TELECOM ARGENTINA SA
Form 6-K
August 28, 2018
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13A-16 OR 15D-16

UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of August 2018

Commission File Number: 001-13464

Telecom Argentina S.A.

(Translation of registrant s name into English)

Alicia Moreau de Justo, No. 50, 1107

Buenos Aires, Argentina

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F x Form 40-F o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes o No x

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes o No x

Table of Contents

Telecom Argentina S.A.

TABLE OF CONTENTS

Exhibit

Table of Contents

Telecom Argentina S.A.

You should carefully review the information contained herein before making an investment decision. However, the unaudited pro-forma information contained in TEO s unaudited consolidated financial statements as of and for the six-month period ended June 30, 2018 is provided for comparative purposes only in order to illustrate, on a pro forma basis, the financial effects attributable to the merger (the Merger) between Telecom Argentina S.A. (TEO) and Cablevisión S.A. (Cablevisión) on TEO s unaudited consolidated financial statements as of and for the six-month period ended June 30, 2018, which are included in this 6-K.

We have not authorized anyone to provide information that is different or additional to the information contained in this 6-K. We do not take responsibility for any other information about TEO or Cablevisión that others may give you. If anyone provides you with different or additional information, not included in this 6-K, you should not rely on it. You should assume that the information in this 6-K relating to TEO or Cablevisión is accurate only as of January 1, 2018 (the Merger Effective Date), regardless of the time it is delivered. All defined terms not otherwise defined herein will have the meaning assigned to them in our annual report on Form 20-F for the year ended December 31, 2017, filed with the SEC on April 20, 2018, which we refer to as the TEO 2017 20-F.

Table of Contents

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Telecom Argentina S.A. is a company incorporated under the laws of Argentina. Unless otherwise stated, the terms the Company, Telecom, Telecom Group, we, us, and our refer to Telecom Argentina S.A. and its consolidated subsidiaries as of December 31, 2017. Unless otherwise stated, references to the financial results of Telecom are to the consolidated financial results of Telecom Argentina and its consolidated subsidiaries. The Telecom Group is engaged in the provision of fixed and mobile telecommunications services.

Our unaudited consolidated financial statements as of June 30, 2018 and 2017 and for the six-month period ended June 30, 2018 and 2017 and the notes thereto (the TEO 2Q 2018 Unaudited Consolidated Financial Statements), have been prepared in accordance with IFRS as issued by the IASB and have been reviewed by Price Waterhouse & Co. S.R.L. (a member firm of the PricewaterhouseCoopers network) an independent registered public accounting firm (Price Waterhouse).

Third-Party Information

The information set forth in this 6-K with respect to the market environment, market developments, growth rates, trends and competition in the markets and segments in which TEO operates are based on information published by the Argentine federal and local governments through the *Instituto Nacional de Estadísiticas y Censos* (the National Statistics and Census Institute, or INDEC) and the Ministry of Public Works, the Central Bank (defined below), the *Dirección General de Estadística y Censos de la Ciudad de Buenos Aires* (General Directorate of Statistics and Census of the City of Buenos Aires) and the *Dirección Provincial de Estadística y Censos de la Provincia de San Luis* (Provincial Directorate of Statistics and Census of the Province of San Luis), as well as on independent third-party data, statistical information and reports produced by unaffiliated entities such as Dataxis, International Data Corporation (IDC), SNL Kagan Media-Communications (Kagan) and Pyramid Research Inc. (Pyramid), as well as on our own internal estimates.

Market studies are frequently based on information and assumptions that may not be exact or appropriate, and their methodology is by nature forward looking and speculative. This 6-K also contains estimates made by us based on third-party market data, which in turn is based on published market data or figures from publicly available sources.

We have not verified the figures, market data or other information on which third parties have based their studies nor have such third parties verified the external sources on which such estimates are based. Therefore we do not guarantee, nor do we assume responsibility for, the accuracy of the information from third-party studies presented in this 6-K or for the accuracy of the information on which such third-party estimates are based.

This 6-K also contains estimates of market data and information derived therefrom which cannot be gathered from publications by market research institutions or any other independent sources. Such information is based on our internal estimates. In many cases there is no publicly available information on such market data, for example from industry associations, public authorities or other organizations and institutions. We believe that these internal estimates of market data and information derived therefrom are helpful in order to give investors a better understanding of the industry in which we operate as well as our position within this industry. Although we believe that our internal market observations are reliable, such estimates are not reviewed or verified by any external sources. In addition, such estimates reflect various assumptions made by us that may or may not prove accurate, as well as the exercise of a substantial degree of judgment by management as to the scope and presentation of such information. No representations or warranties can be made concerning the accuracy of our estimates of market data and the information received therefrom. These may deviate from market data estimates made by our competitors or future statistics provided by market research institutes or other independent sources. We cannot assure you that our market data estimates or the assumptions are accurate or correctly reflect the state and development of, or our position in, the industry.

Pro Forma Summarized Financial Information of TEO

This 6-K includes, to illustrate the financial effects attributable to the Merger for comparative purposes only, unaudited pro forma summarized financial information. Telecom s unaudited pro forma consolidated income statement assumes that the Merger was consummated on January 1, 2017 (see Note 4 a. to the TEO 2Q 2018 Unaudited Consolidated Financial Statements). The unaudited pro forma consolidated income statement for the six-month period ended June 30, 2017 are based upon, derived from, and should be read in conjunction with (i) the consolidated financial statements of TEO as of and for the six-month period ended June 30, 2017 and 2016 (the Telecom 2Q 2017 Financial Statements), and (ii) the consolidated financial statements of Cablevisión as of and for the six-month period ended June 30, 2017 and 2016 (the Cablevisión 2Q 2017 Financial Statements). The accompanying unaudited pro forma consolidated income statements give effect to adjustments that are (i) directly attributable to the Merger, (ii) factually supportable, and (iii) are expected to have a continuing impact on the consolidated results.

Table of Contents

The Merger will be accounted for as a business combination using the acquisition method of accounting under the provisions of IFRS 3 Business Combinations (IFRS 3), with Cablevisión selected as the accounting acquirer under this guidance. Under IFRS 3, all assets acquired and liabilities assumed are generally recorded at their acquisition date fair value. For purposes of preparing the unaudited pro forma consolidated income statement, the fair value of TEO s identifiable tangible and intangible assets acquired and liabilities assumed are based on an estimate of fair value. Management believes the estimated fair values utilized for the assets to be acquired and liabilities to be assumed are based on reasonable estimates and assumptions. Fair value estimates may change as additional information becomes available and such changes could be material.

For more information, see Operating and Financial Review and Prospects as of June 30, 2018 in the TEO 2Q 2018 Consolidated Financial Statements.

Table of Contents

INDEX TO THE UNAUDITED FINANCIAL STATEMENTS OF TELECOM ARGENTINA S.A.

Unaudited Consolidated Financial Statements (as of and for the six-month period ended June 30, 2018 and 2017)

Table of Contents

TELECOM ARGENTINA S.A.

TELECOM ARGENTINA S.A.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2018

Table of Contents

TELECOM ARGENTINA S.A.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2018 AND 2017

INDEX

Table of Contents

OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF JUNE 30, 2018

(In millions of Argentine pesos or as expressly indicated)

1. *General considerations*

As required by CNV regulations, the Company has prepared its unaudited consolidated financial statements as of June 30, 2018 under IFRS. Additional information is given in Note 1 to the unaudited consolidated financial statements.

2. *Telecom Group s activities for the six-month periods ended June 30, 2018 (1H18) and 2017 (1H17)*

The following Operating and Financial Review and Prospects for the six-month period ended June 30, 2018 (the Operating and Financial Review) incorporate the effect of the merger between Telecom Argentina and Cablevisión effective as of January 1, 2018, and the result of the operations from that date of the merged entities carried out by Telecom Argentina as successor since the merger. The Merger has been accounted for as a reverse acquisition under IFRS 3. Under this accounting method, Telecom (the surviving entity) has been considered the accounting acquiree and Cablevisión (the legally absorbed entity) has been considered the accounting acquirer. Additional information concerning the presentation of the financial information, accounting treatment and other information required by IFRS 3 related to merger is provided in Notes 1.c), 3.d.5) and 4.a) to the unaudited consolidated financial statements, and it is recommended to read it in conjunction with this Operating and Financial Review and Prospects.

Consolidated Income Statements under IFRS

			Variation	
	1H18	**1H17**	**$**	**%**
Revenues	64,179	19,233	44,946	233.7
Operating costs without depreciation and amortization	(40,883)	(11,707)	(29,176)	249.2
Depreciation, amortization and impairment of PP&E	(9,642)	(1,833)	(7,809)	426.0
Operating income	**13,654**	**5,693**	**7,961**	**139.8**
Earnings from associates	91	78	13	16.7
Financial results, net	(20,847)	(894)	(19,953)	2,231.9
(Loss) Income before income tax benefit (expense)	**(7,102)**	**4,877**	**(11,979)**	**n/a**
Income tax benefit (expense)	2,230	(1,705)	3,935	n/a
Net (loss) income	**(4,872)**	**3,172**	**(8,044)**	**n/a**
Attributable to:				
Controlling Company	(4,912)	3,139	(8,051)	n/a
Non-controlling interest	40	33	7	21.2
	(4,872)	**3,172**	**(8,044)**	**n/a**
Basic and diluted earnings per share attributable to the Controlling Company (in pesos)	**(2.28)**	**2.65**		

Revenues amounted to $64,179 in 1H18, operating costs -including depreciation, amortization and impairment of PP&E- amounted to $50,525, operating income amounted to $13,654 equivalent to 21.3% of consolidated revenues- and net loss amounted to $4,872 equivalent to -7.6% of consolidated revenues-, as a consequence of the devaluation of the peso during 1H18 (+55.0% or $10.2/USD) that generated a net foreign currency exchange loss of $19,882 in 1H18 for net liabilities in foreign currency. Net loss attributable to the Controlling Company amounted to $4,912.

Consolidated revenues were mainly fueled by mobile services, Internet and Cable TV services. Services revenues amounted to $59,133 -equivalent to 92.1% of consolidated revenues-, and equipment revenues amounted to $5,046 -equivalent to 7.9% of consolidated revenues-.

Mobile services revenues amounted to $22,398 -equivalent to 34.9% of consolidated revenues- which were mainly generated by Personal s customers in Argentina.

Cable TV services amounted to $13,872 -equivalent to 21.6% of consolidated revenues- and they are composed mainly of cable TV services provided in Argentina and Uruguay.

Additionally, Internet services revenues amounted to $14,435 equivalent to 22.5% of consolidated revenues- and fixed telephony and data services amounted to $8,247 equivalent to 12.8% of consolidated revenues-.

I

Table of Contents

Operating costs without depreciation, amortization and impairment of PP&E amounted to $40,883 during 1H18, and was mainly comprised of employee benefit expenses and severance payments (which totaled $11,054); fees for services, maintenance, materials and supplies (which totaled $6,239); taxes and fees with the Regulatory Authority (which totaled $5,235); programming and content costs (which totaled $4,529); and commissions and advertising (which totaled $3,818).

Depreciation, amortization and impairment of PP&E totaled $9,642 during 1H18 -equivalent to 15.0% of consolidated revenues-, including $3,197 of additional depreciation and amortization due to the allocation of the higher value to PP&E and Intangibles in the recording of the Merger through the reverse acquisition method (see Note 4.a) to the unaudited consolidated financial statements).

Operating income for 1H18 amounted to $13,654, resulting in a margin over consolidated revenues of 21.3%.

Financial results, net amounted to a loss of $20,847 in 1H18, mainly due to net foreign currency exchange rate losses totaling $19,882, as of a consequence of the devaluation of the peso during 1H18 (+55.0% or $10.2/USD), interests on debts totaling $1,345, and taxes and bank expenses totaling $607, which were partially offset by interests and gains on investments totaling $600 and results on operations with notes and bonds totaling $655.

The income tax benefit in 1H18 was $2,230 mainly due to the loss before taxes that generated a deferred taxes gain related to the recognition of tax carryforward.

Telecom Argentina recorded a net loss of $4,872 in 1H18, which represents -7.6% of consolidated revenues. Net loss attributable to the controlling shareholders amounted to $4,912 in 1H18, and the loss per share amounted to $2.28 pesos.

Unaudited Proforma consolidated income statements

For purposes of facilitating the understanding and analysis of the evolution of the Company s results in 1H18 compared to 1H17 by readers of this Review and Prospects, the following table is included as additional information presenting the comparative figures of 1H17 (PF1H17) on a pro forma basis as if the merger between Telecom and Cablevisión would have occurred on January 1, 2017, according to the criteria and premises described in section 9. It is worth noting that the information included in PF1H17 does not correspond to figures elaborated under IFRS, and they are only provided for the specific proposes mentioned in this paragraph.

			Variation	
	1H18	**PF1H17 (*)**	**$**	**%**
Revenues	64,179	49,705	14,474	29.1
Operating costs without depreciation and amortization	(40,883)	(32,657)	(8,226)	25.2

Depreciation, amortization and impairment of PP&E	(9,642)	(7,928)	(1,714)	21.6
Operating income	**13,654**	**9,120**	**4,534**	**49.7**
Earnings from associates	91	78	13	16.7
Financial results, net	(20,847)	(1,422)	(19,425)	1.366.0
(Loss) income before income tax benefit (expense)	**(7,102)**	**7,776**	**(14,878)**	**n/a**
Income tax benefit (expense)	2,230	(2,715)	4,945	n/a
Net (loss) income	**(4,872)**	**5,061**	**(9,933)**	**n/a**
Attributable to:				
Controlling Company	(4,912)	5,028	(9,940)	n/a
Non-controlling interest	40	33	7	21.2
	(4,872)	**5,061**	**(9,933)**	**n/a**

(*) As arise from pro forma information included in section 9 of this Review and Prospects.

- **Revenues**

During 1H18 consolidated total revenues increased 29.1% (+$14,474 vs. PF1H17) amounting to $64,179 mainly driven by changes in the prices of internet services, premium cable TV services and mobile services.

Services revenues amounted to $59,133 (+28.3% vs. PF1H17) and represented 92.1% of consolidated revenues (vs. 92.7% in PF1H17). Equipment revenues increased 39.9%, amounting to $5,046 and represented 7.9% of consolidated revenues (vs. 7.3% in PF1H17).

II

Table of Contents

Mobile Services

Mobile services revenues amounted to $22,398 (+$3,402 or +17.9% vs. PF1H17), being the principal business segment in revenues terms (37.9% and 41.2% of services consolidated revenues in 1H18 and PF1H17, respectively). The increase was due to the revenues generated from mobile services in Argentina.

Most of the Company s customers in Argentina use the mobile services provided under the Personal trademark. The main ratios related to the services provided to these customers were:

- Approximately 63% of the total of customers corresponds to prepaid customers, and 37% to postpaid customers.
- The churn rate per month amounted to 2.8% in 1H18 (vs. 2.5% in PF1H17).
- The average revenue per user (ARPU) amounted to $165.0 pesos per month in 1H18 (vs. $135.3 pesos per month in PF1H17), representing a 21.9% increase.

Mobile services revenues in Argentina amounted to $20,308 (+$2,579 or +14.5% vs. PF1H17) were mainly generated by the increase in monthly charges prices of postpaid and Abono fijo customers, and the increase in the online recharges in the prepaid subscriber base, partially offset by a decrease in CPP services revenues.

Mobile services revenues generated in Paraguay amounted to $2,090 (+$823 or +65.0% vs. PF1H17)

The main ratios related to the mobile services in Paraguay were:

- Approximately 83% of the total of customers corresponds to prepaid customers, and 17% to postpaid customers.
- The churn rate per month amounted to 3.1% in 1H18 (vs. 2.4% in PF1H17).
- The average revenue per user (ARPU) amounted to $127.8 pesos per month in 1H18 (vs. $79.6 pesos per month in PF1H17), representing a 60.6% increase, due to a 15.8% increase in the ARPU in guaraníes plus the effect of the variation of the average exchange rate.

Internet Services

Internet services revenues amounted to $14,435 in 1H18 (+$3,598 or +33.2% vs. PF1H17) as a result of the increase in the average plans prices. The broadband ARPU amounted to $585.1 pesos per month in 1H18 (+42.0% vs. PF1H17).

Cable Television Services

Cable TV service revenues amounted to $13,872 (+$3,761 or +37.2% vs. PF1H17). This increase is due to an increase in sales of value added services and increase in prices modifications. The ARPU amounted to $653.3 pesos per month in 1H18 (+26.3% vs. PF1H17). The monthly average churn during 1H18 amounted to 1.1% (vs. 1.2% in PF1H17).

Fixed and Data Services

Revenues generated by fixed telephony and data services amounted to $8,247 (+$2,657 or +47.5% vs. PF1H17), mainly due to monthly charges price increases for both corporate and residential fixed telephony customers, and additionally greater sales of product packs that include voice and internet services (Arnet + Voz), that aim to achieve higher levels of customer loyalty and churn reduction.

As a result, the average monthly revenue billed per user (ARBU) of fixed telephony services was increased to $204.8 in 1H18, (vs. $140.9 in PF1H17) which represents a 45.3% increase.

Data revenues increased in the context of the Company s position as an integrated ICTs provider (Datacenter, VPN, among others) for wholesale and government segments. The increase was primarily due to the variation of the $/US$ exchange rate related to agreements settled in such foreign currency.

Equipment

Equipment revenues amounted to $5,046, +$1,438 or +39.9% vs. PF1H17. This variation is mainly due to the increase in handset sale prices of the mobile services customers and the rise in participation of high-end devices.

III

Table of Contents

- **Operating costs**

Consolidated operating costs including depreciations, amortizations and disposal and impairment of PP&E totaled $50,525 in 1H18, which represents an increase of $9,940 or +24.5% vs. PF1H17. The increase in costs is mainly a consequence of higher revenues, the competition in mobile, Cable TV services and Internet, higher direct and indirect labor costs on the cost structure of the operations in Argentina, and the increase in costs of services contracted with our suppliers that has caused a growth in the cost structure, higher programming and content costs due to cost from the incorporation of broadcasting signals of football matches.

The costs breakdown is mainly as follows:

Employee benefit expenses and severance payments

Employee benefit expenses and severance payments amounted to $11,054 (+$1,945 or +21.4% vs. PF1H17). The increase was mainly due to increases in salaries agreed by the Company with several trade unions with respect to unionized employees as well as to non-unionized employees, together with related social security charges. The headcount amounted to 26,325 employees at the end of 1H18 (vs. 26,992 employees in PF1H17).

Interconnection and transmission costs

Interconnection and transmission costs (including charges for TLRD, Roaming, Interconnection costs, cost of international outbound calls and lease of circuits) amounted to $1,974 (+$148 or +8.1% vs. PF1H17), mainly due to higher TLRD costs.

Fees for services, maintenance, materials and supplies

Fees for services, maintenance, materials and supplies amounted to $6,239 million (+$1,077 or +20.9% vs. PF1H17). The increase is mainly due to increases in fees for services, mostly related to call centers and to higher professional fees driven mostly by a higher level of activity and new Company projects and services linked to operational management in general. There were also higher technical maintenance costs and higher hardware and software maintenance costs due to the increase in prices, fluctuation of the exchange rate $/U$S and the higher level of activity.

Taxes and fees with the Regulatory Authority

Taxes and fees with the Regulatory Authority, including turnover tax, municipal taxes and other taxes, amounted to $5,235 (+$1,241 or +31.1% vs. PF1H17). This increase is mainly due to the increase in revenues.

Commissions and advertising

Commissions (including commissions paid to agents, prepaid card commissions and others) and advertising totaled $3,818, +$661 or +20.9% vs. PF1H17. The increase is mostly due to higher collections fees and higher advertising charges, offset by a decrease in CPP commissions and a reduction of total commissions paid to commercial channels.

Cost of equipment and handsets

Cost of equipment and handsets sold totaled $3,596, (+$645 or +21.9% vs. PF1H17). $3,437 of this amount correspond to cost of mobile handsets sold in Argentina, which grew 24.4% vs. PF1H17, mainly due to higher costs per unit due to the rise in participation of high-end devices.

Programming and content costs

Programming and content costs amounted to $4,529 (+$1,576 or +53.4% vs. PF1H17), mainly due to the incorporation of the cost of signals to broadcast live football matches of the first division of the Argentine Football Association.

Bad debt expenses

Bad debt expenses amounted to $1,273 (+$346 or +37.3% vs. PF1H17), representing approximately 2.0% and 1.9% of the consolidated revenues in 1H18 and in PF1H17, respectively. The increase is mainly due to the impact of $164 generated by the application of IFRS 9 since fiscal year 2018.

Depreciation, amortization and impairment of PP&E

Depreciation, amortization and impairment of PP&E amounted to $9,642 (+$1,714 or +21.6% vs. PF1H17). The higher charge is mostly due to higher amortization and depreciation of PP&E and intangibles of $1,717, including $638 of higher amortization corresponding to higher values allocated to the aforementioned assets as a result of the application of the acquisition method under IFRS 3.

IV

Table of Contents

- **Operating income**

Operating income amounted to $13,654 in 1H18 (+$4,534 or +49.7% vs. PF1H17). The margin over consolidated revenues represented 21.3% in 1H18 (vs. 18.3% in PF1H17).

- **Financial results, net**

Net financial results resulted in a net loss of $20,847, representing a higher loss of $19,425 vs. PF1H17. The variation is mainly due to higher foreign currency exchange net losses amounting to $19,186 due to an 55.0% depreciation of the peso against the US$ during 1H18, and a 4.7% depreciation of the peso against the US$ in 1H17, and higher financial debt losses amounting to $116.

- **Net (loss) income**

Telecom Argentina recorded a net loss of $4,872 in 1H18, -$9,933 vs. an income of $5,061 in PF1H17, representing -7.6% of the consolidated revenues (vs. 10.2% in PF1H17). Net loss attributable to controlling shareholders amounted to $4,912 in 1H18 vs. an income of $5,028 inn PF1H17.

- **Net financial position**

As of June 30, 2018, net financial position (consisting of cash, cash equivalents plus financial investments and financial NDF minus loans) is debt and totaled $48,526. Consolidated net financial debt position as of December 31, 2017, calculated as the sum of consolidated net financial positions of both companies, would have amounted to $9,580 (debt).

- **Capital expenditures (CAPEX)**

CAPEX composition for 1H18 and PF1H17 is as follows:

	In millions of $		Variation 1H18 vs. 1H17	
	1H18	**1H17 (*)**	**$**	**%**
PP&E	13,185	9,473	3,712	39
Intangibles assets	1,052	1,090	(38)	(3)
Total	**14,237**	**10,563**	**3,674**	**35**

(*) Calculated as the sum of the consolidated CAPEX of both companies, adjusting them to similar criteria.

In relative terms, the investments reached 22.2% of consolidated revenues in 1H18 (vs. 21.3% in PF1H17) and they have been assigned, from the point of view of tangible assets mainly to the fixed network and transport equipment for the access to the mobile network and the handsets lent to our customers at no cost. Likewise, in the case of intangible assets, the investments were in the 700 MHz Band Licenses acquisition in Paraguay and the incremental costs for the acquisition of the contract. Lastly, during 1H18 important investments were made in materials to be used in infrastructure projects in both, the development process and those scheduled to begin construction in the short term.

The Company s main PP&E CAPEX projects are related to the expansion of cable TV services and internet services in order to improve the transmission and speed offered to customers; deployment of 3G and 4G services to support the growth of mobile Internet, improvement of the quality service together with the launch of innovative VAS services.

Also, the transmission and transport networks were expanded to unify the different access technologies, converting the fixed copper networks to fiber or hybrid fiber-coaxial networks, in this way, to meet the growing demand of services of our fixed telephony services and mobile customers. Likewise, significant investments have also been made in the pricing, billing and customer relationship systems.

V

Table of Contents

3. *Telecom Group s activities for the three-month periods ended June 30, 2018 (2Q18) and 2017 (2Q17)*

Consolidated Income Statements under IFRS

			Variation	
	2Q18	**2Q17**	**$**	**%**
Revenues	33,481	9,800	23,681	241.6
Operating costs without depreciation and amortization	(21,978)	(6,063)	(15,915)	262.5
Depreciation, amortization and impairment of PP&E	(4,975)	(892)	(4,083)	457.7
Operating income	**6,528**	**2,845**	**3,683**	**129.5**
Earnings from associates	48	38	10	26.3
Financial results, net	(18,541)	(883)	(17,658)	1,999.8
(Loss) Income before income tax expense	**(11,965)**	**2,000**	**(13,965)**	**n/a**
Income tax benefit (expense)	3,612	(720)	4,332	n/a
Net (loss) income	**(8,353)**	**1,280**	**(9,633)**	**n/a**
Attributable to:				
Controlling Company	(8,372)	1,265	(9,637)	n/a
Non-controlling interest	19	15	4	26.7
	(8,353)	**1,280**	**(9,633)**	**n/a**
Basic and diluted earnings per share attributable to the Controlling Company (in pesos)	**(3.89)**	**1.07**		

Revenues amounted to $33,481 in 2Q18, operating costs -including depreciation, amortization and impairment of PP&E- amounted to $26,953, operating income amounted to $6,528 equivalent to 19.5% of consolidated revenues- and net loss amounted to $8,353 equivalent to -24.9% of consolidated revenues-, as a consequence of the devaluation of the peso during 2Q18 (+43.4% or $8.7/USD) that generated a net foreign currency exchange loss of $18,082 in 2Q18 for net liabilities in foreign currency. Net loss attributable to the Controlling Company amounted to $8,372.

Consolidated revenues were mainly fueled by mobile services, Internet and Cable TV services. Services revenues amounted to $30,634 -equivalent to 91.5% of consolidated revenues-, and equipment revenues amounted to $2,847 -equivalent to 8.5% of consolidated revenues-.

Mobile services revenues amounted to $11,453 -equivalent to 34.2% of consolidated revenues- which were mainly generated by Personal s customers in Argentina.

Cable TV services amounted to $7,206 -equivalent to 21.5% of consolidated revenues- and they are mainly composed of services provided in Argentina and Uruguay.

Additionally, Internet services revenues amounted to $7,574 equivalent to 22.6% of consolidated revenues- and fixed and data services amounted to $4,327 equivalent to 12.9% of consolidated revenues-.

Operating costs without depreciation, amortization and impairment of PP&E amounted to $21,978 during 2Q18, the main components are employee benefit expenses and severance payments (which totaled $5,837); fees for services, maintenance, materials and supplies (which totaled $3,358); taxes and fees with the Regulatory Authority (which totaled $2,766); programming and content costs (which totaled $2,384); and commissions and advertising (which totaled $2,109).

Depreciation, amortization and impairment of PP&E totaled $4,975 during 2Q18 -equivalent to 14.9% of consolidated revenues-, including $1,621 of additional depreciation and amortization due to the allocation of the higher value to PP&E and Intangibles in the recording of the Merger through the reverse acquisition method (see Note 4.a) to the unaudited consolidated financial statements).

Operating income for 2Q18 amounted to $6,528, resulting in a margin over consolidated revenues of 19.5%.

Financial results, net amounted to a loss of $18,541 in 2Q18, mainly due to net foreign currency exchange rate losses totaling $18,082, interests on debts totaling $811, and taxes and bank expenses totaling $253, which were partially offset by interests and gains on investments totaling $310 and results on operations with notes and bonds totaling $463.

The income tax benefit in 2Q18 was $3,612 mainly due to the loss before taxes that generated a gain in deferred taxes related to the recognition of tax carryforward**.**

Table of Contents

Telecom Argentina obtained a net loss of $8,353 in 2Q18, which represents -24.9% of consolidated revenues. Net loss attributable to the controlling shareholders amounted to $8,372 in 2Q18, and the loss per share amounted to $3.89 pesos.

Unaudited Pro forma consolidated income statements

For purposes of facilitating the understanding and analysis of the evolution of the Company s results in 2Q18 compared to 2Q17 by readers of this Review and Prospects, the following table is included as additional information presenting the comparative figures of 2Q17 (PF2Q17) on a pro forma basis as if the merger between Telecom and Cablevisión would have occurred on January 1, 2017, according to the criteria and premises described in section 9. Such information (PF2Q17) arises from subtracting proforma figures for 6 months of 2017 (PF1H17) in section 9, the proforma figures of 1Q17 (PF1Q17) included in the Review and Prospects as of March 31, 2018. It is worth noting that the information included in PF1H17 does not correspond to figures elaborated under IFRS, and they are only provided for the specific proposes mentioned in this paragraph.

			Variation	
	2Q18	**PF2Q17**	**$**	**%**
Revenues	33,481	25,581	7,900	30.9
Operating costs without depreciation and amortization	(21,978)	(17,014)	(4,964)	29.2
Depreciation, amortization and impairment of PP&E	(4,975)	(3,942)	(1,033)	26.2
Operating income	**6,528**	**4,625**	**1,903**	**41.1**
Earnings from associates	48	38	10	26.3
Financial results, net	(18,541)	(1,404)	(17,137)	1,220.6
(Loss) Income before income tax benefit (expense)	**(11,965)**	**3,259**	**(15,224)**	**n/a**
Income tax benefit (expense)	3,612	(1,161)	4,773	n/a
Net (loss) income	**(8,353)**	**2,098**	**(10,451)**	**n/a**
Attributable to:				
Controlling Company	(8,372)	2,082	(10,454)	n/a
Non-controlling interest	19	16	3	18.8
	(8,353)	**2,098**	**(10,451)**	**n/a**

Total revenues increased 30.9% vs. PF2Q17 and operating income amounted to $6,528 (+$1,903 or +41.1% vs. PF2Q17). Financial results, net amounted to a loss of $18,541 (an increase of $17,137 vs. PF2Q17), while income tax benefit amounted to $3,612, vs. a loss of $1,161 in .PF2Q17.

During 2Q18 consolidated revenues increased 30.9% (+$7,900 vs. PF2Q17) amounting to $33,481, mainly fueled by increases in the prices of internet services, premium services of cable television and in mobile services.

Consolidated operating costs including depreciation, amortization and impairment of PP&E amounted to $26,953 in 2Q18, which represents an increase of $5,997 or +28.6% vs. PF2Q17. The increase in costs is mainly a consequence of a higher revenues, higher expenses related to competition in mobile, cable television, and Internet businesses, higher direct and indirect labor costs on the cost structure in Argentina, the increase in fees for services related to higher supplier prices that has caused a growth in the cost structure; higher programming and content costs due to cost from the incorporation of broadcasting signals of football matches.

CAPEX amounted to $8,187 in 2Q18 and amounted to $6,097 in 2Q17 reformulated.

VII

Table of Contents

4. *Summary of comparative consolidated statements of financial position*

	June 30,				
	2018	**2017**	**2016**	**2015**	**2014**
Current assets	29,620	5,199	7,475	4,977	2,693
Non-current assets	202,695	27,365	18,596	10,648	9,409
Total assets	**232,315**	**32,564**	**26,071**	**15,625**	**12,102**
Current liabilities	62,531	8,779	7,563	3,954	3,369
Non-current liabilities	47,605	10,526	9,140	4,232	3,340
Total liabilities	**110,136**	**19,305**	**16,703**	**8,186**	**6,709**
Equity attributable to the Controlling Company	119,869	12,820	9,065	7,183	5,157
Equity attributable non-controlling interest	2,310	439	303	256	236
Total Equity	**122,179**	**13,259**	**9,368**	**7,439**	**5,393**
Total liabilities and equity	**232,315**	**32,564**	**26,071**	**15,625**	**12,102**

5. *Summary of comparative consolidated income statements*

	2Q18	**2Q17**	**2Q16**	**2Q15**	**2Q14**	**1H18**	**1H17**	**1H16**	**1H15**	**1H14**
Revenues	33,481	9,800	7,175	4,673	3,403	64,179	19,233	14,243	9,232	6,391
Operating costs	(26,953)	(6,955)	(5,181)	(3,328)	(2,634)	(50,525)	(13,540)	(10,001)	(6,349)	(4,848)
Operating income	**6,528**	**2,845**	**1,994**	**1,345**	**769**	**13,654**	**5,693**	**4,242**	**2,883**	**1,543**
Earnings from associates	48	38	32	26	15	91	78	69	47	24
Earnings from acquisition of companies	-	-	-	-	-	-	-	114	-	-
Financial results, net	(18,541)	(883)	(699)	(278)	(295)	(20,847)	(894)	(1,352)	(590)	(1,108)
(Loss) income before income tax benefit (expense)	**(11,965)**	**2,000**	**1,327**	**1,093**	**489**	**(7,102)**	**4,877**	**3,073**	**2,340**	**459**
Income tax benefit (expense)	3,612	(720)	(440)	(339)	(163)	2,230	(1,705)	(984)	(747)	(148)
Net (loss) income	**(8,353)**	**1,280**	**887**	**754**	**326**	**(4,872)**	**3,172**	**2,089**	**1,593**	**311**
Other comprehensive income (loss), net of tax	1,608	90	15	(21)	92	2,174	(15)	57	(221)	255
Total comprehensive (loss) income	**(6,745)**	**1,370**	**902**	**733**	**418**	**(2,698)**	**3,157**	**2,146**	**1,372**	**566**
Attributable to Controlling Company	(7,165)	1,342	887	716	395	(3,271)	3,138	2,135	1,398	541
Attributable to non-controlling interest	420	28	15	17	23	573	19	11	(26)	25

6. *Summary of comparative consolidated statements of cash flow*

	June 30,				
	2018	**2017**	**2016**	**2015**	**2014**
Net cash flows provided by operating activities	16,481	5,900	3,731	2,915	2,290
Net cash flows used in investing activities	(10,072)	(5,665)	(3,462)	(1,669)	(1,570)
Net cash flows (used in) provided by financing activities	(5,563)	(1,177)	1,276	(145)	(470)
Net foreign exchange differences on cash and cash equivalents	1,698	4	398	89	13

Total cash and cash equivalents provided by (used in) during the period	**2,544**	**(938)**	**1,943**	**1,190**	**263**

7. Statistical data (in physical units in index-term)

	06.30.18	06.30.17	06.30.16	06.30.15	06.30.14
Cable TV suscribers (i)	99.8	100.5	100.8	100.5	100.8
Internet Access (i)	241.4	132.3	123.2	112.7	104.5
IDEN telephony services lines (ii)	29.1	62.0	86.4	-	-
Fixed telephony services lines (iii)	96.9	-	-	-	-
Personal Mobile telephony services lines (iii)	98.2	-	-	-	-
Núcleo s customers (iii)	97.2	-	-	-	-

(i) Base december 2013= 100

(ii) Base december 2015= 100

(iii) Base december 2017= 100 (the variation correspond to the incorporation of the effect of the merger with Telecom Argentina).

8. Consolidated ratios

	06.30.18	06.30.17	06.30.16	06.30.15	06.30.14
Liquidity (1)	0.47	0.59	0.99	1.26	0.80
Solvency (2)	1.11	0.69	0.56	0.91	0.80
Locked-up capital (3)	0.87	0.84	0.71	0.68	0.78

1) Current assets/Current liabilities.

2) Total equity/Total liabilities.

3) Non-current assets/Total assets.

VIII

Table of Contents

9. Unaudited Pro Forma consolidated income statement for the six-month period ended June 30, 2017

The following unaudited pro forma consolidated income statement is presented to illustrate the consolidated income statement for the six-month period ended June 30, 2017 included in the present Operating and Financial Review for comparative purposes. The unaudited pro forma consolidated income statement assumes that the Merger was consummated on January 1, 2017 (see Note 4 a. to the unaudited consolidated financial statements). The unaudited pro forma consolidated income statement for the six-month period ended June 30, 2017 are based upon, derived from, and should be read in conjunction with (i) the unaudited consolidated financial statements of Telecom as of and for the six-month period ended June 30, 2017 and 2016 (the Telecom 1H 2017 Financial Statements), and (ii) the unaudited consolidated financial statements of Cablevisión as of and for the six-month period ended June 30, 2017 and 2016 (the Cablevisión 1H 2017 Financial Statements).

The accompanying unaudited pro forma consolidated income statements give effect to adjustments that are (i) directly attributable to the Merger, (ii) factually supportable, and (iii) are expected to have a continuing impact on the consolidated results.

The Merger was accounted for as a business combination using the acquisition method of accounting under the provisions of IFRS 3 Business Combinations (IFRS 3), with Cablevisión selected as the accounting acquirer under this guidance. Under IFRS 3, all assets acquired and liabilities assumed are generally recorded at their acquisition date fair value. For purposes of preparing the unaudited pro forma consolidated income statement, the fair value of Telecom s identifiable tangible and intangible assets acquired and liabilities assumed are based on an estimate of fair value. Management believes the estimated fair values utilized for the assets to be acquired and liabilities to be assumed are based on reasonable estimates and assumptions. Fair value estimates may change as additional information becomes available and such changes could be material.

The unaudited pro forma consolidated income statement has been prepared by management in accordance with the bases outlined herein and is not necessarily indicative of the consolidated financial results of operations that would have been realized had the Merger occurred as of the dates indicated, nor include any expected cost savings or operating synergies, which may be realized subsequent to the Merger or the impact of any non-recurring activity and one-time transaction-related or integration-related items. We provide the unaudited pro forma consolidated income statement for informational purposes only.

We prepared the following unaudited pro forma consolidated income statement by applying certain pro forma adjustments to Telecom and Cablevisión s historical consolidated income statements. We have based the pro forma adjustments on available information and certain assumptions that we believe are reasonable under the circumstances.

Unaudited Pro Forma Consolidated Income Statement

for the six-month period ended June 30, 2017

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

	Column I	Column II	Column III	Column IV	Column V		
	Telecom Argentina S.A.	Cablevisión S.A.	Reclassifications	Elimination of transactions	Pro Forma Adjustments	Ref.	Pro Forma Consolidated
Revenues	30,544	19,233	-	(62)	(10)	2.(a)	**49,705**
Other income	39	12	(51)	-	-		**-**
Employee benefit expenses and severance payments	(5,878)	-	(3,231)	-	-		**(9,109)**
Interconnection costs and other transmission charges	(1,532)	-	(356)	62	-		**(1,826)**
Fees for services, maintenance, materials and supplies	(2,959)	-	(2,130)	-	(73)	2.(b)	**(5,162)**
Taxes and fees with the Regulatory Authority	(2,870)	-	(1,129)	-	5	2.(c)	**(3,994)**
Commissions and Advertising	(2,282)	-	(875)	-	-		**(3,157)**
Cost of equipments and handsets	(2,769)	-	(155)	-	(27)	2.(d)	**(2,951)**
Programming costs and Cost of Contents	(466)	-	(2,487)	-	-		**(2,953)**
Bad debt expenses	(675)	-	(252)	-	-		**(927)**
Cost of sales	-	(8,655)	8,655	-	-		-
Commercialization costs	-	(2,741)	2,741	-	-		-
Administration costs	-	(2,156)	2,156	-	-		-
Other operating income and expenses	(1,808)	-	(770)	-	-		**(2,578)**
Depreciation, amortization and impairment of PP&E	(3,493)	-	(1,833)	-	(2,602)	2.(e)	**(7,928)**
Operating income	**5,851**	**5,693**	**283**	-	**(2,707)**		**9,120**
Equity in earnings from associates	-	**78**	-	-	-		**78**
Financial income, net	**(260)**	-	**260**	-	-		-
Financial costs	-	**(738)**	**(787)**	-	**18**		**(1,507)**
Other financial expenses, net	-	**(156)**	**244**	-	**(3)**		**85**
Income before income tax expense	**5,591**	**4,877**	-	-	**(2,692)**		**7,776**
Income tax expense	**(1,952)**	**(1,705)**	-	-	**942**	2.(f)	**(2,715)**
Net income for the period	**3,639**	**3,172**	-	-	**(1,750)**		**5,061**
Attributable to:							
Controlling Company	3,615	3,139	-	-	(1,726)		**5,028**
Non-controlling interest	24	33	-	-	(24)		**33**
	3,639	**3,172**	-	-	**(1,750)**		**5,061**
Weighted average number of ordinary shares outstanding	**969,159,605**	**120,000**					**2,153,688,011**
Earnings per share (Basic and Diluted)	**3.73**	**26,158.33**					**2.33**

IX

Table of Contents

1. Accounting for the Merger

The unaudited pro forma consolidated financial information has been prepared using the acquisition method of accounting under the provisions of IFRS 3 and is based on the historical financial information of Telecom and Cablevisión. The purchase price allocation included herein has been described solely for the purpose of providing unaudited pro forma consolidated income statement. The process for estimating the fair values of identifiable intangible assets and certain tangible assets requires the use of judgment in determining the appropriate assumptions and estimates. The estimates in the unaudited pro forma consolidated financial information could change as additional information becomes available and could have a material impact on the accompanying pro forma consolidated income statement.

The Merger will be accounted for as a business combination using the acquisition method of accounting under the provisions of IFRS 3, with Cablevisión selected as the accounting acquirer under this guidance. The factors that were considered in determining that Cablevisión should be treated as the accounting acquirer in the Merger were (i) the relative voting rights in the surviving entity (55% for the former shareholders of Cablevisión and 45% for the former shareholders of Telecom), (ii) the composition of the board of directors in the surviving entity and other committees (audit, supervisory and executive) (iii) the relative fair value assigned to Cablevisión and Telecom and (iv) the composition of senior management of the surviving entity.

2. Reclassifications, eliminations of transactions and pro forma adjustments to the unaudited pro forma consolidated statement for the six-month period ended June 30, 2017

Column I shows the historical consolidated financial data of Telecom for the six-month period ended June 30, 2017 derived from Telecom 1H 2017 Financial Statements.

Column II shows the historical consolidated financial data of Cablevisión for the six-month period ended June 30, 2017 derived from Cablevisión 1H 2017 Financial Statements.

Column III shows certain reclassifications made to the historical income statements in order to conform to presentation standards to be used after the Merger. Mainly, the Cost of sales and Commercialization and Administration costs have been reclassified to each operating expense by nature and the Taxes on deposits to and withdrawals from bank accounts have been reclassified from Taxes and fees with the Regulatory Authority to Other financial results, net.

Column IV provides for the elimination of certain reciprocal transactions between Telecom and Cablevisión for the six-month period ended June 30, 2017 mainly related to telecommunication interconnection.

Column V shows the pro forma adjustments, which comprise mainly the following:

(a) Lower revenues from the decrease in recognition of deferred revenues on connections fees as consequence of the purchase price allocation.

(b) Higher consumption of materials resulting from the increase in their value as a consequence of the purchase price allocation.

(c) Lower tax charges and regulatory fees derived from the elimination of billings between Telecom and Cablevisión following the Merger.

(d) Higher cost of sales of handsets resulting from the increase in value of inventories at the beginning of the year as a consequence of the purchase price allocation.

(e) Higher depreciation and impairment charges for the increase in value of Telecom s PP&E as a consequence of the purchase price allocation, and higher amortization charges for the increase in value of Telecom s intangible assets as a consequence of the purchase price allocation. Useful lives of Telecom s fixed assets are the same as those disclosed in the Telecom 1H 2017 Financial Statements. Useful lives of intangible assets recognized as a result of the purchase price allocation are mainly as follows: indefinite lives for trademarks and some licenses, other licenses between 12 and 15 years, and customer relationships between 5 and 10 years.

(f) The related income tax effects on the adjustments described in a) to e) above based on the enacted tax law in effect as of the end of the reporting period.

X

Table of Contents

The unaudited pro forma earnings per share data is computed by dividing the unaudited pro forma consolidated net income for the six-month period ended June 30, 2017 attributable to the controlling shareholder by the number of Telecom s outstanding shares after giving effect to the Merger, including 1,184,528,406 ordinary shares to be issued by Telecom for the Merger.

10. Outlook

In macroeconomic terms, in this first half of the year, growth showed a deceleration trend, mainly due to the extraordinary drought that continues to affect the central agricultural area and has an impact on economic activity nationwide, as well as a more contractive monetary and fiscal policy, which anticipates a drop in activity level for the third and fourth quarter of the year.

One of the most relevant factors in the economic context was the increase of inflation levels and the devaluation of the Argentine peso, which could stabilize towards the end of the year, with the definition of new economic measures aimed at seeking greater exchange rate parity stability, as well as the unfolding of salary agreements with pre-established goals.

Despite a less favorable economic context, during this period, Telecom Argentina continued to reflect high growth levels thanks to its good operating performance.

Telecom Argentina, as a comprehensive operator of ICT services, welcomes the government s intent to encourage technological convergence, with projects that foster competition and favor the deployment of networks to boost the dynamism of the sector. With a focus on the convergence of services and in line with the global trend in the sector, we understand that the regulatory framework should propose a comprehensive approach to communications, contemplating all the players capable of investing in modern and powerful networks to provide high level products and services in Argentina.

It should be noted that during June the merger between Telecom and Cablevisión received the approval of the Argentine Antitrust Commission, a body dependent on the Secretariat of Commerce, thus obtaining the final requirement that supports the operation of the new Telecom.

In a very short period, the Company strengthened the integration of the financial and operating structures of the merged companies that began in January, managing to reinforce the position of the new company in a competitive market, as well as to sustain high levels of investment to reconvert and upgrade their networks, ensuring the quality and the continuity of the services to meet the connectivity demands of our customers.

During this first stage, we are working to develop the best offerings in terms of speed, quality, innovation, value proposition and technological reliability. We are focusing on improving the capacity and coverage of our networks, which is key to the transformation towards convergent services with international quality standards. We also intend to strengthen our trademark assets which Telecom and Cablevisión have built over the last 20 years and have positioned them as leading companies in the telecommunications market.

As we predicted at the closing of our fiscal year, connectivity is no longer fixed or mobile, it is present in every aspect of daily life, and, in Telecom, we envision a future in which people, objects and our environment will be connected at high speed, on the go, from any place and from any device. We continue to prepare ourselves to lead this process of deep transformation of behaviors, social dynamics and organizations.

Alejandro Urricelqui
Chairman of the Board of Directors

Table of Contents

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of Argentine pesos - Basis of presentation in Note 1.c)

	Note	June 30, 2018	December 31, 2017
ASSETS			
Current Assets			
Cash and cash equivalents	**5**	6,958	4,414
Investments	**5**	4,305	110
Trade receivables	**6**	12,365	1,753
Other receivables	**7**	3,613	828
Inventories	**8**	2,379	83
Total current assets		**29,620**	**7,188**
Non-Current Assets			
Trade receivables	**6**	117	-
Other receivables	**7**	1,077	237
Deferred income tax assets	**15**	58	44
Investments	**5**	3,931	250
Goodwill	**9**	63,903	4,109
Property, plant and equipment	**10**	91,585	22,080
Intangible assets	**11**	42,024	2,368
Total non-current assets		**202,695**	**29,088**
TOTAL ASSETS		**232,315**	**36,276**
LIABILITIES			
Current Liabilities			
Trade payables	**12**	18,943	3,886
Financial debt	**13**	35,622	937
Salaries and social security payables	**14**	3,932	1,751
Taxes payables	**16**	2,276	1,858
Dividends payables	**27**	-	4,078
Other liabilities	**17**	1,303	103
Provisions	**18**	455	-
Total current liabilities		**62,531**	**12,613**
Non-Current Liabilities			
Trade payables	**12**	160	-
Financial debt	**13**	28,469	9,907
Salaries and social security payables	**14**	145	-
Deferred income tax liabilities	**15**	14,880	266
Taxes payables	**16**	2	3
Other liabilities	**17**	858	134
Provisions	**18**	3,091	1,092
Total non-current liabilities		**47,605**	**11,402**
TOTAL LIABILITIES		**110,136**	**24,015**
EQUITY			
Equity attributable to Controlling Company		**119,869**	**11,694**
Equity attributable to non-controlling interest		**2,310**	**567**
TOTAL EQUITY *(See Unaudited Consolidated Statements of Changes in Equity)*	**20**	**122,179**	**12,261**

TOTAL LIABILITIES AND EQUITY	**232,315**	**36,276**

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

Alejandro Urricelqui
Chairman of the Board of Directors

F-1

Table of Contents

UNAUDITED CONSOLIDATED INCOME STATEMENTS

(In millions of Argentine pesos, except per share data in Argentine pesos - Basis of presentation in Note 1.c)

		Three-month periods ended June 30,		Six-month periods ended June 30,	
	Note	2018	2017	2018	2017
Revenues	**22**	**33,481**	**9,800**	**64,179**	**19,233**
Employee benefit expenses and severance payments	**23**	(5,837)	(1,680)	(11,054)	(3,231)
Interconnection and transmission costs		(1,043)	(184)	(1,974)	(356)
Fees for services, maintenance, materials and supplies	**23**	(3,358)	(1,125)	(6,239)	(2,145)
Taxes, and fees with the Regulatory Authority	**23**	(2,766)	(721)	(5,235)	(1,412)
Commissions and advertising		(2,109)	(426)	(3,818)	(875)
Cost of equipment and handsets	**23**	(2,071)	(99)	(3,596)	(155)
Programming and content costs		(2,384)	(1,280)	(4,529)	(2,487)
Bad debt expenses	**6**	(660)	(118)	(1,273)	(252)
Other operating income and expenses	**23**	(1,750)	(430)	(3,165)	(794)
Depreciation, amortization and impairment of PP&E	**23**	(4,975)	(892)	(9,642)	(1,833)
Operating income		**6,528**	**2,845**	**13,654**	**5,693**
Earnings from associates	**5**	48	38	91	78
Debt financial expenses	**24**	(18,870)	(891)	(21,400)	(738)
Other financial results, net	**24**	329	8	553	(156)
(Loss) Income before income tax expense		**(11,965)**	**2,000**	**(7,102)**	**4,877**
Income tax benefit (expense)	**15**	3,612	(720)	2,230	(1,705)
Net (loss) income for the period		**(8,353)**	**1,280**	**(4,872)**	**3,172**
Attributable to:					
Controlling Company		(8,372)	1,265	(4,912)	3,139
Non-controlling interest		19	15	40	33
		(8,353)	**1,280**	**(4,872)**	**3,172**
(Loss) Earnings per share attributable to Controlling Company - Basic and diluted	**25**	**(3.89)**	**1.07**	**(2.28)**	**2.65**

See Note 23 for additional information on operating expenses per function.

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

Alejandro Urricelqui
Chairman of the Board of Directors

F-2

Table of Contents

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions of Argentine pesos - Basis of presentation in Note 1.c)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2018	2017	2018	2017
Net (loss) income for the period	**(8,353)**	**1,280**	**(4,872)**	**3,172**
Other components of the Statements of Comprehensive Income (loss)				
Will be reclassified subsequently to profit or loss				
Currency translation adjustments (no effect on Income Tax)	1,547	90	2,039	(15)
NDF effects classified as hedges	86	-	188	-
Income Tax effects on NDF classified as hedges	(25)	-	(53)	-
Other components of the comprehensive income (loss), net of tax	**1,608**	**90**	**2,174**	**(15)**
Total comprehensive (loss) income for the period	**(6,745)**	**1,370**	**(2,698)**	**3,157**
Attributable to:				
Controlling Company	(7,165)	1,342	(3,271)	3,138
Non-controlling interest	420	28	573	19
	(6,745)	**1,370**	**(2,698)**	**3,157**

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

Alejandro Urricelqui
Chairman of the Board of Directors

Table of Contents

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Argentine pesos - Basis of presentation in Note 1.c)

	Owners contribution						Reserves							
	Outstanding shares		Treasury shares											
	Capital nominal value (1)	Inflation adjust-ment	Capital nominal value (1) (2)	Inflation adjust-ment (2)	Treasury shares acquisition cost (2)	Conntri-buted Surplus	Legal reserve	Special reserve for IFRS implemen-tation	Voluntary reserve for capital invest-ments (2)	Facultative (3)	Voluntary reserve for future dividends payments	Other compre-hensive results	Other deferred	Reta earni
Balances as of January 1, 2017	**1,200**	**-**	**-**	**-**	**-**	**-**	**40**	**43**	**-**	**4,503**	**151**	**1,306**	**(6)**	**4**
Legal and facultative reserve (4)	-	-	-	-	-	-	200	-	-	2,245	-	-	-	(2.
Dividends (4)	-	-	-	-	-	-	-	-	-	-	-	-	-	(1.
Dividends to Non-controlling interest of CV Berazategui	-	-	-	-	-	-	-	-	-	-	-	-	-	
Comprehensive income:														
Net income for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	3
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	(1)	-	
Total Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**-**	**3**
Balances as of June 30, 2017	**1,200**	**-**	**-**	**-**	**-**	**-**	**240**	**43**	**-**	**6,748**	**151**	**1,305**	**(6)**	**3**
Balances as of January 1, 2018	**1,200**	**-**	**-**	**-**	**-**	**-**	**240**	**43**	**-**	**2,748**	**73**	**1,581**	**(6)**	**5**
Equity incorporation of the accounting acquiree (Note 4.a)	969	2,646	15	42	(461)	-	734	351	461	-	9,730	972	(3)	7
Retained earnings adjustment (Note 3.u and 3.v)	-	-	-	-	-	-	-	-	-	-	-	-		
Business combination effect (Note 4.a)	(15)	-	-	-	-	109,469	-	-	-	-	-	(972)	3	
Call option reserve (5)	-	-	-	-	-	-	-	-	-	-	-	-	(91)	
Dividends (6)	-	-	-	-	-	-	-	-	-	-	(9,730)	-	-	(10.

Dividends to Non-controlling interest (7)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Increase in CV Berazategui shareholding (Note 3.d.6)	-	-	-	-	-	-	-	-	-	-	-	-	(176)	
Facultative Reserve (8)	-	-	-	-	-	-	-	-	-	1,312	1,989	-	-	(3.
<u>Comprehensive income (loss):</u>														
Net (loss) income for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	(4.
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	1,641	-	
Total Comprehensive Income (loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,641**	**-**	**(4,**
Balances as of June 30, 2018	**2,154**	**2,646**	**15**	**42**	**(461)**	**109,469**	**974**	**394**	**461**	**4,060**	**2,062**	**3,222**	**(273)**	**(4,**

(1) As of December 31, 2017 and 2016 and as of June 30, 2017, total shares (120,000), of $10,000 argentine peso of nominal value each, were issued and fully paid and corresponded to Cablevisión. As of June 30, 2018, total shares issued by Telecom Argentina (2,168,909,384), of $1 argentine peso of nominal value each, were issued and fully paid. As of June 30, 2018, 15,221,373 were treasury shares.

(2) Corresponds to 15,221,373 shares of $1 argentine peso of nominal value each, equivalent to 0.70% of total capital. The treasury shares acquisition costs amounted to 461. See Note 20 Equity to these unaudited consolidated financial statements.

(3) Corresponds to the Facultative Reserve to maintain the capital investments level and the current level of solvency.

(4) As approved by the Ordinary and Extraordinary Shareholders Meeting of Cablevisión held on March 30, 2017.

(5) Call option reserve of non-controlling interest (See Note 3 d.4).

(6) As approved by the Company s Board of Directors on January 31, 2018 (Note 5.b). Includes 10,144 of advanced dividends which were subsequently ratified by the General Ordinary Shareholders Meeting held on April 25, 2018.

(7) Corresponds to the non-controlling interests of Núcleo and CV Berazategui.

(8) As approved by the General Ordinary Shareholders Meeting held on April 25, 2018.

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

Alejandro Urricelqui

<u>Chairman of the Board of Directors</u>

Table of Contents

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of Argentine pesos Basis of presentation in Note 1.c)

	Note	Six-month periods ended June 30, 2018	2017
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Net (loss) income for the period		(4,872)	3,172
Adjustments to reconcile net income to net cash flows provided by operating activities			
Allowances deducted from assets and provisions		1,344	351
Depreciation of property, plant and equipment	**10**	7,667	1,808
Amortization of intangible assets	**11**	1,834	25
Earnings from associates	**5.a**	(91)	(78)
Disposals and impairment of PP&E	**23**	141	-
Disposals of PP&E		(11)	145
Financial results and others		18,556	721
Income tax (gain) expense	**15**	(2,230)	1,705
Income tax paid		(3,597)	(1,332)
Net increase in assets	**5.b**	(3,878)	(966)
Net increase in liabilities	**5.b**	1,618	349
Total cash flows provided by operating activities		**16,481**	**5,900**
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Property, plant and equipment acquisitions		(13,077)	(5,705)
Intangible asset acquisitions		(1,180)	(478)
Acquisition in CV Berazategui shareholding		(181)	-
Proceeds from dividends	**5.b**	36	40
Cash incorporated by the merger (Note 4.a)		2,831	-
Proceeds from the sale of property, plant and equipment		4	5
Investments not considered as cash and cash equivalents		1,495	473
Total cash flows used in investing activities		**(10,072)**	**(5,665)**
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
Proceeds from financial debt	**5.b**	21,054	535
Payment of financial debt	**5.b**	(1,410)	(533)
Payment of interests and related expenses	**5.b**	(1,094)	(373)
Payment of cash dividends and related withholding tax	**5.b**	(24,113)	(806)
Total cash flows used in financing activities		**(5,563)**	**(1,177)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**846**	**(942)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**4,414**	**2,629**
NET FOREIGN EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS		**1,698**	**4**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**6,958**	**1,691**

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

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

Alejandro Urricelqui
Chairman of the Board of Directors

Table of Contents

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2018 AND 2017 (*)

(In millions of Argentine pesos, except as otherwise indicated)

INDEX

(*) By convention the definitions used in the notes are in the Glossary of Terms.

Table of Contents

Glossary of terms

The following explanations are not technical definitions, but to assist the general reader to understand certain terms as used in these unaudited consolidated financial statements.

Abono fijo : Under the Abono fijo plans, a subscriber pays a set monthly bill and, once the contract minutes per month have been used, the subscriber can obtain additional credit by recharging the phone card through the prepaid system.

AFIP (Administración Federal de Ingresos Públicos): The Argentine federal tax authority

AMBA (Área Metropolitana de Buenos Aires): the Metropolitan Area of Buenos Aires.

ADS Telecom Argentina s American Depositary Share, listed on the New York Stock Exchange, each representing 5 Class B Shares.

BYMA (Bolsas y Mercados Argentinos): Buenos Aires Stock Exchange.

BCRA (Banco Central de la República Argentina): The Central Bank of Argentina.

Cablevisión: Company absorbed by Telecom since January 1, 2018, whose activities are continued by Telecom (Note 4.a).

CAPEX: Capital expenditures.

COMFER (Comisión Federal de Radiodifusión): Argentine Commission of Broadcasting.

CNC (Comisión Nacional de Comunicaciones): The Argentine National Communications Commission.

CNDC (Comisión Nacional de Defensa de la Competencia): The Argentine Antitrust Commission.

CNV (Comisión Nacional de Valores): The Argentine National Securities Commission.

Company or Telecom Argentina: Telecom Argentina S.A.

CONATEL (Comisión Nacional de Telecomunicaciones del Paraguay): The Regulatory Authority of Paraguay.

CPCECABA (Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires): The Professional Council of Economic Sciences of the City of Buenos Aires.

CPP: Calling Party Pays.

CVH: Cablevisión Holding S.A., controlling company of Telecom since January 1, 2018 (Note 27.a).

ENACOM (Ente Nacional de Telecomunicaciones): The Telecommunications Regulatory Authority of Argentina.

ENARD (Ente Nacional de Alto Rendimiento Deportivo): National High Sport Performance Organization.

ENTel (Empresa Nacional de Telecomunicaciones): Argentine State Telecommunication Company, which was privatized in November, 1990.

FACPCE (Federación Argentina de Consejos Profesionales en Ciencias Económicas): Argentine Federation of Professional Councils of Economic Sciences.

FFSU or SU Fund (Fondo Fiduciario del Servicio Universal): Universal Service Fiduciary Fund

Fintech: Fintech Telecom LCC, ex Sofora s parent company, currently a Telecom shareholder

IAS: International Accounting Standards.

IASB: International Accounting Standards Board.

IDEN: Integrated Digital Enhanced Network

IFRS: International Financial Reporting Standards, as issued by the International Accounting Standards Board.

IGJ (Inspección General de Justicia): General Board of Corporations.

LAD (Ley Argentina Digital): Argentine Digital Law No. 27,078.

LGS (Ley de General de Sociedades): Argentine Corporations Law No. 19,550 as amended. Since the enforcement of the new Civil and Commercial Code its name was changed to General Corporations Law .

NDF: Non-Deliverable Forward.

Nortel: Nortel Inversora S.A., the former parent company of the Company.

NYSE: New York Stock Exchange.

OCI: Other Comprehensive Income.

*PCS (*Personal Communications Service): A mobile communications service with systems that operate in a similar manner to cellular systems.

F-7

Table of Contents

PEN: National Executive Power.

PPP (Programa de Propiedad Participada): Share Ownership plan.

PP&E: Property, plant and equipment.

Regulatory Authority: Previously, the SC and the CNC. Since the issuance of the Decree of Need and Urgency No.267/15, the Regulatory Authority is the National Communications Agency (ENACOM).

Roaming: a function that enables mobile subscribers to use the service on networks of operators other than the one with which they signed their initial contract. The roaming service is active when a mobile device is used in a foreign country (included in the GSM network).

RT: Technical resolutions issued by the FACPCE.

RT 26: Technical resolution No, 26 issued by the FACPCE, amended by RT29 and RT43.

SBT (Servicio básico telefónico): Basic telephone service.

SC (Secretaría de Comunicaciones): The Argentine Secretary of Communications.

SCMA (Servicio de Comunicaciones Móviles Avanzadas): Mobile Advanced Communications Service.

SEC: Securities and Exchange Commission of the United States of America.

SRCE (Servicio Radioeléctrico de Concentración de Enlaces): Radioelectric Service of Concentration of Links.

SRMC (Servicio de Radiocomunicaciones Móvil Celular): Cellular Mobile Radiocommunications Service.

SRS (Servicio de Radiodifusión por Suscripción por vínculo físico y/o radioeléctrico.): Subscription Broadcasting Service by physical and / or radioelectric link.

SMS: Short message systems.

Sofora: Sofora Telecomunicaciones S.A. Nortel s former controlling company.

STM (Servicio de Telefonía Móvil): Mobile Telephone Service.

SU: The availability of Basic telephone service, or access to the public telephone network via different alternatives, at an affordable price to people within a country or specified area.

Telecom Group: Telecom Argentina and its consolidated subsidiaries.

Telecom Italia Group: Telecom Italia S.p.A and its consolidated subsidiaries, except where referring to the Telecom Italia Group as Telecom Argentina s operator in which case it means Telecom Italia S.p.A and Telecom Italia International, N.V.

Telecom Personal/Personal/Micro Sistemas/Telintar/Pem/CV Berazategui//Cable Imagen/ Última Milla/AVC Continente Audiovisual/Inter Radios: Names corresponding to limited companies or limited responsibility companies that are directly or indirectly controlled according to the definition of the General Corporations Law, or were controlled by the Company, directly or indirectly: 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.

Telecom USA/Núcleo/Personal Envíos/Tuves Paraguay / Televisión Dirigida / Adesol: Names corresponding to foreign companies Telecom Argentina USA, Inc., Núcleo S.A., Personal Envíos S.A., Tuves Paraguay S.A., Televisión Dirigida S.A. y Adesol S.A., respectively, companies that are directly or indirectly controlled according to the definition of the General Corporations Law.

Telefónica: Telefónica de Argentina S.A.

TLRD (Terminación Llamada Red Destino): Termination charges from third parties wireless networks.

US GAAP: The Generally Accepted Accounting Principles in the United States of America.

VAS (Value-Added Services): Services that provide additional functionality to the basic transmission services offered by a telecommunications network such as SMS, Video streaming, Personal Video, Personal Cloud, M2M (Communication Machine to Machine), Social networks, Personal Messenger, Contents and Entertainment (content and text subscriptions, games, music ringtones, wallpaper, screensavers, etc), MMS (Mobile Multimedia Services) and Voice Mail, among others.

WAI: W de Argentina Inversiones S.A.

Table of Contents

NOTE 1 DESCRIPTION OF BUSINESS AND BASIS OF PREPARATION OF THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

a) The Company and its Operations

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

Telecom Argentina s license, as originally granted, was exclusive to provide telephone services in the northern region of Argentina since November 8, 1990 through October 10, 1999. As from such date, the Company also began providing telephone services in the southern region of Argentina and competing in the previously exclusive northern region.

The Company provides 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 the Company and Cablevisión S.A. (Note 4.a), Telecom Argentina, as surviving entity, 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 services and data transmission.

Cablevisión exploited cable television services through licenses original granted by the Federal Broadcasting Committee (COMFER, for its Spanish acronym) and telecommunication services through licenses granted by the SC.

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

As of June 30, 2018, the following are the most significant subsidiaries included in the consolidation process and the respective equity interest owned by Telecom Argentina:

Company	Main Activity	Country	Telecom Argentina s direct/indirect interest in capital stock and votes
Núcleo	Mobile telecommunications Services	Paraguay	67.50%
Pem	Investment	Argentina	100.00%
CV Berazategui (a)	Closed-circuit television	Argentina	100.00%
Cable Imagen (b)	Closed-circuit television	Argentina	100.00%
Televisión Dirigida	Cable television services	Paraguay	100.00%
Adesol (c)	Holding	Uruguay	100.00%
Última Milla	Services for telecommunication	Argentina	100.00%
AVC Continente Audiovisual	Broadcasting services	Argentina	60.00%
Inter Radios	Broadcasting services	Argentina	100.00%
Telecom USA	Telecommunication services	USA	100.00%

(a) The Company owned 70% indirectly through Pem until April 4, 2018 when the remaining 30% was acquired directly (See Note 3.d.6)

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

(c) Includes the interest in the following special-purpose entities: Audomar S.A., Bersabel S.A., Dolfycor S.A., Reiford S.A., Space Energy S.A., Tracel S.A. and Visión Satelital S.A. See Note 3 d.4).

The information presented on a comparative basis with fiscal year 2017 corresponds to the consolidated information of Cablevisión, due to the treatment of the reverse acquisition described under Note 1.c), therefore

i. NEXTEL Communications Argentina S.R.L. (Nextel) is included in the consolidation until it was merged into Cablevisión, effective as of October 1, 2017 (See Note 4.d), and
ii. Telecom USA and Núcleo (subsidiaries of Telecom before its merger with Cablevisión) are not included in the consolidation of the comparative amounts.

b) Segment information

An operating segment is defined as a component of an entity or a 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 chief operating decision maker. In the case of the Company, the Executive Committee and the Chief Executive Officer (CEO) are responsible for controlling recourses and for the economic and financial performance of Telecom Group.

Table of Contents

The Executive Committee and the CEO have a strategic and operational vision of the Telecom Group as a single business unit in Argentina, according to the current regulatory context of the converged ICT services industry (adding to the same segment both the activities related to the mobile services, internet services, cable television and fixed telephony services, services governed by the same regulatory framework of ICT services). To exercise its functions, both the Executive Committee and the CEO receive periodically the economic-financial information of the Telecom Group in Argentina, that is prepared as a single segment and evaluate the evolution of business as a unit of generation of results, administrating the resources in a unique way to achieve the objectives. Regarding to costs, they are not specifically appropriate to a type of service, considering that the Company has a single payroll and general operating expenses that affect all services in general (non-specific). On the other hand, decisions on CAPEX affect all the different types of services provided by Telecom in Argentina and not specifically to one of them. Based on what was previously described and under the current accounting principles (IFRS as issued by the IASB), it is defined that the Company has a single segment of operations in Argentina.

The Telecom Group also carries out its activities abroad (Paraguay, United States of America and Uruguay). These operations are not analyzed as a separate segment by the Executive Committee and the CEO, who analyze the consolidated information of companies in Argentina and abroad, taking into account that the activities of foreign companies are not significant for the Telecom Group. The operations that the Telecom Group carries out abroad do not meet the aggregation criteria established by the standard to be grouped within the Services rendered in Argentina segment, and considering that they do not exceed any of the quantitative thresholds identified in the standard to qualify as reportable segments, they are grouped within the category Other abroad segments .

Presented below is the Segment financial information for the six-month periods ended June 30, 2018 and 2017:

q ***Consolidated Income Statement as of June 30, 2018***

	Services rendered in Argentina	Other abroad segments	Eliminations	Total
Revenues	**61,281**	**3,067**	**(169)**	**64,179**
Operating costs without depreciation and amortization	(38,924)	(2,128)	169	(40,883)
Depreciation, amortization and impairment of PP&E	(8,908)	(734)	-	(9,642)
Operating income	**13,449**	**205**	**-**	**13,654**

Earnings from associates	91
Debt financial expenses	(21,400)
Other financial results, net	553
Loss before income tax expense	**(7,102)**
Income tax benefit	2,230
Net loss	**(4,872)**
Attributable to:	
Controlling Company	(4,912)

Non-controlling interest	40
	(4,872)

q **_Consolidated Income Statement as of June 30, 2017_**

	Services rendered in Argentina	Other abroad segments	Eliminations	Total
Revenues	**18,731**	**505**	**(3)**	**19,233**
Operating costs without depreciation and amortization	(11,387)	(323)	3	(11,707)
Depreciation, amortization and impairment of PP&E	(1,784)	(49)	-	(1,833)
Operating income	**5,560**	**133**	**-**	**5,693**

Earnings from associates	78
Debt financial expenses	(738)
Other financial results, net	(156)
Income before income tax expense	**4,877**
Income tax expense	(1,705)
Net income	**3,172**
Attributable to:	
Controlling Company	3,139
Non-controlling interest	33
	3,172

Table of Contents

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

i) Sales revenues from customers located in Argentina amounted to $61,031 and $18,278 during the first half of 2018 and 2017, respectively; while sales revenues from foreign customers amounted to $3,148 and $505 during the first half of 2018 and 2017, respectively;

ii) PP&E, Goodwill and Intangible assets corresponding to the segment Services rendered in Argentina amounted to $189,303 and $27,619 as of June 30, 2018 and December 31, 2017, respectively; while PP&E, Goodwill and Intangible Assets corresponding to the segment Other abroad segments amounted to $8,209 and $938 as of June 30, 2018 and December 31, 2017, respectively.

c) Basis of Presentation

As required by the CNV, the Company s unaudited consolidated financial statements have been prepared in accordance with RT 26 (as amended by RT 29 and RT 43) issued by FACPCE, which adopted the IFRS as issued by the IASB. Those standards were adopted by the CPCECABA (IFRS also includes the International Accounting Standards or IAS ; the International Financial Reporting Interpretations Committee or IFRIC , the Standard Interpretations Committee or SIC and the conceptual framework modified in March 2018).

For the preparation of these unaudited consolidated financial statements, the Company decided to include all the information required in a complete set of financial statements as permitted in IAS 34.

The preparation of these unaudited 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.w).

These unaudited 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 finance income or expense using the effective interest method.

These unaudited consolidated financial statements as of June 30, 2018, were approved by resolution of the Board of Directors meeting held on August 8, 2018.

Effect of the Merger between Telecom and Cablevisión under IFRS 3 (Business Combinations) on the Basis of Presentation

According to the provisions of the final merger agreement executed between Telecom and Cablevisión in October 31, 2017 and effective as of January 1, 2018 (Note 4.a) and the shareholder agreement executed between Fintech and CVH in July 7, 2017 (Note 27.a), Telecom Argentina (surviving company for legal purposes) is deemed the acquiree for accounting purposes and Cablevisión (the absorbed company for legal purposes) is deemed the acquirer for accounting purposes, which qualifies as a reverse acquisition pursuant to IFRS 3.

The grounds used to determine that Cablevisión S.A. is to be considered the acquirer for accounting purposes under IFRS 3 in this merger were the following:

1) Relative voting rights in the surviving company (55% for the former shareholders of Cablevisión S.A. and 45% for the former shareholders of Telecom Argentina S.A.),

2) the composition of the Board of Directors of the surviving company and other committees (Audit Committee, Supervisory Committee and Executive Committee),

3) The relative fair value allocated to Telecom Argentina S.A. and Cablevisión S.A. and

4) The composition of the key senior management of the surviving company.

Consequently, for the purposes of preparing these unaudited consolidated financial statements: i) the figures disclosed on a comparative basis as of December 31, 2017 and June 30, 2017 arise from the consolidated financial statements of Cablevisión as of the respective dates; and ii) the information as of and for the three-month and six-month periods ended June 30, 2018 incorporates, based on the figures corresponding to Cablevisión, the effect of applying the acquisition method concerning Telecom Argentina to its fair value in accordance with IFRS 3 and the operations of Telecom Argentina as from January 1, 2018. Note 3.d.5 describes specific matters related to the accounting treatment of this merger.

Table of Contents

The information corresponding to and for the three-month and six-month periods ended June 30, 2018 was prepared taking into consideration the operations Telecom Argentina and the former Cablevisión carry out as from January 1, 2018 and in line with the usual presentation structure of the TIC services industry.

Consistently, certain comparative information that arises from the financial statements of Cablevisión corresponding to the fiscal year 2017 and the three-month and six-month periods ended June 30, 2017 was adjusted to ensure the uniform reporting criteria with those used for 2018 for help the comprehension of the users of these unaudited financial statements.

d) Unaudited Consolidated Financial Statement Formats

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

- the consolidated statements of financial position have been prepared by classifying assets and liabilities according to the current and non-current criterion. Current assets and liabilities are those that are expected to be realized/settled within twelve months after the period-end;
- the consolidated income statements have been prepared by classifying operating expenses by nature of expense as this form of presentation is considered more appropriate and represents the way that the business of the Telecom Group is monitored by the Management, and, additionally, are in line with the usual presentation of expenses in the TIC services industry;
- the consolidated statements of comprehensive income include the profit (or loss) for the period as shown in the consolidated income statement and all components of other comprehensive income;
- the consolidated statements of changes in equity have been prepared showing separately (i) profit (loss) for the period, (ii) other comprehensive income (loss) for the period, and (iii) transactions with shareholders (owners and non-controlling interest);
- the consolidated statements of cash flows have been prepared by presenting cash flows from operating activities according to the indirect method, as permitted by IAS 7.

These unaudited consolidated financial statements contain all material disclosures required under IFRS. Some additional disclosures required by the LGS and/or by the CNV have been also included, among them, complementary information required in the last paragraph of Section 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 unaudited consolidated financial statements, as admitted by IFRS.

e) **Application of IAS 29 (Financial reporting in hyperinflationary economies)**

IAS 29 establishes the conditions under which an entity shall restate its financial statements if it is located in an economic environment considered hyperinflationary . It should be mentioned that if the qualitative and / or quantitative characteristics to consider an economy as a hyperinflationary economy set out in paragraph 3 of IAS 29 occurs, the restatement of financial statements must be made retroactively from the date of the revaluation or from the acquisition date, as applicable.

The Company s Management periodically verifies the evolution of official statistics as well as the general factors of the economic environment in the countries in where the Telecom Group operates. The Company s Management also considers the opinion of other organizations interested in this matter: the national and international accounting profession, domestic and foreign audit firms, national and the United States capital market regulators, and, in particular, the International Practices Task Force (IPTF), aware that the conclusions to which a financial statement issuer arrives must be consistent with the vision of those organizations for an uniform application of IAS 29.

Although the standard does not establish an absolute rate at which hyperinflation is deemed to arise, usually - in compliance with the provisions of IAS 29- a cumulative inflation rate over three years approaching or exceeding 100% is used as reference in conjunction with other qualitative factors related to the macroeconomic environment.

The Company analyzes the economic environment as required by the provisions of IAS 29, based on the inflation rates published by the National Institute of Statistics and Census (INDEC), following the same criteria adopted by the accounting profession in the Argentine Republic.

The tables below show the evolution of these indexes in the last three years according to official statistics (INDEC), except for November and December 2015, and Consumer Price Index and Internal Wholesale Price Index for the period January-April 2016, when the INDEC was unable to publish Internal Wholesale Price Index and suggested to use Price Index published by the Province of San Luis and the City of Buenos Aires.

Table of Contents

	2015	2016	2017
Consumer Price Index (CPI)	(*)	(*)	(**)
Consumer Price Index (annual)	20.6%	36.3%	24.8%
Consumer Price Index (3 years accumulated)	65.8%	103.7%	104.9%
Internal Wholesale Price Index (IWPI)			
Internal Wholesale Price Index (annual)	19.2%	34.6%	18.8%
Internal Wholesale Price Index (3 years accumulated)	75.4%	105.8%	90.7%

(*) Consumer Price Index and Internal Wholesale Price Index published by INDEC until October were 11.9% and 10.6% respectively. These rates (which contain ten months accumulated), were updated with November and December 2015 Consumer Price Index average rates for this two months (7.8%) published by the Province of San Luis and the City of Buenos Aires.

(**) Due to the unavailability of Consumer Price Index published by the INDEC, the Company estimated 16.6% for the period January-April 2016; this estimation is an average of the indexes published by the Province of San Luis and the City of Buenos Aires for that period. The Consumer Price Index at national level published by the INDEC for the period May-December 2016 was 16.9%.

The Annual Price Indexes for the year 2017 (CPI: 24.8%, IWPI: 18.8%) had shown a decreasing level of the inflation rates as compare to 2016. Under such circumstance, in order to objectify the analysis, the Company s Management gave priority to the conclusions reached by some international auditing firms to which the Company s Management had access, which considered that, for the year 2017, there was insufficient evidence to consider the Argentine economy as hyperinflationary under IAS 29 terms. Similar conclusions for US GAAP were reached by the IPTF, according to its memo issued on May 16, 2017.

However, the 2017 inflation downward trend has reversed during 2018, showing a significant increase level in the first semester of the year (Consumer Price Index: 16.0% and Internal Wholesale Price: 30.3%). In this sense, the FACPCE in its most recent statement announced that the forecast shows that it is highly probable that the three year accumulated inflation rate will remain above 100% during the rest of 2018 and the recent macroeconomic events also show that the country is complying with the qualitative factors to consider Argentina as a hyperinflationary economy for accounting purposes, requiring the restatement for inflation of the financial statements for the periods after July 1, 2018. Similar conclusions were reached by some international Audit firms to which the Company s Management had access, which in view of the current Argentine macroeconomic context and the IPTF memorandum of May 16, 2018, have stated that Argentina should be considered as a hyperinflationary economy for the accounting period ending after July 1, 2018 so for NIIF (in accordance with IAS 29) as for US GAAP.

The Company s Management has concluded in consideration of these pronouncements that there is sufficient evidence to consider Argentina as a hyperinflationary economy under the terms of IAS 29 as from July 1, 2018 and will continue monitoring the macroeconomic events in the Argentine Republic, with special consideration of the pronouncements of Argentine regulators - which as of the date of issuance of these unaudited consolidated financial statements are forbidden to accept the presentation of financial statements restated for inflation according to Decree Nº. 664/03 and its supplementary standards. The Company s Management will also monitor the pronouncements of foreign regulators, as well as the evaluation that national and international accounting profession perform on this subject.

As of June 30, 2018, the restatement for inflation of the financial statements established in IAS 29 has not been applied. However, certain macroeconomic facts that affect the Company s business have undergone significant changes in recent years. Such circumstance must be considered in the evaluation and interpretation of the financial position and the results presented by the Company in these unaudited consolidated financial statements. If the comprehensive restatement for inflation is applied, an increase in the values of the non-monetary items is expected up to the limit of their recoverable value with its consequent effect on the deferred tax and an increase in our net equity, including the contributions of the owners. Likewise, with respect to the results, an increase in depreciation and amortization due to the effect of the restatement of non-monetary assets, mainly those related to ex Cablevisión business, and an improvement in financial results for the positive inflation exposure due to the excess of monetary liabilities over monetary assets, all of them with their consequent impact on the line of income tax.

NOTE 2 REGULATORY FRAMEWORK

a) Regulatory Authority

Telecom Argentina is regulated by a set of rules and regulations that comprise the regulatory framework of the telecommunication sector in Argentina.

Until the issuance of the LAD, which was published in the Official Gazette on December 19, 2014 and has been in force since its publication, the telecommunication services provided by Telecom Argentina and its domestic subsidiaries were regulated by the CNC, a decentralized agency within the scope of the SC, which was also under the scope of the Ministry of Federal Planning, Public Investment and Services. (See Law No. 27,078 Argentine Digital Law below). Subsequently, through the LAD it was created the Federal Authority of Information and Communication Technologies (AFTIC), as a decentralized and autonomous agency within the scope of the National Executive Power (PEN), which would act as the regulatory authority of the LAD and would replace, for all purposes, of the SC and the CNC.

Table of Contents

The LAD conferred the AFTIC the regulation, control, supervision and verification functions concerning Information and Communication Technologies (ICT) in general, and in particular of the telecommunications, postal service and all those matters integrated to its field in accordance with the provisions of the LAD.

In relation to the exploitation of subscription broadcasting services by physical and/or radioelectric link that were originally awarded under the regime established by Law No. 22,285, the COMFER was the enforcement authority established by that 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 (Law No. 26,522, LSCA, for its Spanish acronym) was passed and enacted on October 10, 2009. Law No. 26,522 provided for the replacement of the COMFER with the Audiovisual Communication Services Law Federal Enforcement Authority (AFSCA , for its Spanish acronym) as a decentralized and autarchic agency under the jurisdiction of the National Executive Branch, and vests the new agency with authority to enforce the law.

By the end of December 2015, the PEN issued the Decree of Need and Urgency (*Decreto de Necesidad y Urgencia* or hereinafter the DNU) No. 267/15 (DNU 267/15 published in the Official Gazette on January 4, 2016). The DNU substantially amends Laws LSCA and LAD) and also creates the ENACOM as a new regulatory authority of those laws. The ENACOM replaces the AFTIC and AFSCA. This new Authority acts as an autonomous agency within the scope of the Ministry of Communications.

On August 11, 2017, the National Government issued Decree No. 632, whereby it approved the organizational structure of the Ministry of Modernization, according to the organization chart established in said Decree. Pursuant to this Decree, the ENACOM is now placed within the sphere of the Ministry of Modernization.

Núcleo, with operations in the Republic of Paraguay, is supervised by the CONATEL, the National Communications Commission of Paraguay and its subsidiary Personal Envíos is supervised by the Banco Central de la República del Paraguay.

Telecom USA, Telecom Argentina s subsidiary in the United States, is supervised by the Federal Communications Commission (the FCC).

Adesol is a subsidiary of the Company organized in the Oriental Republic of Uruguay, which is a related party of Bersabel S.A. and Satelital Visión S.A., two licensees that provide subscription broadcasting services in such country and are subject to the control of the Communication Services Regulatory Unit (URSEC , for its Spanish abbreviation).

b) Licenses

ü **The Company**, under the unique Argentina Digital license, currently provides the following services:

- Local fixed telephony;
- Public telephony;
- Domestic and international long-distance telephony;
- Domestic and international point-to-point link services;
- VAS, data transmission, videoconferencing and transportation of audio and video signals and Internet access.
- STM, SRMC, PCS and SCMA. These services are also denominated Mobile Advanced Communications Services (SCM).
- SRS
- SRCE

Licenses for the provision of SCM services were originally granted to Personal and were transferred to Telecom since the Reorganization according to the terms of the ENACOM Resolution 4,545-E/2017. Such licenses have been granted to provide STM in the Northern Region of Argentina, SRMC in the AMBA area, the PCS service and the SCMA, throughout the national scope.

SRCE licenses and authorizations were transferred to the Company, within the framework of the merger with Cablevisión, pursuant to the terms of Resolution ENACOM 5,644-E/2017 (see point f.).

The Registry for the provision of Physical and/or Radioelectric Link Subscription Broadcasting and their respective area authorizations were transferred to the Company within the framework of the merger with pursuant to the terms of Resolution

ENACOM 5,644-E/2017.

F-14

Table of Contents

ü ***Licenses to Telecom Argentina s subsidiaries***

Núcleo has been granted a license to provide mobile telecommunication services (STM and PCS) throughout Paraguay. In addition, Núcleo has been granted a license for the installation and provision of Internet and Data throughout Paraguay. All these licenses have been granted for renewable five-year periods. See Note 2.e), regarding the recent adjudication of the auction for 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) 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 telecommunications services and also the distribution of digital audio and television signals to homes, for the term of five years. The license was granted in March 2010 and renewed in March 2015 for a term of five years.

c) Regulatory framework of the services provides by the Company

Among the main rules that govern the services of the Company, it is worth mentioning:

- The LAD, as amended by Decree of Need and Urgency No. 267/15 and Decree No. 1,340/16.
- Law No. 19,798 remains in force only to the extent that it does not conflict with the provisions set out under the LAD.
- The Privatization Regulations that regulates the process.
- The Transfer Agreement.
- The Licenses for providing telecommunication services granted to the Company and the List of Conditions and their respective regulations.

- Law 22,285 and the different Bidding Terms and Conditions for the provision of Subscription Broadcasting Services during the term thereof.

On the other hand, the exploitation of physical and/or radioelectric link subscription broadcasting services licenses held by the Company, granted in due time under the regime of Law No. 22,285, are currently governed by the LAD, as from the issue of DNU No. 267/15.

The only service that could be considered under the purview of the LSCA is the registration of the signal METRO, as this signal is marketed to be broadcasted through other services that acquire it for such purpose, and therefore it has a registration number issued by ENACOM that must be renewed on an annual basis.

Likewise, the Company annually renews with the ENACOM its Certificate to operate as Advertising Agency, Direct Advertiser and Advertising Producer.

ü **Law No. 27,078 Argentine Digital Law (LAD)**

Enacted in December 2014, the LAD maintained the single country-wide license scheme and individual registration of the services to be provided, but replaced the term telecommunications services for TIC Services.

The LAD incorporated several modifications to the regulatory framework in force as of December 19, 2014, as regards telecommunications, among those that stand out:

- the rule on prices and rates establishing that the licensees of ICT Services shall set their prices which shall have to be fair and reasonable, cover the exploitation costs and tend to the efficient supply and reasonable operation margin.

- the amendments as regards Universal Service.

- the declaration of public interest the development of ICT and its associated resources in order to establish and ensure complete neutrality of networks and to guarantee every user the right to access, use, send, receive or offer any content, application, service or protocol through Internet without any restrictions, discrimination, distinction, blocking, interference, obstruction or degradation.

- the possibility that the licensees of the ICT Services can supply audiovisual communication services (including the licensees included in the restrictions of the LSCA, among which was Telecom), with the exception of those provided through satellite link, in which case, the corresponding license must be requested from the proper authority.

F-15

Table of Contents

Law No. 19,798 Telecommunications Act (passed in 1972), as amended, continues in effect only with respect to those provisions that do not contradict the provisions of the new LAD (including, for example, Section 39 of Law No. 19,798 referred to exemption from all taxes on the use of soil, subsoil and airspace for telecommunications services).

The LAD also revoked Decree No. 764/00, as amended, but provisions of the Decree that do not contradict the LAD will remain in effect during the time it takes to the regulatory authority to issue new licensing, interconnection services, universal service and spectrum regulations (see New Regulations in Note 2.f).

ü **Decree No. 267/15 Amendments to the LAD**

On January 4, 2016, Decree No. 267/15 was issued, amending Law No. 26,522 (Audiovisual Communication Services) and Law No. 27,078 (LAD). As mentioned above, ENACOM was created as the regulatory authority applicable of these laws.

The main amendments to the LAD consist of:

- The incorporation of Broadcasting Services provided by subscription (physical or radioelectric link, such as Cable TV) as an ICT service within the scope of the LAD, and excluding it from Law No. 26,522. Satellite Television Services will remain within the scope of Law No. 26,522. Furthermore, Decree No. 267/15 states that the ownership of a satellite television license provided by subscription is incompatible with having any other kind of ICT Services license.

- Broadcasting supplied by subscription licenses (such as Cable TV) issued before the application of Decree No. 267/15 will be considered for all purposes as in compliance with LAD upon the respective registration for such service provision. Furthermore, also states a 10 years extension from January 1, 2016, for the use of frequency spectrum to radioelectric link provided by subscription license holders.

- Decree No.267/15 replaced the LAD s Section No. 94, and states that SBT suppliers, fixed telephony license holders within the scope of Decree No.264/98, and mobile telecommunication license holders within the scope of Decree No.1,461/93 are prohibited from providing Broadcasting under subscription services (defined as any form of communication, primarily one-way, for the transmission of signals to be received by a determinable public, either by physical or by radio connection, for example, video cable and IPTV services) until January 1, 2018 (this term can be extended by 1 additional year). Also, replaces Section 95 of the LAD and provides several obligations for fixed telephony licensees granted by

Decree No.264/98 and mobile services providers with licenses granted by Decree No.1,461/93, which choose to provide broadcasting under subscription services.

• In addition, shareholders of a 10% or more interest in companies that provide public services may not be holders of a subscription radio record. However, this will not apply in the following cases: (i) non-profit companies to whom the national, provincial or municipal State has granted the license, concession or permission to provide a public service (such as telecommunications cooperatives); (ii) those mentioned in section 94 (including the Company) who will be only able to provide the service after the expiration of the period specified therein.

Section 28 of Decree No. 267/15 created, in the field of the Ministry of Communications, the Commission for the Elaboration of the Draft Law for the Reform, Updating and Unification of Laws LSCA and LAD The Commission is responsible for the study of the reform of both laws under the principles set out herein.

The Commission should submit a draft Law for the reform, updating and adaptation of a unified system of the Regulatory Framework Law for the Telecommunications and Audiovisual Communication Services in Argentina, within the following 180 calendar days from the date of its constitution.

Through Resolution No. 1,098-E/16 published on October 31, 2016, the Ministry of Communications extended for 180 days the deadline for the preparation of the draft reform of Laws LSCA and LAD.

As of the date of issuance of these unaudited consolidated financial statements, the elaboration of the draft reform of such laws is still pending.

Furthermore, the Decree provides that licenses transfers and interest transfers involving the loss of company control must be approved by ENACOM, stating a new procedure provided by section 8 of Decree No. 267/15. That licenses transfers and interest in licensees transfers will be considered ad referendum of ENACOM approval.

Decree No. 267/15 repealed Section 15 and Section 48 (second paragraph) of the LAD. Therefore, the following provisions have no longer effect: (i) the condition of essential and strategic public services of ICT regarding the access to the telecommunications network for the ICT Services license holders; and (ii) the regulatory authority power to regulate tariffs due to public interest reasons.

On April 8, 2016, the Chamber of Representatives voted in favor of the validity of DNU No. 267/15. According to this, it acquired the status of Law.

Table of Contents

It should be noted that pursuant to Section 21 of Decree No. 267/15 and until the enactment of a law that will unify the fee regime provided under Laws LSCA and LAD, the physical link and radio-electric link subscription broadcasting services will continue to be subject only to the fee regime provided under LSCA. Therefore, they shall not be subject to the investment contribution or the payment of the Control, Oversight and Verification Fee provided under Sections 22 and 49 of LAD.

ü **Decree No. 1,340/16 - Amendments to DNU No. 267/15**

Decree No. 1,340/16 issued by PEN and published in the Official Gazette on January 2, 2017 provides the rules for achieving a greater convergence of networks and services under competitive conditions, promoting the deployment of next generation networks and the penetration of Broadband Internet access throughout the national territory, in accordance with the provisions of Laws LSCA and LAD. This Decree complements to DNU No. 267/15, which has the status of Law.

Among the most relevant provisions, it establishes:

- Fixing the 15-year-term, as from the publication of the Decree, as differential condition in the terms provided by section 45 of LAD, for the protection of last-mile fixed of new generation networks for Broadband deployed by ICT licensees for Broadband regarding the regulations of open access to Broadband and infrastructure to be stated, notwithstanding the provisions of section 56 of LAD.

- That the Ministry of Communications or ENACOM, as appropriate, shall establish the rules for the administration, management, and control of the radio spectrum.

- That Operators included in section 94 of the LAD (among them, Telecom Argentina), may register the Broadcasting Service by subscription, by physical or radio connection as of the enforcement of this Decree, setting January 1, 2018 as initial date for the provision of such service in the AMBA (and extended AMBA), and in the cities of Rosario (Santa Fe Province) and Córdoba (Córdoba Province). The Decree also provides that, for the rest of the country, the initial date for the provision of the services of these operators shall be determined by the ENACOM (See Resolution E 5,641 E/ 2017 in Note 2.f)).

- That ICT s licensees and Satellite Link Subscription Broadcasting licensees, who as of December 29, 2016 simultaneously provided both services, may retain ownership of both types of licenses.

- That for the purposes of the provisions of section 92 of LAD and section 2, paragraph g) of Decree No. 798 issued on June 21, 2016, Ministry of Communications shall ensure the following principles on interconnection matters:

a) until the interconnection prices determination systems provided by the National Interconnection Regulation are implemented, averages of regional Latin America prices shall be considered for similar functions and facilities, corrected by parameters which comply with the conditions of the sector, as determined by the authority of application;

b) in accordance with section 46 of LAD, the National Interconnection Regulation shall provide asymmetric interconnection rates for mobile services for a 3 years period from the effective service implementation, extendable for a maximum of 18 months.

c) the National Interconnection Regulation shall provide rules concerning the automatic national roaming service, forcing mobile services providers, for a maximum period of 3 years, to make such service available to other providers in areas where they do not have their own network coverage.

The temporary limitation provided in the previous paragraph shall not be enforceable in those cases in which mobile services are provided by cooperatives and small and medium-sized companies with exclusively regional coverage.

Mobile service providers shall freely enter into agreements to secure, among other issues, technical, economic, operational and legal conditions. Such agreements may not be discriminatory or may not establish technical conditions that prevent, delay or obstruct interconnection services.

The National Interconnection Regulation will enable ENACOM to define reference prices for a maximum period of 3 years, taking into consideration the costs of the assets involved (subject to exploitation) and a reasonable return rate to ensure speed, neutrality, non-discrimination and competition between mobile service providers. Likewise, they shall not contain technical, interconnection, operational or other conditions that delay, obstruct or create barriers for the remaining mobile services providers to access the market.

Table of Contents

d) Universal Service Regulation

- ***Decree No. 764/00***

With respect to Universal Service Regulation, Annex III of Decree No. 764/00 required entities that receive revenues from telecommunications services to contribute 1% of these accrued revenues (net of taxes) to the Universal Service Fiduciary Fund (the SU Fund). The regulation adopted a pay or play mechanism for compliance with the mandatory contribution to the SU Fund. The regulation also established the exemption to contribute to the FSU in the following events: (i) for local services provided in areas with teledensity lower than 15%, and ii) when certain conditions exists in connection with a formula which combines the foregone revenues and the market share of other operators than Telecom Argentina and Telefónica who provide local telephony. Additionally, the regulation created a committee responsible for the administration of the SU Fund and the development of specific SU programs.

The SC issued Resolution No. 80/07 which stipulated that until the SU Fund was effectively implemented, telecommunication service providers must open an account at Banco de la Nación Argentina to deposit monthly the corresponding amounts. In August 2007, Resolution No. 2,713 of the former CNC was published, which provided details regarding the concepts that have been achieved and those that are deductible for the purpose of calculating the contribution obligation to the FFSU.

- ***Decree No. 558/08***

Decree No. 558/08, published on April 4, 2008, introduced certain changes to the SU Fund regime, replacing the Annex III of the Decree No. 764/00.

Decree No. 558/08 established that the SC would assess the value of service providers direct program contributions in compliance with obligations promulgated by Decree No. 764/00. It would also determine the level of funding required in the SU Fund for programs pending implementation. In the same manner, in order to guarantee the continuity of certain projects, the SC was given the choice to consider as SU contributions certain other undertakings made by telecommunication services providers and compensate providers for these undertakings.

It also established that the SC would review SU programs which were established under the previous regulation, guaranteeing the continuity of those already being administered and implementing those that had been under review. The financing of SU ongoing programs which were recognized as such were determined by the SC, whereas telecommunications providers appointed to participate in future SU Programs were selected by competitive auction.

The Decree required telecommunications service providers to contribute 1% of their total revenues (from telecommunication services, net of taxes) to the SU Fund and kept the pay or play mechanism for compliance with the mandatory monthly contribution to the SU Fund or, to claim the corresponding receivable, as the case may be.

On November 11, 2010, the SC issued Resolution No. 154/10 adopted the methodology for the deposit of the SU contributions to the trustee s escrow account. The Resolution included several provisions related to the determination of the contributions that correspond to the periods before and after Decree No. 558/08 was issued. It also provided that until the SC determined the existence of programs, the amounts that would correspond to their implementation would be discounted by the telecommunication providers when determining their contribution to the SU Fund. If completed the verification from the SC there were unrecognized amounts, they should be contributed into the SU Fund or for the development of new works of the SU, with the approval of the SC.

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

The LAD introduced substantial modifications to the regulations of the SU issued by Decree No. 558/08. Among its provisions, the LAD provides for the creation of a new FFSU and that the investment contributions corresponding to the SU programs are managed through such fund, whose patrimony is the National State.

The licensees of ICT Services are obliged to make investment contributions to the SU Fund equivalent to one per cent (1%) of the total accrued revenues for the provision of the ICT Services included in the scope of application of the law, net of imposed taxes and charges. The investment contribution shall not be transferred to the users whatsoever. In turn, the regulatory authority may dispose, once the SU objectives are reached, the total or partial, permanent or temporary exemption, of the obligation to perform said investment contributions.

This law also establishes that by virtue of that set forth by Sections 11.1 and 11.2 of the Management Trust Agreement of the SU Fund of Decree No. 558/08, the resources therein foreseen in section 8 of Annex III of Decree No. 764/00 and its amendments shall be integrated to the SU Fund created by the LAD in the conditions determined by the regulatory authority.

Table of Contents

The SU Funds shall be applied by means of specific programs defined by the regulatory authority who may entrust the execution of these plans directly to the entities included in Section 8, paragraph b), of Law No. 24,156, or, complying with the selection mechanisms that may correspond, respecting publication and competition principles, to other entities.

On September 10, 2015 Telecom Argentina and Personal filed before the AFTIC their respective SU contribution affidavits corresponding to the revenues recorded in July 2015, clarifying that these presentations were made with the understanding that the operational rules related to the SU Fund contribution, regulated by Decree No. 558/08 and related provisions, are in force. Additionally, Personal proceeded to deposit the corresponding contribution in the new SU Fund account reported through the Official Notice published by the AFTIC.

In its filings, Telecom Argentina and Personal had stated that the filing of the affidavits and, in the case of Personal, the deposit did not imply explicit or implicit consent of the regulations issued by the LAD and expressly reserved their rights in relation to the unconstitutionality of the provisions set forth in Sections 21, 22, 91 and related provisions of said law, as well as the claim of any rights arising from the acknowledgement of this argument.

As of the date of issuance of these unaudited consolidated financial statements, the Company 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, in the context of the new disposals established by the LAD.

The new regulation retains the obligation of contributing 1% of total income related to the provision of ICT services net of taxes and fees, anticipating the possibility of granting exemptions, in which case the subjects liable for payment, must comply with the obligations established by the Regulatory Authority.

In accordance with ENACOM Resolution No. 6,981-E/16 issued on October 19, 2016, the FFSU and the FFSU Investment Contribution Settlement and Interest Report forms were approved and are in force since January 1, 2017, being operationally implemented since March 2017.

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

- ***SU Fund in Telecom Argentina in relation to its original license for the provision of the SBT***

Several years after the market s liberalization and the effectiveness of the first SU regulations incumbent operators have not received any set-offs for providing services as required by the SU regime and the LAD.

As of the date of issuance of these unaudited consolidated financial statements and in compliance with SC Resolution No. 80/07 and No. 154/10 and CNC Resolution No. 2,713 /07, Telecom Argentina has filed its monthly calculations since July 2007 for the review of the Regulatory Authority and estimated a receivable of $3,140 (unaudited). This receivable has not yet been recorded as of June 30, 2018 since it is subject to the approval of the SU programs, the review of the Regulatory Authority and the availability of funds in the SU Trust.

On April 8, 2011, the SC issued Resolution No. 43/11 notifying Telecom Argentina that investments associated with High-Cost Areas amounting to approximately $2,925 since July 2007 to date and which are included in the abovementioned receivable - did not qualify as an Initial Indicative Program. Telecom Argentina filed a claim on this resolution.

Telecom Argentina was notified of SC Resolutions No. 53, 54, 59, 60, 61, 62, 69 and 70/12, pursuant to which the Special Service of Information 110 , the Discounts for Retired People, Pensioners and Low Consumption Households , the services of Social Public Telephony and Loss-Making Public Telephony , the Services and Discounts relating to the Information Society Program argentin@internet.todos , the Services for Deaf-Mute People , the Free Access to Special Emergency Services and Special Community Services , the Value Added Service 0611 and 0612 and the Long Distance Semipublic Service , respectively, did not qualify as an Initial Indicative Program, pursuant to the terms of Section 26 of Annex III of Decree No. 764/00, and that, they did not constitute different services involving a SU provision, and therefore they cannot be financed with SU Funds, pursuant to the terms of Section 2 of Decree No. 558/08.

Table of Contents

Telecom Argentina s Management, with the advice of its legal counsel, has filed appeals against SC Resolutions Nos. 53, 54, 59, 60, 61, 62, 69 and 70 presenting the legal arguments based on which such resolutions should be revoked. The deductions that were objected by the SC Resolutions amount to approximately $1,104 and are included in the credit balance mentioned in the second paragraph.

As of the date of issuance of these unaudited consolidated financial statements the resolution of this appeal is still pending.

On September 13, 2012, the CNC required Telecom Argentina to deposit approximately $208. Telecom Argentina has filed a recourse refusing the CNC s request on the grounds that appeals against the SC Resolutions are still pending of resolution.

Although it cannot be assured that these issues will be favorably resolved at the administrative stage, Telecom Argentina s Management, with the assistance of its legal advisors, considers that it has strong legal and de facto arguments to support the position of Telecom Argentina.

- ***SU Fund in Telecom Argentina in relation to the SCM originated in Personal***

Since January 2001, Personal has recorded a liability related to its obligation to make contributions to the SU Fund. In addition, since July 2007 and in compliance with SC Resolution No. 80/07 and No. 154/10 and CNC Resolution No. 2,713/07, Personal deposited the correspondent contributions of approximately $112 into an account held under their name at the Banco de la Nación Argentina in January 2011.

On January 26, 2011, the SC issued Resolution No. 9/11 establishing the Infrastructure and Facilities Program. The Resolution provided that telecommunication service providers could contribute to investment projects under this program, exclusively the amounts corresponding to their pending obligations of investment contributions born under Annex III of Decree No. 764/00, before the effective date of Decree No. 558/08.

On July 5, 2012, the SC issued Resolution No. 50/12 pursuant to which it notified that the services referred to by the SCM Providers, which were filed as High Cost Areas or services provided in non-profitable areas, services provided to clients with physical limitations (deaf-mute and blind people), rural schools, and the request relating to the installation of radio-bases and/or investment in the infrastructure development in various localities, did not constitute items that may be discounted from the amount of contributions to the SU pursuant to the last part of Section 3, of Resolution No. 80/07, or Section 2 of Decree No. 558/08. It also provided that certain amounts already deducted would be used for investment projects within the framework of the Program of SC Resolution No. 9/11, or deposited in the SU Fund, as applicable.

Personal has filed an administrative action against SC Resolution No. 50/12 requesting its nullity. As of the date of issuance of these unaudited consolidated financial statements, this matter is still pending.

On October 1, 2012, responding to an SC s requirement, Personal deposited under protest approximately $23 in the SU Fund, corresponding to the assessment of the SU services provided by Personal since the issuance of Decree No. 558/08, reserving its right to take all actions it may deem appropriate to claim its reimbursement, as informed to the SC and the CNC on October 15, 2012. Since August 2012, Personal is paying under protest of those concepts in their monthly affidavits.

It cannot be assured that this issue would be favorably resolved in the administrative stage, or, later at a judicial stage.

- **FFSU** ***SU Fund in Telecom Argentina in relation to the services originated in Cablevisión***

Cablevisión was not able to meet its contribution obligations during the period in which its license was revoked, but made the corresponding payment as soon as the revocation was declared null and void, for which no amount is owed by it on such account.

The Regulatory Authority has yet to decide on the approval of the Project submitted by Cablevisión on June 21, 2011, within the framework of SC Resolution No. 9/2011, in order to meet the contribution obligation to the SU for the amounts accrued between January 2001 and the effective date of Decree No. 558/08.

Table of Contents

e) Spectrum

SC Resolution No. 38/14

On October 31, 2014, the Public auction process approved by SC Resolution No. 38 for the awarding of the remaining frequencies of the Personal Communication Services (PCS), of the Cellular Mobile Radiocommunication Services (SRMC), as well as those of the new spectrum for the Advanced Mobile Communications Service (SCMA) were carried out. Personal presented its economic bids and was awarded Lots 2, 5, 6 and 8 by Resolution SC N° 79/14 (SCMA) and Resolutions SC N °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 assigned the rest of Frequency Bands which composed Lot No. 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 and Conditions also established demanding coverage and network deployment obligations, demanding significant investments by the Company.

The Auction Terms and Conditions provided authorizations for the use of the auctioned frequency bands for a period of fifteen (15) years from the notification of the award. After this deadline the Regulatory Authority could extend the terms of use upon formal request of the awarded operator (which price and conditions would be set forth by the Regulatory Authority). Subsequently, in Decree No. 1,340/16, it was established that the term of authorizations for the use of frequencies of the SCMA, as well as the corresponding deployment obligations, will be computed from the actual migration of the services currently operating in such bands in the area of Area II (AMBA).

On the other hand, the Authorization Agreement for the Use of Frequency Bands , related to the bands awarded to Personal as a result of the public auction called pursuant to the provisions of SC Resolution No. 38/14 is still pending of execution by the regulatory authority.

ENACOM Resolution No. 4,656-E / 2017 - Model Agreement for the authorization for infrastructure sharing - complements rights and obligations of the awardees of the frequencies of the tender for the awarding of frequency bands - Resolution SC 38/2014

The Board of Directors of ENACOM issued Resolution No. 4,656-E / 2017, published in the Official Gazette on June 12, 2017, which approved the Model Authorization Agreement for the Sharing of Active and / or Passive Infrastructure, Automatic Roaming and Service Targets to be celebrated with each of the current SCMA providers that were awarded the public tender for the awarding of frequency bands for the provision of the PCS service, the SRMC and the approved SCMA service. Resolution SC N ° 38/2014, delegating the President of ENACOM the powers to subscribe it within the term of 15 working days.

On August 8, 2017, the ENACOM notified Personal through ENACOM Note No. 206/2017, the concession of a 15-day period to coordinate the signing of the Authorization Agreement for the Sharing of Active and / or Passive Infrastructure, Automatic Roaming and Goals of Service. Personal presented the required documentation.

On November 2, 2017, ENACOM issued Resolution No. 3,420-E / 2017, through which decided to extend the delegation made in Resolution No. 4,656-E / 2017 for a period of 180 days. As of the date of issuance of these unaudited consolidated financial statements, the Agreement is still pending subscription.

Regulations of Refarming with Financial Compensation and Shared Use of Frequencies

On January 31, 2017, Resolution of the Ministry of Communications 171-E 2017 was issued, approving the Regulations of Refarming with Financial Compensation and Shared Use of Frequencies (Reglamento de Refarming con Compensación Económica y Uso Compartido de Frecuencias) and modifies the spectrum cap, setting it in 140 MHz per provider for each area and/or operating location.

On the other hand, ENACOM Resolution No. 1,033-E/17, issued on February 20, 2017 provided to allocate the frequency bands between 905-915 MHz, and 950-960 MHz to the Mobile Service with primary status, for the provision of SCMA, and throughout ENACOM Resolution No. 1,034-E/17, also issued on February 20, 2017, allocated the frequency band between 2,500-2,690 MHz to the Mobile Service with primary status, for the provision of SCMA in addition to current services when their coexistence is possible.

Table of Contents

On March 7, 2017 ENACOM Resolution No. 1,299-E/17 was published in the Official Gazette. This Resolution approved the Refarming Project with Financial Compensation and Shared Use of Frequencies to Nextel Communications Argentina SRL (Nextel), currently Telecom since the merger with Cablevisión S.A. See Note 32, to provide the Advanced Mobile Communications Service, granting this company the registration for the provision of such service, and authorizing it to:

- use frequencies between 905-915 MHz and 950-960 MHz in accordance with the provisions of ENACOM Resolution No. 1,033-E/17 and channels 7 to 10, and 7 to 10 in FDD mode, provided in the Annex of Resolution No. 1,034-E/17, for the provision of the Advanced Mobile Communications Service in locations and areas described in the Project approved by the Resolution.

- use frequencies between 2,550-2,560 MHz, and between 2,670-2,680 MHz exclusively for migrating users from pre-existing services, for a 2-year period, term in which it should additionally resolve the final destination of those users. Once the migration is completed, or the 2-year term expires, whichever occurs last, Nextel may use channels 11 and 12, and the corresponding 11 and 12 in FDD mode, provided in the Annex to Resolution No. 1,034-E/17, for the provision of the Advanced Mobile Communications Service in locations and areas described in the Project hereby approved.

The implementation of the Project is subject to the issuance of the agreement specifying the terms, conditions, goals, obligations and other issues inherent to the provision of Advanced Mobile Communications Service.

ENACOM Resolution No. 3,687-E/17 call for the on-demand frequency allocation

ENACOM Resolution No. 3,687-E/17, published in the Official Gazette on May 12, 2017, provided the call for the on-demand frequency allocation of the 2,500 to 2,690 MHz radio spectrum, stating the procedure, obligations and compensations to be fulfilled by the Mobile Communications Service providers who qualify to participate, in accordance with the provisions of Section 4 of Decree No. 1,340/17.

The Resolution provided to group the frequency channels to be allocated in three (3) Lots: two (2) Lots of 30 MHz, containing three (3) frequency channels in the FDD mode each, and one (1) Lot of 40 MHz, containing two (2) frequency channels in FDD mode (20 MHz) and four (4) frequency channels in TDD mode (40 MHz) with a TDD channels trade option for a Lot of 10 MHz in FDD for two years extent if certain conditions are met, according to the channeling provided in ENACOM Resolution No. 1,034-E/17 and its amendment (ENACOM Resolution N° 1,956-E/17). According to the characteristics of the 2,500 to 2,690 MHz band, the authorization of use of the frequency channels that compose each Lot must be issued by each locality.

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

On 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 AMX Argentina S.A. and the frequencies included in Lot C were assigned to Personal (all of them stated in Annex I of ENACOM Resolution No. 3,687 E/17), in the locations detailed in the respective Annexes (attached to Resolution No. 5,478-E/17) as requested by each provider. The Resolution provides that the enforcement of its provisions will be operative, within the Departments of San Rafael, General Alvear and Malargüe, of the Province of Mendoza, once the judicial decision ordered by the Federal Court of San Rafael in the legal process entitled CABLE TELEVISORA COLOR S.A. c/ PEN AND OTHER S/ AMPARO Ley 19,986-File No. 5,472/17 had been revoked.

The spectrum allocation will last 15 years since CABA plus other 13 areas are free of interference over a total of 18 provincial capitals plus Rosario, Mar del Plata and Bahia Blanca and will demand payment of up to approximately 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 would involve the frequency return plus a fine equivalent to 15% of the spectrum value of the locality involved) and certain guarantees required, among them, the deployment.

Spectrum in 700 MHz Band licenses (Paraguay)

On September 2017 the public consultation process was started for the auction of 700 MHZ band spectrum. The list of conditions was issued on October 30, 2017 and in December of the same year the prequalification of offerors was done being Núcleo one of the prequalified and having to pay a deposit of US$15 million in December 2017. The process finished on January 4, 2018 with the simultaneous auction of 7 sub-bands of 5 + 5 MHz each one, Núcleo was awarded with two of them for an amount of US$12 million for each sub-band subject to the compliance with certain conditions provided by CONATEL s resolution.

On February 27, 2018 the auction s price was cancelled for the remaining US$9 million in compliance with CONATEL s resolution.

On March 6, 2018, by Resolution No. 375/2018, CONATEL decided to grant the license for the provision of Cellular Mobile Telephony and Internet Access and Data Transmission Services in the 700 MHz frequency band, with coverage national, for a period of 5 years.

Table of Contents

f) ***OTHER RELEVANT REGULATORY MATTERS***

ü **ENACOM RESOLUTION NO. 5,641-E/17**

Through this Resolution, published on December 22, 2017, the ENACOM decided:

1.- To extend until January 1, 2019 the term for the Licensees referred to in Section 94 of Law No. 27,078 to start providing subscription broadcasting services by means of physical or radio-electric link in those locations in Argentina that do not fall within the scope of the second paragraph of Section 5 of Decree No. 1,340/16, which have less than 80,000 inhabitants. To extend until January 1, 2019 the term for the Licensees referred to in Section 94 of LAD to start providing subscription broadcasting services by means of physical or radio-electric link in those locations in Argentina that do not fall within the scope of the second paragraph of Section 5 of Decree No. 1,340/16, which have more than 80,000 inhabitants and where those services are rendered only by Cooperatives and Small-and-Medium Sized Companies.

2.- To provide that in all those locations in Argentina that do not fall within the scope of the second paragraph of Section 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, a licensee that has more than 700,000 subscribers nationwide, the Licensees mentioned in Section 94 of LAD may start providing services as from January 1, 2018.

3.- The Licensees mentioned in Section 94 of LAD (among them, Telecom) that are authorized to provide Subscription Broadcasting Service by means of physical or radio-electric link pursuant to Section 2 of said law may not make an integrated offering to provide said service with the rest of the services that they are currently providing in those locations until January 1, 2019.

4.- 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 Section 94 of LAD may, as from January 1, 2018, request authorization to provide services in the respective coverage areas, subject to an evaluation by the ENACOM.

ü **GRID OF SIGNALS OF PHYSICAL AND/OR RADIOELECTRIC LINK BROADCASTING SERVICES**

The General Rules approved by Resolution ENACOM No. 1,394/16 order providers of both types of services (physical and radio-electric link) to guarantee their compliance with a programming grid in each Coverage Area. The Company states that it complies with all the obligations set out under that Resolution.

Later, by means of Resolution No. 5,160/2017, the ENACOM provided that the inclusion of broadcast television signals within the coverage area by the holders of a physical or radioelectric link subscription television registry will be subject to the conditions agreed upon with the holder of the broadcast television service and its retransmission will be mandatory only if they are delivered by its holders free of charge. In addition, the Resolution sets forth that the retransmission of cable news signals will only be mandatory for 24-hour news signals provided that they broadcast live programming during 12 of those 24 hours.

ü REGULATORY MATTERS IN URUGUAY

• Migration of services

Adesol S.A. is a subsidiary of the Company organized in the Oriental Republic of Uruguay, which is contractually related to Bersabel S.A. and Satelital Visión S.A., two licensees that provide subscription television services in such country and are subject to the control of the Communication Services Regulatory Unit (URSEC , for its Spanish abbreviation).

On January 11, 2018, Decree No. 387/017 dated December 28, 2017 was published in the Official Gazette. The Decree provides that all the subscription TV services provided through the Codified UHF system shall be migrated to the TDH Satellite system without it entailing any changes to the original authorizations to operate or in the rest of the conditions established in the respective licenses. Such authorizations shall not undergo any changes in the authorized service areas for 18 months.

On February 9, 2018, Bersabel S.A. and Visión Satelital S.A., two of the licensees contractually linked to Adesol who use UHF systems coded for the provision of their services, submitted to the URSEC the migration plan relating to their subscribers. In view of the foregoing, as well as the contractual relationship that binds Adesol to the provision of said services, the Company s subsidiary is, at the closing date of these unaudited consolidated financial statements, executing the necessary actions attending to implement the technical plan for migration presented.

Table of Contents

- **Audiovisual Communications Law of Uruguay**

On January 14, 2015, Law No. 19,307 was published in the Official Gazette of the Republic of Uruguay, which regulates the provision of radio, television, and other audiovisual communication services (hereinafter, the Audiovisual Communications Law). Section 202 of such law provides that the Executive Branch shall issue the implementing regulations for this law within a 120-day term as from the day following the publication of this law in the Official Gazette. As of the date of these consolidated unaudited financial statements, only Decree No. 45/015 has been issued, and the implementing regulations for most of the sections of this law are still pending. Such Decree provides that the concession for the use and allocation of the radio-electric spectrum for non-satellite audiovisual communication services shall be granted for a term of 15 years.

Section 54 of the Audiovisual Communications Law sets forth that an individual or legal entity cannot be allocated the full or partial ownership of more than six authorizations or licenses to provide television services to subscribers in the national territory of the Oriental Republic of Uruguay, which limit is reduced to three if one of the authorizations or licenses includes the district of Montevideo. Section 189 of this law sets forth that should such limits be exceeded as of the coming into force of the Law, the owners of those audiovisual communication services shall have to transfer the necessary authorizations or licenses so as not to exceed such limits within a term of 4 years as from the coming into effect of the Audiovisual Communications Law.

The subsidiary Adesol is analyzing the possible impact on its business that could be derived from the change in the regulatory framework and the eventual legal actions it may bring to safeguard its rights and those of its shareholders. That company is also monitoring the different unconstitutionality claims filed by other companies against certain sections of the above-mentioned law to consider if the decisions to be issued by the Supreme Court of Uruguay in those proceedings may be favorable to the position of Adesol in the future. As of April 7, 2016, 28 unconstitutionality claims had been brought against the above-mentioned law. As of the date of these financial statements, the Supreme Court of Uruguay has issued 28 decisions, whereby it declared the unconstitutionality of Section 39 subsection 3, Section 55, Section 56 subsection 1, Section 60 paragraph C, Section 98 subsection 2, Section 117 subsection 2, Section 143 and Section 149 subsection 2 of Law No. 19,307. It should be noted that in some of these judgments the Supreme Court dismissed the unconstitutionality claim filed by the claimant with respect to Section 54 of that Law.

ü **NEW GENERAL RULES**

New General Rules Governing ICT Services Licenses

On January 2, 2018, the Ministry of Modernization issued Resolution No. 697/2017, whereby it approved the new General Rules Governing ICT Services Licenses. This Resolution repealed the General Rules approved through Annex I of Decree No. 764/2000, as from the date it 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). The Company has made presentations appealing to some aspects of this Resolution.

New General Rules Governing ICT Services Customers

On January 4, 2018, the Ministry of Modernization issued Resolution No. 733/2017, whereby it approved the new General Rules Governing ICT Services 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, as applicable, until the enactment of the penalty regime provided under Section 63 of LAD. Such New General Rules repeal the current general rules governing mobile and basic telephony services customers, thus becoming the only general rules that govern ITC services customers, including Internet access services and subscription broadcasting services.

The Company has made a presentation to the Ministry of Modernization in relation to some disposals that affect their rights in the marketing of services under their responsibility (such as the 180-day period during which prepaid credit can be used, Section 56, which provides for compensation in favor of the customer, and Section 79, which establishes the obligation to replace any channels eliminated from the programming grid with other channels of similar quality.)

Table of Contents

Number Portability Regulation

On April 4, 2018, the Ministry of Modernization issued Resolution No. 203/2018, whereby it approved the new General Rules Governing Number Portability, including fix telephony services, and approves the schedule of implementation of such services. This Resolution repeals Resolutions N° SC 98/2010, SC 67/2011 y SC 21/2013 and Resolution MINCOM E 170/2017, and its supplementing regulations. The Company is evaluating the impact of the new regulations issued in relation to the implementation of number portability for fixed telephony services reached by the standard. 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.

Regulations Regarding New Interconnections and Accesses

On May 18, 2018, the Resolution No. 286/18 of the Ministry of Modernization was published in the Official Gazette, approving the new interconnection and access regulations, effective as of July 3, 2018, repealing the one approved by Decree 764/00.

According to the new Regulation, the terms, conditions and prices of Interconnection and Access may be freely set by the parties. These agreements cannot be discriminatory or set technical conditions that prevent, delay or hinder interconnection. Notwithstanding the foregoing, within 60 working days from the effective date, ENACOM will set provisional interconnection charges, in accordance with the provisions of Decree 1,340/16.

In addition, ICT service providers will be obliged to provide interconnection at the request of another ICT service provider, under technical and economic conditions no less favorable than those granted to themselves or to third parties. Also, the same quality of services as the one provided must be guaranteed.

Transparency in compensation must be guaranteed and ICT Providers of Services must not pay for functions or services that they do not need for the provision of their services.

Finally, the following are considered Essential Facilities: a) Origination or Local Termination; b) Co-location; c) Local Transit Service; d) Port; e) Signaling Function; f) Loop and Local Customer Sub-loop; g) the Transportation Service (LD), when there is no substitute offer for contracting; and h) any other function or network element that the authority determines as such, ex officio or at the request of a party. These facilities must be provided separately and respecting the charges that the authority establishes. For this purpose, ENACOM will establish reference values, which will function as maximum values, and lower values, which may be agreed between the parties.

From the entry into force of the regulation, on July 4, 2018, Telecom will have a period of 90 business days to present the Reference Offer to ENACOM. The ENACOM may observe it, requesting its correction, before registering it. Once registered, Telecom will have 180 consecutive days to renegotiate and adapt its current interconnection agreements, present them to the ENACOM and to make it public.

ü DECREE NO. 1,060/2017 - DEVELOPMENT OF MOBILE COMMUNICATION SERVICES NETWORKS

This Decree, published in the Official Gazette on December 21, 2017, provides for the facilitation of the development of mobile communication services networks, establishing, among other provisions, that the jurisdictions and agencies comprised in subsections a) and b) of Section 8 of Law No. 24,156 shall ensure TIC services, communication and independent operators of passive infrastructure multiple or shared access, for consideration, to passive infrastructures 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 holder.

Table of Contents

The Decree also provides that:

1) The Ministry of Modernization:

a. shall issue comprehensive general rules with supplementary regulations for infrastructure sharing;

b. shall develop, within a term of 180 days, a multi-year spectrum plan in order to maximize and increase the radioelectric resources for the deployment of next-generation mobile networks and SCM in order to support traffic growth and improve service quality;

c. shall issue supplementary or clarifying regulations relating to Section 29 of LAD, establishing efficient procedures and avoiding distortions in competition;

d. shall identify radioelectric spectrum frequency bands for the development of new services and wireless applications and issue regulations allowing for their shared and unauthorized use.

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

3) The frequencies that are allocated and authorized to SRCE may only be used to provide those services. The ENACOM may allocate frequencies to provide SCM and demand the return of the frequencies and migration of services pursuant to Section 28 and 30 of LAD, and its regulations, or, at the request of the interested party, apply Section 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.

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

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

ü REGISTRATIONS AND AUTHORIZATIONS TO USE THE SPECTRUM THAT ARE NOW HELD BY THE COMPANY AS A RESULT OF CORPORATE REORGANIZATIONS OF TELECOM GROUP AND MERGER BY ABSORTION OF CABLEVISION (NOTES 4.f) AND 4.a) RESPECTIVELY):

1) Personal:

On November 24, 2017, Telecom Argentina and Personal were served with ENACOM Resolution No. 4,544-E/2017, whereby that agency decided:

(i) to authorize Telecom Personal to transfer in favor of Telecom Argentina the registrations of Mobile Telephone Services, Cellular Mobile Radiocommunications Services; Personal Communications Services Area I, II, III, and Mobile Advanced Communications 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 Telephone Services;

(iii) to authorize the transaction reported by Telecom whereby the controlling companies Sofora Telecomunicaciones S.A. and Nortel Inversora S.A. are dissolved without liquidation pursuant to the Bidding Terms and Conditions approved under Decree No. 62/1990.

Table of Contents

2) Cablevisión:

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

(i) The Registration of physical and/or radioelectric link broadcasting services, including the permits/frequencies required to provide radioelectric link broadcasting services, as well as the area authorizations to provide those services (via physical and radioelectric link), which may operate in Area II, defined as provided 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 Section 5 of Decree No. 1,340/2016, and in the rest of the areas authorized on the dates and in the modalities provided;

(ii) The 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 S.A., pursuant to effective regulations, and the agreement executed by Nextel on April 12, 2017 (IF-2017-08818737-APN-ENACOM#MCO), whereby Telecom Argentina, in its capacity as absorbing company of Cablevisión S.A., shall, within a term of two years as from the date on which the merger is approved by the CNDC and the ENACOM or any agency that may substitute them in the future, return the radioelectric spectrum that exceeds the limit set under Section 5 of Resolution No. 171-E/17 issued by the Ministry of Communications and/or any regulation that may repeal it in the future. To those effects, the Company shall file with the ENACOM, no later than one year in advance upon 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, pursuant to Section 33 of the LGS, in Telecom Argentina once the merger became effective and the shareholders agreement dated July 7, 2017 became effective in its entirety, as a result of which CVH became the controlling company of Telecom Argentina as surviving company of Cablevisión.

Such Resolution approved:

Law of audiovisual communications

(i) The relinquishment of the services registrations that are currently non-operative that had been requested by Cablevisión S.A. (People Notice service, Community Repeater, Public Telephony, Location of Vehicles and Alarm by radioelectric link and by Telecom (Community Repeater); and

(ii) The revocation of the licenses and registrations granted to Cablevisión S.A., now held by Telecom.

In addition, the Resolution provides that:

(i) Telecom shall comply with Section 95 of Law No. 27,078, which provides for the conditions under which it may operate the physical and/or radioelectric 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 utility 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 utilities to licensed services;

d. It shall provide - when requested- 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 rights to broadcast contents over its networks and facilitate a growing percentage to be established 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 in.

F-27

(ii) Telecom is declared to be an operator with a significant position in the retail market of Fixed Internet Access market in the locations detailed in the Report prepared by the National Directorate for the Development of Competition in Networks and Services of the ENACOM. As a result, it decided that:

a. 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 lowest price offered by the company in Area II for that service. If a similar service is not provided in that Area, it shall apply the lowest price offered at national level by the licensee for a similar service.

b. 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 ensure to other providers, under transparent, non-discriminatory and cost-oriented conditions, access to its own support infrastructure, especially, posts, masts and ducts.

As of the date of issuance of these unaudited consolidated financial statements, the Company has complied with such provisions.

All the provisions mentioned above shall be in effect for a term of 2 years as from the notice of the authorization granted by ENACOM, or until it has been verified that there is effective competition in all or in some of the locations involved. The ENACOM may extend or revoke that term.

With regard to the provision of Quadruple Play services, Section 7 of Decree No. 1,340 shall apply:

SECTION 7 - The providers of Information Technology and Communications 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 Section 2, subsection i) of Law No. 25,156 and to Section 1,099 of the Civil and Commercial Code of Argentina, those providers may not subject, in any way and under any condition, the purchase of any service to the purchase of another service, thus preventing the customer from purchasing any service separately or individually.

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

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. (For more information, see Note 4.a).

ü ENACOM RESOLUTIONS NO. 840/18, NO. 1,196/18 AND NO. 4,353/18 NEW REGIME FOR RADIOELECTRIC SPECTRUM FEES

On February 27, 2018, Resolutions Nos. 840/18 and No. 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, it established a new regime for mobile communications services, which substantially increases the amounts to be paid in this regard.

In accordance with the provisions of Resolution 4,353/18, published in the Official Gazette on May 24, 2018, the new Regime for Radio-electric Rights and Tariffs will not have an impact until August 31, 2018. This Resolution suspends the effects of Resolutions No. 840/18 and No. 1,196/18, from its publication until August 31, 2018. During this period, the Radioelectric Rights corresponding to the Mobile Communications Services (SRMC, STM, PCS and SCMA) that are accrued will be paid in accordance with the regime prior to the one established by Resolutions No. 840/18 and No. 1,196/18. The affidavits corresponding to the Mobile Communications Services (SRMC, STM, PCS and SCMA), which expire in the months of April and May 2018, that had not been prepared in accordance with the provisions of Resolution ENACOM No. 840/2018, must be submitted rectified and pay the resulting differences on October 10, 2018.

As of the date of issuance of these unaudited consolidated financial statements, Telecom is assessing the scope, impacts and actions to be followed in this regard.

Table of Contents

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

a) Going Concern

The unaudited consolidated financial statements as of June 30, 2018 and 2017 have been prepared on a going concern basis as there is a reasonable expectation that Telecom Argentina and its subsidiaries will continue its operational activities in the foreseeable future (and in any event with a time horizon of more than twelve months).

b) Foreign Currency Translation

Items included in the unaudited 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 unaudited consolidated financial statements are presented in Argentine pesos ($), which is the functional currency of all Telecom Group s companies located in Argentina. The functional currency for the foreign subsidiaries of the Telecom Group is the respective legal currency of each country.

The unaudited 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 period. Exchange differences resulting from the application of this method are recognized in Other Comprehensive Income. The cash flows of foreign consolidated subsidiaries expressed in foreign currencies included in the unaudited consolidated financial statements are translated at the average exchange rates for each period.

c) Foreign Currency Transactions

Transactions in foreign currencies are translated into the functional currency using the foreign exchange rate prevailing at the date of the transaction or valuation where items are re-measured. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the foreign exchange rate prevailing at the reporting date. Exchange differences are recognized in the consolidated income statement and are included in Debt financial costs and Other financial results, net as Foreign currency exchange.

d) Consolidation

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

d.1) Control

Control exists when the investor has substantive power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to use its power to affect the amount of returns. Subsidiaries are fully consolidated from the date on which control is transferred to the controlling company. They should be deconsolidated from the date that control ceases.

In the preparation of these unaudited consolidated financial statements, assets, liabilities, revenues and expenses of the consolidated companies subsidiaries are consolidated on a line-by-line basis. Non-controlling interests in the equity and in the profit (loss) for the period are disclosed separately under appropriate captions, respectively, in the consolidated statement of financial position, in the unaudited consolidated income statement and in the unaudited consolidated statement of comprehensive income.

All intercompany accounts and transactions between companies of Telecom´s Group have been eliminated in the preparation of these unaudited consolidated financial statements.

Financial statements of controlled companies are for the same period and has the same closing date of the parent s financial statements and are made using the same accounting policies of the Company.

Note 1.a) 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 June 30, 2018.

The Company considers transactions 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 is 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.

Table of Contents

d.2) Interests in Joint Operations

A joint operation is a contractual arrangement whereby a company and other parties undertake an economic activity that is subject to joint control, i.e., when the financial strategy and the operating decisions related to the company s activities require the unanimous consent of the parties sharing control.

In the cases of joint business arrangements executed through *Uniones Transitorias de Empresas* (UTE), considered joint operations under IFRS 11, the Company recognizes in its financial statements on a line-by-line basis the assets, liabilities and net income subject to joint control in proportion to its share in such arrangements. Telecom, upon absorbing the operations of Cablevisión, holds a 50% share in the UTE Ertach Cablevisión.

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

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

d.3) Investments in Associates

An associate is an entity over which the Company has significant influence, without exercising control, generally accompanied by equity holdings of between 20% and 50% of voting rights.

The associates net income and the assets and liabilities are disclosed in the unaudited financial statements using the equity method. Under the equity method, the investment in an associate is initially recorded at cost and the book value will be increased or decreased to recognize the investor s share in the statement of income for the period or in other comprehensive income obtained by the associate, after the acquisition date. The distributions received from the associate will reduce the book value of the investment.

The Company s investment in associates includes the goodwill identified at the time of the acquisition, net of any impairment losses. Goodwill is the 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. 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 the associates are eliminated considering the Company s interest held in the associates.

If necessary, adjustments are made, to the associates financial statements so that their accounting policies are in line with those used by the Company.

When the Company ceases to have significant influence, any interest retained in the entity is re-measured to its fair value at the date when influence is lost, and the change in the book value is recognized in the statement of income. The fair value is the initial amount for the purposes of its subsequent accounting of the interest retained as associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. Consequently, the amounts previously recognized in Other Comprehensive Income may be reclassified to income statement.

d.4) Consolidation of structured entities

The Company, through one of its subsidiaries, has executed certain agreements with other companies for the purpose of rendering on behalf of and by order of such companies certain installation services, collections, administration of subscribers, marketing and technical assistance, financial and general business advising, with respect to cable television services in Uruguay. In accordance with IFRS 10 Consolidated Financial Statements , these unaudited consolidated financial statements include the assets, liabilities and results of these companies. Since the Company does not hold an equity interest in these companies, the offsetting entry of the net effect of the consolidation of the assets, liabilities and results of these companies is disclosed under the line items Equity attributable to non-controlling interests and Net Income attributable to non-controlling interests .

Table of Contents

Call Option Agreement of Adesol

On December 22, 2016, Adesol S.A. 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 pesos 127,600,002, subject to an eventual adjustment in case certain circumstances provided under the Call Option Agreement occur.

In addition to the execution of the Call Option Agreement, Adesol S.A. paid to the grantor of the call option an option premium the amount of pesos 44,660,000. If Adesol S.A. does not exercise the Call Option, the seller shall irrevocably retain the amount paid by Adesol S.A., and the agreement will be terminated.

If it exercises the Call Option, the assignment, sale and transfer of the shares to 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 December 31, 2023; (ii) the Purchase Price of the Shares was set precisely and definitively USD 5,011,747 and pesos 44,660,000; (iii) Adesol undertook to pay, within ten (10) business days as from December 30, 2017, a Supplement to the Option Premium in the amount of USD 4,500,000; and (iv) in the event that Adesol S.A. has paid the Seller the Supplement to the Option Premium and Adesol S.A. does not exercise the Call Option within the Call Option Period, the Seller undertakes to return to Adesol S.A., within ten business days as from the expiration of the Call Option Period, the amount of USD 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 S.A. paid to the Seller the Supplement to the Call Option Premium. Such amount was allocated under Other deferred in the statement of changes in equity and amounts to $91 at the exchange rate prevailing at the time of its payment.

d.5) Business Combinations

The Company applies the acquisition method of accounting for business combinations. The consideration for each acquisition is measured at fair value (on the date of exchange) of the assets given, the liabilities incurred or assumed, and the equity instruments issued by the Company in exchange for the control of the acquired company. The costs related to the acquisition are expensed as incurred.

The consideration for the acquisition, if any, includes any asset or liability arising from a contingent consideration arrangement, measured at fair value at the acquisition date. Subsequent changes to such fair value, identified during the measurement period, are adjusted against the acquisition cost.

The identifiable assets, liabilities and contingent liabilities of the acquired company that meet the conditions for recognition under IFRS 3 are recognized at fair value at the acquisition date, except for certain particular cases provided by such standard.

Any excess of the acquisition cost over the Company s share in the net fair value of the subsidiary s or associate s identifiable assets, liabilities and contingent liabilities measured at the acquisition date is recognized as goodwill. Any excess of the Company s share in the net fair value of the identifiable assets, liabilities and contingent liabilities over the acquisition cost, after its measurement at fair value, is immediately recognized in the income statement.

The acquisition cost comprises the consideration transferred, the amount of any non-controlling interest and the acquisition-date fair value of the acquirer s previously-held equity interest in the acquiree, if any.

The Company initially recognizes any non-controlling interest as per its share in the amounts recognized for the net identifiable assets of the acquired company.

Table of Contents

Specific matters relating to the merger between Telecom Argentina and Cablevisión

Taking into consideration the information disclosed under Note 1.c), the merger between Telecom Argentina and Cablevisión is recognized as a reverse acquisition. Consequently, the assets and liabilities of Cablevisión S.A. were recognized and measured in the unaudited 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 fair value of the net identifiable assets and liabilities of Telecom Argentina S.A. The retained earnings and other balances of shareholders equity recognized in the unaudited financial statements of the combined entity correspond to the sum of the respective balances of the individual financial statements of Telecom Argentina S.A. and Cablevisión S.A. immediately before the Merger, without considering Other Comprehensive Income neither the Cost from the increase in the interest held in the companies controlled by Telecom Argentina S.A., as approved by the shareholders at the Ordinary and Extraordinary Shareholders Meeting of Telecom Argentina and the Extraordinary Shareholders Meeting of Cablevisión held on August 31, 2017. In addition, share capital of Telecom was maintained as of before the merger and then the shares of Telecom issued according to the exchange ratio were added to the Capital Stock of Telecom before the merger, and recorded the contribution surplus as mentioned in following paragraphs.

Due to the fact that the Merger between Telecom and Cablevisión was a business combination carried out through an exchange of interests in equity, 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, calculated based on a) the market price of the ADR of Telecom on the New York Stock Exchange (NYSE) on the last business day before the effective date of the transaction (January 1, 2018) of USD 36.63 per ADR and b) the equivalent outstanding ADR (193,831,921) as of the effective date, translated to pesos at the exchange rate prevailing on December 29, 2017, (last market day of 2017).

Pursuant to IFRS 3, the acquired net identifiable assets were measured at fair value, which estimated value amounted to $73,372. Of this amount, $1,326 corresponded to the non-controlling interest (valued as the proportionate share in the recognised amounts of the acquiree s identifiable net assets), measuring the net identifiable assets under the equity method. The allocation of the purchase price of the acquired net assets attributable to controlling shareholders generated a goodwill with an estimated value of $59,653.

In addition, the Company will disclose the new capital stock and generate the corresponding merger contribution surplus for $109,469 which will reflect mainly the difference between the fair value of the consideration transferred and the book value of the equity of Telecom Argentina before the effective date of the Merger.

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

- The total fair value of the item Property, plant and equipment amounts to $62,747. $34,209 was the fair value adjustment allocated to Property, plant and equipment based on the comparative market analysis for buildings and automobiles, and the adjusted estimated replacement cost to reflect the deterioration due to use of the telecommunications fixed assets;

- The total value of the item Intangible Assets measured at fair value amounts to $40,186. $33,175 was the fair value adjustment allocated to Intangible Assets corresponding mainly to the amount paid in excess of the book value of Licenses (for $14,933) under the comparative market value method, customer relationship (for $9,280) under the discounted cash flows method and Brands (for $8,825) based on royalties on gross revenues.

The total value of the item Deferred income tax liabilities amounts to $16,739 (net of deferred income tax assets of $2.) Deferred income tax liabilities were recognized in the amount of $17,234 (of which $624 were offset with 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 unaudited consolidated financial statements.

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

d.6) Accounting treatment for the acquisition of the remaining shareholding (30%) of the subsidiary CV Berazategui

On April 4, 2018, the Company acquired shares representing 30% of the capital stock and votes of CV Berazategui for a total amount of US$ 8,968,000 (US Dollars Eight million nine hundred sixty-eight thousand), equivalent to $181 at the date of the transaction.

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

This operation represents a transaction between the controlling and non-controlling shareholders in the consolidated financial statements. For this reason, the non-controlling interest of $5, which represents 30% of the equity value of CV Berazategui, was adjusted and the difference between the purchase price of $181 and the non-controlling interest was recorded in Other deferred within Net Equity attributable to controlling shareholders as of June 30, 2018, in accordance with IFRS 10.

e) <u>Revenues</u>

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

Revenues are stated net of discounts and returns (such as handset returns). The Company discloses its revenues into two large groups: Services and equipment. Revenues from services are recognized over the time services are rendered to the customers. Revenues from sales of equipment are recognized at the point in time when the control is transferred and the performance obligation is performed.

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

The sale prices identified in the different sales transactions are net prices of discounts (list price less discounts or bonifications if applicable). In those cases in which the payment is delayed over time, as for example in construction contracts, the effect of the time value of money must be withdrawn.

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

The main performance obligations of the Telecom Group are the following:

- *Mobile Services*

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

Services revenues consist of monthly basic fees, airtime usage charges, roaming, TLRD, CPP charges and charges for VAS (among them, 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 Other liabilities.

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

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

Table of Contents

Taking into consideration that the customer pays for the handset the price net of the discount and that, under the application of the allocation 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 recognition of such contractual asset will decrease to the extent service revenues are recognized, and will be fully derecognized in the 24th month (the stipulated contractual term). The method used provides a faithful representation of the transfer of goods or services in mobile services contracts in which more than one good or service is offered.

- *Internet Services*

Internet revenues mainly consist of monthly fees received from residential and corporate customers for data transmission (including private networks, dedicated lines, broadcasting signal transport and videoconferencing services) and Internet services (mainly high-speed subscriptions - broadband).

Non-refundable up-front connection fees (revenues at a point in time), 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 indefined 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 DATH services in Paraguay.

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

Revenues from the installation (one-time revenues) non-refundable of these services are deferred and charged to income over the average term during which clients maintain their subscription to the service.

- *Fixed Telephony and Data services*

Domestic fixed telephony services revenues mainly consist of monthly basic fees, measured service and monthly fees for additional services (among others, 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 connection fees for fixed telephony and data services (one-time revenues), generated at the beginning of the relationship with the customers, are deferred and charged to income over the term of the contract or, in the case of indefinite period contracts, over the average period of the customer relationship (approximately 8 years in the case of fixed telephony s voice services).

Reconnection fees charged to customers when resuming service after suspension are deferred and recognized ratably over the average life for those customers who are assessed a reconnection fee. Associated direct expenses are also deferred over the estimated customer relationship period up to an amount equal to or less than the amount of deferred revenues. Generally, reconnection revenues are higher than its associated direct expenses.

Revenues on construction contracts are recognized based on the stage of completion (percentage of completion method). This method provides a faithful representation of the transfer of assets in construction contracts, given that revenues are recognized to the extent of 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. When the outcome of a construction contract cannot be estimated reliably, contract revenues are recognized only to the extent that the costs incurred are likely to be recovered.

During the six-month period ended June 30, 2018 revenues from construction contracts were recognized for $125 and cost of construction contracts were recognized for $93. In relation to construction contracts; $224 of deferred revenues and $319 of inventories were recognized as of June 30, 2018.

Table of Contents

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 unaudited financial statement when the rights to receive cash flows from them have expired or have been transferred and the Company has transferred substantially all the risks and benefits of ownership.

f.1) Financial Assets

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

(a) the Company s business model for managing the financial assets; and

(b) the contractual cash flow characteristics of the financial asset.

A financial asset shall be measured at amortized cost if both of the following conditions are met:

(a) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and

(b) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset that is not measured at amortized cost according to the paragraphs above is measured at fair value.

Financial assets include:

Cash and Cash Equivalents

Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash, subject to an insignificant risk of changes in value and their original maturity or the remaining maturity at the date of purchase does not exceed three months.

Cash and cash equivalents are recorded, according to their nature, at fair value or amortized cost.

Time deposits are valued at their amortized cost.

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

The Company has investments in Government Bonds that depending on the business model established by the Company´s Management were valued at amortized cost or at fair value.

Trade and Other Receivables

Trade and other receivables classified as either current or non-current assets are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less allowances for doubtful accounts.

As mentioned in section e) Revenues, in accordance with IFRS 15 contractual assets, either current or non-current, are initially recognized at fair value and subsequently measured at amortized cost, less allowances for doubtful accounts, if any.

Investments

Government Bonds include the Bonds issued by National, Provincial and Municipal Governments. Depending on the business model adopted by Management, 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 other investments.

Time deposits are valued at 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.

Those National, Provincial and Municipal Governments bonds denominated in foreign currency whose initial intention is to keep them until their maturity, are measured at amortized cost and bear an interest in foreign currency. In this particular case, Management estimated the US Dollar denominated cash flows to be generated until maturity and compared that amount to the fair value of the instrument in US Dollars at the acquisition date. The acquisition cost in US Dollars has been adjusted by applying the IRR and the resulting value was converted to Argentine pesos using the exchange rate as of the date of measurement. The exchange differences generated by these bonds are included in Financial expenses as Foreign currency exchange gain (loss).

Other investments in Government Bonds are valued at fair value.

The 2003 telecommunications fund is recorded at fair value.

Impairment of Financial Assets

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

With regard to trade receivables, and using the simplified approach provided by such standard, the Company measures the allowance for doubtful accounts for an amount equal to the lifetime expected credit losses. For the rest of the financial instruments, the expected credit losses for the next 12 months must be recognized (lifetime expected losses over the contractual payments of the financial instrument of which the default is estimated in the next 12 months), except the case of significant increase in the financial instrument s credit risk so the lifetime expected credit losses must be recorded, that is the expected credit losses for the full term of the financial instrument.

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

Derecognition of Financial Assets

The Company derecognizes a financial asset when the contractual rights to the cash flows of such assets expire or when it transfers the financial asset and, therefore, all the risks and benefits inherent to the ownership of the financial asset are transferred to another entity. If the Company retains substantially all the risks and benefits inherent to the ownership of the transferred asset, it will continue to recognize it and will recognize a liability for the amounts received.

f.2) Financial Liabilities

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

Financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Amortized cost represents the initial amount net of principal repayments made, adjusted by the amortization of any differences between the initial amount and the maturity amount using the effective interest method.

Derecognition of Financial Liabilities

The Company shall derecognize a financial liability (or part of it) when it has been extinguished, i.e., when the obligation specified in the corresponding agreement is discharged, canceled or expires.

f.3) Derivatives

Derivatives are used by Telecom Group to manage its exposure to exchange rate and sometimes interest rate risks and to diversify the parameters of debt so that costs and volatility can be reduced to pre-established operational limits.

All derivative financial instruments are measured at fair value in accordance with IFRS 9. Derivative financial instruments qualify for Hedge Accounting if and only if all of the following conditions are met:

a) The hedging relation consists only of hedging instruments and eligible hedged items;

b) The hedging relation and the risk management strategy and purpose are formally designated and documented since its inception; and

c) the hedge is expected to fulfill the efficacy requirements described in detail under Note 21.c Hedge Accounting.

When a derivative financial instrument is designated as a cash flow hedge (the hedge of the exposure to variability in cash flows of an asset or liability, a firm commitment or a highly probable forecasted transaction) the effective portion of any gain or loss on the derivative financial instrument is recognized directly in Other Comprehensive Income. The cumulative gain or loss is removed from OCI and recognized in the consolidated income statement at the same time as the hedged transaction affects the consolidated income statement. The gain or loss associated with the ineffective portion of a hedge is immediately recognized in the consolidated income statement. If the hedged transaction is no longer probable, the cumulative gains or losses included in OCI are immediately recognized in the consolidated income statement.

If 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.

Table of Contents

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 income statement.

For additional information about derivatives operations during the first half of 2018 and 2017, see Note 21.c.

g) Inventories

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

From time to time, the Management of the Company and Núcleo decide to sell mobile handsets at prices lower than their respective costs. This strategy is aimed at achieving higher service revenues or at retaining high value customers by reducing customer access costs while maintaining the companies overall mobile business profitability since the customer subscribes a monthly service contract for indefinite period with a minimum period of permanence and, if the contract is abandoned in advance, the mobile company has the right to cancel, totally or partially, the bonus granted to the customer at the beginning of the contractual relationship. For the estimation of the net realizable value, in these cases, the Company considers the estimated selling price in normal course of business less applicable variable selling expenses plus the expected margin from the service contract signed during its minimum non-cancelable term.

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

h) PP&E

PP&E is stated at acquisition or construction cost. Subsequent expenditures are capitalized only when they represent an improvement, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

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

PP&E cost also includes the expected costs of dismantling the asset and restoring the site if a legal or constructive obligation exists. The corresponding liability is recognized under Provisions line item at its present value. These capitalized costs are depreciated and charged to the consolidated income statement over the useful life of the related assets in the Depreciation and amortization item line.

The accounting estimates for dismantling costs, including discount rates, and the dates in which such costs are expected to be incurred are reviewed on an annual basis. Changes in the above liability are recognized as an increase or decrease of the cost of the related asset and are depreciated prospectively.

In addition, PP&E costs include those related to the installation that allows the customer to connect to the service, in Fixed network and transportation. 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 period.

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

	Estimated Useful Life (in years)
Real Estate	45 - 50
Fixed Network and Transportation	3 - 20
Mobile Network Access	3 - 7
Tower and Pole	10 - 20
Switching Equipment	5 - 10
Computer Equipment	3 - 5
Vehicles	5
Goods lent to customers at no cost	2 - 10
Power Equipment and Installations	2 - 15
Machinery, diverse equipment and tools	2 - 10

The depreciation rates are reviewed annually and revised if the current estimated useful life is different from that estimated previously taking into account, among others, technological obsolescence, maintenance and condition of the assets and different intended use from previous estimates. The effect of such changes is recognized prospectively in the income statement in the corresponding period.

Table of Contents

i) **Intangible Assets**

Intangible assets are recognized if and only if the following conditions are met: The asset is separately identifiable, it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and the cost of the asset can be measured reliably.

Intangible assets with a finite useful life are stated at cost, less accumulated amortization and impairment losses, if any.

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

Intangible assets comprise the following:

- 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.

- 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 Section 12 of the Auction Terms and Conditions, they were granted for a period of 15 years as from the date of awarding notification.

Consequently, the Company 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 Section 4.d) of PEN Decree No. 1,340/16, which is described in Note 2.e), the remaining useful life of the frequencies included in lot 8 of the auction was re-estimated in 4Q16, considering the estimated date in which the 700Mhz bands would be released.

In addition, the licenses that had been previously awarded to Nextel whose useful life is calculated as from the beginning of the provision of the Advanced Mobile Communication Services SCMA or upon expiration of the 18-month term provided under Section 10.1, subsection a), Annex I, Decree No. 764/2000 for the beginning of the provision of the Services, whatever occurs first.

- PCS license (Argentina)

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

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

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

- Núcleo´s licenses

PCS license is amortized under the straight-line method over 60 months, ending its amortization in fiscal year 2017.

On June 2017, Núcleo required the renovation of that license. Before the due date, the Conatel issued, according to the Telecommunication law, resolutions of precarious extensions of that license that have a life of 90 days extensible, for one time, for the same period, so it seems to have those definite renovations on the following months. During the second quarter 2018, the PCS license was renewed for approximately $64, which amortizes in 60 months.

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

- SRCE License

SRCE License has indefinite useful life.

Table of Contents

- Customer relationship

It 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. Likewise, Tuves Paraguay s customer portfolio is included. For fixed-telephony customer such term was estimated at 10 years, for mobile telephony customers in Argentina it was estimated at 6 years, and for mobile telephony customers in Paraguay it was estimated at 5 years.

- Brands

It includes the Brand Cablevisión, which is amortized over 50 years, and the Brand Flow, which is amortized over 3 years. In addition, as a result of the Merger described under Note 4.a), the brands of Telecom (Telecom , ARNET and Personal , both in Argentina and in Paraguay) which are not amortized because they have been considered of indefinite useful life.

- Other

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

j) <u>Goodwill</u>

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

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

k) <u>Leases</u>

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. The Company recognizes finance leases as assets and liabilities in its statements of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Subsequently, minimum lease payments are apportioned between a finance charge and the reduction of the outstanding liability. The total finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent payments, if any, are charged as expenses in the periods in which they are incurred.

The depreciation policy for depreciable leased assets is consistent with that for depreciable assets that are owned.

As of June 30, 2018 Telecom Group does not have current financial lease agreements or residual value of fixed assets acquired by 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 normal course of business, the Company leases cell sites, switch sites, satellite capacity and circuits (among others) under various non-cancellable operating leases. Rental expenses are included under Interconnection and transmission costs and Other operating income and expenses items lines in the consolidated income statement during the term of the lease.

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

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

Table of Contents

The recoverable value of an asset or a cash generating unit is the higher of its fair value (less selling costs) or its value in use. In calculating the value in use of an asset, the estimated future cash flows are discounted to present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the evaluated asset.

Where it is not possible to estimate the recoverable value of an individual asset, the Company estimates the recoverable value of the cash-generating unit to which the asset belongs.

Intangible assets with an indefinite useful life and goodwill are not subject to amortization and are tested at least annually for impairment. The only intangible assets with an indefinite useful life held by the Company as of June 30, 2018 are the PCS license in Argentina, the brands acquired with the business combination (see Note 4.a) and the SRCE license. Its recoverable amount is determined based on the value in use, which is estimated using discounted net cash flows projections.

For the periods presented, the Company estimates that there is not indicator of impairment of the assets that are subject to amortization, with the exception of those related to the process of modernization and replacement of its mobile network access technology in the Argentine Republic and a group of longstanding work in progress.

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

m) Other Liabilities

Pension Benefits

Argentine laws provide for pension benefits to be paid to retired employees from government pension plans and/or privately managed fund plans to which employees may elect to contribute. Amounts payable to such plans are accounted for on an accrual basis. The Company does not sponsor any stock option plan.

Pension benefits shown under Other liabilities represent accrued benefits under collective bargaining agreements for employees who retire upon reaching normal retirement age, or earlier due to disability in Telecom Argentina. 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 should be presented in the statements of comprehensive income. Actuarial assumptions and demographic data, as applicable, were used to measure the benefit obligation as required by IAS 19 revised. The Company does not make plan contributions or maintain separate assets to fund the benefits at retirement.

The actuarial assumptions used are based on market interest rates, past experience and Management s best estimate of future economic conditions. Changes in these assumptions may impact future benefit costs and obligations. The main assumptions used in determining expense and benefit obligations are the following for 2017, and have not any significant changes during 2018:

	2017
Discount Rate (1)	4.6% - 9.2%
Projected increase rate in compensation	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.

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

During the last quarter of 2007, the Management of Cablevisión, together with its subsidiaries, began to implement a long-term savings plan for certain executives (directors and managers comprising the executive payroll), which became effective in January 2008. Executives who adhere to such plan undertake to contribute regularly a portion of their salary (variable within a certain range, at the employee s option) to a fund that will allow them to strengthen their savings capacity. In addition, each company where those executives render services will match the sum contributed by such executives. This matching contribution will be added to the fund raised by the employees. Under certain conditions, the employee may access such funds upon termination of their participation in the long-term savings plan.

In addition, such plan provides for certain special conditions for those managers who were in the executive payroll before January 1, 2007. Such conditions consist of supplementary contributions made by each company to the plan related to the executive s years of service with the Company.

Table of Contents

During 2013, certain changes were made to the savings system, though maintaining in its essence the operation mechanism and the main characteristics with regard to the obligations undertaken.

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

As of June 30, 2018, there are no outstanding amounts related to those supplementary contributions, due to the fact that the plan was discontinued as of December 31, 2017.

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

Deferred revenues on prepaid calling cards

Revenues from unused traffic and data packs for unexpired calling cards are deferred and recognized as revenue when the minutes and the data are used by customers or when the card expires, whichever happens first. For more information, see Note 3.e) Revenues Mobile 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 and Data services, Internet services and Cable television services.

Deferred Revenues related to Customer Loyalty Programs

The fair value of the award credits regarding the Company 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 Company sells excess purchased capacity to other carriers. Revenues are deferred (like Other liabilities Deferred Revenues on International Capacity Leases) and recognized as services are provided. Those revenues are recorded under Fixed Telephony and Data services line item.

n) Salaries and Social Security Payables

Include unpaid salaries, vacation and bonuses and its related social security contributions, as well as termination benefits. See Note f.2 for a description of the accounting policies regarding the measurement of financial liabilities.

Termination benefits represent severance indemnities that are payable when employment is terminated in accordance with labor regulations and current practices, or whenever an employee accepts voluntary redundancy in exchange for these benefits. In the case of severance compensations resulting from agreements with employees leaving the Company upon acceptance of voluntary redundancy, the compensation is usually comprised of a special cash bonus paid upon signing the severance agreement, and in certain cases may include a deferred compensation, which is payable in monthly installments calculated as a percentage of the prevailing wage at the date of each payment (prejubilaciones). The employee s right to receive the monthly installments mentioned above starts on the date they leave the Company and ends either when they reach the legal mandatory retirement age or upon the decease of the beneficiary, whichever occurs first.

o) Taxes Payable

Includes mainly: Income Tax, Other National Taxes, Provincial Taxes and Municipal Taxes. The main taxes that represent an expense for the Company are the following:

Income Tax

Income tax (national tax) is recognized in the consolidated income statement, except to the extent that they relate to items directly recognized in Other comprehensive income or directly in equity. In this case, the tax is also recognized in Other comprehensive income or directly in equity, respectively. The income tax expense for the period/year comprises current and deferred tax.

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

As per Argentinean Tax Law, income taxes payables have been computed on a separate return basis (i.e., the Company is not allowed to prepare a consolidated income tax return). The Company records income taxes in accordance with IAS 12.

Table of Contents

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 their carrying amounts in the statement of financial position. The deferred tax asset / liability is disclosed under a separate item of the Unaudited Consolidated Financial Statements.

A deferred income tax asset or liability is recognized on those differences, except for those differences related to investments in subsidiaries that generate a deferred income tax liability, where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets relating to unused tax carryforwards are recognized to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets arising from investment in subsidiaries are recognized when it is probable that the temporary differences will be reversed in the foreseeable future and when future taxable income would be sufficient to apply those temporary differences.

The book value of a deferred tax asset shall be revised at the end of every reporting period. The company shall reduce the carrying amount of a deferred tax asset if it is probable that future taxable income will not be available to offset all or a portion of the benefits of the deferred tax asset. This reduction shall be reversed if it becomes probable that future taxable income to offset the deferred tax asset will be available.

The legal rate in force in the Argentine Republic for the current period is 30% (years beginning on January 1, 2018 to December 31, 2019, inclusive) established by Law No. 27,430 of December 29, 2017. This law establishes that from January 1, 2020 onward, the legal rate will be 25%. The current legal rate for the six-month period ended June 30, 2017 was 35%.

For the determination of the deferred tax as of June 30, 2018, the Company has considered, according to the guidelines of IAS 12, the moments in which the temporary differences will be reversed in order to apply the corresponding rate based on the provisions by Law No. 27,430.

The collection of dividends from the investment in a foreign company is achieved by the income tax at the general tax rate. Likewise, the Argentine legislation allows computing as a tax credit the sums paid for analogous taxes abroad.

In Uruguay, the statutory income tax rate is 25% for the periods presented.

The statutory income tax rate in Paraguay was 10% for the periods presented. As per Paraguayan Tax Law, dividends paid are computed with an additional income tax rate of 5% (this is the criterion used by Núcleo for the recording of its deferred tax assets and liabilities, representing an effective tax rate of 15%). In addition, a deferred tax liability is recognized in Telecom Argentina due to the effect of the difference in the profit tax rates between Argentina and Paraguay