215,210	49,972
TOTAL LIABILITIES AND EQUITY		366,352	105,827

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

CABLEVISIÓN HOLDING S.A.

Registration number with the IGJ: 1,908,463

CABLEVISIÓN HOLDING S.A.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018 AND FOR THE IRREGULAR
EIGHT-MONTH FISCAL YEAR BEGINNING MAY 1, 2017 AND ENDED DECEMBER 31, 2017
(in millions of Argentine pesos)

	Equity attributable to Shareholders of the Parent Company									Equity Attributable to Non-Controlling Interests	Total Equity	
	Shareholders' Contribution			Other Items		Retained Earnings			Total Equity of Controlling Interests			
	Capital Stock ⁽¹⁾	Inflation Adjustment on Capital Stock	Additional Paid-in Capital	Subtotal	Other Comprehensive Income	Other Reserves	Legal Reserve	Voluntary Reserves				Retained Earnings
Balances as of May 1, 2017	181	3,951	9,717	13,849	(803)	(6)	138	6,802	10,511	30,491	16,188	46,679
Exchange of Shares - Payment of fractions in cash (see Note 20)	-	-	-	-	-	(1)	-	-	-	(1)	(666)	(667)
Dividends and Other Movements of Non-Controlling Interest	-	-	-	-	-	-	-	-	-	-	(1,733)	(1,733)
Net Income for the Year	-	-	-	-	-	-	-	-	3,294	3,294	2,975	6,269
Other Comprehensive Income	-	-	-	-	(326)	-	-	-	-	(326)	(250)	(576)
Balances as of December 31, 2017	181	3,951	9,717	13,849	(1,129)	(7)	138	6,802	13,805	33,458	16,514	49,972
Effect of Adopting New Accounting Policies (Note 3.u)	-	-	-	-	-	-	-	-	(99)	(99)	(73)	(172)
Effect of the Merger (Note 4.a)	-	-	-	-	-	51,688	-	-	-	51,688	128,470	180,158
Set-up of reserves	-	-	-	-	-	-	-	2,386	(2,386)	-	-	-
Dividends and Other Movements of Non-Controlling Interest (Note 28)	-	-	-	-	-	-	-	-	-	-	(17,566)	(17,566)
Increase of the equity interest in CV Berazategui	-	-	-	-	-	(93)	-	-	-	(93)	(149)	(242)
Changes in Other Reserves	-	-	-	-	-	(52)	-	-	-	(52)	(80)	(132)
Net (Loss) / Income for the year	-	-	-	-	-	-	-	-	(1,604)	(1,604)	3,478	1,874
Other Comprehensive Income	-	-	-	-	443	-	-	-	-	443	875	1,318
Balances as of December 31, 2018	181	3,951	9,717	13,849	(686)	51,536	138	(2) 9,188	9,716	83,741	131,469	215,210

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

(2) Broken down as follows: (i) Voluntary reserve for future dividends of \$ 3,341; (ii) Voluntary reserve for illiquidity of results of \$ 804, (iii) Voluntary reserve to ensure the liquidity of the Company and its subsidiaries of \$ 1,216. (iv) Voluntary Reserve to provide financial aid to subsidiaries and in connection with the Audiovisual Communication Services Law of \$1,441 and (v) Voluntary Reserve for financial obligations of \$ 2,386.

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

CABLEVISIÓN HOLDING S.A.

Registration number with the IGJ: 1,908,463

CABLEVISIÓN HOLDING S.A.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018 AND FOR THE IRREGULAR
EIGHT-MONTH FISCAL YEAR BEGINNING MAY 1, 2017 AND ENDED DECEMBER 31, 2017
(in millions of Argentine pesos)

	<u>Note</u>	<u>December 31,</u> <u>2018</u>	<u>Irregular Eight-</u> <u>Month Fiscal</u> <u>Year Ended</u> <u>12.31.2017</u>
<u>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>			
Net Income		1,874	6,269
Adjustments to reconcile net income to net cash flows provided by operating activities			
Allowances Deducted from Assets and Provisions for Lawsuits and Other Contingencies		3,622	486
Depreciation of PP&E	10	27,640	7,032
Amortization of Intangible Assets	11	5,374	61
Equity in Earnings from Associates	5	(236)	(263)
Impairment of PP&E and Intangible Assets		2,089	(17)
Net Book Value of PP&E and Consumption of Materials		579	1,446
Financial Results and Other		18,118	3,281
Accrued Income Tax and Tax on Assets	15	(2,821)	2,344
Income Tax Paid		(5,938)	(4,022)
(Increase) Decrease in Assets, Net	5.b	(5,155)	727
Net Decrease in Liabilities	5.b	(3,074)	(729)
Net Cash Flows provided by Operating Activities		42,072	16,615
<u>CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES</u>			
PP&E Acquisitions		(39,574)	(13,566)
Intangible Assets Acquisition		(2,906)	-
Acquisition of Equity Interests		(244)	(33)
Collection of Dividends	5.b	56	(66)
Cash Incorporated under the Merger	4.a	4,180	393
Payment for call option		-	(16,909)
Income from Sale of PP&E and Intangible Assets		6	9
Changes in Notes and Bonds, Net		-	(616)
Investments not considered as cash and cash equivalents		7,197	1,300
Net Cash Flows used in Investing Activities		(31,285)	(29,488)
<u>CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES</u>			
Proceeds from Financial Debt	5.b	27,769	20,804
Payment of Financial Debt	5.b	(19,303)	(998)
Payment of Interest and Related Expenses	5.b	(4,453)	(1,426)
Payment of Fractions of Shares		-	(1)
Settlement of Financial Instruments		-	45
Reversal /Setup of Reserve Account		334	(559)
Distribution of Dividends to Non-Controlling Interests		-	10
Payment of Cash Dividends to Non-Controlling Interests	5.b	(19,010)	(1,065)
Net Cash Flows (used in) provided by Financing Activities		(14,663)	16,810
NET (DECREASE) / INCREASE IN CASH FLOW		(3,876)	3,937
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR:		7,204	3,509
EFFECTS OF EXCHANGE RATE CHANGES AND GAIN (LOSS) ON NET MONETARY POSITION ON CASH AND CASH EQUIVALENTS		4,128	(242)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		7,456	7,204

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

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

CABLEVISIÓN HOLDING S.A.

Registration number with the IGJ: 1,908,463

CABLEVISIÓN HOLDING S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(in millions of Argentine pesos)

NOTE 1 – GENERAL INFORMATION AND BASIS FOR THE PRESENTATION OF THE 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 (dissolved as of December 31, 2017.)

The reorganization process of Cablevisión and Telecom is described under Note 4.a) to these 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 telephony services in the northern region of Argentina since November 8, 1990 through October 10, 1999. As from such date, the Company also began providing telephony 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.

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

CABLEVISIÓN HOLDING S.A.

Registration number with the IGJ: 1,908,463

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

As of December 31, 2018 and 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 12.31.2018	Direct and indirect interest in capital stock and votes as of 12.31.2017
Telecom Argentina ⁽¹⁾	Argentina	39.08%	-
Cablevisión	Argentina	-	60%

(1) See Notes 4 a) and 29.

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 evaluated regularly by the entity's chief operating decision maker. In the case of the Group, the Executive Director is responsible for the control of the resources and the economic-financial performance of the Economic Group.

The Executive Director has a strategic and operational vision of the Group as a single business unit in Argentina in accordance with the current regulatory framework of the convergent ICT Services industry (aggregating in the same segment the activities related to mobile telephony services, Internet services, cable television services and fixed telephony services, services that are subject to the same regulatory framework of ICT services). In the performance of his duties, the Executive Director periodically receives the economic-financial information about the Group (at historical values) prepared as a single segment and reviews the evolution of the business as a single cash generating unit, allocating resources in a unified manner to achieve the Group's goals. Costs are not allocated specifically to a type of service, taking into consideration that the Company has a single payroll and general operating expenses that affect all the services in general (non-specific). In addition, the decisions on CAPEX affect all the different types of services provided by Telecom and not one of them in particular. 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 in Argentina.

The Group also carries out activities abroad (Paraguay, United States of America and Uruguay.) The Executive Director does not analyze those operations as a separate segment. He analyzes the consolidated information of the companies in Argentina and abroad (at historical values), taking into consideration that the activities of the foreign companies are not significant for the Group. The Group's foreign operations do not meet the aggregation criteria established by the standard to be grouped within the segment "Services rendered in Argentina", and since none of them exceeds the quantitative thresholds set out in the standard to qualify as reportable segments, they are grouped under the category "Other abroad segments."

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Set out below is the segment information for the year ended December 31, 2018 and the irregular eight-month year ended December 31, 2017, respectively:

□ **Consolidated income statement for the year ended December 31, 2018**

	Services rendered in Argentina	Other abroad segments	Eliminations	Effect of Restatement for inflation	Total
Revenues	129,836	7,894	(570)	30,886	168,046
Operating Costs (without Depreciation, Amortization, Impairment of PP&E and Intangible Assets)	(86,206)	(5,414)	570	(20,930)	(111,980)
Operating Income before Depreciation and Amortization	43,630	2,480	-	9,956	56,066
Depreciation, Amortization and Impairment of PP&E and Intangible Assets	(20,408)	(1,753)	-	(12,942)	(35,103)
Operating Income	23,222	727	-	(2,986)	20,963

Equity in Earnings from Associates	236
Financial Expenses on Debts	(37,274)
Other Financial Results, net	15,128
Loss before Income Tax Expense and Tax on Assets	(947)
Income Tax and Tax on Assets	2,821
Net Income	1,874
Attributable to:	
Shareholder of the Controlling Company	(1,604)
Non-Controlling Interest	3,478
	1,874

□ **Consolidated income statement for the irregular eight-month period ended December 31, 2017**

	Services rendered in Argentina	Other abroad segments	Eliminations	Effect of Restatement for inflation	Total
Revenues	27,650	739	(5)	16,269	44,653
Operating Costs (without Depreciation, Amortization, Impairment of PP&E and Intangible Assets)	(17,724)	(498)	5	(11,057)	(29,274)
Operating Income before Depreciation and Amortization	9,926	241	-	5,212	15,379
Depreciation, Amortization and Impairment of PP&E and Intangible Assets	(2,669)	(73)	-	(4,351)	(7,093)
Operating Income	7,257	168	-	861	8,286

Equity in Earnings from Associates	263
Financial Expenses on Debts	(4,398)
Other Financial Results, net	4,462
Earnings before Income Tax Expense and Tax on Assets	8,613
Income Tax and Tax on Assets	(2,344)
Net Income	6,269
Attributable to:	
Shareholder of the Controlling Company	3,294
Non-Controlling Interest	2,975
	6,269

Additional information per geographical area required under IFRS 8 (Operating Segments) is disclosed below (amounts not restated for inflation):

- iii) Sales revenues from customers located in Argentina amounted to \$ 129,199 million and \$ 27,645 million for the year ended December 31, 2018 and the irregular eight-month year ended December 31, 2017, respectively; while sales revenues from foreign customers amounted to \$ 7,691 million and \$ 739 million for the year ended December 31, 2018 and the irregular eight-month year ended December 31, 2017, respectively;

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- iv) PP&E, Goodwill and Intangible Assets, corresponding to the segment "Services rendered in Argentina" amounted to \$ 196,594 million and \$ 27,010 million as of December 31, 2018 and 2017, respectively; while PP&E, Goodwill and Intangible Assets corresponding to the segment "Other abroad segments" amounted to \$ 11,804 million and \$ 999 million as of December 31, 2018 and 2017, respectively.

Additional information per geographical area required under IFRS 8 (Operating Segments) is disclosed below (amounts restated for inflation):

- iii) Sales revenues from customers located in Argentina amounted to \$ 158,221 million and \$ 43,475 million for the year ended December 31, 2018 and the irregular eight-month year ended December 31, 2017, respectively; while sales revenues from foreign customers amounted to \$ 9,825 million and \$ 1,178 million for the year ended December 31, 2018 and the irregular eight-month year ended December 31, 2017, respectively;
- iv) PP&E, Goodwill and Intangible Assets, corresponding to the segment "Services rendered in Argentina" amounted to \$ 312,293 million and \$ 74,185 million as of December 31, 2018 and 2017, respectively; while PP&E, Goodwill and Intangible Assets corresponding to the segment "Other abroad segments" amounted to \$ 11,781 million and \$ 1,475 million as of December 31, 2018 and 2017, respectively.

c) Basis for the Presentation

As required by the CNV, the Company's consolidated financial statements have been prepared in accordance with TR 26 (as amended by TR 29 and TR 43) issued by FACPCE, adopted by the CPCECABA, which adopted the IFRS as issued by the IASB. IFRS also include International Accounting Standards or "IAS"; IFRS Interpretations Committee or "IFRIC", IAS interpretations or "SIC" and the conceptual framework modified in March 2018.

In preparing these consolidated financial statements for the year ending December 31, 2018, and for the purposes of presentation to the London Stock Exchange (LSE), the Company has followed accounting policies that are in accordance with IFRS.

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 Company has restated those values as mentioned in paragraph e) of this note.

The preparation of these 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 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.

The Company began operating on May 1, 2017. Therefore, the comparative information reported in the financial statements comprise an irregular eight-month year beginning on that date and ended December 31, 2017. Certain figures reported in the financial statements for the year ended December 31, 2017 were reclassified for comparative purposes with this year, and were restated for inflation as described in Note 1.e).

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The information corresponding to and for the year ended December 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 restated to ensure the uniform reporting criteria with those used for 2018 for ease of reading by the users of these consolidated financial statements.

These consolidated financial statements as of December 31, 2018, were approved by a resolution of the Board of Directors at the meeting held on April 17, 2019.

d) Consolidated Financial Statements Formats

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

- 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 year-end;
- the consolidated income statement has been prepared by classifying operating expenses by nature of expense as this form of presentation represents the way that the business of the Group is monitored by Management, and, additionally, are 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 year 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 year, (ii) other comprehensive income (loss) for the year, and (iii) transactions with shareholders (owners and non-controlling interest);
- the consolidated statement of cash flows has been prepared by applying the indirect method to reconcile the net income for the year with the cash flows generated by its operations, as permitted by IAS 7.

These consolidated financial statements contain all material disclosures required under IFRS in conformity with the accounting framework established by the CNV. 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 consolidated financial statements, as admitted by IFRS.

e) IAS 29 (Financial Reporting in Hyperinflationary Economies)

IAS 29 sets out the conditions under which an entity shall restate its financial statements at the currency unit current as of the date of the accounting measurement when it is located in a country with an economic environment classified as “highly inflationary.” This Standard requires that the financial statements of an entity that reports in the currency of a highly inflationary economy shall be stated in terms of the measuring unit current at the closing date of the reporting year, regardless of whether they are based on a historical cost approach or a current cost approach. To this end, in general terms, the inflation rate must be computed in the non-monetary items as from the acquisition date or the revaluation date, as applicable. These requirements also comprise the comparative information of the financial statements.

To determine the existence of a highly inflationary economy under the terms of IAS 29, the standard details a series of factors to consider, including a cumulative inflation rate over three years that is close to or exceeds 100%.

It should be noted that, as of December 31, 2018, the cumulative inflation rate over the last three years reached 147.8%. The recent macroeconomic events that occurred in Argentina during the year indicate that the qualitative factors provided under IAS 29 to consider Argentina as a highly inflationary economy for accounting purposes have been fulfilled. Consequently, this situation requires the application of the

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comprehensive inflation adjustment under IAS 29 for the year ended December 31, 2018. On September 29, 2018, the FACPCE issued Resolution No. 539/18, whereby it provided for the need to adjust the financial statements of Argentine companies for accounting periods ending as from July 1, 2018, and set out specific issues regarding the inflation adjustment, such as the indexes to be used. This Resolution was approved on October 10, 2018 by the CPCECABA through Resolution No. 107/2018.

In addition, Law No. 27,468 (published in the Official Gazette on December 4, 2018) amended Section 10 of Law No. 23,928, as amended, providing that the repeal of all the laws and regulations that establish or authorize price indexation, currency restatement, cost variance and any other form of restatement of debts, taxes, prices or fees related to property, works or services, does not apply to financial statements, which remain subject to Section 62 of the General Associations Law, as amended. In addition, it repealed Decree No. 1,269/2002, as amended, and delegated on the Executive Branch, through its oversight agencies, the power to set the date as from which those regulations will come into effect with respect to financial statements.

Therefore, through Resolution No. 777/18 (published in the Official Gazette on December 28, 2018), the CNV, the local regulatory agency, also established the method to restate financial statements in constant currency to be applied by issuers subject to the oversight of the CNV, in accordance with IAS 29 for years/periods ended as from December 31, 2018.

Pursuant to Resolution No. 539/18, the inflation rate will be based on the Domestic Wholesale Price Index ("IPIM", for its Spanish acronym) until the year 2016, taking into consideration for the months of November and December 2015 the average variation of the IPC index of the City of Buenos Aires, because during those two months no IPIM data was published on a national level. As from January 2017, the National Consumer Price Index (National IPC, for its Spanish acronym) will be used. The index as of December 31, 2018 amounts to 184.2552. The following table show the evolution of those indexes over the last three fiscal years and as of December 31, 2018, according to official statistics (INDEC) in accordance with the guidelines described under Resolution No. 539/18:

	<u>As of December 31, 2016</u>	<u>As of December 31, 2017</u>	<u>As of December 31, 2018</u>
Variation of Prices			
Annual / Period	34.6%	24.7%	47.6%
Accumulated over 3 years	102.2%	96.6%	147.8%

Consequently, these consolidated financial statements as of December 31, 2018 were restated in accordance with IAS 29.

The Company restated all the non-monetary items in order to reflect the impact of the inflation adjustment, reporting in terms of the measuring unit current as of December 31, 2018. Consequently, the main items restated were Property, Plant and Equipment, Intangible assets, Goodwill, Inventories, certain Investments in associates and the Equity items. Each item must be restated since the date of the initial recognition in the Company's Equity or since the last revaluation. Monetary items have not been restated because they are stated in terms of the measuring unit current as of December 31, 2018.

The comparative figures must also be presented at the closing rate of December 2018. Therefore, the comparative figures corresponding to the period preceding the reporting year have been restated by applying a general price index, so that the resulting comparative financial statements are presented in terms of the measuring unit current at the closing date of the reporting period.

As far as results are concerned, there was an increase in amortization and depreciation arising from the restatement of non-monetary assets, and an improvement in financial income and expense due to the positive result of the exposure to inflation from the excess of monetary liabilities over monetary assets, with the consequent impact on income tax.

Restatement of the Income Statement and the Statement of Cash Flows

In the Statement of Income, the items must be restated in terms of the measuring unit current at the closing date of the reporting year. To this end, the Company shall apply the variations in a monthly general price index.

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The effect of inflation on the monetary position is included in the Income Statement under Other financial results, net.

The items of the Statement of Cash Flows must also be restated in terms of the measuring unit current at the closing date of the Statement of Financial Position. The total cash and cash equivalents at the beginning of the year must be restated to constant currency as of the closing date, while cash and cash equivalents at the end of the year must be stated in nominal values. The gain arising from the adjustment has an impact on the income statement and must be eliminated from the statement of cash flows because it is not considered as cash or cash equivalents.

Restatement of the Statement of Changes in Equity

All the items of the Statement of Changes in Equity, except for the reserves and retained earnings, must be restated in accordance with IAS 29. The item "Capital Stock" has been stated at nominal value. The difference between the restated value of the capital stock in accordance with IAS 29 and the nominal value is disclosed under "Adjustment on Capital Stock."

Effect of the calculation of the opening balances as of May 1, 2017

As mentioned in Note 1.c), for the calculation of the opening balances as of May 1, 2017, the Company used the valuation of assets and liabilities made by Grupo Clarín as of that date.

As a consequence of the application of IAS 29, the Company has remeasured the items incorporated as of the Effective Date of the Merger, based on the restated value of non-monetary assets and liabilities, taking into consideration for the aging, the date recorded by the preceding company. The remeasured value of those assets and liabilities has been restated to constant currency as of the closing date of the year since the date of reorganization.

The Equity items have been restated as of the Effective Date of the Merger.

Effect on the Merger between Telecom and Cablevisión

As a result of the Business Combination between Telecom and Cablevisión, the Company calculated the effect of the merger with an impact on Equity, which arises from the difference between the fair value of the consideration transferred and the book value of the equity of Telecom Argentina as of the Effective Date of the Merger.

Taking into consideration that the book value of the equity of Telecom as of the Effective Date of the Merger (January 1, 2018) was stated at historical cost, the value of the effect of the merger as of that date did not contemplate the effect of the inflation adjustment. Therefore, such value has been remeasured by the difference between the fair value of the consideration transferred and the book value of Telecom's Equity restated for inflation as of the Effective Date of the Merger, i.e. January 1, 2018.

Investments in Foreign Companies

The subsidiaries, associates and companies under common control that use functional currencies other than the Argentine peso (mainly foreign companies with economies that are not considered to be hyperinflationary), shall not make the inflation adjustment to their financial statements, in accordance with IAS 29.

However, and only for reporting and consolidation purposes, the comparative figures presented in Argentine pesos in the Income Statement corresponding to the current year and the previous year must be stated at the closing rate. In addition, the initial items of the Statement of Changes in Equity must be reported at the closing rate without modifying the total figure due to the fact that it is translated into the closing exchange rate, which implies qualitative variations in its breakdown affecting mainly Retained Earnings and Other Comprehensive Income.

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NOTE 2 – REGULATORY FRAMEWORK

a) REGULATORY AUTHORITY

The activities carried out by the Group, provider of Information Technology and Communications ("ITC") 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 ITC 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, originally within the jurisdiction of the Ministry of Communications.

Subsequently, pursuant to Decree No. 632 issued on August 11, 2017, the ENACOM is now placed within the sphere of the Ministry of Modernization. On September 5, 2018, the Executive Branch issued Decrees Nos. 801 and 802, whereby it amended once again the Law of Ministries and the organizational structure of Public Administration, and ordered that the Chief of the Cabinet of Ministers be the successor of the Ministry of Modernization. Therefore, the ENACOM is still under the jurisdiction of the Chief of Cabinet. In addition, the Government created the office of Secretary of Modernization, who will act as Deputy Chief of Cabinet to assist the Chief of the Cabinet of Ministers in the establishment of cross-cutting modernization policies for the administration of the National Government.

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).

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b) LICENSES

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).
- 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 licenses were granted for the provision of STM in the Northern Region of Argentina, of SRMC in the AMBA area, and of PCS and SCMA throughout the country.

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 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 THE GROUP

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

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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", 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 under Note 2.f).

✓ **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 Service 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

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(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 television 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 service 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.

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.

Subsequently, through MIDMOD Resolution No. 490/2018, published in the Official Gazette on August 13, 2018, the deadline for the analysis and publication of the ITC Bill was extended for 90 days.

Finally, the Secretariat of Modernization, which reports to the Chief of the Cabinet of Ministers, issued Resolution RESOL-2018-131-APN-SGM#JGM, whereby it provided for an extension of the review process conducted for the creation and publication of the final bill for the amendment, updating and unification of Laws Nos. 26,522 and 27,078, to be submitted to the National Executive Branch, until the earlier of, one year, counted as from the date of publication, or 90 business days subsequent to the final enactment of the Bill for the Promotion of Deployment of Infrastructure and Competition of Information Technology and Communication Services (ITCS).

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 House 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 ENACOM 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.

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

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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", for its Spanish acronym), 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 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.

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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 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 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 \$ 3,998 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 these consolidated financial statements as of December 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 \$ 3,849 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

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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 the above mentioned resolutions, presenting the legal arguments based on which such resolutions should be revoked. The deductions that were objected by SC Resolutions amount to approximately \$1,194 million and are included in the credit balance mentioned in the third paragraph.

As of the date of these 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.

Personal filed an administrative appeal against SC Resolution No. 50/12 requesting its nullity. As of the date of these 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.

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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 does not owe any amount in that regard.

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 SRMC, as well as those of the new spectrum to provide 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). On August 30, 2018, the Ministry of Modernization issued Resolution No. 528/18, whereby it stated that the effective migration of those services had been verified on February 27, 2018.

- **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:

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- ✓ 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. 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 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.

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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, which may be renewed for an identical period.

f) OTHER RELEVANT REGULATORY MATTERS

✓ ENACOM RESOLUTION No. 5,641-E/2017

Pursuant to this Resolution, published in the Official Gazette 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 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 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 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 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.

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.

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

• Migration of Services

Adesol S.A. is a subsidiary of Telecom incorporated in Uruguay, which has contractual relationships with several licensees that provide subscription television 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 television services provided through the Codified UHF System

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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 date of these consolidated financial statements, carrying out the migration technical plan.

- **Uruguayan Audiovisual Communication Services Law**

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 articles 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 articles 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.

- ✓ **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). Telecom has filed an appeal against certain aspects of this Resolution, which is still pending resolution.

- **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

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extent applicable, until the enactment of the penalty regime provided under Article 63 of the LAD. Said New General Rules repealed the 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 regarding some 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.)

MINMOD Resolution No. 363/2018, published in the Official Gazette on June 27, 2018, provided for amendments to the General Rules. Some of those amendments were related to the provisions challenged by Telecom in its filing. As of the date of these consolidated financial statements, this appeal is still pending resolution.

- **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 Resolution No. E-170/2017 issued by the Ministry of Communications, as supplemented. Through Resolution No. 401/2018, published on July 11, 2018, the Ministry of Modernization decided to extend for ninety (90) days the term for the implementation of "Stage 1" provided under the Implementation Schedule for Fixed Telephony service Number Portability. Said Resolution also provided that the ENACOM shall determine the way in which the number portability committee will be constituted and implemented.

Through Resolution No. 4,950 issued on August 14, 2018, the Board of the ENACOM delegated on the head of the first operational level of the National Administration of Planning and Convergence the powers to: (i) approve the Processes and Operational and Technical Specifications of Number Portability, (ii) approve the Bidding Terms for the selection of the Database Administrator for the contract to be executed between the Portable Services Providers and the Database Administrator and propose any relevant changes to the Number Portability Committee, and (iii) intervene on a binding basis in the procedure to procure the services of the Database Administrator.

Through said Resolution, the ENACOM also set out that the Number Portability Committee shall be composed of two representatives, one permanent and one alternate, and approved the work schedule in order to properly implement the Number Portability.

- **General Rules Governing Interconnection and Access**

On May 18, 2018, Ministry of Modernization Resolution No. 286/18 was published in the Official Gazette. Said Resolution approves the new General Rules Governing Interconnection and Access, effective as from July 3, 2018, repealing the General Rules that had been approved under Decree No. 764/00.

Pursuant to the new General Rules, the interconnection and access terms, conditions and prices may be freely established by mutual agreement between the parties. Such agreements may not be discriminatory or establish technical conditions that prevent, delay or obstruct interconnection services. Notwithstanding the foregoing, within 60 business days as from the effective date of the new General Rules, the ENACOM will set provisional interconnection charges, as established under Decree No. 1,340/16.

In addition, the providers of ICT Services will have the obligation to provide interconnection at the request of another provider of ICT Services, on no less favorable technical and economic conditions than those

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applied by the requested ICT Service provider to itself or to third parties. The providers of ICT Services shall also guarantee the same quality of services as that provided to themselves.

They shall also guarantee transparency in compensation and refrain from charging the requesting ICT Service Providers for functions or services that are not needed to render their services.

Finally, the following are deemed to be Essential Facilities: a) Local Origination or Termination; b) Co-location; c) Local Transit Service; d) Port; e) Signaling Function; f) Local Customer Loop and Sub-Loop; g) the Transportation Service (LD), where no substitute service is offered; and, h) any other network function or element that the Enforcement Authority may determine as such ex officio or at the request of the interested party. These facilities must be provided separately and respecting the charges to be established by the Enforcement Authority. To such effect, the Enforcement Authority shall establish reference values, which will serve as maximum values, though lower values may be agreed upon between the parties.

As from the effectiveness of the General Rules, on July 4, 2018, Telecom had a term of 90 business days to file the Reference Offer with the ENACOM and has duly fulfilled said obligation.

On August 14, 2018, the ENACOM issued Resolution No. 4,952/18, whereby it set a provisional charge equivalent to US\$ 0.0108 per minute of communication, without considering taxes and charges that may be applicable to local origination or termination services over mobile communication service networks. In addition, said Resolution provides that for the purposes of the application of the charge, the measuring unit will be per second. Through Resolution No. 1,161/2018 dated November 27, 2018, the ENACOM set the same charge for SRCE network termination.

On that same date, Resolution No. 1,160/2018 was also published in the Official Gazette. Pursuant to said Resolution, the ENACOM set: (i) a provisional charge equivalent to forty-five ten-thousandths US dollars (US\$ 0.0045) for local origination or termination services over fixed telephony service networks per minute of communication (ii) a provisional charge equivalent to ten ten-thousandths US dollars (US\$ 0,0010) for local transit service per minute of communication (iii) a provisional charge equivalent to twenty-seven ten-thousandths US dollars (US\$ 0,0027) for long distance transport service per minute of communication (iv) the second as the measuring unit for the purposes of applying the charges set under this Resolution.

Telecom filed an appeal with the ENACOM challenging those charges with the respective legal grounds to request the review of the above-mentioned Resolution by that agency. As of the date of these consolidated financial statements, this appeal is still pending resolution.

- **Quality Rules for Information Technology and Communication Services.**

Through Resolution No. 580/2018, published in the Official Gazette on September 6, 2018, the Ministry of Modernization approved the Quality Rules for ICT Services, which came into effect on January 4, 2019.

This Resolution repealed Resolutions Nos. 5/2013, issued by the former SC, and 3,797/2013, issued by the former CNC. In addition, the Ministry of Modernization ordered the ENACOM to issue the implementing regulations within a term of 90 calendar days. As of the date of these consolidated financial statements, the implementing regulations have not been issued yet.

In addition, the Group is still analyzing the operating impact of the new Resolution.

- **National Rules for Contingencies.**

Through Resolution No. 51/18, published in the Official Gazette on November 6, 2018, the Secretariat of Modernization approved the National Rules for Contingencies and ordered the ENACOM to issue the implementing procedures or Contingency Plan within a term of 90 calendar days as from its publication in the Official Gazette.

Even though the term has expired, as of the date of these consolidated financial statements, such procedure has not been issued yet.

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- **Single Desk System**

Through Decree No. 997/2018, published on November 6, 2018, the Secretariat of Modernization established a single desk system for the installation of antenna support structures of any kind for rendering SCMA services in order to expedite the granting of authorizations and permits for the construction and installation of structures for the deployment of mobile services.

- **Implementation of the Online Proceedings (“TAD”, for its Spanish acronym) Platform for notices issued by the ENACOM.**

Through Resolution No. 4,703/18, published on July 24, 2018, the ENACOM provided for the use of the TAD Platform for requests and notices. In view of the legal and operating implications of this implementation, on August 8, 2018, Telecom filed with the ENACOM an appeal against said resolution, which, to date, is still pending resolution.

- **Implementation of the Rules for the Registration of SCM Customers**

On December 2, 2016, the ENACOM published Resolution No. 8,507 - E/2016, whereby it approved the Rules for the Registration and Validation of the Identity of the Account Holder Users of Mobile Communication Services.

Through Resolution No. 466/2018, published in the Official Gazette on October 19, 2018, the ENACOM extended until October 31, 2018 the term for the registration and validation of all the preexisting prepaid customers.

The Group has conducted all the necessary actions and implementations required to fulfill the guidelines for the registration of its customers, as ordered by said regulations.

CONSULTATION DOCUMENT UNDER THE PROCEDURE FOR THE “GENERAL RULES GOVERNING PUBLIC HEARINGS AND CONSULTATION DOCUMENTS FOR COMMUNICATIONS” AND THE “GENERAL RULES FOR THE PARTICIPATORY DEVELOPMENT OF RULES”

- **Procedure for the Public Consultation on Allocation of Shared-Use Frequency Bands**

Through Resolution No. 2/18, the SETIC ordered the beginning of the procedure provided under Article 44 et seq of the General Rules Governing Public Hearings and Consultation Documents for Communications, with respect to the document “Public Consultation on Allocation of Shared-Use Frequency Bands.”

Telecom submitted its opinions and observations about the Document under consultation on January 10, 2019.

- **Public Consultation Procedure for Infrastructure Sharing**

Through Resolution No. 18/18, the SETIC ordered the beginning of the procedure provided under Article 44 et seq of the General Rules Governing Public Hearings and Consultation Documents for Communications, with respect to the document “Public Consultation for Infrastructure Sharing.”

On October 8, 2018, Telecom submitted its opinions and observations about the Document under consultation.

On January 29, 2019, Resolution 2019-3-APN-STIYC#JGM was published in the Official Gazette. Pursuant to said resolution, the Secretariat of Information and Communications Technology ordered the beginning of the procedure provided under Article 44 et seq of the General Rules Governing Public Hearings and Consultation Documents for Communications, with respect to the document “General Rules for Infrastructure Sharing.” As of the date of these consolidated financial statements, Telecom is analyzing the document in order to file the pertinent opinions and observations.

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- **Procedure for the Public Consultation on Update of the Main Signaling Plan.**

Through Resolution No. 2/18, the SETIC ordered the beginning of the procedure provided under Article 44 et seq of the General Rules Governing Public Hearings and Consultation Documents for Communications, with respect to the document "Public Consultation on Update of the Main Signaling Plan."

On January 10, 2019, Telecom submitted its opinions and observations about the Document under consultation.

- **Procedure for Public Consultation on the Most Beneficial Conditions for Network Access and Use**

Through Resolution No. 4/18, published in the Official Gazette on December 18, 2018, the Secretariat of Modernization ordered the beginning of the procedure provided under Article 44 et seq of the General Rules Governing Public Hearings and Consultation Documents for Communications, with respect to the document "Public Consultation on the Most Beneficial Conditions for Network Access and Use."

Telecom submitted its opinions and observations about the Document under consultation.

- ✓ **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 Service 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, among other things:

(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;
- ✓ 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) 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.

(iii) 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.

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(iv) 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 TELECOM 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:

- 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. 1,340/16, 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 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 Communications Argentina S.R.L. 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 effective and the shareholders agreement dated July 7, 2017 entered into effect, as a result of which Cablevisión Holding became legally the controlling company of Telecom Argentina, as surviving company of Cablevisión.

Said Resolution also approved:

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- (i) The relinquishment of the service registrations that are currently non-operative that had been requested by Cablevisión (Paging (“SAP”), Community Retransmission (“SRC”), Public Telephony (“STP”), Vehicle Tracking (“SLV”) and Radio Electric Link Alarm (“SAVR”) services) and by TELECOM (SRC); 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 television 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) 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 the Resolution was issued, 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 the Resolution was issued, 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 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 ICT 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.*

On June 29, 2018, the Secretary of Commerce issued Resolution No. 374/18, whereby it authorized the merger transaction in the terms of paragraph a) of Article 13 of Law No. 25,156. (For more information, see Note 4.a).

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✓ **ENACOM RESOLUTIONS Nos. 840/18, 1,196/18 AND 4,353/18 – 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.

Pursuant to Resolution No. 4,353/18, published in the Official Gazette on May 24, 2018, the new Regime for Radioelectric Spectrum Fees will not have an impact until August 31, 2018. This Resolution seeks to suspend the effects of Resolutions Nos. 840/18 and 1,196/18 as from the date of their publication and until August 31, 2018. During this period, the accrued Radioelectric Fees corresponding to Mobile Communication Services (SRMC, STM, PCS and SCMA) will be paid in accordance with the previous regime established under Resolutions Nos. 840/18 and 1,196/18. The affidavits corresponding to Mobile Communication Services (SRMC, STM, PCS and SCMA), due in April and May 2018, which were not prepared in accordance with ENACOM Resolution No. 840/2018 shall be amended and filed and the resulting differences shall be paid on October 10, 2018.

As of the date of these consolidated financial statements, Telecom has filed the restated returns for March and April 2018 (due in April and May) and has paid (under protest) the corresponding amounts. It also started to comply, as from September 2018, with the filing and payment (under protest) of the corresponding returns.

✓ **COMPRE ARGENTINO (Buy Argentine)**

Pursuant to Article 1 of Law No. 27,437 regulated under Decree No. 800/2018 and Resolution No. 91/2018 issued by the Secretariat of Industry, Telecom Argentina- in its capacity as public fixed telephony service licensee-, and its respective direct subcontractors, shall give preference to the acquisition or lease of goods of national origin, under the terms of such law, for the procurement of supplies and public works and services.

Article 2 of said law provides that the preference established under Article 1 shall be given to goods of national origin when the price of identical or similar goods, under cash payment conditions, is equal to or lower than the price of foreign goods increased by 15% when the offerors qualify as micro, small and medium-sized enterprises – (MSMEs), and by 8% for any other company. In the comparison, the price of foreign goods shall contemplate applicable import duties and all the taxes and expenses required for their nationalization.

Article 5 of said law sets out that a good is considered to be of national origin when it has been produced or extracted in the Argentine Republic, provided that the cost of nationalized imported raw materials, inputs or supplies does not exceed 40% of its gross production value.

The procurement of services is subject to Law No. 18,875, which sets out the obligation to contract exclusively the services of domestic companies, consulting firms and professionals, as defined in said law. Any exception shall have to be previously approved by the competent ministry.

Through Resolution No. 2,350/04, the former CNC approved the “Procedure for the fulfillment of the Compre Trabajo Argentino Regime”, which includes the obligation to file semi-annual affidavits regarding the fulfillment of these rules.

The rules provide for economic, administrative and criminal sanctions for failure to fulfill the obligations established under the Compre Argentino regime.

It should be noted that this regulation reduces the operating flexibility of the Group due to, among other reasons, the request for authorizations prior to the completion of acquisitions, the time spent in preparing the required filings with respect to the obligation to file semi-annual affidavits regarding fulfillment of the Compre Argentino regime and the related administrative expenses.

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NOTE 3 - MAIN ACCOUNTING POLICIES

These consolidated financial statements have been prepared by applying the criteria for the restatement for inflation of financial statements set forth in IAS 29. For more information, see Note 1.e).

a) Going Concern

The consolidated financial statements as of December 31, 2018 and 2017 have been prepared on a going concern basis as there is a reasonable expectation that the Company and its subsidiaries will continue its operational activities in the foreseeable future (and in any event with a time horizon of more than twelve months).

b) Foreign Currency Translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Argentine pesos (\$), which is the functional currency of all Group companies located in Argentina. The functional currency for the foreign subsidiaries of the Group is the respective legal currency of each country.

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 year.

c) Foreign Currency Transactions

Transactions in foreign currencies are translated into the functional currency using the foreign exchange rate prevailing at the date of the transaction. 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 expenses on Debt and Other financial results, net.

d) Consolidation

These 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".) These consolidated financial statements include the structured entities with the specifications mentioned in point d.4).

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 consolidated statement of changes in equity and in the consolidated statement of comprehensive income.

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All intercompany accounts and transactions have been eliminated in the preparation of these 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 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 two or more companies 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, 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 public administration agencies of the Province of Buenos Aires and the municipal agencies in a single data communication provincial network.

The UTE 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, 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' assets and liabilities and net income 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 net income for the year or in other comprehensive income obtained by the associate, after the acquisition date. The distribution of dividends 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.

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As of December 31, 2017, the Company included the acquisition cost (restated as described in Note 1.e)) 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 these 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 (the amount restated for inflation as of December 31, 2018 is of \$83 million). 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 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 (the amount restated for inflation as of December 31, 2018 is of \$83 million).

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 acquired company'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.

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 these consolidated 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 (the amount restated for inflation as of December 31, 2018 is of \$194,435 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 value amounted to \$ 108,324 million. Of this amount, \$ 1,958 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 a value of \$ 88,072 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 \$ 92,637 million. The purchase price paid in excess of book value in the amount of \$50,504 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 \$ 59,329 million. The amount paid in excess \$ 48,978 million of the book value of Licenses (\$ 22,046 million) was allocated primarily to Intangible Assets under the comparative market value method, customer portfolio (for \$ 13,701 million) under the discounted cash flows method, Brands (for \$ 13,029 million) based on royalties on gross sales;
- The total deferred income tax liabilities incorporated amounted to \$ 24,716 million (net of deferred income tax assets for \$3 million.) Deferred income tax liabilities in excess were recognized in the amount of \$ 25,443 million (of which \$921 million was 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.

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

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d.6) Accounting treatment of the acquisition of the remaining equity interest (30%) in the controlled company CV Berazategui

On April 4, 2018, Telecom acquired shares representing 30% of the capital stock and votes of the company CV Berazategui for a total amount of US\$ 8,968,000, equivalent to \$ 181 million at the date of the transaction.

The remaining 70% of the capital stock and votes of CV Berazategui is held by Pem, a company controlled by Telecom Argentina.

This operation represents a transaction between controlling and non-controlling shareholders in the consolidated financial statements. Therefore, the Company made a \$5 million adjustment to the non-controlling interest, which represents 30% in CV Berazategui under the equity method, and the difference between the purchase price of \$181 million and said adjustment to the non-controlling interest was debited to the account "Other Reserves" under Equity attributable to controlling shareholders as of December 31, 2018, as provided under IFRS 10 (the amount restated for inflation as of December 31, 2018 is of \$237 million).

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.

Revenues are stated net of discounts and returns (such as the returns of handsets). The Group 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.

The selling prices identified in the different sale transactions are stated net of discounts (list price less discounts, as appropriate.) In those cases in which payment is deferred in time, such as construction contracts, the effect of the time value of money must be accounted for.

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

The Group's main performance obligations are:

- *Mobile Services*

The Group provides mobile services in Argentina and Paraguay through wireless networks.

Service revenues consist of monthly basic fees, airtime usage charges, roaming, TLRD, CPP (as from October 1, CPP ceased to be recognized as such, it started to be recognized as a call termination charge) 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 and own agents.

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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.

Taking into consideration that the customer pays for the handset the price net of the discount and that, under the application of the method detailed in the previous paragraph, the discount applied to the handset is allocated between handset sale revenues and service revenues, a contractual asset will be recognized. The contract with individual customers is executed for an indefinite term with a minimum of one month of service and the payment for the handset price net of the discount. In those cases, the contractual asset is reversed in a one-month term. In the case of large customers, the recognition of said contractual asset will decrease to the extent service revenues are recognized, and will be fully derecognized in the 24th month, which is the stipulated contractual term for this type of customers. The method used provides an accurate representation of the transfer of goods or services in mobile telephony contracts in which more than one product or service is offered.

- Internet Services

Internet service 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.

- 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.

Cable television subscription fees are billed in advance and recognized as revenues when services are provided.

Non-refundable up-front connection fees (one-time revenues) in connection with these services are deferred and charged to income over the estimated median of the duration of a client's subscription.

- Fixed Telephony and Data Services

Domestic fixed telephony service revenues mainly consist of monthly 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.

Non-refundable up-front data and fixed telephony service 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.

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.

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Revenues on construction contracts are recognized based on the stage of completion (percentage of completion method). Said method provides an accurate representation of the transfer of goods in construction contracts because revenues are recognized based on the progress of the construction. When the outcome of a construction contract can be estimated reliably, the revenues 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.

As of December 31, 2018, the Company recognized revenues from construction contracts in the amount of \$ 160 million and expenses from construction contracts in the amount of \$ 155 million. With regard to construction contracts, as of December 31, 2018, the Company recorded \$ 322 million as liabilities from deferred sales and \$ 537 under Inventories.

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.

Investments in Government Securities were valued at amortized cost or at fair value, according to the business model established by the Company's Management.

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.

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Contractual assets under IFRS 15, as disclosed under section 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.

Investments

Notes 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.

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.

Government securities in foreign currency issued by National, Provincial and Municipal governments that the Company originally intended to hold through maturity are valued at amortized cost and accrue interest in foreign currency. In this particular case, the Company calculated the cash flows in US\$ to be generated by these government securities through maturity and their fair value in US\$ at the time of the transaction to obtain the rate that matches both amounts at the time of acquisition. The cost of acquisition in US\$ was adjusted using the internal rate of return and the resulting amount was translated to Argentine pesos at the exchange rate prevailing on the measurement date. Exchange differences generated by these government securities were accounted for under Other Financial Results, net - Other Exchange Differences.

Other Investments in Government Securities are valued at fair value.

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

Impairment of Financial Assets

At the time of initial recognition of financial assets (and at each closing), the Group estimates the expected losses, 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.

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 Group 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.

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Derecognition of Financial Liabilities

The Group 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.

f.3) Derivatives

Derivatives are used by the Group to manage its exposure to exchange rate and 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 under Note 21.c – Hedge Accounting.

When a derivative financial instrument is designated as a cash flow hedge, 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 year ended December 31, 2018, see Note 21.

g) Inventories

Inventories are measured at the lower of the restated 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.

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

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 Group and the cost of the item can be measured reliably.

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

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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, Amortization and Impairment of PP&E and Intangible Assets line item.

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. Those 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 year.

Depreciation of the PP&E owned by the Group 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	50
Fixed Network and Transport	5 – 10
Mobile Network Access	3 – 7
Antenna Support Structure	10 – 20
Switching Equipment	5 – 7
Computer Equipment	3 – 5
Vehicles	5
Goods under Loans for Use	2 – 4
Power Equipment and Installations	2 – 12
Machinery, Diverse Equipment and Tools	5 – 10

Depreciation rates are reviewed annually and revised if the current estimated useful life is different from previous estimates, taking into account, among other, 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 valued at their restated cost, less accumulated amortization and impairment losses, if any.

Intangible assets with an indefinite useful life are valued at their restated cost, less accumulated impairment losses, if any.

Intangible assets comprise the following:

- 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 those 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.

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- 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 Decree No. 1,340/16 issued by the Executive Branch and Resolution No. 528/2018 described under Note 2. e), the remaining useful life of the frequencies included in lot 8 of the auction was re-estimated. Therefore, the amortization of the 700Mhz bands will end in January 2033.

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. Therefore, this license is subject to a recoverability assessment, at least on an annual basis.

No impairment losses have been recorded for those intangible assets at year-end.

- Núcleo Licenses

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. Finally, after CONATEL had issued, as provided under the telecommunications law, resolutions whereby it provisionally extended them, during the second quarter of 2018, the PCS license was extended for approximately \$64 million, amortized over a 60-month term.

The 700 MHz- band spectrum licenses acquired by Núcleo during the first quarter of 2018 for US\$ 24 million. Such licenses are amortized over a term of 10 years.

- SRCE License

The SRCE license has an indefinite useful life No impairment losses have been recorded for those intangible assets at year-end.

- 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. 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. In addition, it includes the customer portfolio of Tuves Paraguay.

- Brands

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

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- *Other*

"Other" includes Exclusivity Rights, Rights of Use, among others. 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 year-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.

As of December 31, 2018, the Group does not hold effective financial leases or any residual value of fixed assets acquired under financial leases.

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.

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

The Group 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 amount of an asset is the higher of the fair value (less selling expenses 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 Group estimates the recoverable value of the cash-generating unit to which the asset belongs.

Intangible assets with an indefinite useful life and goodwill are not subject to amortization and are tested at least annually for impairment. The intangible asset with an indefinite useful life held by the Company as of December 31, 2018 is the PCS license in Argentina, the brands acquired under the business combination

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(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 years presented, the Company estimates that there are no indicators of impairment of the assets that are subject to amortization, with the exception of, mainly, the impairment recognized for the brand Arnet for \$ 1,623 million. During the last quarter of the year ended December 31, 2018, Telecom decided to discontinue the use of the brand Arnet for its broadband product during 2019. The customers that currently use said brand will now use said service under the brand Fibertel. This will allow the Company to simplify its brand portfolio completing the alignment of products, and to establish a better and more direct communication with its customers.

The net effects of the constitution and recovery of the above-mentioned impairments are recorded under "Impairment of PP&E" and "Impairment of Intangible Assets", which is described under Note 23.

m) Other Liabilities

Pension Benefits

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 the Group'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:

	2018	2017
Discount Rate (1)	6.4%-15.2%	4.6% - 9.2%
Projected increase rate in compensation	10.0%-31.2%	8.0% - 16.3%

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

Additional information on pension benefits is provided in Note 17.

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 point e) Revenues – Mobile telecommunication services.

Deferred revenues on connection fees

Non-refundable up-front connection or installation 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 Note 3.e) Revenues – Fixed telephony, data, Internet and cable television services.

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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 International Capacity Leases

Under certain network capacity purchase agreements, the Group sells excess purchased capacity to other carriers. Revenues are deferred and recognized as services are provided.

Grants for the Acquisition of PP&E

Government grants for the acquisition of PP&E must be recognized as income to match them with the costs for which they are intended to compensate, on a systematic basis. Pursuant to IAS 20, grants related to assets may be disclosed as deferred income or deducted from the carrying amount of the asset. The Company chose the first alternative provided under IAS 20 in the understanding that the recognition as deferred income reflects more properly the economic reality of the transaction. Therefore, the related assets are recognized taking into consideration the cost incurred in the construction of the asset, while the grant is recognized as deferred income under other liabilities - miscellaneous and is charged to income as from the time the infrastructure is operational and during its useful life.

n) Salaries and Social Security Payables

These include unpaid salaries, vacation and bonuses and their 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

It mainly includes: 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 under 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 this case, the tax is also recognized under Other comprehensive income or directly in equity, respectively. The income tax expense for the period / 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 and its reversal in the future will have an impact on

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taxable income. 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 foreign subsidiaries that generate a deferred income tax liability due to a difference in the income tax rates, only where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets 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 that may arise 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 recoverable value of deferred tax assets must be examined at the end of each accounting reporting year. The company must reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available before it lapses to allow for the computing of the deductions of the deferred tax asset. Any such reduction may be reversed in future years to the extent that it becomes probable that sufficient taxable profit will be available to compute these deductions.

The statutory tax rate in Argentina for the current year 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 irregular eight-month year ended December 31, 2017 was 35%.

For the assessment of deferred taxes as of December 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 all years 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%, representing an effective tax rate of 15%. Telecom Argentina recognized a deferred tax liability arising from the effect of the difference in the income tax rates between Argentina and Paraguay on Núcleo's accumulated profits because it is probable that these accumulated profits will flow in the form of dividends and generate the future payment of income tax in Telecom Argentina under the "worldwide income" principle provided by Argentine laws.

The statutory income tax rate in the United States was 39.5% for the year ended December 31, 2017. Since January 1, 2018, a new Income Tax Law has come into effect, which modifies the federal flat rate to 21% changing the total legal income tax rate from 39.5% to 26.5%.

Tax on assets

In Argentina, the tax on assets (*impuesto a la ganancia mínima presunta*) is supplementary to income tax. The Company assesses this tax at the effective rate of 1% on the taxable assets at year-end. The Company's tax liability for each year will be equal to the higher of the tax on assets assessment or the income tax liability assessed at the legally effective rate on the estimated taxable income for the year. However, if the tax on assets exceeds the income tax liability in any given fiscal year, the excess may be creditable against any excess of income tax liability over the tax on assets in any of the following ten fiscal years.

Notwithstanding the provisions of the law, pursuant to AFIP Instruction No. 2/2017, companies shall not be subject to tax on minimum presumed income if they record both accounting and tax losses in the relevant fiscal period.

In addition, Law No. 27,260 repeals tax on minimum presumed income as from fiscal years beginning on or after January 1, 2019.

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In 2018, Telecom was subject to the Tax on assets and has recognized accounting profits and tax losses.

As of December 31, 2018, 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 current business plans of Telecom and its subsidiaries.

Declaration as Proper Taxpayer from the subsidiary Telecom Argentina

Pursuant to Law No. 27,260, Argentine companies that have properly fulfilled their tax obligations during the two fiscal year periods prior to the 2016 fiscal year and complied with other requirements may qualify for an exemption from the personal assets tax for the 2016, 2017 and 2018 fiscal years. The request for this tax exemption should be filed before March 31, 2017.

Telecom Argentina and Cablevisión have already filed this request related to the payment of personal assets tax as substitute taxpayer (on behalf of its shareholders). Telecom's Management believes that the requirements to obtain said exemptions were duly fulfilled. However, it cannot be assured that the Tax Authorities will not challenge said situation.

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).

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. The rate is 1% and adopts the "pay or play" mechanism for compliance with the mandatory contribution to the SU fund.

Audiovisual Communication Services Law No. 26,522 established a tax on audiovisual communication services. According to the law, the holders of those services must pay a tax proportional to the amount of gross revenues from the sale of traditional and non-traditional advertising, programs, signals, contents, subscriptions and any other item that arises from the exploitation. In the case of cable operators, the tax rate varies between 2% and 5% based on the number of inhabitants in the area where the service is rendered. In the case of licensees, permit holders, authorized entities and owners of the registered title of signals who are registered VAT payers and are also subject to the tax established by Law No. 26,522, 100% of the amounts effectively paid under the tax established by the new law may be creditable against VAT.

In addition, the Company pays for copyrights to several institutions such as AADI-CAPIF, SADAIC, ARGENTORES. Those rights are calculated on similar bases as those indicated in the previous paragraph and the rates range between 0.1% and 1%.

Tax Reform and Tax Consensus - on Laws Nos. 27,429, 27,430 and 27,432

1 - Tax Reform

On December 29, 2017, the National Executive Branch enacted Law No. 27,430 - regulated through Decree No. 1,170/2018 -, which establishes a comprehensive reform of the tax system effective as from 2018. Some of the changes implemented under this Law were amended by other regulations during 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*

Law No. 27,430 reduced 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 established a withholding tax regime on distributed dividends at a rate of 7% for distributions of profits generated during fiscal years beginning as from January 1, 2018, and at a rate of 13% for fiscal years beginning as from January 1, 2020. Profits generated during years ended until December 31, 2017 will not be subject to withholding at the time of their distribution. The withholding only applies to those shareholders that are individuals residing in Argentina and non-resident individuals.

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 ended December 31, 2018 and 2019, and 25% for the following years.

In the case of individuals and undivided states 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. Decree No. 1,170/2018 provides that the conversion process whereby individuals or undivided estates residing in Argentina cease to be holders of non-exempted ADRs to become holders of the underlying exempted shares will be deemed a taxable transfer of ADRs at the rate effective as of the conversion date.

The foregoing exemption will also be applicable to foreign beneficiaries, or in its case depositors, to the extent that said beneficiaries do not reside in, and the funds do not come from, non-cooperative jurisdictions. 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.

- *Optional asset revaluation regime for tax purposes.*

Law No. 27,430 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 consolidated financial statements.) Law No. 27,468, published on December 4, 2018, provided that the adjustment must be made based on IPC variations.

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.

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:

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- 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, those restated values were restated as from January 1, 2018 based on the variations of the IPC, as provided under Law No. 27,468.

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 and those in which the amortization of the revalued amount is calculated. 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.)

Telecom has conducted analyses and calculations in order to assess the convenience of opting for the application of the asset revaluation regime and has decided not to apply it.

- *Inflation Adjustment*

Notwithstanding the above-mentioned regime, Law No. 27,430 and its amending Law No. 27,468 (published in the Official Gazette on December 4, 2018) provide that, effective as from fiscal years beginning on or after January 1, 2018, the inflation adjustment procedure set out in Title VI of the income tax law shall be applicable in fiscal years in which the variation of IPC price index, accumulated in the 36 months immediately preceding the end of the relevant fiscal year, is higher than 100%.

In the first, second and third year as from its effectiveness, this procedure shall be applicable as long as the accumulated variation of the IPC, calculated from the beginning of the first year to the end of each year is higher than 55%, 35% and 15%, respectively. In addition, said bill provides that the positive or negative inflation adjustment, as the case may be, corresponding to the first, second and third fiscal years beginning as from January 1, 2018, that must be calculated if the triggers set forth in the bill occur, shall be allocated as follows: one third in that fiscal period, and the other two thirds, equally, in the immediately following two fiscal periods.

Internal Taxes and Tax Collection ENARD

Law No. 27,430 also provides for an increase in the effective internal tax rate applicable to mobile telephony services from 4.16% to 5.26%, effective for taxable events executed as from March 1, 2018. In addition, said law repeals collection at source of the charge imposed for the benefit of the ENARD, as from such date.

In addition, pursuant to Decree No. 979/2017, as from November 15, 2017, for the year ended December 31, 2018, 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 (for 2019 the rate will be 9.89%.) 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 Credits 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.

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Social Security

Law No. 27,430 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 as from January 2019 to reach \$12,000 by 2022, based on the variations of the IPC. Pursuant to RESOL-2018-3-APN-SESS#MSYDS, the non-taxable base for 2019 will be \$7,003.68. The Law gradually phases out employers' social security contributions that are creditable against VAT.

The National Budget Law for the year 2019 (Law No. 27,467) provides that entities that provide broadcast television or physical link and/or radio electric link subscription television services, audio broadcasting, cable television signals, newspaper, magazine or periodical publishing companies or companies engaged in digital journalism, and the distributors of those publishing companies, may all calculate employer's contributions on the payroll for the personnel engaged in said activities as tax credit on VAT. These contributions must have been accrued in the fiscal period and effectively paid at the moment of submitting the VAT return. As provided above, where the salaries that give rise to the employer's contributions which may be calculated as tax credit on VAT are indistinctly related to other activities outside the scope of this benefit, they will be subject to the apportionment procedure. During 2018, the Company has applied a regime similar to that provided under Law No. 27,467, based on final court decisions allowing its application.

- **Export Duties**

Law No. 27,467 granted the Executive Branch, until December 31, 2020, the power to apply export duties on services rendered in Argentina that are effectively used or exploited abroad, with a rate of up to 30% of the value of those services. Decree No. 1,201/18 provided that such services are subject to an export duty of 12% with a cap of \$ 4 for each dollar of the taxable value of the above-mentioned transaction, payable on a monthly basis based on invoiced transactions.

This export duty is applicable to services rendered and invoiced from January 1, 2019 to December 31, 2020, even if the agreements or transactions were executed before that date.

2 - 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.)

All payroll taxes were eliminated.

As to stamp tax rates, for certain activities and contracts, the maximum stamp tax rate was set at 0.75% as from January 1, 2019, with a gradual decrease until its complete phase out as from January 1, 2022. However, the implementation of this provision was postponed for one year through Law No. 27,469 "2018 Tax Consensus", published in the Official Gazette on December 4, 2018.

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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 on which such costs are 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

Debt 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; and
- Interest on Allowances.

s) Net Earnings per Share

Basic earnings per share are calculated by dividing the net income or loss attributable to owners of the Parent by the weighted average number of ordinary shares outstanding during the year (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, mainly mobile telephony contracts. 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.

Said standard requires allocating the total selling price to each performance obligation in proportion to its standalone selling price. The main performance obligations are the sale of the handset and the rendering of the service, which is deemed to have an estimated service term that varies based on the enforceability of the contract according to the type of customer (currently 24 months for large customers and an indefinite term for individuals.)

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These amendments introduced by IFRS 15 initially generated an early recognition of handset sales revenues that will have an impact on accumulated income in the amount of \$ 808 million due to the partial retroactive application of said standard against the recognition of contractual assets in the amount of \$ 1,153 million and deferred income tax liabilities in the amount of \$ 345 million as of January 1, 2018. Said increase is due to the fact that the discounts given to customers on handsets will be allocated between the sale of handsets and the services. Before the application of this standard, said discount was allocated to the sale of handsets.

In addition, this standard generated a reallocation of revenues, increasing equipment sales revenues in the amount of \$ 588 million and reducing the recognition of service revenues in the amount of \$ 483 million, generating a net increase in sales of \$ 105 million and a deferred income tax expense of \$ 32 million for the year ended December 31, 2018. As of December 31, 2018, the contractual asset in the amount of \$ 85 million, recorded under current and non-current trade receivables, will decrease to the extent service revenues are recognized until the expiration of the stipulated contractual term.

The capitalization of handset subsidies occasionally granted by the Company 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 "Abono Fijo" 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 IFRS.

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 \$ 90 million (lower retained earnings of \$ 125 million net of income tax of \$ 35 million), of which \$ 83 million is attributable to controlling shareholders (\$ 117 million, net of income tax of \$ 34 million) and \$ 7 million to non-controlling shareholders (\$ 8 million, net of income tax of \$ 1 million.) The non-capitalization of handset subsidies as from the year ended December 31, 2018 generated an increase in the Cost of handset sales of approximately \$ 145 million and a decrease in amortization of approximately \$143 million for the year ended December 31, 2018 (\$2 million loss, which net of income tax of \$1 million would amount to \$1 million.)

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 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, which at the closing rate amounts to \$722 million (an increase in the allowance of \$ 982 million - of which \$ 245 million correspond to credits that belonged to Cablevisión-, net of income tax of \$ 260 million.) The effect of applying that standard for the year ended December 31, 2018 generated an increase in bad debts of \$ 496 million, which net of the tax effect of \$ 149 million amounted to a net loss of \$ 347 million.

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

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revenues and costs during the year. Actual results could differ, even significantly, from those estimates owing to possible changes in the factors considered in the determination of such estimates. Estimates are reviewed periodically.

The most important accounting estimates which require a 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 contractual assets under IFRS 15 regarding upfront connection fees; • traffic and consumption measures.
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 Group 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 the PP&E or intangible assets subject to amortization 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 judgments concerning the validation of impairment indicators, expected cash flows and applicable discount rates. Estimated cash flows are based on 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, and the discount rate, among others.</p> <p>For the years 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 point I) of this note and the inflation adjustment recognized as from 2018. Therefore, the Company conducted the recoverability assessment of the total fixed assets estimating their value in use. Any 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>
Recoverability of intangible assets with an indefinite useful life and goodwill.	<p>The Group determined that, for the years presented, the PCS and SRCE license and the brands acquired under the business combination described in Note 4.a) meet the definition of indefinite-lived intangible assets. Therefore, they must be tested for impairment, at least on an annual basis. In addition, the Group records goodwill that is not amortized and which recoverability should be assessed at least on an annual basis. The recoverability assessment of an indefinite-lived intangible asset and goodwill 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, and the discount rate, among others. The discount rate used to determine the future discounted cash flow is an annual real US dollar rate of approximately 9.66%.</p> <p>Except for what is specifically mentioned in point I of this Note, the Company has not recognized impairment of PP&E and Intangible Assets.</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>

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Item or Account	Estimates
<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 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>Pursuant to Law No. 27,430, the corporate income tax rate for Argentine entities 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> <p>The recoverability assessment of the tax receivable related to tax reimbursement claims filed by Telecom 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 Telecom.</p>
<p>Receivables and payables valued at amortized cost</p>	<p>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 discount rate used to determine the discounted cash flows of long-term receivables ranges between 29% and 40% for the year 2018. In addition, for the discount of long-term receivables denominated in US dollars, the Company used an approximate annual rate in dollars of 8.32% for the year 2018 and of 13% for the year 2017. The discount rate of receivables denominated in Guaraníes was of 9% and 9.8% for the years 2018 and 2017 and the discount rates in Guaraníes for loans was of 8.32 and 8.83% for the years 2018 and 2017, respectively.</p>
<p>Measurement of the fair value of certain financial instruments</p>	<p>The fair value of a financial instrument is the price at which the instrument could be purchased or sold in an orderly transaction between knowledgeable market participants on an arm's length basis. 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 those values, see Note 21.</p>
<p>Provisions</p>	<p>The Group 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 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.</p>
<p>Allowance for Bad Debts</p>	<p>The recoverability of trade receivables is measured by considering the aging of the accounts receivable balances, unsubscription of customers, historical write-offs, public sector and corporate customer creditworthiness and changes in the customer payment terms, as well as the estimates regarding future performance, assessing the expected credit loss in accordance with IFRS 9. If the financial condition of the customers were to deteriorate, the actual write-offs could be different from expected.</p>
<p>Business Combinations (Note 3.d.5)</p>	<p>In connection with the accounting treatment of the business combination referred to in Note 4.a), Telecom identified 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 an accounting Standard or Interpretation that specifically applies to a particular transaction, the Company's Management 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,

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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.

w) New Standards and Interpretations issued by the IASB but not yet effective

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 year ended December 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. The Company and its subsidiaries, as of the date of these consolidated financial statements, continue analyzing the impact that this new standard may have on the Group's financial position, cash flows and results of operations.

The Company expects that the application of IFRS 16 will generate an increase in assets and liabilities and a decrease in operating costs. In addition, there will be an increase in the balance of amortization and financial results generated by the adjustment of lease liabilities. In addition, it will change the presentation of the income statement and the statement of cash flows.

The impact of the implementation of this standard as of January 1, 2019 would be an increase in non-current assets due to the initial recognition of the Rights of use and trade liabilities for approximately \$3.6 Bn. In addition, as a consequence of that initial recognition, there would be an approximate impact on the income statement for the year 2019 of: decrease in operating leases of \$1.6 billion, increase in amortizations of \$1.3 billion and increase in financial expenses of \$0.3 billion.

- 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 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. The Company does not expect impacts on the application of this interpretation on the Group's statement of financial position, the statement of comprehensive income or the statement of 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 that date, the Boards of Directors of Telecom Argentina and Cablevisión 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.

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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 Capital Federal ("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, 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 LGS) in Telecom Argentina that occurred when the merger became effective and the 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 purpose of the Merger was 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.

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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 corresponding operating, accounting and tax effects, (iii) the management and representation of Cablevisión was undertaken by the management and representatives of Telecom Argentina.

On August 22, 2018, through Resolution RESFC 2018-19688-APN-DIR-CNV 2018, the CNV approved the Merger, the amendment of the bylaws of Telecom Argentina and its capital stock increase as a result of the Merger. The Merger, the amendment of the bylaws and the capital stock increase of Telecom Argentina was registered with the IGJ on August 30, 2018 under No. 16,345, Book No. 91, Vol. Stock Companies.

In connection with the above-mentioned transaction, on July 7, 2017, the Company, together with VLG Argentina LLC, currently, after its nationalization, VLG S.A.U., 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"). All the provisions of said Agreement 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;
- 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; and
- The appointment of management, establishing that, 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, respectively.

Pursuant to the Agreement, Fintech Telecom LLC and the Company (i) 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, exceed fifty percent (50%) of the outstanding shares after the Merger becomes effective, and (ii) each appoint a co-trustee who vote the shares under the terms of the voting trust executed by certain parties of the Agreement. The shares under the Voting Trust are 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 determine the vote with respect to the shares under the Voting Trust. The Voting Trust was formalized on April 15, 2019.

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-

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mentioned prepayment, Fintech Media LLC pledged in favor of the Company a 21.55% interest in VLG Argentina LLC.

On December 27, 2017, the Company exercised the Option. As a result, it chose to receive an additional equity interest in VLG Argentina LLC 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 Argentina LLC and the Company became the holder of 71.55% of the capital stock of VLG Argentina LLC.

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 Argentina LLC 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 Argentina LLC, 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 Argentina LLC 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 Argentina LLC 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 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.

On June 29, 2018, through Resolution No. 374/2018, the CNDC authorized under the terms of paragraph a), Article 13 of Law No. 25,156 the merger transaction whereby Telecom absorbed Cablevisión. In said resolution, as part of the approval of the merger, the CNDC also (i) approved the assignment of 143,464 residential subscribers of the Internet service rendered by Telecom under the brand Arnet to Universo Net S.A. (said assignment was completed during the third quarter of 2018), (ii) accepted the conduct undertaking filed by Telecom, Cablevisión, Cablevisión Holding and Fintech, whereby Telecom undertook to limit the integrated marketing of subscription television services by physical link with the mobile communications service until certain conditions are fulfilled, and (iii) accepted the conduct undertaking filed by Telecom, Cablevisión, Cablevisión Holding and Fintech, whereby Telecom undertook to offer the possibility that any current or new Internet service provider may provide the retail broadband service by leveraging the use of its copper network under ADSL technology under the terms described in said resolution.

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 in Note 3.d.5).

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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 year ended December 31, 2018, contemplating the effect of the inflation adjustment mentioned in Note 1.e)., are the following:

	Total net identifiable consolidated assets in constant currency
ASSETS	
Cash and Cash Equivalents	4,180
Trade Receivables	12,013
Other Current Assets	10,044
Total Current Assets	26,237
Deferred Income Tax Assets	3
Investments	3,927
Goodwill	88,072
Property, Plant and Equipment ("PP&E")	92,637
Intangible Assets	59,329
Other Non-Current Assets	636
Total Non-Current Assets	244,604
Total Assets	270,841
LIABILITIES	
Total Current Liabilities	32,470
Deferred Income Tax Liabilities	24,716
Other Non-Current Liabilities	17,262
Total Non-Current Liabilities	41,978
Total Liabilities	74,448
SHAREHOLDERS' EQUITY	196,393
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	270,841

Interest attributable to the shareholders of the controlling company on the net identifiable assets.	75,985
Interest attributable to the non-controlling interest on the net identifiable assets.	120,408
	196,393

Impact on the consolidated income statement of the amount paid in excess of book value allocated.	For the year ended December 31, 2018
Revenues	(30)
Operating Costs	(187)
Operating (Loss) Income before Depreciation and Amortization	(217)
Depreciation, Amortization and Impairment of PP&E and Intangible Assets	(11,414)
Operating (Loss) Income	(11,631)
Financial Results, net	35
(Loss) / Income before Income Tax Expense	(11,596)
Income Tax	3,479
Net (Loss) Income	(8,117)
Attributable to Telecom Argentina (Controlling Company)	(8,044)
Attributable to Non-Controlling Shareholders	(73)

In these 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 (restated as of December 31, 2017); ii) the recognition of a larger interest attributable to non-controlling interests in the net assets of Cablevisión measured at book value restated 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.

Total revenues related to the business of the acquiree company amount to \$88,020 for the year ended December 31, 2018. Disclosure of the profit or loss of the acquiree since the acquisition date included in the Consolidated Statement of Comprehensive Income for the year ended December 31, 2018 is not disclosed because costs are not specifically appropriated to a type of service, considering that the Company has a

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single payroll and operating expenses that affect all services in general (non-specific allocation between acquirer and acquiree).

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.

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.

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.

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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 equal to 2% per annum applied to the outstanding balance as of May 31 of each year; (v) they may be redeemed by 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:

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- 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 by way of conversion into 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.

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.

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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.

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>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
<u>Cash and Cash Equivalents</u>		
Cash and Banks	1,901	5,162
Time Deposits	5,495	632
Mutual Funds	60	1,400
Other Investments at fair value	-	10
Total Cash and Cash Equivalents	<u>7,456</u>	<u>7,204</u>
<u>Investments</u>		
<u>Current</u>		
Notes and Bonds at Fair Value	727	50
Notes and Bonds at Amortized Cost	519	3
Mutual Funds	2	109
Other Investments at Amortized Cost	123	-
Total Current Investments	<u>1,371</u>	<u>162</u>
<u>Non-Current</u>		
Notes and Bonds at Amortized Cost	4,627	-
Investments in Associates (*)	967	735
VLG – Acquired shares to be received (1)	-	16,909
Trust “Complejo industrial de Telecomunicaciones 2003”	1	-
Total Non-Current Investments	<u>5,595</u>	<u>17,644</u>

(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 12.31.2018	Valuation as of 12.31.2017
Ver T.V. S.A. (1)	Cable Television Station	Argentina	49.00	592	428
Teledifusora San Miguel Arcángel S.A. (1) (2) (3)	Cable Television Station	Argentina	50.10	226	161
La Capital Cable S.A. (2)	Closed-Circuit Television	Argentina	50.00	143	137
Other minor investments valued under the equity method				6	9
Total				<u>967</u>	<u>735</u>

(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.

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Information on Income

	<u>December 31,</u> <u>2018</u>	<u>Irregular Eight-</u> <u>Month Fiscal</u> <u>Year Ended</u> <u>12.31.2017</u>
Ver TV S.A.	142	196
Teledifusora San Miguel Arcángel S.A.	72	44
La Capital Cable S.A.	22	23
Total	<u>236</u>	<u>263</u>

b) Additional Information about the Consolidated Statement of Cash Flows

The Company applies the indirect method to reconcile the net income for the year 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). Bank overdrafts are disclosed in the statement of financial position as financial debts and their cash flows in the statement of cash flows as borrowing and repayment of loans, because they are part of the ongoing short-term financing structure of the Group.

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

	<u>December 31, 2018</u>	<u>Irregular Eight-</u> <u>Month Fiscal</u> <u>Year Ended</u> <u>12.31.2017</u>
Net Decrease (Increase) of Assets		
Trade Receivables	(4,092)	789
Other Receivables	(1,052)	19
Inventories	(11)	(81)
	<u>(5,155)</u>	<u>727</u>
Net Increase (Decrease) of Liabilities		
Accounts Payable	910	579
Salaries and Social Security Payables	292	564
Taxes Payable	(2,015)	(1,267)
Other Liabilities and Provisions	(2,261)	(605)
	<u>(3,074)</u>	<u>(729)</u>

Main Non-Cash Operating Transactions

Offsetting of Dividends Receivable with Loans Article 33 of Law No. 19,550	5	12
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Main Financing Activities Components

The following table presents the financing activities components:

Bank Overdraft	2,176	-
Bank Loans	25,593	20,804
Companies under Article 33 of General Associations Law No. 19,550, and related parties	-	-
Proceeds from Financial Debt	<u>27,769</u>	<u>20,804</u>
Notes	(3,905)	-
Bank Loans	(15,127)	(999)
For Acquisition of Equipment	(271)	-
Companies under Article 33 of General Associations Law No. 19,550, and related parties	-	1
Payment of Financial Debt	<u>(19,303)</u>	<u>(998)</u>
Bank Overdraft	(94)	-
Interests on Notes and Related Expenses	(1,509)	-
Interests on Bank Loans and Related Expenses	(3,117)	(1,522)
NDF, Purchase of Equipment and Other	267	96
Payment of Interest and Related Expenses	<u>(4,453)</u>	<u>(1,426)</u>

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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 was vested with the power to make such payment on an earlier date if it deemed it convenient;
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.

The dividends mentioned in items 2 and 3 were subsequently ratified by the shareholders of Telecom at the Ordinary General Shareholders' Meeting held on April 25, 2018.

In conclusion, the above-mentioned distribution of dividends for a total of \$19,872,923,618 (approximately \$ 28,822 million in constant currency as of December 31, 2018) was paid on February 15, 2018 for \$13,006,505,599 and on March 21, 2018 for \$6,866,418,019 (approximately \$27,927 million in constant currency as of December 31, 2018).

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 (approximately \$6.021 million in constant currency as of December 31, 2018.)

Distribution of Dividends of Subsidiaries and Associates

- **Fiscal Year 2018**

Dividends paid by Núcleo

In May 2018, Núcleo paid dividends to non-controlling shareholders for a total of \$161 million. Those dividends were approved by the shareholders of Núcleo at the General Ordinary Shareholders' Meeting held on April 24, 2018.

Dividends collected from Ver TV

During the first six months of 2018, the Company collected dividends from Ver T.V. for \$19 million. Those dividends were declared during the year 2017 and, as of December 31, 2017, they were pending collection.

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Dividends collected from Teledifusora San Miguel Arcángel

During the first six months of 2018, the Company collected dividends from Teledifusora San Miguel Arcángel S.A. for \$8 million. Those dividends were declared during the year 2017 and, as of December 31, 2017, they were pending collection.

Dividends collected from La Capital Cable

In June 2018, the Company collected dividends from La Capital Cable for \$15 million, of which \$5 million were offset with the debt held with the Company. Those dividends were approved by the shareholders at the Annual General Ordinary Shareholders' Meeting held on June 14, 2018.

- **Fiscal Year 2017**

Dividends paid by CV Berazategui

During the first six months of 2017, CV Berazategui paid dividends to non-controlling shareholders for a total of \$6 million. Those dividends were approved by the shareholders at the General Ordinary Shareholders' Meeting held on April 25, 2017.

Dividends collected from Ver T.V.

In February 2017, Ver T.V. S.A. decided to pay dividends in the amount of \$ 77 million out of which \$ 38 million belonged to Cablevisión based on its equity interest. Those dividends were collected during the first quarter of 2017.

During the year ended December 31, 2017, Ver T.V. decided to pay dividends for \$ 198 million of which \$ 97 million belonged to the Company based on its equity interest. As of December 31, 2017, the Company collected \$ 32 million of those dividends.

Dividends collected from La Capital Cable

In May 2017, La Capital Cable S.A. decided to pay dividends in the amount of \$ 21 million out of which \$ 10 million belonged to Cablevisión based on its equity interest. Those dividends were collected during the second quarter of 2017, of which \$ 8.4 million were offset with the debt held with that company.

Dividends collected from Teledifusora San Miguel Arcángel

In June 2017, Teledifusora San Miguel de Arcángel decided to pay dividends for \$24 million of which \$12 million belonged to Cablevisión based on its equity interest. As of December 31, 2017, the Company collected those dividends.

In August 2017, Teledifusora San Miguel de Arcángel decided to pay dividends for \$ 69 million of which \$ 34 million belonged to Cablevisión based on its equity interest. As of December 31, 2017, the Company collected \$ 7 million of those dividends.

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Additional Information Required under IAS 7

	<u>Balances as of December 31, 2017</u>	<u>Incorpor ation under merger</u>	<u>Cash flows (a)</u>	<u>Accrual of interest</u>	<u>Exchange Differences and effect of currency translation and other (b)</u>	<u>Balances as of December 31, 2018</u>
Bank Overdraft	-	199	2,176	-	(99)	2,276
Bank Loans - principal	20,656	12,097	10,466	-	12,159	55,378
Notes - principal	13,767	3,186	(3,905)	-	5,783	18,831
NDF	-	25	(44)	119	-	100
For Acquisition of Equipment	1,943	-	(256)	35	357	2,079
Companies under Article 33 of General Associations Law No. 19,550, and related parties	6	-	-	-	(6)	-
Interest Accrued and Related Expenses	20	2,597	(4,828)	5,384	5,656	8,829
Total Current and Non-Current Debt (Note 13)	36,392	18,104	3,609	5,538	23,850	87,493

- (a) Corresponds to loans in the amount of \$27,769 million, payment of principal for \$19,303 million and payment of interest and related expenses for \$4,453 million and (404) million that were reclassified to other receivables.
- (b) Other included: (5) million was offset with dividends receivable.

NOTE 6 – TRADE RECEIVABLES

The breakdown of trade receivables is as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Current		
Trade Receivables	19,910	3,242
Contract Asset under IFRS 15 (Note 3.t)	62	-
Companies under Article 33 of General Associations Law No. 19,550, and related parties (Note 27)	92	59
Allowance for Bad Debts	(2,649)	(713)
	<u>17,415</u>	<u>2,588</u>
Non-Current		
Trade Receivables	38	-
Contract Asset under IFRS 15 (Note 3.t)	23	-
	<u>61</u>	<u>-</u>
Total Trade Receivables, Net	<u>17,476</u>	<u>2,588</u>

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

	<u>December 31, 2018</u>	<u>Irregular Eight- Month Fiscal Year Ended 12.31.2017</u>
Balances at the beginning of the year:	(713)	(630)
Effect of Adopting New Accounting Policies (Note 3.u)	(245)	-
Increases - Bad Debts (Note 23)	(3,527)	(598)
Uses of the Allowance and Currency Translation	1,836	515
Balances at year-end	<u>(2,649)</u>	<u>(713)</u>

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NOTE 7 – OTHER RECEIVABLES

The breakdown of Other Receivables is as follows:

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Current		
Prepaid Expenses	1,445	603
Tax Credits	1,369	145
Advances to Suppliers	103	41
Accounts pending settlement	217	-
Deposits in Guarantee	24	112
Reimbursement of Expenses	109	-
Financial NDF (Note 21)	750	-
Restricted Funds (Note 18)	63	27
Companies under Article 33 of General Associations Law No. 19,550, and related parties (Note 27)	144	174
Trade Receivables from Customer Portfolio	72	-
Sundry Receivables ⁽¹⁾	42	-
Other	807	310
Subtotal	<u>5,145</u>	<u>1,412</u>
Allowance for Other Debts	(15)	-
	<u>5,130</u>	<u>1,412</u>
Non-Current		
Prepaid Expenses	450	45
Advances to Suppliers	71	244
Tax Credits	703	61
Restricted Funds (Note 18)	92	-
Financial NDF (Note 21)	45	-
Regulatory Receivables (Núcleo)	156	-
Deposits in Guarantee	46	-
Credit of indemnity for Tuves Paraguay acquisition	55	-
Trade Receivables from Customer Portfolio	113	-
Sundry Receivables ⁽¹⁾	275	-
Other	3	2
Subtotal	<u>2,009</u>	<u>352</u>
Allowance for Other Debts	(12)	-
	<u>1,997</u>	<u>352</u>
Total Other Receivables, Net	<u>7,127</u>	<u>1,764</u>

(1) The balance as of December 31, 2018 is related to the following transaction:

On 21 November 2018, the Company accepted an assignment offer issued by Grupo Clarín S.A. in its favor of all of the collection rights and actions owned by that company with respect to the credit against América TV S.A. derived from the settlement agreement with América TV, SupercableCanal S.A., Supercanal S.A., José Luis Manzano, Daniel Eduardo Vila and their related companies and/or affiliates- and the rights and guarantees derived from the debt acknowledgment agreement and the agreements for the exhibition of television signals and assignment of advertising spaces that had been executed. In consideration for the assignment, Cablevisión Holding paid US\$ 8.7 million.

Under such agreement, Cablevisión Holding is entitled to collect a total of US\$ 18.5 million in an estimated term of 170 monthly installments. In addition, surety bonds were executed to guarantee the performance of the services undertaken by América TV S.A. within the framework of the agreement. América TV will settle the debt through the assignment of collection rights held by América TV, generated by its operating activities.

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

	<u>December 31,</u> <u>2018</u>	<u>Irregular Eight-</u> <u>Month Fiscal</u> <u>Year Ended</u> <u>12.31.2017</u>
Balances at the beginning of the year:	-	-
Increases	(18)	-
Decreases	3	-
Balances at year-end	<u>(15)</u>	<u>-</u>

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

	<u>December 31,</u> <u>2018</u>	<u>Irregular Eight-</u> <u>Month Fiscal</u> <u>Year Ended</u> <u>12.31.2017</u>
Balances at the beginning of the year:	-	-
Increases	(12)	-
Balances at year-end	<u>(12)</u>	<u>-</u>

NOTE 8 – INVENTORIES

The breakdown of inventories is as follows:

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Mobile Handsets and Other	2,254	-
Radio Equipment and Other	64	189
Fixed telephones and equipment	15	-
Inventories for construction projects	537	-
Subtotal	<u>2,870</u>	<u>189</u>
Allowance for Obsolescence of Inventories	(133)	(53)
	<u>2,737</u>	<u>136</u>

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

	<u>December 31,</u> <u>2018</u>	<u>Irregular Eight-</u> <u>Month Fiscal</u> <u>Year Ended</u> <u>12.31.2017</u>
Balances at the beginning of the year:	(53)	-
Increases	(82)	(70)
Decreases	2	17
Balances at year-end	<u>(133)</u>	<u>(53)</u>

NOTE 9 – GOODWILL

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Business in Argentina ⁽¹⁾	113,320	24,914
Business in Uruguay ⁽²⁾	771	681
Total	<u>114,091</u>	<u>25,595</u>

(1) Includes \$88,072 corresponding to the Merger between Telecom and Cablevisión (See Note 4.a), \$31,606 from Cablevisión and \$4 million corresponding to the goodwill of Tuves Paraguay as of December 31, 2018. The increase compared to the balance as of January 1, 2018 corresponds to exchange differences.

(2) Goodwill of Telemas S.A., an indirect subsidiary through its interest in Adesol. The increase compared to the balance as of December 31, 2017 corresponds to exchange differences.

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

	<u>December 31,</u> <u>2018</u>	<u>December 31, 2017</u>
PP&E before Allowances	151,061	45,775
Allowance for Obsolescence and Impairment of Materials	(359)	(184)
Allowance for Impairment of PP&E	(333)	-
	<u>150,369</u>	<u>45,591</u>

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

	<u>December 31, 2018</u>	<u>Irregular Eight- Month Fiscal Year Ended 12.31.2017</u>
Balances at the beginning of the year:	(184)	(153)
Increases	(175)	(31)
Balances at year-end	(359)	(184)

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

	<u>December 31, 2018</u>	<u>Irregular Eight- Month Fiscal Year Ended 12.31.2017</u>
Balances at the beginning of the year:	-	-
Increases	(333)	-
Balances at year-end	(333)	-

The following is a detail of the items and evolution of PP&E as of December 31, 2018:

	Acquisition Cost as of December 31, 2017	Addition under the Merger (Note 4.a).	CAPEX	Effect of Currency Translation	Transfers and Reclassifications	Retiremen ts	Acquisition Cost as of December 31, 2018
Real Property	2,848	19,387	6	167	219	(9)	22,618
Switching Equipment	-	3,700	223	798	384	(2)	5,103
Fixed Network and Transport	35,676	30,493	5,408	674	15,187	(3,840)	83,598
Mobile Network Access	4	11,317	12	836	4,825	(312)	16,682
Antenna Support Structure	207	4,494	43	273	384	(3)	5,398
Power Equipment and Installations	-	5,472	-	233	705	-	6,410
Computer Equipment	4,767	6,264	1,158	1,249	2,211	(4)	15,645
Goods under Loans for Use	5,282	223	5,010	361	4	(3,396)	7,484
Vehicles	1,477	1,187	376	21	-	(74)	2,987
Machinery, Diverse Equipment and Tools	3,946	226	194	12	98	-	4,476
Other	259	473	5	42	83	1	863
Works-In-Progress	10,377	5,818	24,138	95	(23,144)	(38)	17,246
Materials	6,982	3,583	3,001	25	(956)	(42)	12,593
Total	71,825	92,637	39,574	4,786	-	(7,719)	201,103

	Accumulated Depreciation as of December 31, 2017	Depreciation for the year	Effects of Currency Translation	Retirements and Reclassification s	Accumulated Depreciation as of December 31, 2018	Net carrying value as of December 31, 2018
Real Property	(1,055)	(963)	(178)	3	(2,193)	20,425
Switching Equipment	-	(1,032)	(681)	-	(1,713)	3,390
Fixed Network and Transport	(15,959)	(12,450)	(657)	4,018	(25,048)	58,550
Mobile Network Access	-	(2,763)	(548)	48	(3,263)	13,419
Antenna Support Structure	(18)	(832)	(145)	3	(992)	4,406
Power Equipment and Installations	-	(1,062)	(156)	-	(1,218)	5,192
Computer Equipment	(2,830)	(3,809)	(1,128)	3	(7,764)	7,881
Goods under Loans for Use	(1,234)	(3,886)	(296)	3,397	(2,019)	5,465
Vehicles	(1,085)	(428)	(20)	33	(1,500)	1,487
Machinery, Diverse Equipment and Tools	(3,656)	(266)	(15)	-	(3,937)	539
Other	(213)	(149)	(33)	-	(395)	468
Works-In-Progress	-	-	-	-	-	17,246
Materials	-	-	-	-	-	12,593
Total	(26,050)	(27,640)	(3,857)	7,505	(50,042)	151,061

The following is a detail of the items and evolution of PP&E as of December 31, 2017:

	Acquisition Cost as of May 1, 2017	CAPEX	Effect of Currency Translation	Transfers and Reclassifications	Retiremen ts	Acquisition Cost as of December 31, 2017
Real Property	2,730	218	(2)	16	(114)	2,848
Fixed Network and Transport	31,858	2720	(91)	3,956	(2,767)	35,676
Mobile Network Access	3	1	-	-	-	4
Antenna Support Structure	208	-	-	-	(1)	207
Computer Equipment	3,580	573	(4)	614	4	4,767
Goods under Loans for Use	4,135	598	-	2,434	(1,885)	5,282
Vehicles	1,501	38	(1)	2	(63)	1,477
Machinery, Diverse Equipment and Tools	4,206	-	(2)	(258)	-	3,946
Other	261	3	(6)	1	-	259
Works-In-Progress	7,861	1,685	-	831	-	10,377
Materials	8,161	7,730	(9)	(7,596)	(1,304)	6,982
Total	64,504	13,566	(115)	-	(6,130)	71,825

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	Accumulated Depreciation as of May 1, 2017	Depreciation for the year	Effect of Currency Translation	Retirements and Reclassification s	Accumulated Depreciation as of December 31, 2017	Net carrying value as of December 31, 2017
Real Property	(1,045)	(12)	1	1	(1,055)	1,793
Fixed Network and Transport	(14,758)	(3,631)	86	2,344	(15,959)	19,717
Mobile Network Access	-	-	-	-	-	4
Antenna Support Structure	-	(20)	-	2	(18)	189
Computer Equipment	(2,055)	(778)	3	-	(2,830)	1,937
Goods under Loans for Use	(741)	(2,378)	-	1,885	(1,234)	4,048
Vehicles	(1,043)	(84)	2	40	(1,085)	392
Machinery, Diverse Equipment and Tools	(3,535)	(122)	1	-	(3,656)	290
Other	(211)	(7)	5	-	(213)	46
Works-In-Progress	-	-	-	-	-	10,377
Materials	-	-	-	-	-	6,982
Total	(23,388)	(7,032)	98	4,272	(26,050)	45,775

NOTE 11 - INTANGIBLE ASSETS

	<u>December 31,</u> <u>2018</u>	<u>2017</u>
Intangible Assets before Allowances	61,337	4,475
Allowance for Impairment	(1,623)	-
	<u>59,714</u>	<u>4,475</u>

The evolution of the allowance for impairment of intangible assets is as follows:

	<u>December 31,</u> <u>2018</u>	<u>2017</u>
Balances at the beginning of the year:	-	-
Increases	(1,623)	-
Balances at year-end	<u>(1,623)</u>	<u>-</u>

The following is a detail of the items and evolution of Intangible Assets as of December 31, 2018:

	Acquisition Cost as of December 31, 2017	Addition under the Merger (Note 4.a)	CAPEX	Effect of Currency Translation	Retirements	Acquisition Cost as of December 31, 2018
3G/4G Licenses	3,635	17,713	-	-	-	21,348
PCS license (Argentina)	-	10,538	-	-	-	10,538
Núcleo Licenses	-	-	844	33	-	877
SRCE License	879	-	-	-	-	879
Customer Portfolio	-	15,771	-	73	(609)	15,235
Brands	-	13,030	-	-	-	13,030
Incremental Costs from the Acquisition of Contracts	-	-	1,348	7	-	1,355
Other	890	2,277	714	14	-	3,895
Total	5,404	(*) 59,329	2,906	127	(609)	67,157

	Accumulated Amortization as of December 31, 2017	Amortization for the year	Effect of Currency Translation	Retiremen ts	Accumulated Amortization as of December 31, 2018	Net carrying value as of December 31, 2018
3G/4G Licenses	-	(1,196)	-	-	(1,196)	20,152
PCS license (Argentina)	-	-	-	-	-	10,538
Núcleo Licenses	-	(70)	(4)	-	(74)	803
SRCE License	(72)	-	-	-	(72)	807
Customer Portfolio	-	(3,574)	8	494	(3,072)	12,163
Brands	-	(1)	-	-	(1)	13,029
Incremental Costs from the Acquisition of Contracts	-	(378)	(15)	-	(393)	962
Other	(857)	(155)	-	-	(1,012)	2,883
Total	(929)	(5,374)	(11)	494	(5,820)	61,337

(*) Includes AREA for \$(125) million. (See Note 3. u).

The following is a detail of the items and evolution of Intangible Assets as of December 31, 2017:

	Acquisition Cost as of May 1, 2017	CAPEX	Acquisition Cost as of December 31, 2017	Accumulated Amortization of May 1, 2017	Amortization for the year	Accumulated Amortization as of December 31, 2017	Net carrying value as of December 31, 2017
3G/4G Licenses	3,635	-	3,635	-	-	-	3,635
SRCE License	879	-	879	(57)	(15)	(72)	807
Brands	-	-	-	-	-	-	-
Other	890	-	890	(811)	(46)	(857)	33
Total	5,404	-	5,404	(868)	(61)	(929)	4,475

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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

<u>Current</u>	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Suppliers and Trade Provisions	22,317	5,299
Companies under Article 33 of General Associations Law No. 19,550, and related parties (Note 27)	572	438
	<u>22,889</u>	<u>5,737</u>
<u>Non-Current</u>		
Suppliers and Trade Provisions	570	-
	<u>570</u>	<u>-</u>
Total Accounts Payable	<u>23,459</u>	<u>5,737</u>

NOTE 13 – FINANCIAL DEBT

The item Financial Debt is composed as follows:

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
<u>Current</u>		
Bank Overdraft - Principal	2,276	-
Banks and other Financial Institutions - principal	21,118	4,160
For Acquisition of Equipment	1,048	1,257
NDF	100	-
Interest Accrued and Related Expenses	3,683	58
Companies under Article 33 of General Associations Law No. 19,550, and related parties (Note 27)	-	6
	<u>28,225</u>	<u>5,481</u>
<u>Non-Current</u>		
Notes - principal	18,831	13,767
Banks and other Financial Institutions - principal	34,260	16,496
For Acquisition of Equipment	1,031	686
Interest Accrued and Related Expenses	5,146	(38)
	<u>59,268</u>	<u>30,911</u>
Total Debt	<u>87,493</u>	<u>36,392</u>

13.1 Telecom and Subsidiaries**Bank Overdraft**

As of December 31, 2018, Telecom Argentina had a bank overdraft balance of approximately \$ 2,276 million.

Banks and other Financial Institutions

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

IFC and IIC Loans

On July 5, 2016, Personal 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. 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

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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.

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, net of issue expenses for US\$1,8 million.

On October 30, 2018, within the framework of its ongoing policy aimed at optimizing the term, rate and structure of its financial liabilities, Telecom accepted a proposal from the IFC for the assessment and transfer of funds to finance investment needs, working capital and debt refinancing. On March 4, 2019, Telecom executed a loan agreement with IFC for up to US\$ 450 million, as requested by Telecom in one or more disbursements (the "Loan".) The Loan will have a tranch "A", a tranch "B-1", a tranch "B-2", a tranch "B-3" and a tranch "B-4", which will accrue interest payable in arrears on semi-annual basis at an annual rate equal to LIBOR plus the following margins: 4.85 percentage points in the case of Tranch A, Tranch B-2 and Tranch B-4, and 4.60 percentage points in the case of Tranch B-1 and Tranch B-3. The principal disbursed will be repaid as follows: Tranch A, Tranch B-2, and Tranch B-4 payable in 8 equal and consecutive semi-annual installments as from February 2021, with final maturity in August 2024 and Tranch B-1 and Tranch B-3 payable in 6 equal and consecutive semi-annual installments as from February 2021, with final maturity in August 2023. The funds from the loan will be used to finance capital expenditures in 2019.

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 (the "Original Loan".) On February 9, 2018 and on March 9, 2018, Telecom requested disbursements for US\$ 650 million and US\$ 350 million, respectively, under this 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 Original Loans in the event of a change of control, at the option of each lender.

Subsequently, on October 8, 2018, the Company entered into a new agreement with Citibank, N.A., HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, Industrial and Commercial Bank of China Limited, Dubai (DIFC) Branch, JPMorgan Chase Bank, N.A. and Banco Santander, S.A., in their capacity as lenders, Citibank, N.A., HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, Industrial and Commercial Bank of China Limited, Dubai (DIFC) Branch, JPMorgan Chase Bank,

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N.A. and Banco Santander, S.A., as arrangers, Citibank N.A., as administrative agent, and the branch of Citibank N.A. established in Argentina, as local collateral agent, for up to US\$500 million (which may be increased pursuant to the terms and conditions of said agreement) for a 48-month term (the "Loan").

On October 17, 2018, Telecom requested a disbursement of US\$500 million. The funds were used for the partial prepayment of the Original Loan.

The amounts disbursed shall accrue compensatory interest at an annual rate equal to LIBOR plus the following margin: 4.50 percentage points during the first year counted as from disbursement, 5.00 percentage points during the second year, and 5.25 percentage points from the second anniversary of the disbursement date until the Maturity Date; and shall be payable in arrears on a quarterly basis.

In addition, as provided under the framework of the loan, Telecom made an additional payment of US\$ 100 million under the Original Loan, (as a condition precedent to the execution of the loan agreement, the Company and the other parties to the Original Loan Agreement had agreed a mandatory prepayment equivalent to at least US\$100 million.)

Subsequently, in November 2018, Telecom used all the funds from the loan executed with Deutsche Bank for US\$300 million for the prepayment of the Original Loan. The outstanding US\$ 100 million principal amount owed by the Company was repaid on February 11, 2019 with equity capital.

On March 25, 2019, Telecom partially prepaid the Loan for an amount of US\$100 million.

Loan with Deutsche Bank

On November 8, 2018, Telecom was informed that Deutsche Bank AG, London Branch, as arranger of a bank syndicate, had approved a loan offer for up to US\$ 200 million (which may be increased up to US\$ 300 million.) On November 14, 2018, Telecom was informed that Deutsche Bank AG, London Branch, had approved the increase of the loan offer by US\$100 million.

The loan has a term of 42 months as from the date of the initial disbursement and will accrue interest at an initial annual rate equal to LIBOR + 4.5%, payable in arrears on a quarterly basis. Principal shall be repaid in 6 equal consecutive semi-annual installments equivalent to 12.5% of the amount of disbursed principal and a final payment on the maturity date equivalent to 25% of the original disbursement.

The funds from the loan were solely used by that company for the partial repayment of the Syndicated Loan.

Other Bank Loans

As of December 31, 2018, Telecom holds other bank loans for:

- a) US\$ 4.5 million under a loan agreement executed with Banco ICBC to finance imports, accruing interest at an annual rate of 6.0%, due in January 2022;
- b) US\$ 3.2 million under a loan agreement executed with Banco Itaú to finance imports, accruing interest at an annual rate of 5.0%, due in February 2020; and
- c) US\$ 10.0 million under a loan agreement executed with Banco Macro to finance imports, accruing interest at an annual rate of 6.2%, due in August 2019.

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Loans borrowed by Núcleo

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

Principal (in millions of Guaranies)	Maturity	Amortization	Rate %	Book value (in millions of \$)	
				Current	Non-Current
40,000	December 2019	Semi-annual	8.75	253	-
308,000	February 2024	Semi-annual	8.20-9	158	1,793
348,000				411	1,793

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

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 USD 500,000,000 (or its equivalent in other currencies) to USD 1,000,000,000 (or its equivalent in other currencies). The Shareholders' Meeting renewed the delegation on the Board of Directors of the broadest powers in connection with the Program. The Board of Directors may subdelegate all or some powers interchangeably to one or more directors or managers of 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, with final maturity in June 2021. Proceeds will be used for:

- (i) The settlement of the outstanding debt as of that date;
- (ii) The investment in fixed assets and other capital expenditures with the balance of the net proceeds (approximately USD 89,100,000).

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.

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The Notes issued by Cablevisión were assumed by Telecom on January 1, 2018 as a result of the Merger (Note 4.a).

To such effect, as successor of Cablevisión, Deutsche Bank Trust Company Americas, as Residuary Beneficiary of the trust and Banco Comafi S.A., as the representative of the Residuary Beneficiary in Argentina, have entered into a supplement to the Trust Agreement formalizing the absorption of the notes of Cablevisión by Telecom Argentina.

Until December 31, 2018, Telecom had repurchased approximately US\$0.5 million (nominal value) of the Notes issued by Cablevisión. These transactions were executed at the quoted market price prevailing on each repurchase date, which did not significantly differ from the book value as of that date.

Telecom Argentina

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. 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.

Within the framework of the above-mentioned program, Telecom Argentina filed with the CNV the prospectus for the issuance of notes, which was approved on April 24, 2018. Subsequently, on April 25, 2018, the CNV approved the prospectus supplement corresponding to Class 1 Notes for a nominal value of up to US\$ 500,000,000 (which may be extended to US\$1,000,000,000). Said supplement was extended several times with final maturity on August 3, 2018.

In accordance with the regulations that govern the notes placement mechanism provided for in the Prospectus Supplement, Telecom Argentina decided to temporarily suspend, until further notice, the notes placement period. Telecom Argentina will publish a supplementary notice to the Prospectus Supplement with the date on which the Offer Reception Period and the Award Date will be resumed.

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 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 four Series of Notes. The net proceeds obtained were used for debt refinancing.

The Notes issued by Personal were assumed by the Company on December 1, 2017 as a result of the Reorganization (Note 4.f.2).

As of the date of these consolidated financial statements, Telecom has canceled all the Series issued on the respective maturity dates.

Loans for Acquisition of Equipment

As of December 31, 2018, Telecom holds loan agreements for acquisition of Cisco Systems equipment for a total amount of approximately US\$ 57.3 million. In average, those agreements have a maturity of between 36 and 49 months, with partial repayments, at an annual interest rate of 4.81%.

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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 not be lower than the aggregate amount of interest payable under the loan during the following six-month period. As of December 31, 2018, the balance of said reserve account included under the item “Other Assets” amounted to US\$ 8 million.

The funds from the loan were used, among other things, for the payment of the Exercise Price under the above-mentioned Option mentioned in Note 4.a) to these 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 which, according to the exchange Ratio, are equivalent to 30,123 Class A book-entry common shares of Cablevisión. As of the date of these consolidated financial statements, the lenders maintain a pledge on 174,125,529 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.

As of December 31, 2018, the Company complied with all covenants.

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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>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Current		
Salaries, annual supplementary salary, vacations and bonuses	4,378	1,677
Social Security Payables	1,281	907
Termination Benefits	296	1
	<u>5,955</u>	<u>2,585</u>
Non-Current		
Termination Benefits	347	-
	<u>347</u>	<u>-</u>
Total Salaries and Social Security Payables	<u><u>6,302</u></u>	<u><u>2,585</u></u>

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

NOTE 15 - DEFERRED INCOME TAX ASSETS / LIABILITIES

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

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Tax Loss Carryforwards	(2,866)	(4)
Allowance for Bad Debts	(925)	(269)
Provisions for Lawsuits and Other Contingencies	(1,062)	(396)
Inventories	(153)	-
Pension and Termination Benefits	(235)	-
PP&E and Intangible Assets	29,788	4,690
Dividends from Foreign Companies	418	-
Mobile Handsets Financed Sales	169	-
Other Deferred Tax Liabilities (Assets), Net	109	(150)
Total Deferred Tax Liabilities, Net	<u>25,243</u>	<u>3,871</u>
Tax Receivables Related to Reimbursement Claims	(818)	-
Net Deferred Tax Liability	<u>24,425</u>	<u>3,871</u>
Deferred Tax Assets, Net	<u>(117)</u>	<u>(111)</u>
Deferred Tax Liabilities, Net	<u>24,542</u>	<u>3,982</u>

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 \$ 6,052 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	1,237
2023	4,815

As of December 31, 2018, some of the Company's subsidiaries have accumulated tax loss carryforwards of approximately \$ 9,554 million, which calculated at the current tax rate, represent deferred tax assets in the amount of approximately \$ 2,866 million. The Company estimates that the non-recoverable tax loss carryforwards amounted to \$ 0.4 million as of that date.

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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 12.31.2018	Expiration year
Inter Radios	2015	8	2020
Pem S.A.	2016	1	2021
Inter Radios	2017	1	2022
Telecom Argentina	2018	9,540	2023
Inter Radios	2018	4	2023
		9,554	

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

	December 31, 2018	Irregular Eight-Month Fiscal Year Ended 12.31.2017
	Income (loss)	Income (loss)
Tax	-	(2,698)
Deferred Tax	2,832	358
Valuation Allowance	(11)	(6)
Income Tax	2,821	(2,346)
Tax on assets	-	2
Total Income Tax and Tax on Assets	2,821	(2,344)

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:

	December 31, 2018	Irregular Eight-Month Fiscal Year Ended 12.31.2017
	Income (loss)	Income (loss)
(Loss) Income before Income Tax Expense	(947)	8,613
Permanent Differences - Equity in Earnings from Associates	(236)	(263)
Permanent Differences - other	373	(69)
Subtotal	(810)	8,281
Average effective tax rate (*)		
Income Tax at the Average Effective Tax Rate	243	(2,898)
Tax loss carryforwards not recognized as deferred tax assets	(1,443)	(641)
Expired Tax Loss Carryforwards	-	33
Change of Effective Tax Rates	-	(287)
Tax Reimbursement Claim	44	-
Income Tax on Dividends from Foreign Companies	(64)	-
Restatement in Current currency	4,052	1,453
Income Tax on the Income Statement	2,832	(2,340)

(*) Effective tax rate based on average tax rate in the different countries where the Company has operations. The effective rate in Argentina was 35% in 2017, is 30% for the years 2018-2019 and will be 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 years 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.

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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", 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, 2017 and 2018, reimbursement claims with the AFIP to claim the full tax overpaid for fiscal years 2009, 2010, 2011, 2012 and 2013 for a total estimated amount of \$722 million plus interest, under the argument that the inability to apply income tax inflation adjustment is confiscatory.

As of the date of these 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 \$818 million as of December 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.

NOTE 16 - TAXES PAYABLE

The breakdown of Taxes Payable is as follows:

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Current		
Income Tax (*)	16	2,166
Other National Taxes	703	475
Provincial Taxes	1,451	34
Municipal Taxes	180	112
	<u>2,350</u>	<u>2,787</u>
Non-Current		
Other National Taxes (*)	26	4
	<u>26</u>	<u>4</u>
Total Taxes Payable	<u>2,376</u>	<u>2,791</u>

(*) Includes \$ 2 million corresponding to the Tax Regularization Regime under Law No. 26,476 as of December 31, 2018.

The information about the breakdown of income tax expense included in the consolidated statement of comprehensive income 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;
- deferred revenues from government grants for the acquisition of PP&E;
- pension benefits; and
- any liability not included in the other liability items.

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The item Other Liabilities is broken down as follows:

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
<u>Current</u>		
Deferred revenues on prepaid calling cards	710	30
Deferred revenues on connection fees and intern. capacity rental	76	117
Deferred Revenues from Construction Projects	322	-
Customer Loyalty Program	173	-
Directors' and Supervisory Committee Members' Fees	47	-
Companies under Article 33 of General Associations Law No. 19,550, and related parties (Note 27)	-	4
Other	271	1
	<u>1,599</u>	<u>152</u>
<u>Non-Current</u>		
Deferred revenues on connection fees and intern. capacity rental	254	194
Pension Benefits (Note 3.m)	245	-
Customer Loyalty Program	280	-
Other (*)	380	-
	<u>1,159</u>	<u>194</u>
Total Other Liabilities	<u><u>2,758</u></u>	<u><u>346</u></u>

(*) Includes deferred revenues from subsidiaries arising from government grants for the acquisition of PP&E.

The changes in the pension benefits are as follows:

	<u>December 31, 2018</u>	<u>Irregular Eight- Month Fiscal Year Ended 12.31.2017</u>
Balances at the beginning of the year:	-	-
Addition under the Merger (Note 4.a)	316	-
Service cost (*)	23	-
Interest cost (**)	72	-
Payments (***)	(166)	-
Balances at year-end	<u>245</u>	<u>-</u>

(*) Included in Employee Benefit Expenses and Severance Payments.

(**) Included in Other Financial Results, net

(***) Includes (158) corresponding to Gain (Loss) on Net Monetary Position.

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 December 31, 2018, the Group set up provisions for \$ 3,871 million (included under liabilities) and \$ 129 million deposited in the Group's bank accounts have been attached in various litigations (included under Other receivables).

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Provisions consist of the following:

	Balances as of December 31, 2017	Addition under the Merger (Note 4.a).	Increases		Reclassifications	Decreases	Balances as of December 31, 2018
			On Capital Stock	Interest (i)			
Current							
Lawsuits and Contingencies	-	599	402	-	1,745	(2,002)	744
Total Current Provisions	-	599	402	-	1,745	(2,002)	744
Non-Current							
Lawsuits and Contingencies	1,263	1,854	864	732	(1,741)	-	2,972
Asset Retirement Obligations	348	547	48	(128)	(4)	(315)	496
Total Non-Current Provisions	1,611	2,401	912	604	(1,745)	(315)	3,468
Total Provisions	1,611	3,000	(ii) 1,314	604	-	(2,317)	4,212

(i) Charged to Other Financial Results, net, interest on provisions.

(ii) \$ 1,254 million charged to Other Operating Income and Expense and \$ 60 million to Currency Translation Adjustments.

	Balances as of May 1, 2017	Increases		Decreases	Balances as of December 31, 2017
		On Capital Stock	Interest (iii)		
Non-Current					
Lawsuits and Contingencies	1,249	142	52	(180)	1,263
Asset Retirement Obligations	392	-	-	(44)	348
Total Non-Current Provisions	1,641	142	52	(224)	1,611
Total Provisions	1,641	(iv) 142	52	(v) (224)	1,611

(iii) Charged to Other Financial Results, net, interest on provisions.

(iv) Charged to Other Operating Income and Expense

(v) Includes 90 corresponding to Gain (Loss) on Net Monetary Position.

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 Appeals 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 a case similar to the above-referred legal actions, “Dominguez 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 December 31, 2018, Telecom's Management, with the assistance of its legal counselors, has set up allowances deemed sufficient to cover the risks derived from these lawsuits, taking into account the allegations and the court precedents available as of the date of these consolidated financial statements.

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 and Other v. Telecom Argentina S.A. on profit sharing.” 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.

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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 Telecom 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.

On December 20, 2017, the Court of First Instance on Labor Matters No. 19 dismissed the claim on the grounds that the claimant lacks standing because the claim is individual and not collective. The claimant filed an appeal, which is pending before Chamber 7 of the Court of Appeals.

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 the 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 its 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 Telecom's equity, there is a significant disproportion between the amounts of the sanctions imposed by the Regulatory Authority and the revenue that the affected customer has generated 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 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

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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 December 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 \$ 62 million as of December 31, 2018.

d) Task Solutions v. Telecom Personal S.A. on Ordinary proceeding and Task Solutions v. Telecom Argentina S.A. on Ordinary proceeding

Task Solutions S.A., a company devoted to providing contact centers, brought a claim against Telecom Argentina and Telecom Personal, claiming \$408,721,835 for damages that it alleges to have suffered during the contractual relationship among those companies, as well as for the failure to renew those contracts at the end of their term. Task Solutions S.A. argues that the only contractual relationship it had was the one with the defendants and the failure to renew such contract caused its insolvency. On August 27, 2018, the defendants answered the claim rejecting the damages and the compensation claimed. Telecom requested that the punitive damages claimed be declared unconstitutional. Telecom counterclaimed for labor items already paid. In addition, it filed a claim for any amounts that it may eventually have to pay in this regard in the future. That estimate could vary according to the evidence submitted in connection therewith.

As of December 31, 2018, Telecom's Management, with the assistance of its legal counselors, has set up allowances deemed sufficient to cover the risks derived from these lawsuits, taking into account the allegations and the court precedents available as of the date of these consolidated financial statements.

2. Possible Contingencies

In addition to the possible contingencies related to regulatory matters described in Note 2 d) 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 since October 2016 is of approximately \$ 717 million plus interest as of December 31, 2018.

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 has filed the restated returns for March and April 2018 (due in April and May 2018) and has paid (under protest) the corresponding amounts. It also started to comply, as from September 2018, with the filing and payment (under protest) of the corresponding returns.

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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.

The Secretariat of Commerce has canceled the registration of “Consumidores Financieros Asociación Civil para su Defensa” in the National Registry of Consumer Associations. Now the intervening court has to issue a resolution on this matter.

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.

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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 these consolidated financial statements, this claim is in its preliminary stages because notice of the claim has not been served on all interested parties.

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.

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 Audiotelex and Mass Calling Service Providers, that Mobile Operators may receive, as 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.) 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 court has to render judgment on this claim.

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

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, SITRATTEL, SILUJANTEL, SOEESIT, FOETRA and SUTTACH and the Union of Telephone Workers and Employees of Tucumán brought 7 legal actions against Telecom Argentina claiming unpaid union contributions set forth in their respective collective bargaining agreements,

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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. New hearings were ordered pursuant to Article 80 and the parties requested a new suspension of the terms due to potential out-of-court negotiations. 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 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 a preliminary 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 claimant itself, 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. The claimant has withdrawn its the claim pursuant to the settlement agreement, as explained in the next paragraph.

On June 15, 2018, Telecom Argentina, Grupo Clarín, Supercanal and América TV executed a settlement agreement in order to terminate the claims existing among the parties. Those companies executed a framework agreement whereby, among other things, América TV expressly withdrew its claim relating to the exhibition of its signals “América TV” and “A24” in Cablevisión's (now Telecom Argentina's) programming grid, waiving its right to bring any claims in that regard and recognizing that it has nothing to claim against Telecom Argentina for any other cause as of the date of the agreement. In addition, a share transfer agreement was executed whereby Telecom Argentina -in its capacity as successor of Cablevisión—absorbing company of Multicanal—assigned in favor of Supercablecanal S.A. the shares—and all the rights inherent to them—it held and owned in Supercanal and Supercanal Holding S.A. as of the date of execution of the agreement. Pursuant to the settlement agreement, the parties have agreed that all costs of the lawsuits shall be borne by Supercanal S.A.

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i) Asociación por la Defensa de Usuarios y Consumidores v. Cablevisión on expedited summary proceeding:

On November 29, 2018, Telecom was served with a claim brought by Asociación por la Defensa de Usuarios y Consumidores. The Claimant requested that the defendant: 1) cease its practice of preventing customers from terminating Internet and cable television services when customers request such termination; 2) reimburse to each user the amounts collected for the period of 5 years and until the date on which defendant ceases the above-mentioned practice; and 3) pay punitive damages for each of the affected customers.

On December 19, 2018, Telecom filed a response, alleging the application of statutes of limitation (two-year term), as well as the lack of standing of the Association to file the lawsuit. Telecom also argued that the class to be represented had not been established and that it had not contravened the Consumer Defense Law. It also gave a detailed description of the termination procedure used by Cablevisión, highlighting its compliance with Articles 10 ter and 10 quater of said law. It also challenged the application of the punitive damages claimed by the plaintiff and produced documentary evidence. It requested that the claim be rejected in its entirety, and that the legal costs be borne by the plaintiff.

The probability of occurrence of the lawsuit has been considered possible and the amount is undetermined.

j) 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.

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

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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 circumstances.

Based on the advice of its legal counsel, the Company's Management believes to have strong arguments for its defense.

k) 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, in its capacity as the surviving company after the merger with Cablevisión, 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) 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

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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, as the surviving company after the merger with Cablevisión, 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.

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.

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

"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 Telecom'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 December 31, 2018, of which \$211 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

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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.

Telecom initiated a new pre-judicial mediation procedure which was finished without agreement. On December 19, 2018, that company brought a claim against AFA for \$ 353,477,495.

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 December 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.

NOTE 19 – COMMITMENTS

a) Purchase Commitments

As of December 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 \$41,107 million (of which \$9,926 million corresponds to PP&E acquisition commitments).

It should be noted that 3.6 billion corresponds to contracts that qualify as leases under IFRS 16 (Note 3.x).

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.

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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:

- 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 December 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 December 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.

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- 11,782,877 Class C common, registered, non-endorsable shares, with nominal value of \$ 1 each and entitled to one vote per share.

20.2 – Telecom Argentina

(a) Capital Stock

As of December 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. 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. The Merger, the resulting capital stock increase and the amendment of the bylaws were registered with the Public Registry of Commerce under the jurisdiction of the IGJ on August 30, 2018.

(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, 4,382,408 Class "C" Shares were converted into Class "B" Shares in 11 tranches.

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As of the date of these consolidated financial statements, 210,866 Class “C” shares have not yet been converted.

(c) Capital Markets Law – Law No. 26,831, as amended

On December 28, 2012, Capital Markets Law No. 26,831 was published in the Official Gazette. This law eliminated the self-regulation of the capital market, granted new powers to the CNV, and repealed Law No. 17,811 and Decree No. 677/01, among other regulations. Law No. 26,831 became effective on January 28, 2013. Since then, the Public Tender Offering regime has applied to all listed companies.

Productive Financing Law

On May 11, 2018, Productive Financing Law No. 27,440 was published in the Official Gazette. This law introduced several amendments to the Capital Markets Law No. 26,831 regarding the extent of the powers of the CNV; the exercise of preemptive rights on shares offered through public offering in the case of capital increases; private placements; public tender offers; the jurisdiction of the federal commercial courts of appeals to review the resolutions issued or sanctions imposed by the CNV, among other amendments.

With respect to public tender offers, under the previous regime, the offeror was obliged to formulate a “fair” price to be fixed by weighing the results of different company valuation methods, with a minimum floor related to the average market price for the six-month period immediately preceding the date of the agreement. Pursuant to the amendments introduced by Law No. 27,440 to the Capital Markets Law, the obligation is objective and consists in offering the higher of two existing prices: the price that the offeror would have paid or agreed during the 12 months immediately preceding the first day of the public tender offer period, and the average price of the securities subject to the offer during the semester immediately preceding the date of the announcement of the transaction under which the change of control is agreed upon.

On December 28, 2018, General Resolution No. 779/2018, whereby the CNV established the regulatory framework applicable to public tender offers, was published in the Official Gazette.

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

The following tables show, for financial assets and liabilities recorded as of December 31, 2018 and 2017, 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 December 31, 2018	Amortized cost	Fair Value		Total
		accounted through profit or loss	accounted through other comprehensive Income	
Assets				
Cash and Cash Equivalents (1)	7,155	301	-	7,456
Investments	5,269	729	-	5,998
Trade Receivables	17,476	-	-	17,476
Other Receivables (2)	1,634	657	138	2,429
Other Assets	299	-	-	299
Total	31,833	1,687	138	33,658
Liabilities				
Accounts Payable	23,459	-	-	23,459
Loans	87,493	-	-	87,493
Salaries and Social Security Payables	6,302	-	-	6,302
Other Liabilities (2)	410	-	-	410
Total	117,664	-	-	117,664

(1) Includes \$1,901, as of December 31, 2018, corresponding to Cash and banks, which were measured as financial assets at amortized cost by the Group.

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

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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)	5,689	1,515	-	7,204
Investments	3	159	-	162
Trade Receivables	2,588	-	-	2,588
Other Receivables (2)	617	-	-	617
Other Assets	557	-	-	557
Total	9,454	1,674	-	11,128
Liabilities				
Accounts Payable	5,737	-	-	5,737
Loans	36,392	-	-	36,392
Salaries and Social Security Payables	2,585	-	-	2,585
Other Liabilities and Dividends Payable (2)	3,959	-	-	3,959
Total	48,673	-	-	48,673

(1) Includes \$5,162, as of December 31, 2017, corresponding to Cash and banks, which were measured as financial assets at amortized cost by the Group.

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

Financial Income and Expense by Category – year 2018

	Net Income (expense)	Of which interest
Financial assets at amortized cost	6,739	1,855
Financial liabilities at amortized cost	(42,778)	(5,318)
Financial assets at fair value through profit or loss	2,256	1,002
Financial liabilities at fair value through profit or loss	(299)	-
Total	(34,082)	(2,461)

Financial Income and Expense by Category - for the irregular eight-month year ended 31.12.2017

	Net Income (expense)	Of which interest
Financial assets at amortized cost	359	250
Financial liabilities at amortized cost	(5,409)	(2,280)
Financial assets at fair value through profit or loss	199	-
Total	(4,851)	(2,030)

b) 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 December 31, 2018 and 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 \$ 60 million and \$ 1,400 million as of December 31, 2018 and 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.

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Government Notes and Bonds: Included in the item Investments. The Group holds government notes and bonds in the amount of \$ 727 million and \$ 50 million as of December 31, 2018 and 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: Included in the item "Cash and Cash Equivalents." The Group holds other investments at fair value in the amount of \$10 million as of December 31, 2017. 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 the 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 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.

Derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in an immediate sale of the instrument. Also, because of differences in methodologies and assumptions used to estimate fair value, the Company's fair values should not be compared to those of other companies.

The methods and assumptions used to estimate the fair values of each class of financial instrument falling under the scope of IFRS 7 as of December 31, 2018 and 2017 are as follows:

Cash and Banks

Carrying amounts approximate their fair value.

Time Deposits and Other Investments at Amortized Cost (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.

Current and Non-Current Investments Valued at Amortized Cost

As of December 31, 2018, the fair value of these investments amounted to \$ 4,310 million, with a book value of \$ 5,269 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

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.

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Loans

As of December 31, 2018, the fair value of loans amounted to \$ 86,968 million, with a book value of \$ 87,493 million. As of December 31, 2017, the fair value of loans amounted to \$ 24,934 million (\$ 36,814 million restated for inflation), with a book value of \$ 24,648 million (\$ 36,392 million restated for inflation.).

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.

c) 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 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 years 2017 and 2018

d) Hedge of LIBO Rate Fluctuations

During the year ended December 31, 2017, Telecom Argentina entered into several NDF agreements to hedge the fluctuation of LIBO rate from the 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 December 31, 2018, Telecom recognized a receivable of \$ 137 million included under Other Receivables (\$ 98 million current and \$ 39 million non-current). In addition, during the year it recognized gains for \$3 million related to these agreements which are included under Financial Expenses on Debts - Interest Expense in the item Financial Results.

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\$ 100 million. The agreements executed cover US\$ 40 million and 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.

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As of December 31, 2018, Telecom recognized a receivable of \$ 18 million included under Other Receivables (\$ 12 million current and \$ 6 million non-current). Likewise, during the 2018, the Group recognized gains amounting to \$ 4 million in connection with these contracts which are included in Interest on Loans under Financial Results.

e) Hedge of Exchange Rate Fluctuations

During the year ended December 31, 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. During the first six months of 2018, upon the expiration of contracts, Telecom recognized gains amounting to \$ 77 million, included in Other Financial Results, net - Other Exchange Differences.

During the year ended December 31, 2018, Telecom entered into several NDF agreements to hedge the fluctuation of the exchange rate under its loan portfolio (IFC, Syndicated, Deutsche Bank and Series IV Notes) of US\$ 306 million, fixing the average exchange rate at \$ 36.58 and expiring between June 2018 and May 2019. During 2018, Telecom recognized gains related to these agreements in the amount of \$1,039 included in Exchange Differences under Financial Results. As of December 31, 2018, Telecom held NDF agreements for a total of US\$ 166 million, for which it recognized a receivable of \$640 million, which is included under Other Current Receivables and liabilities in the amount of \$100 million included under Current Debt.

During 2017, Telecom Argentina entered into several NDF agreements to hedge the fluctuation of the exchange rate under certain commercial obligations of US\$ 6.3 million, fixing the average exchange rate at \$ 18.94 and expiring between March and August 2018. Telecom recognized gains amounting to \$ 22 million, included in Other Financial Results, net - Other Exchange Differences.

During 2018, Telecom Argentina entered into several NDF agreements to hedge the fluctuation of the exchange rate under certain commercial obligations of US\$ 118 million, fixing the average exchange rate at \$ 39.33 and expiring between August and October 2018. In connection with those agreements, Telecom recognized losses amounting to \$ 152 million, included in Other Financial Results, net - Other Exchange Differences.

Offsetting of Financial Assets and Liabilities.

The information required by the amendment to IFRS 7 as of December 31, 2018 is as follows:

	As of December 31, 2018			
	Trade Receivables	Other Receivables (1)	Accounts Payable	Other Liabilities (1)
Current and non-current assets (liabilities) - Gross value	18,727	2,460	(24,710)	(441)
Offsetting	(1,251)	(31)	1,251	31
Current and Non-Current Assets (Liabilities) – Book value	17,476	2,429	(23,459)	(410)

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

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

The 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 being offsetting a standard practice in the telecommunications industry at the international level that the Group applies regularly. Offsetting is also applied to transactions with agents.

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NOTE 22 – REVENUES

Revenues consist of the following:

	<u>December 31,</u> <u>2018</u>	<u>Irregular Eight-</u> <u>Month Fiscal</u> <u>Year Ended</u> <u>12.31.2017</u>
Mobile Services	57,776	2,807
Internet Services	37,742	13,417
Cable Television Services	36,067	26,691
Fixed Telephony and Data Services	23,149	1,095
Other Services	478	496
Subtotal Service Revenues	<u>155,212</u>	<u>44,506</u>
Sale of Handsets	12,834	147
Total Revenues	<u>168,046</u>	<u>44,653</u>

NOTE 23 – OPERATING EXPENSES

Operating expenses disclosed by nature of the expense amounted to \$ 147,083 million for the year ended December 31, 2018 and \$ 36,367 million for the irregular eight-month year beginning on May 1 and ended December 31, 2017. The components of the main operating expenses are the following:

	<u>December 31,</u> <u>2018</u>	<u>Irregular Eight-</u> <u>Month Fiscal</u> <u>Year Ended</u> <u>12.31.2017</u>
	<u>Income (loss)</u>	<u>Income (loss)</u>
<u>Employee benefit expenses and severance payments</u>		
Salaries, Social Security Payables and Bonuses	(27,051)	(7,363)
Severance Payments and Pensions	(2,273)	(290)
Other Labor Costs	(749)	(318)
	<u>(30,073)</u>	<u>(7,971)</u>
<u>Fees for Services, Maintenance, Materials and Supplies</u>		
Maintenance and Materials	(8,533)	(3,148)
Fees for services	(7,789)	(2,001)
Directors' and Supervisory Committee Members' Fees	(102)	(17)
	<u>(16,424)</u>	<u>(5,166)</u>
<u>Taxes and Fees with the Regulatory Authority</u>		
Turnover Tax	(7,361)	(1,519)
Municipal Taxes	(1,811)	(629)
Other Taxes and Charges	(4,463)	(1,106)
	<u>(13,635)</u>	<u>(3,254)</u>
<u>Cost of Equipment and Handsets</u>		
Inventory Balances at the beginning of the year	(189)	354
Plus:		
Addition under the Merger (Note 4.a)	(2,739)	(621)
Purchase of Equipment	(9,608)	(290)
Other	(20)	-
Less:		
Inventory Balances at year-end	2,889	189
	<u>(9,667)</u>	<u>(368)</u>
<u>Other Operating Income and Expense</u>		
Lawsuits and Contingencies	(1,254)	(281)
Rentals and Internet Capacity	(3,321)	(745)
Other	(5,188)	(1,225)
	<u>(9,763)</u>	<u>(2,251)</u>
<u>Depreciation, Amortization and Impairment of PP&E and Intangible Assets</u>		
Depreciation of PP&E	(27,640)	(7,032)
Amortization of Intangible Assets	(5,374)	(61)
Impairment of PP&E	(466)	-
Impairment of Intangible Assets	(1,623)	-
	<u>(35,103)</u>	<u>(7,093)</u>

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Operating Expenses disclosed by function are as follows:

Item	Cost of services provided	Administrative Expenses	Selling Expenses	Total as of December 31, 2018	Irregular Eight-Month Fiscal Year Ended 12.31.2017
Employee benefit expenses and severance payments	(16,724)	(4,241)	(9,108)	(30,073)	(7,971)
Interconnection and Transmission Costs	(5,478)	(11)	(36)	(5,525)	(912)
Fees for Services, Maintenance, Materials and Supplies	(8,548)	(2,796)	(5,080)	(16,424)	(5,166)
Taxes and Fees with the Regulatory Authority	(13,420)	(23)	(192)	(13,635)	(3,254)
Commissions and Advertising	(229)	(1,451)	(9,530)	(11,210)	(2,473)
Cost of Equipment and Handsets	(9,667)	-	-	(9,667)	(368)
Programming and Content Costs	(12,149)	-	(7)	(12,156)	(6,281)
Bad Debt Expenses	(2)	-	(3,525)	(3,527)	(598)
Other Operating Income and Expense	(6,668)	(1,141)	(1,954)	(9,763)	(2,251)
Depreciation, Amortization and Impairment of PP&E and Intangible Assets	(27,306)	(2,545)	(5,252)	(35,103)	(7,093)
Total as of December 31, 2018	(100,191)	(12,208)	(34,684)	(147,083)	-
Total as of December 31, 2017	(24,026)	(4,722)	(7,619)	-	(36,367)

Operating Leases

Future minimum lease payments from of non-cancellable operating lease agreements as of December 31, 2018 and 2017 at the closing rate of the transaction date are as follows:

	Less than 1 year	1 to 5 years	Over 5 years	Total
December 31, 2017	467	391	25	883
December 31, 2018	1,754	2,286	479	4,519

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

NOTE 24 – FINANCIAL INCOME AND EXPENSE

	December 31, 2018	Irregular Eight-Month Fiscal Year Ended 12.31.2017
	Income (loss)	Income (loss)
Interest Expense (*)	(5,531)	(1,481)
Exchange Differences on Debts (**)	(31,933)	(3,030)
Other Financial Expenses on Debts	190	113
Total Finance Expenses on Debts	(37,274)	(4,398)
Interest and Gains on Investments	1,905	273
Taxes and Bank Expenses	(1,649)	(519)
Other Exchange Differences (***)	1,691	(167)
Financial Discounts on Assets, debt and Other	65	36
Results from Operations with Notes and Bonds	780	(1)
Interest on Allowances	(604)	(78)
Interest on Pension Benefits	(72)	-
Inflation Adjustment Gain (Loss)	13,003	4,816
Other	9	102
Total Other Financial Income and Expense, net	15,128	4,462
Total Financial Income and Expense, net	(22,146)	64

(*) Includes \$7 million of foreign currency exchange gains (losses), net generated by NDF for the year ended December 31, 2018.

(**) Includes \$1,116 million of foreign currency exchange gains (losses), net generated by NDF for the year ended December 31, 2018.

(***) Includes \$ (130) million of foreign currency exchange losses, net generated by NDF for the year ended December 31, 2018.

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NOTE 25 – 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>December 31, 2018</u>	<u>Irregular Eight-Month Fiscal Year Ended 12.31.2017</u>
Net Income used in the Calculation of Basic Earnings per Share (gain):		
from Continuing Operations (in millions of Argentine pesos)	(1,604)	3,294
	<u>(1,604)</u>	<u>3,294</u>
Weighted Average of the Number of Common Shares used in the Calculation of Basic Earnings per Share	180,641,002	180,641,791
Earnings per Share (in pesos)	(8.88)	18.23

The weighted average of outstanding shares for the year ended December 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>December 31, 2018</u>	<u>Irregular Eight-Month Fiscal Year Ended 12.31.2017</u>
Basic and Diluted Earnings per Share	(8.88)	18.23
Total Earnings per Share	(8.88)	18.23

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 counterparty with regard to the operations 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 the above-mentioned 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.

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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 Group's exposure to exchange fluctuation risks is related mainly to its operating activities.

The Group has part of its commercial debt denominated in US\$ and euro. Additionally, it holds a large portion of its financial debt is denominated in US dollars 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 mostly denominated in foreign currency that are also sensitive to changes in 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 December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
	(in millions of converted Argentine pesos)	
Assets	18,288	5,356
Liabilities	(98,398)	(41,219)
Assets (Liabilities) net	(80,110)	(35,863)

In order to reduce this net liability position in foreign currency, Telecom holds, as of December 31, 2018, derivatives for US\$ 166 million. Therefore, the net debt of the Group that is not covered by these instruments amounts to approximately US\$ 1,771 as of that date.

Exchange rate risk – Sensitivity analysis

Based on the composition of the consolidated statement of financial position as of December 31, 2018, which is a net liability position in foreign currency of \$ 80,110 million, equal to US\$ 2,125 million, Management estimates that any positive or negative variation in the exchange rate of \$ 1 peso against the U.S. dollar and proportional variations for euro and guaraníes against the Argentine peso would result in a variation of approximately \$ 2,125 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 \$ 73,852 million, equal to approximately US\$ 1,959 million, and a variation of the exchange rate of \$ 1 peso as described in the previous paragraph, would generate a variation of approximately \$ 1,959 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

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 and foreign bank loans denominated in US\$ and guaraníes that accrue interest at a floating and fixed rate (Note 13.)

As of December 31, 2018, the Group had a debt at variable interest rate of approximately \$ 60,948 million. In order to reduce the effect of changes in interest rates, the Group holds as of December 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 \$ 44,360 million as of December 31, 2018.

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Management believes that any variation of 10 annual bps in the agreed interest rates would result in a variation of approximately \$ 44 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 Group's exposure to possible losses arising from the failure of commercial or financial counterparties to fulfill their assumed obligations. Such risk stems principally from economic and financial factors, or from the possibility that a default situation of a counterparty 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.

The maximum theoretical credit risk exposure of the 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	-	-	7,287	-	-	7,287
Total not due	7,456	5,998	10,189	3,320	299	27,262
Total as of December 31, 2018	7,456	5,998	17,476	3,320	299	34,549

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, the expected uncollectibility, customer creditworthiness and changes in the customer payment terms. Total overdue balances not covered by the allowance for bad debts amount to \$ 7,287 million as of December 31, 2018 (\$ 1,521 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 short periods.

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 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:

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	December 31, 2018	December 31, 2017	Changes
Trade Receivables	17,415	2,588	14,827
Other receivables (not considering financial NDF)	4,380	1,412	2,968
Inventories	2,737	136	2,601
Other Assets	299	558	(259)
Current liabilities (not considering financial debt)	(33,537)	(13,671)	(19,866)
Operative working capital	(8,706)	(8,977)	271
Cash and Cash Equivalents	7,456	7,205	251
Financial NDF	750	-	750
Investments	1,371	162	1,209
Current Debt	(28,225)	(5,480)	(22,745)
Current Financial (Liabilities) / Assets, net	(18,648)	1,887	(20,535)
Negative operating working capital (current assets – current liabilities)	(27,354)	(7,090)	(20,264)
Liquidity Ratio	0.56	0.63	(0.07)

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. As of December 31, 2018, the negative working capital amounted to \$ 8,706 million (a \$271 million decrease compared to the figure recorded as of December 31, 2017), mainly due to the payment of dividends to the non-controlling interest in January 2018, which had been declared by Cablevisión in December 2017, net of the operating cash flows generated during the year.

During fiscal years ended December 31, 2017 and 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 and to refinance a portion of its financial debt within the framework of its ongoing policy, aimed at optimizing the term, rate and structure of its financial debt. 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 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 \$ 7,456 million (equal to US\$ 199 million) as of December 31, 2018 (as of December 31, 2017, it had 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 (See Note 13.)

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	Loans	Salaries and Social Security Payables	Other Liabilities	Total
Matured	2,149	-	-	-	2,149
January 2019 through December 2019	20,744	30,282	5,961	403	57,390
January 2020 through December 2020	278	17,336	182	7	17,803
January 2021 through December 2021	170	34,289	116	-	34,575
January 2022 onwards	253	18,743	92	-	19,088
	23,594	100,650	6,351	410	131,005

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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.

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 year 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	December 31, 2018	December 31, 2017
Other Receivables ⁽¹⁾			
La Capital Cable S.A.	Associate	78	34
Teledifusora San Miguel Arcángel S.A.	Associate	19	40
Ver T.V. S.A.	Associate	47	100
		144	174
CURRENT LIABILITIES			
Accounts Payable			
Televisora Privada del Oeste S.A. ⁽²⁾	Associate	3	-
		3	-
Loans			
La Capital Cable S.A.	Associate	-	6
		-	6

(1) Includes \$ 65 million and \$ 91 million as of December 31, 2018 and 2017, respectively, corresponding to dividends receivable.

(2) Associate through Pem.

• Related Parties

CURRENT ASSETS	Type of related party	December 31, 2018	December 31, 2017
Trade Receivables			
Other Related Parties	Related company	92	59
		92	59
CURRENT LIABILITIES			
Accounts Payable			
Other Related Parties	Related company	569	438
		569	438
Dividends Payable			
Other Related Parties	Related company	-	2,411
		-	2,411

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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**

	Transaction	Type of related party	December 31, 2018	Irregular Eight-Month Fiscal Year Ended 12.31.2017
			<u>Income (loss) Sales and Other Revenues</u>	<u>Income (loss) Sales and Other Revenues</u>
La Capital Cable S.A.	Sales of services	Associate	11	12
La Capital Cable S.A.	Other Sales	Associate	37	29
			<u>48</u>	<u>41</u>
			<u>Operating Costs</u>	
La Capital Cable S.A.	Fees for services	Associate	(24)	(19)
			<u>(24)</u>	<u>(19)</u>
			<u>Financial Results</u>	
La Capital Cable S.A.	Interest income from loans received	Associate	-	(1)
			<u>-</u>	<u>(1)</u>

• **Related Parties** ⁽²⁾

	Transaction	Type of related party	December 31, 2018	Irregular Eight-Month Fiscal Year Ended 12.31.2017
			<u>Income (loss) Sales and Other Revenues</u>	<u>Income (loss) Sales and Other Revenues</u>
Other Related Parties	Advertising Sales	Related company	36	50
Other Related Parties	Sales of services	Related company	88	59
			<u>124</u>	<u>109</u>
			<u>Operating Costs</u>	<u>Operating Costs</u>
Other Related Parties	Programming Costs	Related company	(1,611)	(1,614)
Other Related Parties	Publishing and distribution of magazines	Related company	(558)	(363)
Other Related Parties	Advisory Services	Related company	(235)	(356)
Other Related Parties	Purchase of Advertising	Related company	(400)	(166)
Other Related Parties	Other purchases and commissions	Related company	(109)	(23)
Other Related Parties	Fees for services	Related company	(53)	(46)
			<u>(2,966)</u>	<u>(2,568)</u>

(2) Includes mainly operations with the following companies related through Grupo Clarín S.A.: Arte Radiotelevisivo Argentino S.A., Arte Gráfico Editorial Argentino S.A., Unir S.A., Impropost S.A., Tele Red Imagen S.A., GC Gestión Compartida S.A. and Compañía De Medios Digitales S.A.

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

On November 21, 2018, the Company accepted an assignment of collection rights on a credit, offered by Grupo Clarín S.A. for US\$ 8.7 million. See Note 7 to these Consolidated Financial Statements.

iv. Key Management

Compensation for the Group's Directors and Key Managers for the year ended December 31, 2018 and for the irregular eight-month year ended December 31, 2017, including social security contributions, amounted to \$ 340 million and \$ 92 million, respectively, and was recorded as an expense under the line item "Employee benefits expenses and severance payments".

As of December 31, 2018, an amount of \$ 167 million remained unpaid.

The estimated fees paid to the directors of the Group for the year ended December 31, 2018 and for the irregular eight-month year ended December 31, 2017 amounted to approximately \$ 99 million and \$14 million, respectively.

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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. As of December 31, 2018, such figure restated for inflation amounts to \$ 2,386 million.

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 the Voluntary reserve for future dividends which, as a result, was of \$ 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 dividends, 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 the 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 dividends" 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 as a result of the merger with 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 (approximately \$ 6,021 million in constant currency as of December 31, 2018.)

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 - MANDATORY PUBLIC TENDER OFFER (“PTO”) DUE TO CHANGE OF CONTROL

As described under Note 4.a) to these consolidated financial statements, on January 1, 2018, the Company became the direct and indirect holder of 841,666,658 Class D shares of Telecom Argentina, representing 39.08% of the outstanding capital stock of said company. In addition, all the provisions of the agreement, described under said note, came into effect. Said agreement entitles the Company to appoint the majority of the members of Telecom’s Board of Directors. Therefore, the Company is the controlling shareholder of Telecom.

Accordingly, and pursuant to Law No. 26,831 (as amended by Law No. 27,440, the “Capital Markets Law”) and the rules of the Argentine Securities Commission (CNV, for its Spanish acronym), and together with the Capital Markets Law, the “PTO Rules”), on June 21, 2018, the Company’s Board of Directors decided to promote and make a mandatory public tender offer (“PTO”) due to change of control for all the Class B common shares listed on Bolsas y Mercados Argentinos S.A. (“BYMA”, for its Spanish acronym), (including the Class C common shares issued by Telecom which were converted into Class B common shares within the term provided) issued by Telecom.

Notwithstanding the fact that Fintech Telecom, LLC is not obligated to promote, make or launch a PTO pursuant to the PTO Rules and that it has not taken part in the determination or formulation of any of the terms and conditions of the PTO, as provided under the above-mentioned agreement, Fintech Telecom LLC has undertaken with regard to the Company to pay and acquire 50% of the shares that will be tendered under the PTO (notwithstanding the Company’s right to acquire by itself the first 43,073,760 shares.)

The price offered by the Company to be paid for each share tendered by its holder for its acquisition by the Company is of \$ 110.85 per Share (less any cash dividend per Share to be paid by Telecom from the announcement date to the date the price of the PTO is paid and other expenses, such as transfer expenses, rights, fees, commissions, taxes, duties or contributions) (the “PTO Price”). The Company has obtained reports from two independent appraisers with respect to the method applied to determine the PTO Price. The PTO Price shall be payable in Pesos in Argentina no later than 5 business days following the expiration of the Offer Reception Period.

Pursuant to Article 3, paragraph c), Chapter II, Title III of CNV Rules, on July 5, 2018, the Board of Directors of Telecom Argentina issued an opinion stating that the PTO Price had been set in accordance with the mandatory terms provided under applicable laws, in conformity with item I of Article 88 of the Capital Markets Law, and issued the Board of Directors’ Report provided under such Rules.

Subsequent to the announcement of the PTO by the Company, the CNV made certain objections to the Price of the PTO and served notice on the Company of the reports issued by its technical areas, which were answered in due time and form by the Company. Due to the imminent possibility that the CNV will reject the PTO and order the Company to make the PTO at the price assessed by the CNV within a mandatory term, or if the Company did not fulfill that order and the CNV were to apply the sanctions provided under Article 89 of the Capital Markets Law, the Company requested an injunction ordering the CNV to refrain from resolving and deciding on the authorization of the PTO submitted and formulated by the Company until a final judgment is rendered on the merits of the case, which seeks a decision by the court declaring that the Company submitted and formulated the PTO in conformity with applicable law.

On September 21, 2018, the Company was served notice of the decision rendered on September 20, 2018 in re “Cablevisión Holding S.A v. Comisión Nacional de Valores on Injunctions” File No. 7,998/2018, pending before the Federal Civil and Commercial Court No. 3, whereby, as a preliminary injunction, the CNV shall refrain from resolving and deciding on the authorization of the PTO submitted and formulated by the

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Company on June 21, 2018, until the court may issue a final decision on the injunction, once the requirements of article 4 of Law No. 26,854 have been fulfilled.

As required under the applicable law, the CNV filed a response and submitted the report provided under Article 4 of Law No. 26,854. The CNV also filed a subsidiary appeal against the decision rendered on September 20, 2018 that granted the preliminary injunction requested by the Company.

On October 8, 2018, the Company filed the substantive claim on which the request for a preliminary injunction was grounded: a request for a declaratory judgment declaring that the Company submitted and formulated the PTO in conformity with applicable regulations and fully in accordance with effective laws.

On November 28, 2018, the Company was served with the decision rendered on November 27, 2018 in re "Cablevisión Holding S.A. v. Comisión Nacional de Valores on Injunctions" File 7,998/2018, pending before Federal Civil and Commercial Court No. 3, whereby the Court accepted (as a requirement of admissibility) the guarantee posted by the Company pursuant to the decision of November 1, 2018, which had granted the injunction requested by the Company. Pursuant to the Court's injunction, the CNV was instructed to refrain from issuing any decision on the authorization of the PTO submitted and formulated by the Company on June 21, 2018, for a period of six months.

As of the date of these consolidated financial statements, the decision rendered on November 1, 2018 that granted the injunction is not yet final.

NOTE 30 - SUBSEQUENT EVENTS

On March 21, 2019, the Company had acknowledged the acceptance by the Lenders, the Arrangers, Collateral Agents and the Administrative Agent of the Amendment Offer delivered by the Company, in order to amend certain provisions of the Loan granted by the Lenders on September 27, 2017 (Note 13.2). The main terms of the Amendment Offer are the followings:

- Maturity Date: the date that is 18 months from the Amendment Effective Date (March 25, 2019).
- Applicable Margin: the Loan shall accrue interest on any outstanding amounts until their actual payment at a rate equal to "LIBOR", plus an applicable margin equal to (i) for the period from the Amendment Agreement Effective Date and the date that is six months thereafter, 5.75%, (ii) for the period from, but excluding, the date that is six months following the Amendment Effective Date and the date that is the first anniversary of the Amendment Effective Date, 6.50%, and (iii) for the period from, but excluding, the first anniversary of the Amendment Effective Date to and including the Maturity Date, 7.25%.
- Permitted Debt: Borrower shall not create, incur, assume or guaranty, or otherwise become or remain directly or indirectly liable with respect to, any Debt (other than the Obligations), except the following (collectively, "Permitted Debt"): (a) Debt in an amount not exceeding U\$S 50,000,000 outstanding at any time; and (b) Debt in an amount necessary to fund, in whole or in part, any Tender Offer or Additional Acquisition of TEO shares; provided that all such Debt shall (i) be subordinated in right of payment to the payment in full of the Obligations, (ii) be unsecured or, if secured, the collateral for such Tender Offer/Additional Acquisition Debt will consist solely of new Equity Interests in Cablevisión acquired with the proceeds of such Tender Offer/Additional Acquisition Debt; (iii) have a maturity date falling at least six (6) months after the Maturity Date, (iv) provide that no interest or scheduled amortization payments of principal is payable in cash while any of the Obligations is outstanding.
- Collateralization Ratio: Borrower shall create and maintain Collateral on the outstanding amount of the Obligations on a Ratio of 2,5:1,00. This Ratio shall be increased to 2,75:1,00 so long as the Borrower maintains any Permitted Debt described under section (b).

NOTE 31 - APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors of Cablevisión Holding has approved these consolidated financial statements and authorized their issuance for April 17, 2019.

Independent auditor's report

To: the Board of Directors and Shareholders of Cablevisión Holding S.A.

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, Cablevisión Holding S.A.'s consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

Cablevisión Holding S.A.'s consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matter

✓ *Goodwill impairment review*

Goodwill amounting to \$ 114,091 million in total is reported under the goodwill line item the consolidated financial statements of Cablevisión Holding S.A. We focused on this area due to the significance of goodwill balance and because Management' assessment of the "value in use" of the Cash Generating Unit (CGU) involves judgement about the future results of the business and the discount rates applied to future cash flow forecasts.

The accounting policies for goodwill are set out in Note 3.j. to the consolidated financial statements.

Goodwill is tested for impairment annually by the Group on a Cash Generating Unit basis, using discounted cash flow (DCF) valuation technique to determine the value in use of the CGU.

Based on historical performance, there are no impairment indicators noted. However this matter remains a key audit matter for our audit of the Group due the significant of the balance.

We obtained, understood and evaluated management's impairment models.

Our audit procedures included a detailed evaluation of the Group's budgeting procedures (upon which forecasts are based) and an assessment of the principles of management's discounted cash flow model. We tested the mathematical accuracy of the calculations derived from each forecast model and assessed and challenged the key inputs in the calculations such as revenue growth, EBITDA, capital expenditures and discount rate.

With respect to the appropriateness of the future cash inflows used in the calculation we satisfied ourselves, amongst other procedures, by agreeing this information with the current budget in the one-year plan adopted by Management and approved by the Board of Directors, as well as by comparison with general and sector-specific market expectations, including the country macro economical expectations.

With the knowledge that even relatively small changes in the discount rate applied can have material effects on the value of goodwill calculated in this way, we also involved our own valuation experts and focused our testing on the parameters used to determine the discount rate applied, including the weighted average cost of capital, and reperformed the calculations. We evaluated the competence, capabilities and objectivity of our valuation expert, and the adequacy of the work performed.

We also performed sensitivity analyses for Telecom businesses CGU's (net book value compared to present value) and found that the respective goodwill was sufficiently covered by discounted future cash flows.

As a result of the considered measurement inputs and assumptions used by Management to be in line with our expectations and that the valuations performed are reasonable.

Key audit matter	How our audit addressed the key audit matter
<p>✓ Business combination</p> <p>As described in Note 4.a.) to the consolidated financial statements, during 2017 the Group, through Cablevisión S.A., entered into a merger agreement with Telecom Argentina S.A. pursuant to which, Cablevisión S.A. (the legally absorbed entity) would be merged into Telecom Argentina S.A. (the surviving entity). The merger effective date was January 1, 2018.</p> <p>Management concluded that this business combination falls within the concept of a “reverse acquisition”, as outlined by IFRS 3, whereby, the accounting acquirer was Cablevisión S.A. and thus, the “purchase method” have been applied, at the acquisition date, over the assets and liabilities of Telecom Argentina S.A.</p> <p>The application of the acquisition method, as outlined by IFRS 3 <i>Business Combinations</i> requires management to exercise judgement in determining estimates and certain definitions for applying the method of accounting. The most significant are:</p> <ul style="list-style-type: none"> i) the identification of the acquirer; ii) the determination of the acquisition date; iii) the determination of the Purchase Price Allocation (“PPA”) Valuation; iv) the determination of the controlling shareholder of the merged entity. <p>In particular, the PPA require management to identify and calculate the fair value of the acquired assets, including tangible and intangible assets. These fair value calculations represent important estimates that require the use of valuation models and a significant level of management judgement. Management engaged an independent appraiser (“management’s expert”) to issue a valuation report on the fair values of the identified assets and liabilities at the acquisition date.</p>	<p>Our audit approach focused, among others, on the following areas:</p> <ul style="list-style-type: none"> ✓ We examined the agreements signed for the transaction and the related Minutes of Board and Minutes of Shareholders’ meeting. ✓ We had meetings with management in order to understand the transaction and its accounting treatment. ✓ We examined the accounting treatment defined by the Company for the business combination and the steps followed by management in applying the acquisition method. ✓ We also assessed and corroborated the adequacy and appropriateness of the disclosures made in the consolidated financial statements. ✓ We examined, together with the participation of our valuation expert, the methodology used to determine the fair value amounts of fixed and intangible assets (including goodwill). ✓ We evaluated the competence, capabilities and objectivity of the management’s expert, obtained an understanding of the work of the expert, and evaluated the appropriateness of the expert’s work as audit evidence for the relevant assertions. ✓ We further engaged a valuation expert (“auditor’s expert”) to review the PPA reports and the reasonableness of the underlying key assumptions. We evaluated the competence, capabilities and objectivity of the auditor’s expert, and the adequacy of the work performed by the auditor’s expert. ✓ We evaluated, the analysis and assessment performed by the management, including the examination of a Shareholders’ Agreement between Cablevisión Holdings S.A. and Fintech Media Inc., to conclude about the indicators of control that Cablevisión Holding S.A. has over the merged company, as outlined by IFRS 10 <i>Consolidated Financial Statements</i>. <p>As a result of the work performed and the evidence obtained, we conclude that the accounting treatment for the acquisition transaction is appropriate. We also consider that disclosures related to the acquisitions are appropriate.</p>

Key audit matter**How our audit addressed the key audit matter**

Due to the significance of the acquired business, the complexity of the assessment process and the level of judgement and estimate involved for the accounting of this business combination, it was identified as a key audit matter.

Emphasis of matter

We draw attention to Note 18.2.j. to the consolidated financial statements, which describes the situation related to the resolution issued by the regulator to calculate the monthly fee payable by the users of cable television services, whose decision cannot be foreseen to date. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.
- If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Carlos Pace.

*Price Waterhouse & Co. S.R.L.
Bouchar 557, Floor 8
Buenos Aires, Argentina
April 17, 2019*

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

Dr. Carlos A. Pace
Certified Public Accountant (UBA)