

TELECOM ARGENTINA SA  
Form 6-K  
November 21, 2013  
Table of Contents

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 6-K**

**Report of Foreign Issuer**

**Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934**

**For the month of November 2013**

**Commission File Number: 001-13464**

**Telecom Argentina S.A.**

**(Translation of registrant's name into English)**

**Alicia Moreau de Justo, No. 50, 1107**

**Buenos Aires, Argentina**

**(Address of principal executive offices)**

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

Form 20-F  Form 40-F

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

Yes  No

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

Yes  No

Indicate by check mark whether by furnishing the information contained in this Form, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes  No

If  Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

**Table of Contents**

**Telecom Argentina S.A.**

TABLE OF CONTENTS

**Item**

1. Telecom Argentina S.A. Unaudited Condensed Consolidated Financial Statements as of September 30, 2013

**Table of Contents**

**TELECOM ARGENTINA S.A.**

**TELECOM ARGENTINA S.A.**

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF SEPTEMBER 30, 2013**

**Table of Contents**

**TELECOM ARGENTINA S.A.**

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2013  
AND 2012**

**INDEX**

|  |   |
|--|---|
| <b><u>Operating and financial review and prospects as of September 30, 2013</u></b>            | I |
| <b><u>Unaudited condensed consolidated financial statements</u></b>                            |   |
| <u>Unaudited consolidated statements of financial position</u>                                 | 1 |
| <u>Unaudited consolidated income statements</u>  | 2 |
| <u>Unaudited consolidated statements of comprehensive income</u>                               | 3 |
| <u>Unaudited consolidated statements of changes in equity</u>                                  | 4 |
| <u>Unaudited consolidated statements of cash flows</u>   | 5 |
| <u>Notes to the unaudited condensed consolidated financial statements</u>                      | 6 |
| <b><u>Limited review report on the condensed interim consolidated financial statements</u></b> |   |
| <b><u>Corporate information</u></b>  |   |

Table of Contents**TELECOM ARGENTINA S.A.****OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2013**

(In millions of Argentine pesos or as expressly indicated)

**1. General considerations**

As required by CNV regulations, the Company has prepared its consolidated financial statements as of September 30, 2013 under IFRS. Additional information is given in Note 1 to the consolidated financial statements.

**2. Telecom Group's activities for the nine-month periods ended September 30, 2013 ( 9M13 ) and 2012 ( 9M12 )**

Total revenues and other income for 9M13 amounted to \$19,853 (+23.8% vs. 9M12), operating costs including depreciations, amortizations and gain on disposal of PP&E and impairment of PP&E amounted to \$16,590 (+25.3% vs. 9M12), operating income before depreciation and amortization amounted to \$5,554 representing 28.0% of consolidated revenues (+17.5% vs. 9M12), operating income amounted to \$3,263 (+16.4% vs. 9M12) and net income amounted to \$2,361 (+22.8% vs. 9M12). Net income attributable to Telecom Argentina amounted to \$2,324 in 9M13 (+22.9% vs. 9M12).

|  | 9M13         | 9M12         | Variation  |             |
|--|--------------|--------------|------------|-------------|
|  |              |              | \$         | %           |
| Revenues   | 19,827       | 16,025       | 3,802      | 23.7        |
| Other income   | 26           | 16           | 10         | 62.5        |
| Operating costs without depreciation and amortization        | (14,299)     | (11,315)     | (2,984)    | 26.4        |
| <b>Operating income before depreciation and amortization</b> | <b>5,554</b> | <b>4,726</b> | <b>828</b> | <b>17.5</b> |
| Depreciation and amortization                                | (2,130)      | (1,927)      | (203)      | 10.5        |
| Gain on disposal of PP&E and impairment of PP&E              | (161)        | 4            | (165)      | n/a         |
| <b>Operating income</b>                                      | <b>3,263</b> | <b>2,803</b> | <b>460</b> | <b>16.4</b> |
| Financial results, net                                       | 377          | 159          | 218        | 137.1       |
| <b>Net income before income tax expense</b>                  | <b>3,640</b> | <b>2,962</b> | <b>678</b> | <b>22.9</b> |
| Income tax expense   | (1,279)      | (1,039)      | (240)      | 23.1        |
| <b>Net income</b>  | <b>2,361</b> | <b>1,923</b> | <b>438</b> | <b>22.8</b> |

**Attributable to:**

|   |              |              |            |             |
|---|--------------|--------------|------------|-------------|
| Telecom Argentina (Controlling Company) | 2,324        | 1,891        | 433        | 22.9        |
| Non-controlling interest                | 37           | 32           | 5          | 15.6        |
|   | <b>2,361</b> | <b>1,923</b> | <b>438</b> | <b>22.8</b> |

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

**2.37      1.92**

**Total revenues and other income**

During 9M13 consolidated total revenues increased 23.7% (+\$3,802 vs. 9M12) amounting to \$19,827 mainly fueled by mobile businesses, the Broadband and data transmission, while consolidated other income increased 62.5% (+\$10 vs. 9M12), mainly due indemnities from suppliers in the Núcleo mobile services segment.

|  | 9M13          | 9M12          | Variation    |             |
|--|---------------|---------------|--------------|-------------|
|  |               |               | \$           | %           |
| <b><u>Services</u></b>                   |               |               |              |             |
| Voice - Retail                           | 1,969         | 1,838         | 131          | 7.1         |
| Voice - Wholesale                        | 583           | 548           | 35           | 6.4         |
| Internet                                 | 1,827         | 1,442         | 385          | 26.7        |
| Data                                     | 686           | 528           | 158          | 29.9        |
| <b>Subtotal fixed services</b>           | <b>5,065</b>  | <b>4,356</b>  | <b>709</b>   | <b>16.3</b> |
| Voice - Retail                           | 3,548         | 3,249         | 299          | 9.2         |
| Voice - Wholesale                        | 1,419         | 1,306         | 113          | 8.7         |
| Internet                                 | 1,405         | 890           | 515          | 57.9        |
| Data                                     | 5,390         | 4,128         | 1,262        | 30.6        |
| <b>Subtotal Personal mobile services</b> | <b>11,762</b> | <b>9,573</b>  | <b>2,189</b> | <b>22.9</b> |
| Voice - Retail                           | 273           | 242           | 31           | 12.8        |
| Voice - Wholesale                        | 87            | 61            | 26           | 42.6        |
| Internet                                 | 193           | 108           | 85           | 78.7        |
| Data                                     | 234           | 194           | 40           | 20.6        |
| <b>Subtotal Núcleo mobile services</b>   | <b>787</b>    | <b>605</b>    | <b>182</b>   | <b>30.1</b> |
| <b>Total services revenues</b>           | <b>17,614</b> | <b>14,534</b> | <b>3,080</b> | <b>21.2</b> |
| <b><u>Equipment</u></b>                  |               |               |              |             |
| Fixed services                           | 49            | 61            | (12)         | (19.7)      |
| Personal mobile services                 | 2,109         | 1,408         | 701          | 49.8        |
| Núcleo mobile services                   | 55            | 22            | 33           | 150.0       |
| <b>Total equipment revenues</b>          | <b>2,213</b>  | <b>1,491</b>  | <b>722</b>   | <b>48.4</b> |

|                       |               |               |              |             |
|-----------------------|---------------|---------------|--------------|-------------|
| <b>Total revenues</b> | <b>19,827</b> | <b>16,025</b> | <b>3,802</b> | <b>23.7</b> |
|-----------------------|---------------|---------------|--------------|-------------|

***OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2013***

I



**Table of Contents**

**TELECOM ARGENTINA S.A.**

Services revenues amounted to \$17,614 (+21.2% vs. 9M12) and represented 88.8% of consolidated revenues (vs. 90.7% in 9M12). Equipment revenues increased 48.4%, amounting to \$2,213 and represented 11.2% of consolidated revenues (vs. 9.3% in 9M12).

**Fixed services**

During 9M13, services revenues generated by this segment amounted to \$5,065, +\$709 or 16.3% vs. 9M12, where Internet revenues have grown the most (+\$385 or 26.7% vs. 9M12), followed by data transmission services (+\$158 or 29.9% vs. 9M12) and voice retail services (+\$131 or 7.1% vs. 9M12).

**Voice**

Voice retail revenues amounted to \$1,969 in 9M13 (+7.1% vs. 9M12). The results of this line of business are still affected by frozen tariffs of regulated services. Revenues from regulated services reached approximately 33% of the segment revenues in 9M13 (vs. 38% in 9M12).

Monthly Charges and Supplementary Services increased \$65 or 8.5% vs. 9M12, to \$833, as a consequence of an increase in supplementary services (not regulated), mainly due to an increase of their prices and, to a lesser extent, to the increase in the subscriber base.

Revenues generated by measured services (Local Measured Service, Domestic Long Distance and International Long Distance services) amounted to \$1,029, (+\$61 or 6.3% vs. 9M12), mainly due to the increase in the commercialization of domestic plans and domestic long distance services. In relative terms, revenues from local measured service and domestic long distance measured service increased the most with 6.5% and 7.8%, respectively, vs. 9M12.

Voice wholesale revenues (including fixed and mobile interconnection revenues and lease of circuits, together with the revenues generated by the subsidiary Telecom USA amounting to \$53) amounted to \$583 in 9M13 (+6.4% vs. 9M12). Interconnection fixed and mobile revenues amounted to \$407. The other wholesale revenues amounted to \$176 in 9M13 (+\$13 or 8.0% vs. 9M12).

**Internet**

Internet revenues amounted to \$1,827 (+\$385 or 26.7% vs. 9M12) mainly due to the expansion of the Broadband service (+3.5% of customers vs. 9M12) and an increase in average prices resulting in an improvement in the Average Monthly Revenue per User ( ARPU ), that amounted to \$121.4 pesos per month in 9M13 vs. \$99.2 pesos per month in 9M12. As of September 30, 2013, Telecom Argentina reached approximately 1,669,000 ADSL customers. These connections represent approximately 40.5% of Telecom Argentina's fixed lines in service (vs. 38.9% in 9M12).

Internet revenues represent 9.2% of consolidated revenues (similar to 9M12) and 36.1% of Fixed Services segment revenues (vs. 33.1% in 9M12).

**Data**

Data transmission revenues amounted to \$686 (+\$158 vs. 9M12), where the focus was to strengthen Telecom Argentina's position as an integrated TICs provider (Datacenter, VPN, among others) for wholesale and government segments. The increase was mainly due to the growth of *Integra* and VPN IP services (private data networks services that replace the point to point services) in the retail segment, to the growth of IP traffic in the wholesale segment and to the growth of Datacenter services' monthly charges and transmission services, especially of *Housing* services and value added services transmission.

**Personal Mobile Services**

During 9M13, total services revenues amounted to \$11,762, +\$2,189 or 22.9% vs. 9M12, being the principal business segment in revenues terms (59.3% and 59.7% of consolidated revenues in 9M13 and 9M12, respectively). Personal reached 19.9 million subscribers in Argentina (+5.0% vs. 9M12) maintaining the leadership in revenues in the mobile industry. Approximately 68% of the subscriber base is prepaid subscribers and 32% is postpaid subscribers (including Cuentas Claras' plans and Mobile Internet dongles).

**Voice**

Voice retail revenues amounted to \$3,548 in 9M13 (+9.2% vs. 9M12). The increase was mainly due to the increase in the lines billed, the increase in the monthly charges prices and to an increase in the subscriber base, specially Cuentas Claras' subscribers.

Voice wholesale revenues amounted to \$1,419 in 9M13 (+8.7% vs. 9M12). The increase was mainly due to higher TLRD traffic, to an increase in roaming sales in the national segment and to the increase of mobile leases, mainly due to new agreements and to the renegotiation of the existing ones.

***OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2013***

**Table of Contents**

**TELECOM ARGENTINA S.A.**

**Internet**

Mobile Internet revenues amounted to \$1,405 (+\$515 or 57.9% vs. 9M12). This increase is mainly explained by the increase in consumption of Personal s subscribers, which was mainly fueled by the increase in the offer of services, plans and packs (including VAS) launched by Personal. This growth was fueled by new subscribers and the migration of existing ones to higher-value plans, partially offset by the revenues decrease generated by the decrease of Mobile Internet dongles subscribers.

**Data**

Mobile data services revenues amounted to \$5,390 (+\$1,262 or 30.6% vs. 9M12). This increase was mainly due to the constant SMS sales increase as a result of several campaigns launched by Personal and especially the growth of the offers of SMS with contents, which represented an inter-annual increase of \$1,005. This increase was reflected both in prepaid and postpaid subscribers and is mainly due to the increase in average prices and, to a lesser extent, to the increase in the subscriber base.

As a consequence of the increase in the use of VAS (Internet and data), ARPU increased to \$66.1 pesos per month in 9M13 (vs. \$55.8 pesos per month in 9M12).

VAS revenues (data and Internet) amounted to \$6,795 (+35.4% vs. 9M12) and represented 57.8% of the services revenues of Personal Mobile Services segment (vs. 52.4% in 9M12).

**Núcleo Mobile Services**

This segment generated services revenues equivalent to \$787 during 9M13 (+\$182 or 30.1% vs. 9M12) mainly due to the increase in the subscriber base (+6.0%), to the appreciation of the Guaraní respect to the Argentine peso (+18% inter-annual) generating a positive effect in revenues conversion and the increase of Mobile Internet revenues (+78.7% vs. 9M12) related to the increase of subscribers traffic that have mobile equipment prepared for that purpose. As of September 30, 2013, Núcleo s subscriber base reached 2.4 million customers. Prepaid and postpaid subscribers (including Plan Control subscribers and mobile Internet subscribers) represented 80% and 20% in 9M13, respectively.

VAS revenues (data and Internet) amounted to \$427 (+41.4% vs. 9M12) and represented 54.3% of Núcleo Mobile Services segment services revenues (vs. 49.9% in 9M12).

**Equipment**

Revenues from equipment amounted to \$2,213, +\$722 or 48.4% vs. 9M12. This increase is mainly related to the Personal Mobile Services segment with an increase of \$701 vs. 9M12. The increase was mainly due to an increase in the handset s average prices (+73.1% vs. 9M12), partially offset by lower handsets sold (-14.3% vs. 9M12). This situation was mainly generated by a subsidy reduction policy, the increase in average prices related to higher-value handset demand, the business strategy to attract high-value subscribers, a decrease in discounts as a result of the finalization of commercial promotions and lower retail revenues. In the Núcleo Mobile Services segment the increase

was mainly due to a higher number of handsets sold as a result of higher-value handsets and the launch of targeted promotions to capture new subscribers and retaining existing ones, associated to the effect of the appreciation of the Guaraní respect to the Argentine peso.

### **Operating costs**

Consolidated operating costs including depreciation, amortization and gain on disposal of PP&E and impairment of PP&E amounted to \$16,590 in 9M13, which represented an increase of \$3,352 or +25.3% vs. 9M12. The increase in costs is mainly a consequence of a higher revenues, higher expenses related to competition in mobile and Internet businesses, higher direct and indirect labor costs on the cost structure of the Group in Argentina, the increase in taxes, especially by the increase in the average rates of the turnover tax, the increase in provisions related to regulatory matters, the increase in provisions related to claims and other regulatory contingencies, the increase of VAS costs and the effect of the appreciation of the Guaraní (+18% inter-annual) respect to the Argentine peso, affecting the operations in Paraguay.

## ***OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2013***

### **III**

**Table of Contents****TELECOM ARGENTINA S.A.**

|   | 9M13            | 9M12            | Variation      |             |
|---|-----------------|-----------------|----------------|-------------|
|   |                 |                 | \$             | %           |
| Employee benefit expenses and severance payments          | (2,996)         | (2,368)         | (628)          | 26.5        |
| Interconnection costs and other telecommunication charges | (1,386)         | (1,214)         | (172)          | 14.2        |
| Fees for services, maintenance, materials and supplies    | (1,877)         | (1,563)         | (314)          | 20.1        |
| Taxes and fees with the Regulatory Authority              | (1,954)         | (1,454)         | (500)          | 34.4        |
| Commissions   | (1,974)         | (1,640)         | (334)          | 20.4        |
| Agent commissions capitalized as SAC                      | 367             | 218             | 149            | 68.3        |
| Cost of equipment and handsets                            | (2,392)         | (1,895)         | (497)          | 26.2        |
| Cost of equipment and handsets capitalized as SAC         | 223             | 374             | (151)          | (40.4)      |
| Advertising   | (452)           | (475)           | 23             | (4.8)       |
| Cost of VAS   | (503)           | (211)           | (292)          | 138.4       |
| Provisions  | (225)           | (112)           | (113)          | 101.9       |
| Bad debt expenses   | (221)           | (218)           | (3)            | 1.4         |
| Recovery of restructuring costs                           | 8               |                 | 8              | n/a         |
| Other operating expenses                                  | (917)           | (757)           | (160)          | 21.1        |
| <b>Subtotal</b>   | <b>(14,299)</b> | <b>(11,315)</b> | <b>(2,984)</b> | <b>26.4</b> |
| Depreciation of PP&E                                      | (1,447)         | (1,325)         | (122)          | 9.2         |
| Amortization of SAC and service connection costs          | (665)           | (586)           | (79)           | 13.5        |
| Amortization of other intangible assets                   | (18)            | (16)            | (2)            | 12.5        |
| Gain on disposal of PP&E and impairment of PP&E           | (161)           | 4               | (165)          | n/a         |
| <b>Total operating costs</b>                              | <b>(16,590)</b> | <b>(13,238)</b> | <b>(3,352)</b> | <b>25.3</b> |

The costs breakdown is as follows:

**Employee benefit expenses and severance payments**

Employee benefit expenses and severance payments amounted to \$2,996 (+\$628 or 26.5% vs. 9M12). The increase was mainly due to increases in salaries agreed by Telecom Argentina with several trade unions for the unionized employees and also to non-unionized employees, together with related social security charges. With a total headcount of 16,660 by the end of 9M13, slightly lower than 9M12 between employees and eventual employees, lines in service per employee reached 373 in the Fixed Services segment (slightly higher than 9M12), subscribers per employee reached 3,839 in the Personal Mobile Services segment (+4.3% vs. 9M12) and subscribers per employee reached 5,547 (+6.4% vs. 9M12) in the Núcleo Mobile Services segment.

**Interconnection costs and other telecommunication charges**

Interconnection costs and other telecommunication charges (including charges for TLRD, Roaming, Interconnection costs, cost of international outbound calls and lease of circuits) amounted to \$1,386 (+\$172 or 14.2% vs. 9M12)

mainly due to higher traffic volume in the domestic market.

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

Fees for services, maintenance, materials and supplies amounted to \$1,877 +\$314 or 20.1% vs. 9M12. The increase was mainly due to higher maintenance costs of radio bases, systems and buildings in the mobile services segments as a result of an increase in technical assistance cost of radio bases, higher system licenses maintenance costs and higher costs of building maintenance. There were also increases in other maintenance costs and fees for services, mainly due to higher costs recognized to suppliers in all segments.

**Taxes and fees with the Regulatory Authority**

Taxes and fees with the Regulatory Authority (including turnover tax, IDC, municipal and other taxes) amounted to \$1,954 (+34.4% vs. 9M12), influenced mainly by the increase in revenues of fixed and mobile services, higher equipment sales and higher average rates of the turnover tax in Autonomous City of Buenos Aires, Córdoba, Chaco, Jujuy and Mendoza.

**Commissions**

Commissions (including Agent, distribution of prepaid cards and other commissions) amounted to \$1,974 (+\$334 or 20.4% vs. 9M12), mainly due to the increase in commercial agents' commissions (associated to higher revenues) as a result of higher customer's acquisition and retention, higher cards sales and prepaid recharges and the increase in collections.

In the other hand, agent commissions capitalized as SAC amounted to \$367, +\$149 or 68.3% vs. 9M12 and is directly related to the increase in the postpaid subscribers' base in the Personal Mobile Services segment and the increase in the commissions prices.

**Cost of equipment and handsets**

Cost of equipments and handsets amounted to \$2,392 (+\$497 or 26.2% vs. 9M12) mainly due to an increase in the average unit cost of sales related to higher-value handsets (+44.8% vs. 9M12) and to a decrease in the handsets sold (-14.3% vs. 9M12) in the Personal Mobile Services segment.

***OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2013***

**Table of Contents**

**TELECOM ARGENTINA S.A.**

On the other hand, SAC deferred costs from handsets sold to postpaid and Cuentas Claras subscribers amounted to \$223, -\$151 or -40.4% vs. 9M12. The lower capitalized amount was mainly due to the significant reduction of subsidies provided to customers in the Personal Mobile Services segment (7% in 9M13 vs. 24% in 9M12).

**Advertising**

Advertising amounted to \$452 (-\$23 or -4.8% vs. 9M12), mainly due to a reduction in the commercial campaigns of Personal and Arnet as compared to 9M12.

**Cost of VAS**

Cost of VAS amounted to \$503 (+\$292 vs. 9M12), mainly due to the increase of VAS sales in the Personal Mobile Services segment (mainly the SMS service) as a consequence of several campaigns launched by Personal and especially a higher offer oriented to the consumption of SMS with contents.

**Provisions**

Provisions amounted to \$225, +\$113 or 100.9% vs. 9M12. The increase was mainly due to higher regulatory and municipal claims (\$82 vs. 9M12) and higher civil and commercial claims (\$41 vs. 9M12), partially offset by lower labor claims (-\$10 vs. 9M12).

**Bad debt expenses**

Bad debt expenses amounted to \$221 (+\$3 vs. 9M12), representing approximately 1.1% and 1.4% of consolidated revenues in 9M13 and 9M12, respectively. The increase was mainly observed in Núcleo Mobile Services segment as a consequence of higher aging of the accounts receivables.

**Recovery of restructuring costs**

Recovery of restructuring costs amounted to \$8 in 9M13 and is related to the finalization of the Restructuring Plan initiated by the Telecom Group in the last quarter of 2012.

**Other operating costs**

Other operating costs amounted to \$917 (+\$160 or 21.1% vs. 9M12). The increase was mainly due to higher prices on related services, especially in transportation, freight and travel expenses, among others, in the operations in Argentina; and the increase of rent prices, as a result of new agreements and the renegotiation of some of the existing ones.

**Operating income before depreciation and amortization**

Operating income before depreciation and amortization amounted to \$5,554 in 9M13 (+\$828 or 17.5% vs. 9M12), representing 28.0% of consolidated revenues in 9M13 (vs. 29.5% in 9M12). This growth was mainly fueled by the Personal Mobile Services segment (+\$723 or +22.2% vs. 9M12).

**Depreciation and amortization**

Depreciation and amortization amounted to \$2,130 (+\$203 or 10.5% vs. 9M12). The increase in PP&E depreciation amounted to \$122, the increase in amortization of SAC and service connection costs amounted to \$79 and the increase in amortization of other intangible assets of amounted to \$2. The increase in depreciation and amortization corresponds 29% to the Fixed Services segment and 71% to the mobile services segments.

**Gain on disposal of PP&E and impairment of PP&E**

Gain on disposal of PP&E amounted to \$11, +\$7 vs. 9M12, and is mainly related to the Fixed Services segment. Impairment of PP&E amounted to \$172 in 9M13 and is mainly related to the discontinuation of a commercial system of Personal (amounting to \$50) and to the impairment of certain PP&E items related to some projects undertaken by Telecom Argentina with the public sector and the private sector that present uncertainty regarding their development and future associated cash flows (amounting to \$122).

**Operating income**

Operating income amounted to \$3,263 in 9M13 (+\$460 or +16.4% vs. 9M12). The margin over consolidated revenues represented 16.5% in 9M13 (vs. 17.5% in 9M12). Personal Mobile Services segment shows the higher increase (+\$571 vs. 9M12).

***OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2013***



**Table of Contents****TELECOM ARGENTINA S.A.****Financial results, net**

Financial results, net resulted in a net gain of \$377, representing an improvement of \$218 vs. 9M12. This was mainly due to higher financial interest on time deposits (including interests on related parties) and other investments (+\$255 vs. 9M12), higher gains on mutual funds (+\$32 vs. 9M12) and higher interests on receivables (+\$23 vs. 9M12), partially offset by a higher foreign currency exchange loss of \$102.

**Net income**

Telecom Argentina reached a net income of \$2,361 in 9M13, +\$438 or +22.8% when compared to 9M12. Net income attributable to Telecom Argentina amounted to \$2,324 in 9M13, +\$433 or +22.9% as compared to 9M12.

**Net financial assets**

As of September 30, 2013, Net financial assets (Cash and Cash Equivalents plus financial investments minus Financial debt) amounted to \$5,684, showing an increase of \$2,987 as compared to September 30, 2012 (amounting to \$2,697), mainly due to an increase in the generation of cash from operating activities of the Telecom Group. The Fixed Services segment shows a financial asset of \$1,093, the Personal Mobile Services segment shows a financial asset of \$4,745 and the Núcleo Mobile Services segment shows a net financial debt of \$154.

**Capital expenditures (CAPEX)**

CAPEX composition for 9M13 and 9M12 is as follows:

|                          | In millions of \$ |              | % of participation |             | Variation  |             |
|--------------------------|-------------------|--------------|--------------------|-------------|------------|-------------|
|                          | 9M13              | 9M12         | 9M13               | 9M12        | \$         | %           |
| Fixed Services           | 1,256             | 924          | 43%                | 42%         | 332        | 35.9        |
| Personal Mobile Services | 1,409             | 1,139        | 49%                | 52%         | 270        | 23.7        |
| Núcleo Mobile Services   | 231               | 124          | 8%                 | 6%          | 107        | 86.3        |
| <b>Total CAPEX</b>       | <b>2,896</b>      | <b>2,187</b> | <b>100%</b>        | <b>100%</b> | <b>709</b> | <b>32.4</b> |

PP&E CAPEX amounted to \$2,249 and intangible assets CAPEX amounted to \$647 in 9M13, while in 9M12 amounted to \$1,545 and \$642, respectively.

In relative terms, CAPEX represented 15% of consolidated revenues in 9M13 (14% in 9M12), and were intended mainly for the External wiring and network access equipment, Transmission and Switching equipment, Computer equipment and SAC.

PP&E and intangible assets additions (CAPEX plus materials additions) for 9M13 and 9M12 are as follows:

|                          | In millions of \$ |              | % of participation |             | Variation  |             |
|--------------------------|-------------------|--------------|--------------------|-------------|------------|-------------|
|                          | 9M13              | 9M12         | 9M13               | 9M12        | \$         | %           |
| Fixed Services           | 1,440             | 1,035        | 47%                | 45%         | 405        | 39.1        |
| Personal Mobile Services | 1,413             | 1,139        | 46%                | 50%         | 274        | 24.1        |
| Núcleo Mobile Services   | 236               | 120          | 7%                 | 5%          | 116        | 96.7        |
| <b>Total additions</b>   | <b>3,089</b>      | <b>2,294</b> | <b>100%</b>        | <b>100%</b> | <b>795</b> | <b>34.6</b> |

Main PP&E CAPEX projects are related to the expansion of fixed broadband services in order to improve transmission and speed available to customers; deployment of 3G services to support the growth of mobile Internet together with the launch of innovative VAS services and the expansion of transmission and transport networks to meet the growing demand of services of our fixed and mobile customers.

***OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2013***

**Table of Contents****TELECOM ARGENTINA S.A.****3. Telecom Group's activities for the three-month periods ended September 30, 2013 ( 3Q13 ) and 2012 ( 3Q12 )**

Telecom Group's net income amounted to \$886 in 3Q13, +\$257 or 40.9% vs. 3Q12. Net income attributable to Telecom Argentina amounted to \$870 in 3Q13 (+\$254 or 41.2% vs. 3Q12).

Total revenues and other income increased 26.1% vs. 3Q12 and operating income before depreciation and amortization amounted to \$1,930 (+\$343 or 21.6% vs. 3Q12), representing 27.1% of the consolidated revenues (vs. 28.1% in 3Q12). Operating income amounted to \$1,203 (+\$282 or 30.6% vs. 3Q12). Financial results, net amounted to \$163 (+\$116 or 246.8% vs. 3Q12), while income tax amounted to \$480 (+\$141 or 41.6% vs. 3Q12).

|  | <b>3Q13</b>  | <b>3Q12</b>  | <b>Variation</b> |             |
|--|--------------|--------------|------------------|-------------|
|  |              |              | <b>\$</b>        | <b>%</b>    |
| Revenues   | 7,114        | 5,645        | 1,469            | 26.0        |
| Other income   | 13           | 7            | 6                | 85.7        |
| Operating costs without depreciation and amortization                                    | (5,197)      | (4,065)      | (1,132)          | 27.8        |
| <b>Operating income before depreciation and amortization</b>                             | <b>1,930</b> | <b>1,587</b> | <b>343</b>       | <b>21.6</b> |
| Depreciation and amortization  | (731)        | (669)        | (62)             | 9.3         |
| Gain on disposal of PP&E and impairment of PP&E  | 4            | 3            | 1                | 33.3        |
| <b>Operating income</b>  | <b>1,203</b> | <b>921</b>   | <b>282</b>       | <b>30.6</b> |
| Financial results, net   | 163          | 47           | 116              | 246.8       |
| <b>Net income before income tax expense</b>  | <b>1,366</b> | <b>968</b>   | <b>398</b>       | <b>41.1</b> |
| Income tax expense   | (480)        | (339)        | (141)            | 41.6        |
| <b>Net income</b>  | <b>886</b>   | <b>629</b>   | <b>257</b>       | <b>40.9</b> |
| <b>Attributable to:</b>  |              |              |                  |             |
| Telecom Argentina (Controlling Company)  | 870          | 616          | 254              | 41.2        |
| Non-controlling interest   | 16           | 13           | 3                | 23.1        |
|  | <b>886</b>   | <b>629</b>   | <b>257</b>       | <b>40.9</b> |
| <b>Basic and diluted earnings per share attributable to Telecom Argentina (in pesos)</b> | <b>0.89</b>  | <b>0.63</b>  |                  |             |

During 3Q13 consolidated revenues and other income increased 26.1% (+\$1,475 vs. 3Q12) amounting to \$7,127, mainly fueled by mobile services, Broadband and data transmission.

|  | 3Q13         | 3Q12         | Variation    |             |
|--|--------------|--------------|--------------|-------------|
|  |              |              | \$           | %           |
| <b><u>Services</u></b>                   |              |              |              |             |
| Voice - Retail                           | 672          | 620          | 52           | 8.4         |
| Voice - Wholesale                        | 207          | 191          | 16           | 8.4         |
| Internet                                 | 636          | 517          | 119          | 23.0        |
| Data                                     | 245          | 190          | 55           | 28.9        |
| <b>Subtotal fixed services</b>           | <b>1,760</b> | <b>1,518</b> | <b>242</b>   | <b>15.9</b> |
| <b><u>Personal mobile services</u></b>   |              |              |              |             |
| Voice - Retail                           | 1,203        | 1,112        | 91           | 8.2         |
| Voice - Wholesale                        | 453          | 443          | 10           | 2.3         |
| Internet                                 | 533          | 321          | 212          | 66.0        |
| Data                                     | 1,990        | 1,475        | 515          | 34.9        |
| <b>Subtotal Personal mobile services</b> | <b>4,179</b> | <b>3,351</b> | <b>828</b>   | <b>24.7</b> |
| <b><u>Núcleo mobile services</u></b>     |              |              |              |             |
| Voice - Retail                           | 96           | 83           | 13           | 15.7        |
| Voice - Wholesale                        | 22           | 23           | (1)          | (4.3)       |
| Internet                                 | 69           | 41           | 28           | 68.3        |
| Data                                     | 77           | 68           | 9            | 13.2        |
| <b>Subtotal Núcleo mobile services</b>   | <b>264</b>   | <b>215</b>   | <b>49</b>    | <b>22.8</b> |
| <b>Total services revenues</b>           | <b>6,203</b> | <b>5,084</b> | <b>1,119</b> | <b>22.0</b> |
| <b><u>Equipment</u></b>                  |              |              |              |             |
| Fixed services                           | 19           | 22           | (3)          | (13.6)      |
| Personal mobile services                 | 874          | 530          | 344          | 64.9        |
| Núcleo mobile services                   | 18           | 9            | 9            | 100.0       |
| <b>Total equipment revenues</b>          | <b>911</b>   | <b>561</b>   | <b>350</b>   | <b>62.4</b> |
| <b>Total Revenues</b>                    | <b>7,114</b> | <b>5,645</b> | <b>1,469</b> | <b>26.0</b> |

Consolidated operating costs including depreciation, amortization and gain on disposal of PP&E and impairment of PP&E amounted to \$5,924 in 3Q13, which represented an increase of \$1,193 or +25.2% vs. 3Q12. The increase in costs is mainly a consequence of a higher revenues, higher expenses related to competition in mobile and Internet businesses, higher direct and indirect labor costs on the cost structure of the Group in Argentina, the increase in taxes, especially by the increase in the average rates of the turnover tax, the increase in provisions related to regulatory matters, the increase in provisions related to claims and other regulatory contingencies, the increase of VAS costs and the effect of the appreciation of the Guaraní respect to the Argentine peso, affecting the operations in Paraguay.

***OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2013***



**Table of Contents****TELECOM ARGENTINA S.A.**

|   | 3Q13           | 3Q12           | Variation      |             |
|---|----------------|----------------|----------------|-------------|
|   |                |                | \$             | %           |
| Employee benefit expenses and severance payments          | (1,123)        | (876)          | (247)          | 28.2        |
| Interconnection costs and other telecommunication charges | (380)          | (409)          | 29             | (7.1)       |
| Fees for services, maintenance, materials and supplies    | (663)          | (553)          | (110)          | 19.9        |
| Taxes and fees with the Regulatory Authority              | (706)          | (514)          | (192)          | 37.4        |
| Commissions   | (732)          | (587)          | (145)          | 24.7        |
| Agent commissions capitalized as SAC                      | 149            | 65             | 84             | 129.2       |
| Cost of equipment and handsets                            | (940)          | (692)          | (248)          | 35.8        |
| Cost of equipment and handsets capitalized as SAC         | 59             | 130            | (71)           | (54.6)      |
| Advertising   | (166)          | (161)          | (5)            | 3.1         |
| Cost of VAS   | (202)          | (89)           | (113)          | 127.0       |
| Provisions  | (128)          | (53)           | (75)           | 141.5       |
| Bad debt expenses   | (56)           | (70)           | 14             | (20.0)      |
| Other operating expenses                                  | (309)          | (256)          | (53)           | 20.7        |
| <b>Subtotal</b>   | <b>(5,197)</b> | <b>(4,065)</b> | <b>(1,132)</b> | <b>27.8</b> |
| Depreciation of PP&E                                      | (492)          | (458)          | (34)           | 7.4         |
| Amortization of SAC and service connection costs          | (233)          | (206)          | (27)           | 13.1        |
| Amortization of other intangible assets                   | (6)            | (5)            | (1)            | 20.0        |
| Gain on disposal of PP&E and impairment of PP&E           | 4              | 3              | 1              | 33.3        |
| <b>Total operating costs</b>                              | <b>(5,924)</b> | <b>(4,731)</b> | <b>(1,193)</b> | <b>25.2</b> |

CAPEX amounted to \$1,342 in 3Q13 and amounted to \$842 in 3Q12 (+\$500 or 59.4%).

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

|                          | September 30, |               |               |
|--------------------------|---------------|---------------|---------------|
|                          | 2013          | 2012          | 2011          |
| Current assets           | 10,105        | 5,885         | 4,495         |
| Non-current assets       | 11,845        | 10,266        | 9,086         |
| <b>Total assets</b>      | <b>21,950</b> | <b>16,151</b> | <b>13,581</b> |
| Current liabilities      | 7,639         | 5,118         | 4,654         |
| Non-current liabilities  | 2,052         | 1,727         | 1,391         |
| <b>Total liabilities</b> | <b>9,691</b>  | <b>6,845</b>  | <b>6,045</b>  |

|  |               |               |               |
|--|---------------|---------------|---------------|
| Equity attributable to Telecom Argentina (Controlling Company) | 12,027        | 9,137         | 7,391         |
| Equity attributable non-controlling interest                   | 232           | 169           | 145           |
| <b>Total Equity</b>  | <b>12,259</b> | <b>9,306</b>  | <b>7,536</b>  |
| <b>Total liabilities and equity</b>                            | <b>21,950</b> | <b>16,151</b> | <b>13,581</b> |

##### 5. Summary of comparative consolidated income statements

|   | 3Q13         | 3Q12       | 3Q11       | 9M13         | 9M12         | 9M11         |
|---|--------------|------------|------------|--------------|--------------|--------------|
| Revenues and other income                               | 7,127        | 5,652      | 4,780      | 19,853       | 16,041       | 13,381       |
| Operating costs   | (5,924)      | (4,731)    | (3,846)    | (16,590)     | (13,238)     | (10,518)     |
| <b>Operating income</b>                                 | <b>1,203</b> | <b>921</b> | <b>934</b> | <b>3,263</b> | <b>2,803</b> | <b>2,863</b> |
| Financial results, net                                  | 163          | 47         | 21         | 377          | 159          | 38           |
| <b>Net income before income tax expense</b>             | <b>1,366</b> | <b>968</b> | <b>955</b> | <b>3,640</b> | <b>2,962</b> | <b>2,901</b> |
| Income tax expense                                      | (480)        | (339)      | (339)      | (1,279)      | (1,039)      | (1,009)      |
| <b>Net income</b>                                       | <b>886</b>   | <b>629</b> | <b>616</b> | <b>2,361</b> | <b>1,923</b> | <b>1,892</b> |
| Other comprehensive income, net of tax                  | 54           | 27         | (12)       | 83           | 48           | 48           |
| <b>Total comprehensive income</b>                       | <b>940</b>   | <b>656</b> | <b>604</b> | <b>2,444</b> | <b>1,971</b> | <b>1,940</b> |
| Attributable to Telecom Argentina (Controlling Company) | 905          | 634        | 601        | 2,378        | 1,923        | 1,902        |
| Attributable to non-controlling interest                | 35           | 22         | 3          | 66           | 48           | 38           |

#### **OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2013**

#### VIII

**Table of Contents****TELECOM ARGENTINA S.A.****6. Statistical data (in physical units)****Fixed services*****Voice and data services (in thousands, except for lines in service per inhabitants and employees)***

|  | 9M13        |         | 9M12        |         | 9M11        |         | 9M10        |         | 9M09        |         |
|--|-------------|---------|-------------|---------|-------------|---------|-------------|---------|-------------|---------|
|  | Accumulated | Quarter | Accumulated | Quarter | Accumulated | Quarter | Accumulated | Quarter | Accumulated | Quarter |
| Equipment lines                          | 3,575       | (248)   | 3,805       | 1       | 3,802       | (2)     | 3,835       | 1       | 3,851       | 1       |
| NGN lines                                | 1,139       | 31      | 1,005       | 18      | 974         | 51      | 821         | 44      | 678         | 44      |
| Installed lines (a)                      | 4,714       | (217)   | 4,810       | 19      | 4,776       | 49      | 4,656       | 45      | 4,529       | 45      |
| Lines in service (b)                     | 4,124       | 10      | 4,140       | (8)     | 4,132       | 13      | 4,087       | 21      | 4,044       | 18      |
| Customers lines (c)                      | 4,043       | 10      | 4,056       | (8)     | 4,047       | 14      | 3,998       | 23      | 3,950       | 16      |
| Public phones installed                  | 34          | (1)     | 38          | (1)     | 41          | (1)     | 46          | (1)     | 52          | (2)     |
| Lines in service per 100 inhabitants (d) | 20.4        |         | 20.7        |         | 20.8        | 0.1     | 20.7        | 0.1     | 20.7        | 0.1     |
| Lines in service per employee (e)        | 373         |         | 369         | (1)     | 372         |         | 370         | 2       | 361         | 1       |

a) Reflects total number of lines available in Switches, considered independently of its technology (TDM or NGN).

b) Includes customers lines, own lines, public telephones and DDE and ISDN channels.

c) The number of customers is measured in relation to the physical occupation of network resources.

d) Corresponding to the Northern Region of Argentina.

e) Defined as lines in service / number of actual employees.

***Internet (in thousands)***

|                        | 9M13        |         | 9M12        |         | 9M11        |         | 9M10        |         | 9M09        |         |
|------------------------|-------------|---------|-------------|---------|-------------|---------|-------------|---------|-------------|---------|
|                        | Accumulated | Quarter | Accumulated | Quarter | Accumulated | Quarter | Accumulated | Quarter | Accumulated | Quarter |
| Total ADSL subscribers | 1,669       | 35      | 1,612       | 18      | 1,505       | 48      | 1,330       | 56      | 1,170       | 60      |



**Mobile services*****Personal (in thousands, except for lines per employee disclosed in units)***

|                           | <b>9M13</b>       |                | <b>9M12</b>       |                | <b>9M11</b>       |                | <b>9M10</b>       |                | <b>9M09</b>       |                |
|---------------------------|-------------------|----------------|-------------------|----------------|-------------------|----------------|-------------------|----------------|-------------------|----------------|
|                           | <b>Accumulate</b> | <b>Quarter</b> | <b>Accumulate</b> | <b>Quarter</b> | <b>Accumulate</b> | <b>Quarter</b> | <b>Accumulate</b> | <b>Quarter</b> | <b>Accumulate</b> | <b>Quarter</b> |
| Post-paid subscribers     | 2,450             | 12             | 2,353             | 57             | 2,093             | 105            | 1,724             | 64             | 1,556             | 37             |
| Cuentas Claras plans      | 3,749             | 106            | 3,341             | 109            | 2,978             | 91             | 2,767             | 30             | 2,723             | (51)           |
| Prepaid subscribers       | 13,374            | 469            | 12,731            | 17             | 12,282            | 157            | 11,236            | 509            | 9,630             | 394            |
| Dongles (*)               | 282               | (39)           | 484               | 3              | 433               | 41             | 261               | 51             | 85                | 28             |
| <b>Total subscribers</b>  | <b>19,855</b>     | <b>548</b>     | <b>18,909</b>     | <b>186</b>     | <b>17,786</b>     | <b>394</b>     | <b>15,988</b>     | <b>654</b>     | <b>13,994</b>     | <b>408</b>     |
| <b>Lines per employee</b> | <b>3,839</b>      |                | <b>3,682</b>      |                | <b>3,779</b>      |                | <b>3,958</b>      |                | <b>3,740</b>      |                |

*Núcleo (in thousands, except for lines per employee disclosed in units)*

|                                | 9M13         |           | 9M12         |           | 9M11         |           | 9M10         |           | 9M09         |           |
|--------------------------------|--------------|-----------|--------------|-----------|--------------|-----------|--------------|-----------|--------------|-----------|
|                                | Accumulat    | Quart     | Accumulat    | Quart     | Accumulat    | Quart     | Accumulat    | Quart     | Accumulat    | Quarter   |
| Post-paid subscribers          | 30           | 1         | 29           |           | 28           | 1         | 25           | 1         | 24           | 1         |
| Plan control subscribers       | 290          | 12        | 249          | 11        | 213          | 6         | 180          | 10        | 149          | 1         |
| Prepaid subscribers            | 1,925        | 19        | 1,860        | 11        | 1,739        | 75        | 1,604        |           | 1,591        | 11        |
| Dongles (*)                    | 157          | (5)       | 125          | 6         | 90           | 14        | 36           | 10        | 8            | 4         |
| <b>Subtotal mobile</b>         | <b>2,402</b> | <b>27</b> | <b>2,263</b> | <b>28</b> | <b>2,070</b> | <b>96</b> | <b>1,845</b> | <b>21</b> | <b>1,772</b> | <b>17</b> |
| Internet subscribers - Wimax   | 5            | (1)       | 7            |           | 8            | (1)       | 10           | (1)       | 12           | (1)       |
| <b>Total subscribers</b>       | <b>2,407</b> | <b>26</b> | <b>2,270</b> | <b>28</b> | <b>2,078</b> | <b>95</b> | <b>1,855</b> | <b>20</b> | <b>1,784</b> | <b>16</b> |
| <b>Lines per employee (**)</b> | <b>5,547</b> |           | <b>5,214</b> |           | <b>4,917</b> |           | <b>4,446</b> |           | <b>4,209</b> |           |

(\*) Corresponds to mobile Internet subscribers with post-paid, Cuentas Claras, Plan control and prepaid contracts.

(\*\*) Internet Wimax subscribers are not included.

**OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2013**

**Table of Contents****TELECOM ARGENTINA S.A.****7. Consolidated ratios**

|                       | <b>9M13</b> | <b>9M12</b> | <b>9M11</b> |
|-----------------------|-------------|-------------|-------------|
| Liquidity (1)         | 1.32        | 1.15        | 0.97        |
| Solvency (2)          | 1.26        | 1.36        | 1.25        |
| Locked-up capital (3) | 0.54        | 0.64        | 0.67        |

- (1) Current assets/Current liabilities.  
(2) Total equity/Total liabilities.  
(3) Non-current assets/Total assets.

**8. Outlook**

In this fiscal year the growth prospects for fixed line services are expected to continue in line with the evolution experienced in recent years as a result of the market maturity. Arnet Broadband business got well-positioned to continue to capture market opportunities.

The mobile business is expected to continue expanding its subscriber base, although at more moderate rates than those of recent years. Mobile Internet is expected to continue to gain further presence among our customer base, especially as a result of the leadership of Personal in the smartphone's commercialization. Value Added Services are expected to continue to be one of the key sources of revenues growth. Personal is expected to continue expanding customers enjoying the mobile Internet experience, although the access restriction to additional spectrum faced by the mobile operators in the national market. Coverage expansion and speed access improvement to 3G and HSDPA+ networks, and an important and complete portfolio of advanced mobile devices will be the drivers to success in our operation in the Argentine market.

The strategy implemented by the Company's Management sets and our investments plans forth the basic standards that will enable the Telecom Group to reach its objectives of improving quality of service, strengthening its market position and increasing operating efficiency to meet the growing demands of the dynamic telecommunication market. The Telecom Group's innovation and investment plans are based on this future vision and on its commitment to its country and people.

**Enrique Garrido**  
**Chairman of the Board of Directors**

***OPERATING AND FINANCIAL REVIEW AND PROSPECTS AS OF SEPTEMBER 30, 2013***

X

Table of Contents**TELECOM ARGENTINA S.A.****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(In millions of Argentine pesos)

|  | Note | September 30,<br>2013 | December 31,<br>2012 |
|--|------|-----------------------|----------------------|
| <b>ASSETS</b>                          |      |                       |                      |
| <b>Current Assets</b>                  |      |                       |                      |
| Cash and cash equivalents              | 2    | 4,580                 | 3,160                |
| Investments                            | 2    | 1,214                 | 563                  |
| Trade receivables                      | 2    | 2,627                 | 2,181                |
| Other receivables                      | 2    | 598                   | 449                  |
| Inventories                            | 2    | 1,086                 | 633                  |
| <b>Total current assets</b>            |      | <b>10,105</b>         | <b>6,986</b>         |
| <b>Non-Current Assets</b>              |      |                       |                      |
| Trade receivables                      | 2    | 16                    | 23                   |
| Deferred income tax assets             | 2    | 171                   | 62                   |
| Other receivables                      | 2    | 225                   | 119                  |
| Investments                            | 2    | 105                   | 70                   |
| Property, plant and equipment ( PP&E ) | 2    | 9,845                 | 9,035                |
| Intangible assets                      | 2    | 1,483                 | 1,514                |
| <b>Total non-current assets</b>        |      | <b>11,845</b>         | <b>10,823</b>        |
| <b>TOTAL ASSETS</b>                    |      | <b>21,950</b>         | <b>17,809</b>        |
| <b>LIABILITIES</b>                     |      |                       |                      |
| <b>Current Liabilities</b>             |      |                       |                      |
| Trade payables                         | 2    | 5,064                 | 3,659                |
| Deferred revenues                      | 2    | 372                   | 362                  |
| Financial debt                         | 2    | 9                     | 43                   |
| Salaries and social security payables  | 2    | 671                   | 635                  |
| Income tax payables                    | 2    | 722                   | 458                  |
| Other taxes payables                   | 2    | 545                   | 552                  |
| Dividends payables                     | 2    | 17                    |                      |
| Other liabilities                      | 2    | 55                    | 40                   |
| Provisions                             | 6    | 184                   | 134                  |

|   |          |               |               |
|---|----------|---------------|---------------|
| <b>Total current liabilities</b>  |          | <b>7,639</b>  | <b>5,883</b>  |
| <b>Non-Current Liabilities</b>  |          |               |               |
| Trade payables  | 2        | 26            | 20            |
| Deferred revenues   | 2        | 450           | 329           |
| Financial debt  | 2        | 205           | 101           |
| Salaries and social security payables   | 2        | 120           | 128           |
| Deferred income tax liabilities   | 2        | 113           | 220           |
| Income tax payables   | 2        | 11            | 12            |
| Other liabilities   | 2        | 57            | 51            |
| Provisions  | 6        | 1,070         | 907           |
| <b>Total non-current liabilities</b>  |          | <b>2,052</b>  | <b>1,768</b>  |
| <b>TOTAL LIABILITIES</b>  |          | <b>9,691</b>  | <b>7,651</b>  |
| <b>EQUITY</b> (see Unaudited Condensed Consolidated Statement of Changes in Equity) |          |               |               |
| Equity attributable to Telecom Argentina (Controlling Company)                      |          | <b>12,027</b> | <b>9,959</b>  |
| Equity attributable to Non-controlling interest                                     |          | <b>232</b>    | <b>199</b>    |
| <b>TOTAL EQUITY</b>   | <b>7</b> | <b>12,259</b> | <b>10,158</b> |
| <b>TOTAL LIABILITIES AND EQUITY</b>   |          | <b>21,950</b> | <b>17,809</b> |

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

**Adrián Calaza**  
**Chief Financial Officer**

**Enrique Garrido**  
**Chairman of the Board of Directors**

Table of Contents**TELECOM ARGENTINA S.A.****UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS**

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

|   |             | <b>Three-month periods</b> |              | <b>Nine-month periods</b>  |               |
|---|-------------|----------------------------|--------------|----------------------------|---------------|
|   |             | <b>ended September 30,</b> |              | <b>ended September 30,</b> |               |
|   | <b>Note</b> | <b>2013</b>                | <b>2012</b>  | <b>2013</b>                | <b>2012</b>   |
| Revenues  | 2           | 7,114                      | 5,645        | 19,827                     | 16,025        |
| Other income  | 2           | 13                         | 7            | 26                         | 16            |
| <b>Total revenues and other income</b>                    |             | <b>7,127</b>               | <b>5,652</b> | <b>19,853</b>              | <b>16,041</b> |
| Employee benefit expenses and severance payments          | 2           | (1,123)                    | (876)        | (2,996)                    | (2,368)       |
| Interconnection costs and other telecommunication charges | 2           | (380)                      | (409)        | (1,386)                    | (1,214)       |
| Fees for services, maintenance, materials and supplies    | 2           | (663)                      | (553)        | (1,877)                    | (1,563)       |
| Taxes and fees with the Regulatory Authority              | 2           | (706)                      | (514)        | (1,954)                    | (1,454)       |
| Commissions   | 2           | (583)                      | (522)        | (1,607)                    | (1,422)       |
| Cost of equipments and handsets                           | 2           | (881)                      | (562)        | (2,169)                    | (1,521)       |
| Advertising   | 2           | (166)                      | (161)        | (452)                      | (475)         |
| Cost of VAS   | 2           | (202)                      | (89)         | (503)                      | (211)         |
| Provisions  | 6           | (128)                      | (53)         | (225)                      | (112)         |
| Bad debt expenses   | 2           | (56)                       | (70)         | (221)                      | (218)         |
| Recovery of restructuring costs                           | 2           |                            |              | 8                          |               |
| Other operating expenses                                  | 2           | (309)                      | (256)        | (917)                      | (757)         |
| Depreciation and amortization                             | 2           | (731)                      | (669)        | (2,130)                    | (1,927)       |
| Gain on disposal of PP&E and impairment of PP&E           | 2           | 4                          | 3            | (161)                      | 4             |
| <b>Operating income</b>                                   |             | <b>1,203</b>               | <b>921</b>   | <b>3,263</b>               | <b>2,803</b>  |
| Finance income  | 2           | 394                        | 130          | 859                        | 394           |
| Finance expenses  | 2           | (231)                      | (83)         | (482)                      | (235)         |
| <b>Net income before income tax expense</b>               |             | <b>1,366</b>               | <b>968</b>   | <b>3,640</b>               | <b>2,962</b>  |
| Income tax expense  | 2           | (480)                      | (339)        | (1,279)                    | (1,039)       |
| <b>Net income for the period</b>                          |             | <b>886</b>                 | <b>629</b>   | <b>2,361</b>               | <b>1,923</b>  |
| <b>Attributable to:</b>                                   |             |                            |              |                            |               |
| Telecom Argentina (Controlling Company)                   |             | 870                        | 616          | 2,324                      | 1,891         |
| Non-controlling interest                                  |             | 16                         | 13           | 37                         | 32            |

|   |              |            |             |              |              |             |
|---|--------------|------------|-------------|--------------|--------------|-------------|
|   |              | <b>886</b> | <b>629</b>  | <b>2,361</b> | <b>1,923</b> |             |
| <b>Earnings per share attributable to Telecom Argentina and diluted</b> | <b>basic</b> | <b>1.d</b> | <b>0.89</b> | <b>0.63</b>  | <b>2.37</b>  | <b>1.92</b> |

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

**Adrián Calaza**  
**Chief Financial Officer**

**Enrique Garrido**  
**Chairman of the Board of Directors**



Table of Contents

## TELECOM ARGENTINA S.A.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions of Argentine pesos)

|   | Three-month periods<br>ended<br>September 30, |            | Nine-month periods<br>ended September 30, |              |
|---|---|------------|---|--------------|
|   | 2013  | 2012       | 2013                                      | 2012         |
| <b>Net income for the period</b>                                  | <b>886</b>                                    | <b>629</b> | <b>2,361</b>                              | <b>1,923</b> |
| <b>Other components of the Statements of Comprehensive Income</b> |   |            |   |              |
| Currency translation adjustments (non-taxable)                    | 54  | 27         | 83  | 48           |
| <b>Other components of the comprehensive income, net of tax</b>   | <b>54</b>                                     | <b>27</b>  | <b>83</b>                                 | <b>48</b>    |
| <b>Total comprehensive income for the period</b>                  | <b>940</b>                                    | <b>656</b> | <b>2,444</b>                              | <b>1,971</b> |
| <b>Attributable to:</b>   |   |            |   |              |
| Telecom Argentina (Controlling Company)                           | 905   | 634        | 2,378                                     | 1,923        |
| Non-controlling interest  | 35  | 22         | 66  | 48           |
|   | <b>940</b>                                    | <b>656</b> | <b>2,444</b>                              | <b>1,971</b> |

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

**Adrián Calaza**  
**Chief Financial Officer**

**Enrique Garrido**  
**Chairman of the Board of Directors**

Table of Contents

## TELECOM ARGENTINA S.A.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Argentine pesos)

|  | Equity attributable to Telecom Argentina |                     |     |                    |                             |                         |                                   |                   |   |  | Equity<br>attribu-<br>table<br>to<br>non-<br>controlling<br>Total | Equity |  |                                       |                      |       |
|--|--|---------------------|-----|--------------------|-----------------------------|-------------------------|-----------------------------------|-------------------|---|--|---|--------|--|---------------------------------------|----------------------|-------|
|  | Outstanding<br>shares                    | Owners Contribution |     | Treasury<br>shares | Capital<br>nominal<br>value | Inflation<br>adjustment | Treasury<br>shares<br>acquisition | Legal<br>reserves | Voluntary<br>Special reserve<br>for future<br>IFRS<br>dividends | Voluntary<br>reserve<br>for<br>investments |   |        | Voluntary<br>reserve<br>for<br>investments | Currency<br>translation<br>adjustment | Retained<br>earnings |       |
| balances as of                                     | (1)                                      | (2)                 | (2) | (2)                | (2)                         | (2)                     | (2)                               | (2)               | (2)   | (2)  | (2)   | (2)    | Total                                      | interest                              | Total                |       |
| January 1, 2012                                    | 984                                      | 2,688               |     |                    |                             |                         | 451                               |                   |   |  |   | 46     | 3,852                                      | 8,021                                 | 144                  | 8,165 |
| Dividends from<br>Article (3)                      |  |                     |     |                    |                             |                         |                                   |                   |   |  |   |        |  |                                       | (23)                 | (23)  |
| Legal Reserve                                      |  |                     |     |                    |                             |                         | 122                               |                   |   |  |   |        | (122)                                      |                                       |                      |       |
| Voluntary<br>reserve for future<br>investments (4) |  |                     |     |                    |                             |                         |                                   |                   |   | 2,553                                      |   |        | (2,553)                                    |                                       |                      |       |
| Dividends (4)                                      |  |                     |     |                    |                             |                         |                                   |                   |   |  |   |        | (807)                                      | (807)                                 |                      | (807) |
| Comprehensive<br>income:                           |  |                     |     |                    |                             |                         |                                   |                   |   |  |   |        |  |                                       |                      |       |
| Net income for<br>the period                       |  |                     |     |                    |                             |                         |                                   |                   |   |  |   |        | 1,891                                      | 1,891                                 | 32                   | 1,923 |
| Other<br>comprehensive<br>income                   |  |                     |     |                    |                             |                         |                                   |                   |   |  |   |        | 32   | 32                                    | 16                   | 48    |
| Total<br>comprehensive<br>income                   |  |                     |     |                    |                             |                         |                                   |                   |   |  |   |        | 32   | 1,891                                 | 1,923                | 48    |
|  | 984                                      | 2,688               |     |                    |                             |                         | 573                               |                   |   | 2,553                                      |   | 78     | 2,261                                      | 9,137                                 | 169                  | 9,306 |

| Balances as of September 30, 2012 |      |       |    |    |       |     |     |       |       |       |     |         |        |      |        |
|-----------------------------------|------|-------|----|----|-------|-----|-----|-------|-------|-------|-----|---------|--------|------|--------|
| Balances as of January 1, 2013    |      |       |    |    |       |     |     |       |       |       |     |         |        |      |        |
|                                   | 984  | 2,688 |    |    |       | 573 |     |       |       | 2,553 | 106 | 3,055   | 9,959  | 199  | 10,155 |
| Dividends from                    |      |       |    |    |       |     |     |       |       |       |     |         |        |      |        |
| Deduction (5)                     |      |       |    |    |       |     |     |       |       |       |     |         |        | (33) | (33)   |
| Legal Reserve                     |      |       |    |    |       | 153 |     |       |       |       |     | (153)   |        |      |        |
| Special reserve                   |      |       |    |    |       |     |     |       |       |       |     |         |        |      |        |
| IFRS                              |      |       |    |    |       |     |     |       |       |       |     |         |        |      |        |
| Implementation                    |      |       |    |    |       |     | 351 |       |       |       |     | (351)   |        |      |        |
| Voluntary                         |      |       |    |    |       |     |     |       |       |       |     |         |        |      |        |
| Reserve for future                |      |       |    |    |       |     |     |       |       |       |     |         |        |      |        |
| Dividends                         |      |       |    |    |       |     |     |       |       |       |     |         |        |      |        |
| Payments (6)                      |      |       |    |    |       |     |     | 1,000 |       |       |     | (1,000) |        |      |        |
| Voluntary                         |      |       |    |    |       |     |     |       |       |       |     |         |        |      |        |
| Reserve for                       |      |       |    |    |       |     |     |       |       |       |     |         |        |      |        |
| Capital                           |      |       |    |    |       |     |     |       |       |       |     |         |        |      |        |
| Investments (6)                   |      |       |    |    |       |     |     |       | 1,200 |       |     | (1,200) |        |      |        |
| Voluntary                         |      |       |    |    |       |     |     |       |       |       |     |         |        |      |        |
| Reserve for future                |      |       |    |    |       |     |     |       |       |       |     |         |        |      |        |
| Investments (6)                   |      |       |    |    |       |     |     |       |       | 351   |     | (351)   |        |      |        |
| Treasury Shares                   |      |       |    |    |       |     |     |       |       |       |     |         |        |      |        |
| Acquisition (2)                   | (11) | (29)  | 11 | 29 | (310) |     |     |       |       |       |     |         | (310)  |      | (310)  |
| Comprehensive                     |      |       |    |    |       |     |     |       |       |       |     |         |        |      |        |
| Income:                           |      |       |    |    |       |     |     |       |       |       |     |         |        |      |        |
| Net income for                    |      |       |    |    |       |     |     |       |       |       |     | 2,324   | 2,324  | 37   | 2,361  |
| Other                             |      |       |    |    |       |     |     |       |       |       |     |         |        |      |        |
| Comprehensive                     |      |       |    |    |       |     |     |       |       |       | 54  |         | 54     | 29   | 83     |
| Income                            |      |       |    |    |       |     |     |       |       |       |     |         |        |      |        |
| Total                             |      |       |    |    |       |     |     |       |       |       |     |         |        |      |        |
| Comprehensive                     |      |       |    |    |       |     |     |       |       |       | 54  | 2,324   | 2,378  | 66   | 2,441  |
| Income                            |      |       |    |    |       |     |     |       |       |       |     |         |        |      |        |
| Balances as of                    |      |       |    |    |       |     |     |       |       |       |     |         |        |      |        |
| September 30,                     |      |       |    |    |       |     |     |       |       |       |     |         |        |      |        |
| 2013                              | 973  | 2,659 | 11 | 29 | (310) | 726 | 351 | 1,000 | 1,200 | 2,904 | 160 | 2,324   | 12,027 | 232  | 12,259 |

(1) As of September 30, 2013, total shares (984,380,978), of \$1 Argentine peso of nominal value each, were issued and fully paid. As of September 30, 2013, 10,784,154 were treasury shares.

- (2) Corresponds to 10,784,154 shares of \$1 Argentine peso of nominal value each, equivalent to 1.10% of total capital.  
The treasury shares acquisition costs amounted to 310. See Note 7 Equity to the consolidated financial statements.
- (3) As approved by the Ordinary Shareholders Meeting of Núcleo held on March 16, 2012.
- (4) As approved by the Ordinary Shareholders Meeting held on April 27, 2012.
- (5) As approved by the Ordinary Shareholders Meeting of Núcleo held on March 22, 2013.
- (6) As approved by the Ordinary Shareholders Meeting held on May 21, 2013 (second tranche).
- The accompanying notes are an integral part of these consolidated financial statements.

**Adrián Calaza**  
**Chief Financial Officer**

**Enrique Garrido**  
**Chairman of the Board of**  
**Directors**

Table of Contents

## TELECOM ARGENTINA S.A.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of Argentine pesos)

|   | Note | Nine-month periods<br>ended September 30, |                |
|---|------|---|----------------|
|   |      | 2013                                      | 2012           |
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>  |      |   |                |
| Net income for the period   |      | 2,361                                     | 1,923          |
| <b>Adjustments to reconcile net income to net cash flows provided by operating activities</b> |      |   |                |
| Bad debt expenses and other allowances  |      | 306                                       | 225            |
| Depreciation of PP&E  | 2    | 1,447                                     | 1,325          |
| Amortization of intangible assets   | 2    | 683                                       | 602            |
| Consumption of materials  | 2    | 111                                       | 94             |
| Gain on disposal of PP&E  | 2    | (11)                                      | (4)            |
| Impairment of PP&E  | 2    | 172                                       |                |
| Recovery of restructuring costs   | 6    | (8)                                       |                |
| Provisions  | 6    | 294                                       | 172            |
| Interest and other financial losses   |      | (91)                                      | (65)           |
| Income tax expense  | 2    | 1,279                                     | 1,039          |
| Income tax paid   | 3    | (1,227)                                   | (1,333)        |
| Net increase in assets  | 3    | (1,442)                                   | (670)          |
| Net increase (decrease) in liabilities  | 3    | 1,214                                     | (82)           |
| <b>Total cash flows provided by operating activities</b>                                      |      | <b>5,088</b>                              | <b>3,226</b>   |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>  |      |   |                |
| PP&E acquisitions   | 3    | (2,209)                                   | (1,902)        |
| Intangible assets acquisitions  | 3    | (615)                                     | (546)          |
| Proceeds from the sale of PP&E  |      | 15  | 5              |
| Investments not considered as cash and cash equivalents                                       | 3    | (685)                                     | (170)          |
| <b>Total cash flows used in investing activities</b>  |      | <b>(3,494)</b>                            | <b>(2,613)</b> |
| <b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>  |      |   |                |
| Proceeds from financial debt  | 3    | 203                                       |                |
| Payment of financial debt   | 3    | (152)                                     | (11)           |
| Payment of interest   | 3    | (14)                                      | (8)            |
| Payment of cash dividends   | 3    | (16)                                      | (820)          |

|   |       |              |              |
|---|-------|--------------|--------------|
| Treasury shares acquisition   | 3 / 7 | (310)        |              |
| <b>Total cash flows used in financing activities</b>                        |       | <b>(289)</b> | <b>(839)</b> |
| <b><u>NET FOREIGN EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS</u></b> |       |              |              |
|   |       | <b>115</b>   | <b>73</b>    |
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                     |       | <b>1,420</b> | <b>(153)</b> |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>               |       | <b>3,160</b> | <b>2,818</b> |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>                   |       | <b>4,580</b> | <b>2,665</b> |

See Note 3 for additional information on the consolidated statements of cash flows.

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

**Adrián Calaza**  
**Chief Financial Officer**

**Enrique Garrido**  
**Chairman of the Board of Directors**

**Table of Contents**

**TELECOM ARGENTINA S.A.**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF  
SEPTEMBER 30, 2013 AND 2012**

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

**INDEX**

|   | <b>Page</b> |
|---|-------------|
| <u>Glossary of terms</u>  | 7           |
| <b><u>Notes to the unaudited condensed consolidated financial statements</u></b>  |             |
| <b>1</b> <u>Basis of preparation of the unaudited condensed consolidated financial statements and significant accounting policies</u> | <b>9</b>    |
| <b>2</b> <u>Breakdown of the main accounts</u>  | <b>11</b>   |
| <b>3</b> <u>Supplementary cash flow information</u>   | <b>20</b>   |
| <b>4</b> <u>Segment information</u>   | <b>22</b>   |
| <b>5</b> <u>Related party transactions</u>  | <b>24</b>   |
| <b>6</b> <u>Commitments and contingencies of the Telecom Group</u>  | <b>26</b>   |
| <b>7</b> <u>Equity</u>  | <b>27</b>   |
| <b>8</b> <u>Restrictions on distribution of profits</u>   | <b>28</b>   |
| <b>9</b> <u>Selected consolidated quarterly information</u>   | <b>29</b>   |
| <b>10</b> <u>Recent developments corresponding to the nine-month period ended September 30, 2013 for the Telecom Group</u>            | <b>29</b>   |
| <b>11</b> <u>Events subsequent to September 30, 2013</u>  | <b>34</b>   |

**Table of Contents**

**TELECOM ARGENTINA S.A.**

**GLOSSARY OF TERMS**

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

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

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

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

*Company or Telecom Argentina*: Telecom Argentina S.A.

*CPCECABA*: The *Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires*.

*D&A*: Depreciation and amortization.

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

*IAS*: International Accounting Standards.

*IASB*: International Accounting Standards Board.

*IDC*: Tax on deposits to and withdrawals from bank accounts.

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

*LSC (Ley de Sociedades Comerciales)*: Argentine Corporations Law.

*Micro Sistemas*: Micro Sistemas S.A.

*Nortel*: Nortel Inversora S.A. Telecom Argentina's controlling company.

*Núcleo*: Núcleo S.A.

*NYSE*: New York Stock Exchange.

*OCI*: Other Comprehensive Income.

*Personal*: Telecom Personal S.A.



*PP&E*: Property, plant and equipment.

*Regulatory Bodies*: Collectively, the SC and the CNC.

*RT*: Technical resolutions issued by the FACPCE.

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

*SAC*: Subscriber Acquisition Costs.

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

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

*Sofora*: Sofora Telecomunicaciones S.A. Nortel's controlling company.

*Springville*: Springville S.A.

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

*Telecom Group*: Telecom Argentina and its consolidated subsidiaries.

**Table of Contents**

**TELECOM ARGENTINA S.A.**

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

*Telecom USA*: Telecom Argentina USA Inc.

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

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

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**Table of Contents**

**TELECOM ARGENTINA S.A.**

**NOTE 1 BASIS OF PREPARATION OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES**

**a) Basis of preparation and significant accounting policies**

These consolidated financial statements have been prepared in accordance with RT 26 (which adopted IFRS as issued by the IASB) as adopted by the CPCECABA, and as required by the CNV.

For the preparation of these consolidated financial statements, the Company has elected to make use of the option provided by IAS 34, so, these consolidated financial statements do not include all the information required in an annual financial statement, and must be read jointly with the 2012 annual consolidated financial statements which can be consulted at the Company's website ([www.telecom.com.ar/inversores](http://www.telecom.com.ar/inversores)).

For the preparation of these consolidated financial statements, the Company followed the same accounting policies applied in its most recent annual consolidated financial statements issued according to IFRS with the exception of:

*1) The valuation of Pension benefits included in Other non-current liabilities*

In connection with these pension benefits granted to Telecom Argentina's unionized employees, the Company has applied IAS 19 revised (Employee Benefits), issued by the IASB in June 2011, which introduced modifications related to the recognition of actuarial gains and losses, the presentation of changes in assets and liabilities arising from defined benefit plans (which should be presented within OCI), as well as greater disclosure requirements for defined benefit plans. IAS 19 revised is mandatory for periods beginning on or after 1 January 2013. The adoption of this standard would generate a reduction of \$0.2 in Retained Earnings at the beginning of year 2013 with charge to OCI. Based on materiality grounds for the Telecom Group, the opening balance of Retained Earnings has not been changed and the provisions of the new standard have been applied in the determination of fiscal year 2013 results of operations.

*2) Acquisition of treasury shares*

In connection with the Treasury Shares Acquisition Process described in Note 7 to the consolidated financial statements, the Company has applied the guidance set forth in IAS 32, which provides, consistently with the CNV Regulations, that any instruments of its own equity acquired by the Company must be recorded at the acquisition cost and must be deducted from Equity under the caption Treasury shares acquisition cost. No profit or loss resulting from holding such instruments of own Equity shall be recognized in the income statement. If the treasury shares are sold, the account Treasury shares acquisition cost shall be recorded within Equity under the Treasury shares negotiation premium caption. If such difference is negative, the resulting amount shall be recorded within Equity under the Treasury shares negotiation discount caption.

3) *Government bonds issued in foreign currency*

During June and July 2013, Personal acquired bonds issued by the National Government. Although such bonds are carried at amortized cost, as explained in Note 3 Significant Accounting Policies of the most recent annual consolidated financial statements, they are denominated in US Dollars and they bear interest in such foreign currency. The internal rate of return used to apply the amortized cost method has been estimated on the basis of the US Dollar cash flows that will be generated by these securities at maturity and their fair value at acquisition. The acquisition cost in US Dollars was adjusted by applying the above mentioned rate and the resulting value was translated into Argentine pesos using the exchange rate as of the date of measurement. The currency exchange difference generated by such Government bonds was recorded in item Foreign currency exchange losses .

The preparation of these consolidated financial statements in conformity with IFRS requires the Company s Management to use certain critical accounting estimates. Actual results could differ from those estimates.

**Table of Contents**

**TELECOM ARGENTINA S.A.**

These consolidated financial statements (except for cash flow information) are prepared on an accrual basis of accounting. Under this basis, the effects of transactions and other events are recognized when they occur. Therefore income and expenses are recognized at fair value on an accrual basis regardless of when they are perceived or paid. When significant, the difference between the fair value and the nominal amount of income and expenses is recognized as finance income or expense using the effective interest method over the relevant period.

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

Publication of these consolidated financial statements for the period ended September 30, 2013 was approved by resolution of the Board of Directors meeting held on October 30, 2013.

**b) Financial statement formats**

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

the consolidated statements of financial position have been prepared by classifying assets and liabilities according to current and non-current criterion. Current assets and liabilities are those that are expected to be realized/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 representative of the specific business of the Group as evaluated by the Management, and are in line with the industrial sector of telecommunications;

the consolidated statements of comprehensive income include the profit or (loss) for the period as shown in the consolidated income statement and all components of other comprehensive income;

the consolidated statements of changes in equity have been prepared showing separately (i) profit (loss) for the period, (ii) other comprehensive income (loss) for the period, and (iii) transactions with owners in their capacity as owners (controlling and non-controlling);

the consolidated statements of cash flows have been prepared by presenting cash flows from operating activities according to the indirect method, as permitted by IAS 7.

These consolidated financial statements contain all material disclosures required under IAS 34. Some additional disclosures required by the LSC and/or by the CNV have been also included, among them, complementary information required in the last paragraph of Article 1 Chapter III Title IV of the CNV General Resolution No. 622/13. Such information is disclosed in Notes 2 and 6 to these consolidated financial statements, as admitted by IFRS.

**c) Segment reporting**

An operating segment is defined as a component of an entity that engages in business activities from which it may earn revenues and incur expenses, and whose financial information is available, held separately, and evaluated regularly by the Chief Executive Officer ( CEO ).

Operating segments are reported in a consistent manner with the internal reporting provided to the CEO, who is responsible for allocating resources and assessing performance of the operating segments at the net income (loss) level and under the accounting principles effective (IFRS) at each time for reporting to the Regulatory Bodies. The accounting policies applied for segment information are the same for all operating segments.

Information regarding segment reporting is included in Note 4.

**d) Net income per share**

The Company computes net income per common share by dividing net income for the period attributable to Telecom Argentina (Controlling Company) by the weighted average number of common shares outstanding during the period. Diluted net income per share is computed by dividing the net income for the period by the weighted average number of common and dilutive potential common shares then outstanding during the period. Since the Company has no dilutive potential common stock outstanding, there are no dilutive earnings per share amounts.

**Table of Contents****TELECOM ARGENTINA S.A.**

For the three-month and nine-month periods ended September 30, 2012, the weighted average number of shares outstanding totaled 984,380,978 shares. For the three-month and nine-month periods ended September 30, 2013 the weighted average number of shares outstanding totaled 977,392,863 and 981,858,007 shares, respectively. The weighted average number of shares takes into account the weighted average effect of the changes caused by the Treasury Shares Acquisition Process that began in May 2013. For further information, see Note 7 to the consolidated financial statements.

**NOTE 2 BREAKDOWN OF THE MAIN ACCOUNTS**

|   | September 30,<br>2013 | December 31,<br>2012 |
|---|-----------------------|----------------------|
| <b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b> |                       |                      |
| <b>CURRENT ASSETS</b>                               |                       |                      |
| <b>a) Cash and cash equivalents</b>                 |                       |                      |
| Cash  | 22                    | 12                   |
| Banks   | 419                   | 120                  |
| Time deposits                                       | 3,638                 | 2,624                |
| Mutual funds  | 501                   | 404                  |
|   | <b>4,580</b>          | <b>3,160</b>         |
| <br>  |                       |                      |
|   | September 30,<br>2013 | December 31,<br>2012 |
| <b>b) Investments</b>                               |                       |                      |
| Investments over 90 days maturity                   | 1,123                 | 540                  |
| Provincial government bonds                         | 48                    | 20                   |
| Argentine companies notes                           | 21                    | 1                    |
| Loan to Nortel (Note 5.c)                           | 22                    | 2                    |
|   | <b>1,214</b>          | <b>563</b>           |
| <br>  |                       |                      |
|   | September 30,<br>2013 | December 31,<br>2012 |
| <b>c) Trade receivables</b>                         |                       |                      |
| Fixed services                                      | 868                   | 853                  |

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|                                 |              |              |
|---------------------------------|--------------|--------------|
| Personal mobile services        | 1,879        | 1,469        |
| Núcleo mobile services          | 111          | 61           |
| <b>Subtotal</b>                 | <b>2,858</b> | <b>2,383</b> |
| Allowance for doubtful accounts | (231)        | (202)        |
|                                 | <b>2,627</b> | <b>2,181</b> |

Movements in the allowance for current doubtful accounts are as follows:

|                                      | September 30,<br>2013<br>(9 months) | December 31,<br>2012<br>(12<br>months) |
|--------------------------------------|-------------------------------------|--|
| <b>At the beginning of the year</b>  | <b>(202)</b>                        | <b>(170)</b>                           |
| Additions - Bad debt expenses        | (221)                               | (275)                                  |
| Uses                                 | 192                                 | 243                                    |
| <b>At the end of the period/year</b> | <b>(231)</b>                        | <b>(202)</b>                           |

|   | September 30,<br>2013 | December 31,<br>2012 |
|---|-----------------------|----------------------|
| <b>d) Other receivables</b>                 |                       |                      |
| Prepaid expenses                            | 312                   | 218                  |
| Prepaid expenses related parties (Note 5.c) | 83                    |                      |
| Expenditure reimbursement                   | 54                    | 38                   |
| Tax credits                                 | 46                    | 54                   |
| Restricted funds                            | 17                    | 13                   |
| Non deliverable forward                     | 14                    |                      |
| Receivables for suppliers indemnities       |                       | 61                   |
| Compensation Fund                           |                       | 19                   |
| Other                                       | 95                    | 61                   |
| <b>Subtotal</b>                             | <b>621</b>            | <b>464</b>           |
| Allowance for other receivables             | (23)                  | (15)                 |
|   | <b>598</b>            | <b>449</b>           |

Movements in the allowance for other receivables are as follows:

|                                     | September 30,<br>2013<br>(9 months) | December 31,<br>2012<br>(12<br>months) |
|-------------------------------------|-------------------------------------|--|
| <b>At the beginning of the year</b> | <b>(15)</b>                         | <b>(12)</b>                            |



|                                      |             |             |
|--------------------------------------|-------------|-------------|
| Additions                            | (8)         | (3)         |
| <b>At the end of the period/year</b> | <b>(23)</b> | <b>(15)</b> |

Table of Contents

## TELECOM ARGENTINA S.A.

|   | September 30,<br>2013 | December 31,<br>2012 |
|---|-----------------------|----------------------|
| <b>e) Inventories</b>                     |                       |                      |
| Mobile handsets                           | 1,153                 | 626                  |
| Fixed telephones and equipment            | 12                    | 15                   |
| <b>Subtotal</b>                           | <b>1,165</b>          | <b>641</b>           |
| Allowance for obsolescence of inventories | (79)                  | (8)                  |
|   | <b>1,086</b>          | <b>633</b>           |

Movements in the allowance for obsolescence of inventories are as follows:

|                                      | September 30,<br>2013<br>(9 months) | December 31,<br>2012<br>(12<br>months) |
|--------------------------------------|-------------------------------------|--|
| <b>At the beginning of the year</b>  | <b>(8)</b>                          | <b>(19)</b>                            |
| Additions                            | (77)                                | (14)                                   |
| Uses                                 | 6                                   | 25                                     |
| <b>At the end of the period/year</b> | <b>(79)</b>                         | <b>(8)</b>                             |

|                             | September 30,<br>2013 | December 31,<br>2012 |
|-----------------------------|-----------------------|----------------------|
| <b>NON-CURRENT ASSETS</b>   |                       |                      |
| <b>f) Trade receivables</b> |                       |                      |
| Fixed services              | 14                    | 23                   |
| Núcleo mobile services      | 2                     |                      |
|                             | <b>16</b>             | <b>23</b>            |

|                                      | September 30,<br>2013 | December 31,<br>2012 |
|--------------------------------------|-----------------------|----------------------|
| <b>g) Deferred income tax assets</b> |                       |                      |

*Net deferred income tax assets in Argentina  
(Telecom Argentina)*

|   |            |           |
|---|------------|-----------|
| Allowance for doubtful accounts                     | 44         | 40        |
| Provisions  | 288        | 248       |
| Termination benefits                                | 61         | 63        |
| Other deferred income tax assets, net               | 125        | 108       |
| <b>Deferred income tax liabilities in Argentina</b> |            |           |
| PP&E and intangible assets                          | (358)      | (405)     |
| <b><i>In Argentina</i></b>                          | <b>160</b> | <b>54</b> |

*Net deferred income tax assets abroad (Núcleo  
and Springville)*

|   |            |           |
|---|------------|-----------|
| Tax loss carryforwards                        | 1          | 1         |
| Allowance for doubtful accounts               | 4          | 2         |
| PP&E  | 11         | 11        |
| Valuation allowance                           | (1)        | (1)       |
| <b>Deferred income tax liabilities abroad</b> |            |           |
| Other deferred income tax liabilities         | (4)        | (5)       |
| <b><i>Abroad</i></b>                          | <b>11</b>  | <b>8</b>  |
|   | <b>171</b> | <b>62</b> |

|  | September 30,<br>2013 | December<br>31,<br>2012 |
|--|-----------------------|-------------------------|
| <b>h) Other receivables</b>                  |                       |                         |
| Prepaid expenses related parties (Note 5. c) | 107                   |                         |
| Credit on SC Resolution No. 41/07 and IDC    | 85                    | 85                      |
| Prepaid expenses                             | 71                    | 86                      |
| Restricted funds                             | 29                    | 22                      |
| Tax credits                                  | 17                    | 17                      |
| Credit on minimum presumed income tax        | 4                     | 4                       |
| Other  | 14                    | 7                       |
| <b>Subtotal</b>                              | <b>327</b>            | <b>221</b>              |
| Allowance for regulatory matters             | (85)                  | (85)                    |
| Allowance for other receivables              | (17)                  | (17)                    |
|  | <b>225</b>            | <b>119</b>              |

Movements in the allowance for regulatory matters are as follows:

| September 30,<br>2013 | December 31,<br>2012 |
|-----------------------|----------------------|
| (9 months)            | (12<br>months)       |

|                                      |             |             |
|--------------------------------------|-------------|-------------|
| <b>At the beginning of the year</b>  | <b>(85)</b> | <b>(90)</b> |
| Uses                                 |             | 5           |
| <b>At the end of the period/year</b> | <b>(85)</b> | <b>(85)</b> |

**Table of Contents****TELECOM ARGENTINA S.A.**

Movements in the allowance for other receivables are as follows:

|                                      | <b>September 30,<br/>2013<br/>(9 months)</b> | <b>December 31,<br/>2012<br/>(12<br/>months)</b> |
|--------------------------------------|--|--|
| <b>At the beginning of the year</b>  | <b>(17)</b>                                  | <b>(17)</b>                                      |
| Additions                            |  | (1)  |
| Uses                                 |  | 1  |
| <b>At the end of the period/year</b> | <b>(17)</b>                                  | <b>(17)</b>                                      |

|                              | <b>September 30,<br/>2013</b> | <b>December 31,<br/>2012</b> |
|------------------------------|-------------------------------|------------------------------|
| <b>i) Investments</b>        |                               |                              |
| Argentine companies notes    | 68                            | 69                           |
| Government bonds             | 25                            |                              |
| Provincial government bonds  | 11                            |                              |
| 2003 Telecommunications Fund | 1                             | 1                            |
|                              | <b>105</b>                    | <b>70</b>                    |

|   | <b>September 30,<br/>2013</b> | <b>December 31,<br/>2012</b> |
|---|-------------------------------|------------------------------|
| <b>j) PP&amp;E</b>                        |                               |                              |
| Land, buildings and installations         | 921                           | 900                          |
| Computer equipment and software           | 1,183                         | 1,196                        |
| Switching and transmission equipment (i)  | 2,305                         | 2,286                        |
| Mobile network access and external wiring | 2,830                         | 2,531                        |
| Construction in progress                  | 2,089                         | 1,534                        |
| Other tangible assets                     | 327                           | 322                          |
| Materials                                 | 365                           | 280                          |
| <b>Subtotal</b>                           | <b>10,020</b>                 | <b>9,049</b>                 |
| Valuation allowance for materials         | (19)                          | (14)                         |
| Impairment of PP&E                        | (156)                         |                              |

9,845

9,035

- (i) Includes tower and pole, transmission equipment, switching equipment, power equipment, equipment lent to customers at no cost and handsets lent to customers at no cost.

Movements in PP&E (without allowance for materials or impairment of PP&E) are as follows:

|                                      | September 30,<br>2013<br>(9 months) | December 31,<br>2012<br>(12<br>months) |
|--------------------------------------|-------------------------------------|--|
| <b>At the beginning of the year</b>  | <b>9,049</b>                        | <b>8,262</b>                           |
| CAPEX                                | 2,249                               | 2,415                                  |
| Materials                            | 193                                 | 159                                    |
| <b>Total PP&amp;E additions</b>      | <b>2,442</b>                        | <b>2,574</b>                           |
| Currency translation adjustments     | 108                                 | 131                                    |
| Decreases                            | (7)                                 | (1)                                    |
| Consumption of materials             | (111)                               | (125)                                  |
| Depreciation of the period/year      | (1,461)                             | (1,792)                                |
| <b>At the end of the period/year</b> | <b>10,020</b>                       | <b>9,049</b>                           |

Movements in the valuation allowance for materials are as follows:

|   | September 30,<br>2013<br>(9 months) | December 31,<br>2012<br>(12<br>months) |
|---|-------------------------------------|--|
| <b>At the beginning of the year</b>                       | <b>(14)</b>                         | <b>(15)</b>                            |
| Additions - Fees for services, maintenance, and materials | (5)                                 | (5)                                    |
| Uses  |                                     | 6                                      |
| <b>At the end of the period/year</b>                      | <b>(19)</b>                         | <b>(14)</b>                            |

Movements in the impairment of PP&E are as follows:

|                                     | September 30,<br>2013<br>(9 months) | December 31,<br>2012<br>(12<br>months) |
|-------------------------------------|-------------------------------------|--|
| <b>At the beginning of the year</b> |                                     |  |
| Additions (i)                       | (172)                               |  |

|                                      |              |
|--------------------------------------|--------------|
| Uses (ii)                            | 16           |
| <b>At the end of the period/year</b> | <b>(156)</b> |

- (i) Included in Impairment of PP&E.
- (ii) 2 included in Gain on disposal of PP&E and 14 included in Depreciation of PP&E.

Table of Contents

## TELECOM ARGENTINA S.A.

|  | September 30,<br>2013 | December 31,<br>2012 |
|--|-----------------------|----------------------|
| <b>k) Intangible assets</b>              |                       |                      |
| Licenses                                 | 589                   | 588                  |
| SAC                                      | 567                   | 586                  |
| Rights of use                            | 214                   | 227                  |
| Service connection or habilitation costs | 97                    | 94                   |
| Other intangible assets                  | 16                    | 19                   |
|  | <b>1,483</b>          | <b>1,514</b>         |

Movements in Intangible assets are as follows:

|                                      | September 30,<br>2013<br>(9 months) | December 31,<br>2012<br>(12<br>months) |
|--------------------------------------|-------------------------------------|--|
| <b>At the beginning of the year</b>  | <b>1,514</b>                        | <b>1,488</b>                           |
| CAPEX                                | 647                                 | 842                                    |
| Currency translation adjustments     | 5                                   | 4                                      |
| Amortization of the period/year      | (683)                               | (820)                                  |
| <b>At the end of the period/year</b> | <b>1,483</b>                        | <b>1,514</b>                           |

|                                     | September 30,<br>2013 | December 31,<br>2012 |
|-------------------------------------|-----------------------|----------------------|
| <b>CURRENT LIABILITIES</b>          |                       |                      |
| <b>l) Trade payables</b>            |                       |                      |
| PP&E suppliers                      | 1,519                 | 1,427                |
| Other assets and services suppliers | 1,889                 | 1,588                |
| Inventory suppliers                 | 1,452                 | 584                  |
| <b>Subtotal suppliers</b>           | <b>4,860</b>          | <b>3,599</b>         |
| Agent commissions                   | 193                   | 49                   |
| SU reimbursement                    | 11                    | 11                   |
|                                     | <b>5,064</b>          | <b>3,659</b>         |



**m) Deferred revenues**

|  |            |            |
|--|------------|------------|
| Deferred revenues on prepaid calling cards                 | 255        | 270        |
| Deferred revenues on connection fees                       | 34         | 30         |
| Deferred revenues on sale of capacity and related services | 41         | 34         |
| Deferred revenues on customer loyalty programs             | 39         | 26         |
| Deferred revenues from CONATEL                             | 3          | 2          |
|  | <b>372</b> | <b>362</b> |

**n) Financial debt**

|                           |          |           |
|---------------------------|----------|-----------|
| Bank loans - Núcleo       | 8        | 40        |
| Accrued interest - Núcleo | 1        | 3         |
|                           | <b>9</b> | <b>43</b> |

**o) Salaries and social security payables**

|                                 |            |            |
|---------------------------------|------------|------------|
| Vacation and bonuses            | 462        | 391        |
| Social security payables        | 139        | 144        |
| Termination benefits            | 70         | 60         |
| Restructuring debt              |            | 14         |
| Compensation Fund contributions |            | 26         |
|                                 | <b>671</b> | <b>635</b> |

**p) Income tax payables**

|  |            |            |
|--|------------|------------|
| Income tax payables                      | 1,516      | 1,520      |
| Payments in advance of income taxes      | (797)      | (1,065)    |
| Law No. 26,476 Tax Regularization Regime | 3          | 3          |
|  | <b>722</b> | <b>458</b> |

**q) Other taxes payables**

|                                   |            |            |
|-----------------------------------|------------|------------|
| VAT, net                          | 153        | 180        |
| Tax on SU                         | 93         | 88         |
| Turnover tax                      | 57         | 54         |
| Tax withholdings                  | 79         | 91         |
| Internal taxes                    | 65         | 55         |
| Regulatory fees                   | 57         | 48         |
| Municipal taxes                   | 22         | 17         |
| Retention Decree No. 583/10 ENARD | 10         | 9          |
| Other                             | 9          | 10         |
|                                   | <b>545</b> | <b>552</b> |

**r) Dividends payables**

|                            |           |  |
|----------------------------|-----------|--|
| Related parties (Note 5.c) | 17        |  |
|                            | <b>17</b> |  |



Table of Contents**TELECOM ARGENTINA S.A.**

|   | September 30,<br>2013 | December 31,<br>2012 |
|---|-----------------------|----------------------|
| <b>s) Other liabilities</b>   |                       |                      |
| Legal fees  | 12                    | 12                   |
| Guarantees received   | 9                     | 7                    |
| Compensation for directors and members of the Supervisory Committee | 14                    | 8                    |
| Other   | 20                    | 13                   |
|   | <b>55</b>             | <b>40</b>            |
| <b>NON-CURRENT LIABILITIES</b>                                      |                       |                      |
| <b>t) Trade payables</b>  |                       |                      |
| PP&E suppliers  | 26                    | 20                   |
|   | <b>26</b>             | <b>20</b>            |
| <b>u) Deferred revenues</b>   |                       |                      |
| Deferred revenues on sale of capacity and related services          | 314                   | 217                  |
| Deferred revenues on connection fees                                | 66                    | 64                   |
| Deferred revenues on customer loyalty programs                      | 60                    | 39                   |
| Deferred revenues from CONATEL                                      | 10                    | 9                    |
|   | <b>450</b>            | <b>329</b>           |
| <b>v) Financial debt</b>  |                       |                      |
| Bank loans - Núcleo   | 205                   | 101                  |
|   | <b>205</b>            | <b>101</b>           |
| <b>w) Salaries and social security payables</b>                     |                       |                      |
| Termination benefits  | 116                   | 128                  |
| Awards  | 4                     |                      |
|   | <b>120</b>            | <b>128</b>           |
| <b>x) Deferred income tax liabilities (Telecom Personal)</b>        |                       |                      |
| <i>Deferred income tax assets</i>                                   |                       |                      |
| Allowance for doubtful accounts                                     | (72)                  | (54)                 |
| Provisions  | (146)                 | (120)                |
| Inventory   | (34)                  | (19)                 |
| Other   | (6)                   | (3)                  |
| Valuation allowance   | 26                    | 23                   |

|  |            |            |
|--|------------|------------|
| <i>Total deferred income tax assets</i>      | (232)      | (173)      |
| <i>Deferred income tax liabilities</i>       |            |            |
| PP&E and intangible assets                   | 287        | 348        |
| Cash dividends from foreign companies        | 58         | 45         |
| <i>Total deferred income tax liabilities</i> | <b>345</b> | <b>393</b> |
| <b>Net deferred income tax liabilities</b>   | <b>113</b> | <b>220</b> |
| <b>y) Income tax payables</b>                |            |            |
| Law No. 26,476 Tax Regularization Regime     | 11         | 12         |
|  | <b>11</b>  | <b>12</b>  |
| <b>z) Other liabilities</b>                  |            |            |
| Pension benefits (Note 1.a)                  | 50         | 38         |
| Suppliers guarantees on third parties claims | 7          | 12         |
| Other  |            | 1          |
|  | <b>57</b>  | <b>51</b>  |

## aa) Aging of assets and liabilities as of September 30, 2013

| Date due                             | Cash and cash equivalents | Investments  | Trade receivables | Deferred income tax |                   |
|--------------------------------------|---------------------------|--------------|-------------------|---------------------|-------------------|
|                                      |                           |              |                   | assets              | Other receivables |
| <b>Total due</b>                     |                           |              | <b>954</b>        |                     |                   |
| <b>Not due</b>                       |                           |              |                   |                     |                   |
| Fourth quarter 2013                  | 4,580                     | 1,137        | 1,617             |                     | 376               |
| First quarter 2014                   |                           | 20           | 28                |                     | 81                |
| Second quarter 2014                  |                           | 35           | 17                |                     | 74                |
| Third quarter 2014                   |                           | 22           | 11                |                     | 67                |
| October 2014 thru September 2015     |                           | 104          | 14                |                     | 133               |
| October 2015 thru September 2016     |                           |              | 2                 |                     | 59                |
| September 2016 and thereafter        |                           |              |                   |                     | 33                |
| Not date due established             |                           | 1            |                   | 171                 |                   |
| <b>Total not due</b>                 | <b>4,580</b>              | <b>1,319</b> | <b>1,689</b>      | <b>171</b>          | <b>823</b>        |
| <b>Total</b>                         | <b>4,580</b>              | <b>1,319</b> | <b>2,643</b>      | <b>171</b>          | <b>823</b>        |
| <b>Balances bearing interest</b>     | 4,139                     | 1,318        | 989               |                     |                   |
| <b>Balances not bearing interest</b> | 441                       | 1            | 1,654             | 171                 | 823               |

|              |              |              |              |            |            |
|--------------|--------------|--------------|--------------|------------|------------|
| <b>Total</b> | <b>4,580</b> | <b>1,319</b> | <b>2,643</b> | <b>171</b> | <b>823</b> |
|--------------|--------------|--------------|--------------|------------|------------|

**Average annual interest rate**

|            |            |            |            |
|------------|------------|------------|------------|
| <b>(%)</b> | <b>(a)</b> | <b>(b)</b> | <b>(c)</b> |
|------------|------------|------------|------------|

- (a) 65 bear 19.09%, 765 bear 0.29%, 65 bear 16.03%, 2,469 bear 19.23%, 338 bear 0.26% and 437 bear 12.76%.
- (b) 1,123 bear 20.29%, 22 bear 25.46%, 20 bear 21.19%, 35 bear 25.53%, 10 bear 20.92%, 58 bear 5%, 12 bear 8.55%, 12 bear 4.24% and 26 bear 7%.
- (c) From due trade receivables, 79 bear 50% over the Banco de la Nación Argentina 30-day interest rate paid by banks, 169 bear 50% over the Banco de la Nación Argentina notes payable discount rate, 675 bear 28.28% and 16 bear 36%. From not due trade receivables, 18 bear 28% and 32 bear 8.3%.

**Table of Contents****TELECOM ARGENTINA S.A.**

| <b>Date due</b>                         | <b>Trade payables</b> | <b>Deferred revenues</b> | <b>Financial debt</b> | <b>Salaries and social security payables</b> | <b>Income tax payables</b> | <b>Other tax payable</b> | <b>Dividends payable</b> | <b>Deferred income tax liabilities</b> | <b>Other liabilities</b> |
|---|-----------------------|--------------------------|-----------------------|--|----------------------------|--------------------------|--------------------------|--|--------------------------|
| <b>Total due</b>                        | <b>(a) 79</b>         |                          |                       |  |                            |                          |                          |  |                          |
| <b>Not due</b>                          |                       |                          |                       |  |                            |                          |                          |  |                          |
| Fourth quarter 2013                     | 4,984                 | 287                      | 3                     | 323  |                            | 536                      | 17                       |  | 20                       |
| First quarter 2014                      | 1                     | 29                       | 3                     | 202  | 1                          |                          |                          |  | 1                        |
| Second quarter 2014                     |                       | 26                       | 1                     | 119  | 720                        |                          |                          |  | 21                       |
| Third quarter 2014                      |                       | 30                       | 2                     | 27   | 1                          | 9                        |                          |  | 13                       |
| October 2014 thru September 2015        | 26                    | 124                      | 21                    | 46   |                            |                          |                          |  | 8                        |
| October 2015 thru September 2016        |                       | 56                       | 40                    | 31   | 3                          |                          |                          |  | 2                        |
| September 2016 and thereafter           |                       | 270                      | 144                   | 43   | 3                          |                          |                          |  | 47                       |
| Not date due established                |                       |                          |                       |  | 5                          |                          |                          | 113                                    |                          |
| <b>Total not due</b>                    | <b>5,011</b>          | <b>822</b>               | <b>214</b>            | <b>791</b>                                   | <b>733</b>                 | <b>545</b>               | <b>17</b>                | <b>113</b>                             | <b>112</b>               |
| <b>Total</b>                            | <b>5,090</b>          | <b>822</b>               | <b>214</b>            | <b>791</b>                                   | <b>733</b>                 | <b>545</b>               | <b>17</b>                | <b>113</b>                             | <b>112</b>               |
| <b>Balances bearing interest</b>        | 53                    |                          | 214                   |  | 20                         |                          |                          |  | 3                        |
| <b>Balances not bearing interest</b>    | 5,037                 | 822                      |                       | 791  | 713                        | 545                      | 17                       | 113                                    | 109                      |
| <b>Total</b>                            | <b>5,090</b>          | <b>822</b>               | <b>214</b>            | <b>791</b>                                   | <b>733</b>                 | <b>545</b>               | <b>17</b>                | <b>113</b>                             | <b>112</b>               |
| <b>Average annual interest rate (%)</b> | <b>(b)</b>            |                          | <b>9,30%</b>          |  | <b>9%</b>                  |                          |                          |  | <b>6%</b>                |

(a) As of the date of these consolidated financial statements, 50 were cancelled.

(b) From due trade payables, 50 bear 9% and 3 bear 6%.

**ab) Foreign currency assets and liabilities**

09.30.13

12.31.12

|                                 | Type and amount of foreign amount in local currency (i) |            | Type and amount of foreign amount in local currency (ii) |                       |
|---------------------------------|---|------------|--|-----------------------|
|                                 | currency (i)  | amount (i) | currency (ii)  | amount (ii)           |
| <b>Net positions</b>            | US\$(iii)   | (187)      | (1,093)  | US\$(iii) (138) (686) |
| <b>Net assets (liabilities)</b> | G   | (158,352)  | (204)  | G (118,791) (136)     |
|                                 | EURO  | (20)       | (151)  | EURO (10) (63)        |
|                                 | SDR   |            |  | SDR 3 22              |
|                                 |   |            | <b>(1,448)</b>   | <b>(863)</b>          |

- (i) US\$ = United States dollar; G= Guaraníes; SDR= Special Drawing Rights.
- (ii) As foreign currency figures and their amount in Argentine pesos are in millions, the calculation of the amount of the foreign currency by its exchange rate could not be exact.
- (iii) In order to partially reduce this net liability position in foreign currency, the Telecom Group, as of September 30, 2013, entered into several NDF contracts to purchase a total amount of US\$99 and holds investments adjustable to the variation of the US\$/\$ exchange rate (dollar linked) by 81 and 59 as of September 30, 2013 and December 31, 2012, respectively (See Note 10 Recent developments corresponding to the nine-month period ended September 30, 2013 for the Telecom Group).

**ac) Information on the fair value of investments in Government bonds and Argentine companies notes valued at amortized cost**

Below are shown the investments in Government bonds and Argentine companies notes valued at amortized cost and their respective fair value as of September 30, 2013:

| As of September 30, 2013                        | Book value | Fair value (*) |
|---|------------|----------------|
| Government bonds                                | 25         | 42             |
| Provincial governments bonds in Argentine pesos | 36         | 36             |
| Provincial governments bonds (dollar linked)    | 23         | 23             |
| Argentine companies notes in Argentine pesos    | 31         | 31             |
| Argentine companies notes (dollar linked)       | 58         | 69             |
| <b>Total</b>                                    | <b>173</b> | <b>201</b>     |

(\*) Selling expenses not deducted according to IFRS.

Table of Contents

## TELECOM ARGENTINA S.A.

Three-month periods ended  
September 30,  
2013      2012      2013      2012

Nine-month periods ended  
September 30,  
2013      2012

Profit (loss)

**CONSOLIDATED INCOME STATEMENTS****ad) Total revenues and other income****Services**

|                   |     |     |       |       |
|-------------------|-----|-----|-------|-------|
| Voice - Retail    | 672 | 620 | 1,969 | 1,838 |
| Voice - Wholesale | 207 | 191 | 583   | 548   |
| Internet          | 636 | 517 | 1,827 | 1,442 |
| Data              | 245 | 190 | 686   | 528   |

**Subtotal Fixed Services** **1,760      1,518      5,065      4,356**

|                   |       |       |       |       |
|-------------------|-------|-------|-------|-------|
| Voice - Retail    | 1,203 | 1,112 | 3,548 | 3,249 |
| Voice - Wholesale | 453   | 443   | 1,419 | 1,306 |
| Internet          | 533   | 321   | 1,405 | 890   |
| Data              | 1,990 | 1,475 | 5,390 | 4,128 |

**Subtotal Personal Mobile Services** **4,179      3,351      11,762      9,573**

|                   |    |    |     |     |
|-------------------|----|----|-----|-----|
| Voice - Retail    | 96 | 83 | 273 | 242 |
| Voice - Wholesale | 22 | 23 | 87  | 61  |
| Internet          | 69 | 41 | 193 | 108 |
| Data              | 77 | 68 | 234 | 194 |

**Subtotal Núcleo Mobile Services** **264      215      787      605**

**Total service revenues (a)** **6,203      5,084      17,614      14,534**

**Equipment**

|                          |     |     |       |       |
|--------------------------|-----|-----|-------|-------|
| Fixed Services           | 19  | 22  | 49    | 61    |
| Personal Mobile Services | 874 | 530 | 2,109 | 1,408 |
| Núcleo Mobile Services   | 18  | 9   | 55    | 22    |

**Total equipment revenues (b)** **911      561      2,213      1,491**

**Other income**

|                          |   |   |    |    |
|--------------------------|---|---|----|----|
| Fixed Services           | 6 | 7 | 18 | 14 |
| Personal Mobile Services | 1 |   | 2  | 2  |
| Núcleo Mobile Services   | 6 |   | 6  |    |



|  |              |              |               |               |
|--|--------------|--------------|---------------|---------------|
| <b>Total other income (c)</b>                      | <b>13</b>    | <b>7</b>     | <b>26</b>     | <b>16</b>     |
| <b>Total revenues and other income (a)+(b)+(c)</b> | <b>7,127</b> | <b>5,652</b> | <b>19,853</b> | <b>16,041</b> |

**ae) Operating costs**

Operating expenses disclosed by nature of expense amounted to \$16,590 and \$13,238 for the nine-month periods ended September 30, 2013 and 2012, respectively.

The main components of the operating expenses are the following:

|   | Three-month periods ended |               | Nine-month periods ended |                |
|---|---------------------------|---------------|--------------------------|----------------|
|   | September 30,             | September 30, | September 30,            | September 30,  |
|   | 2013                      | 2012          | 2013                     | 2012           |
|   | Profit (loss)             |               |                          |                |
| <b><u>Employee benefit expenses and severance payments</u></b>          |                           |               |                          |                |
| Wages and salaries  | (796)                     | (635)         | (2,173)                  | (1,725)        |
| Social security expenses  | (246)                     | (189)         | (661)                    | (509)          |
| Severance indemnities and termination benefits                          | (57)                      | (34)          | (100)                    | (88)           |
| Other employee benefits   | (24)                      | (18)          | (62)                     | (46)           |
|   | <b>(1,123)</b>            | <b>(876)</b>  | <b>(2,996)</b>           | <b>(2,368)</b> |
| <b><u>Interconnection costs and other telecommunication charges</u></b> |                           |               |                          |                |
| Fixed telephony interconnection costs                                   | (64)                      | (55)          | (178)                    | (165)          |
| Cost of international outbound calls                                    | (30)                      | (30)          | (99)                     | (101)          |
| Lease of circuits and public network usage                              | (52)                      | (40)          | (150)                    | (114)          |
| Mobile services - charges for roaming                                   | (35)                      | (69)          | (347)                    | (229)          |
| Mobile services - charges for TLRD                                      | (199)                     | (215)         | (612)                    | (605)          |
|   | <b>(380)</b>              | <b>(409)</b>  | <b>(1,386)</b>           | <b>(1,214)</b> |
| <b><u>Fees for services, maintenance, materials and supplies</u></b>    |                           |               |                          |                |
| Maintenance of hardware and software                                    | (89)                      | (73)          | (250)                    | (216)          |
| Technical maintenance   | (114)                     | (99)          | (343)                    | (282)          |
| Service connection fees for fixed lines and Internet lines              | (50)                      | (29)          | (137)                    | (94)           |
| Service connection fees capitalized as SAC                              | 2                         | 3             | 5                        | 8              |
| Service connection fees capitalized as Intangible assets                | 9                         | 5             | 23                       | 16             |
| Other maintenance costs   | (65)                      | (53)          | (177)                    | (141)          |
| Obsolescence of inventories   | (20)                      | (2)           | (77)                     | (8)            |
| Call center fees  | (197)                     | (183)         | (538)                    | (518)          |
| Other fees for services   | (132)                     | (119)         | (359)                    | (317)          |
| Compensation for Directors and Supervisory Committee members            | (7)                       | (3)           | (24)                     | (11)           |
|   | <b>(663)</b>              | <b>(553)</b>  | <b>(1,877)</b>           | <b>(1,563)</b> |



**Table of Contents****TELECOM ARGENTINA S.A.**

|  | Three-month periods ended |                       | Nine-month periods ended |                       |
|--|---------------------------|-----------------------|--------------------------|-----------------------|
|  | September 30,<br>2013     | September 30,<br>2012 | September 30,<br>2013    | September 30,<br>2012 |
|  | <b>Profit (loss)</b>      |                       |                          |                       |
| <b><u>Taxes and fees with the Regulatory Authority</u></b> |                           |                       |                          |                       |
| Turnover tax   | (380)                     | (269)                 | (1,060)                  | (744)                 |
| Taxes with the Regulatory Authority                        | (166)                     | (133)                 | (466)                    | (371)                 |
| Tax on deposits to and withdrawals from bank accounts      | (62)                      | (50)                  | (172)                    | (163)                 |
| Municipal taxes  | (46)                      | (35)                  | (129)                    | (93)                  |
| Other taxes  | (52)                      | (27)                  | (127)                    | (83)                  |
|  | <b>(706)</b>              | <b>(514)</b>          | <b>(1,954)</b>           | <b>(1,454)</b>        |
| <b><u>Commissions</u></b>                                  |                           |                       |                          |                       |
| Agent commissions  | (437)                     | (360)                 | (1,158)                  | (991)                 |
| Agent commissions capitalized as SAC                       | 149                       | 65                    | 367                      | 218                   |
| Distribution of prepaid cards commissions                  | (159)                     | (130)                 | (448)                    | (371)                 |
| Collection commissions                                     | (114)                     | (82)                  | (307)                    | (231)                 |
| Other commissions  | (22)                      | (15)                  | (61)                     | (47)                  |
|  | <b>(583)</b>              | <b>(522)</b>          | <b>(1,607)</b>           | <b>(1,422)</b>        |
| <b><u>Cost of equipments and handsets</u></b>              |                           |                       |                          |                       |
| Inventory balance at the beginning of the period/year      | (835)                     | (717)                 | (641)                    | (555)                 |
| Plus:  |                           |                       |                          |                       |
| Purchases  | (1,277)                   | (766)                 | (2,934)                  | (2,142)               |
| Deferred costs from SAC                                    | 59                        | 130                   | 223                      | 374                   |
| Net decreases (increases) from allowance for obsolescence  | 1                         | 4                     | 6                        | 4                     |
| Mobile handsets lent to customers at no cost               | 6                         | 2                     | 10                       | 4                     |
| Replacements to customers                                  |                           | 1                     | 2                        | 10                    |
| Less:  |                           |                       |                          |                       |
| Inventory balance at period end                            | 1,165                     | 784                   | 1,165                    | 784                   |
|  | <b>(881)</b>              | <b>(562)</b>          | <b>(2,169)</b>           | <b>(1,521)</b>        |
| <b><u>Advertising</u></b>                                  |                           |                       |                          |                       |
| Media advertising  | (101)                     | (94)                  | (261)                    | (283)                 |
| Fairs and exhibitions                                      | (30)                      | (29)                  | (86)                     | (91)                  |
| Other advertising costs                                    | (35)                      | (38)                  | (105)                    | (101)                 |
|  | <b>(166)</b>              | <b>(161)</b>          | <b>(452)</b>             | <b>(475)</b>          |

| <b>Cost of VAS</b> |              |             |              |              |
|--------------------|--------------|-------------|--------------|--------------|
| Cost of mobile VAS | (199)        | (87)        | (496)        | (205)        |
| Cost of fixed VAS  | (3)          | (2)         | (7)          | (6)          |
|                    | <b>(202)</b> | <b>(89)</b> | <b>(503)</b> | <b>(211)</b> |

| <b>Recovery of restructuring costs</b> |  |  |          |  |
|--|--|--|----------|--|
| Dismissals indemnities (i)             |  |  | 8        |  |
|  |  |  | <b>8</b> |  |

(i) Corresponds to the recovery of the provision related to the Restructuring Plan finished in June 2013.

| <b>Other operating costs</b>                |              |              |              |              |
|---|--------------|--------------|--------------|--------------|
| Transportation, freight and travel expenses | (118)        | (96)         | (325)        | (268)        |
| Delivery costs capitalized as SAC           | 11           | 11           | 28           | 26           |
| Rental expense                              | (70)         | (51)         | (225)        | (153)        |
| Energy, water and others                    | (78)         | (72)         | (239)        | (222)        |
| International and satellite connectivity    | (34)         | (29)         | (101)        | (93)         |
| Other                                       | (20)         | (19)         | (55)         | (47)         |
|   | <b>(309)</b> | <b>(256)</b> | <b>(917)</b> | <b>(757)</b> |

| <b>D&amp;A</b>                                   |              |              |                |                |
|--|--------------|--------------|----------------|----------------|
| Depreciation of PP&E                             | (492)        | (458)        | (1,447)        | (1,325)        |
| Amortization of SAC and service connection costs | (233)        | (206)        | (665)          | (586)          |
| Amortization of other intangible assets          | (6)          | (5)          | (18)           | (16)           |
|  | <b>(731)</b> | <b>(669)</b> | <b>(2,130)</b> | <b>(1,927)</b> |

| <b>Gain on disposal of PP&amp;E and impairment of PP&amp;E</b> |          |          |              |          |
|--|----------|----------|--------------|----------|
| Gain on disposal of PP&E                                       | 4        | 3        | 11           | 4        |
| Impairment of PP&E (ii)  |          |          | (172)        |          |
|  | <b>4</b> | <b>3</b> | <b>(161)</b> | <b>4</b> |

(ii) Includes 50 corresponding to the impairment of a commercial system of Personal and 122 corresponding to the impairment of PP&E (PP&E, construction in progress and materials) of Telecom Argentina as of September 30, 2013.

**Table of Contents****TELECOM ARGENTINA S.A.**

As required by the LSC, the operating expenses disclosed by function are as follows:

|   | <b>Three-month periods ended</b> |                | <b>Nine-month periods</b>  |                 |
|---|----------------------------------|----------------|----------------------------|-----------------|
|   | <b>September 30,</b>             | <b>2012</b>    | <b>ended September 30,</b> | <b>2012</b>     |
|   | <b>2013</b>                      | <b>2012</b>    | <b>2013</b>                | <b>2012</b>     |
|   | <b>Profit (loss)</b>             |                |                            |                 |
| Cost of sales and services                      | (3,526)                          | (2,760)        | (9,912)                    | (7,755)         |
| General and administrative expenses             | (265)                            | (219)          | (765)                      | (599)           |
| Selling expenses                                | (2,009)                          | (1,702)        | (5,527)                    | (4,776)         |
| Other expenses - provisions                     | (128)                            | (53)           | (225)                      | (112)           |
| Gain on disposal of PP&E and impairment of PP&E | 4                                | 3              | (161)                      | 4               |
|   | <b>(5,924)</b>                   | <b>(4,731)</b> | <b>(16,590)</b>            | <b>(13,238)</b> |

**af) Financial results****Finance income**

|   |            |            |            |            |
|---|------------|------------|------------|------------|
| Interest on time deposits   | 174        | 64         | 429        | 200        |
| Interest on other investments (argentine companies notes and bonds) | 15         |            | 23         |            |
| Gains on Mutual Funds   | 29         | 3          | 46         | 14         |
| Interest on related parties (Note 5.d)                              | 2          |            | 3          |            |
| Interest on receivables   | 34         | 25         | 90         | 67         |
| Foreign currency exchange gains                                     | 125        | 41         | 249        | 105        |
| Gain on NDF   | 14         | (4)        | 14         | 1          |
| Other   | 1          | 1          | 5          | 7          |
| <b>Total finance income</b>   | <b>394</b> | <b>130</b> | <b>859</b> | <b>394</b> |

**Finance expenses**

|   |       |      |       |       |
|---|-------|------|-------|-------|
| Interest on loans   | (4)   | (2)  | (12)  | (9)   |
| Interest on salaries and social security payable, other taxes payables and accounts payable             | (5)   | (1)  | (13)  | (4)   |
| Interest on provisions  | (26)  | (14) | (69)  | (60)  |
| Loss on discounting of salaries and social security payable, other taxes payables and other liabilities | (2)   | (9)  | (7)   | (24)  |
| Foreign currency exchange losses (*)  | (194) | (55) | (380) | (134) |
| Losses on NDF   |       | (2)  |       | (2)   |
| Other   |       |      | (1)   | (2)   |

|                               |              |             |              |              |
|-------------------------------|--------------|-------------|--------------|--------------|
| <b>Total finance expenses</b> | <b>(231)</b> | <b>(83)</b> | <b>(482)</b> | <b>(235)</b> |
|                               | <b>163</b>   | <b>47</b>   | <b>377</b>   | <b>159</b>   |

(\*). Include 77 of foreign currency exchange losses generated by Government bonds as of September 30, 2013.

**ag) Income taxes**

Income tax expense for the nine-month periods ended September 30, 2013 and 2012 consists of the following:

|  | <b>Profit (loss)</b> |                |                 |               |                |
|--|----------------------|----------------|-----------------|---------------|----------------|
|  | <b>The</b>           | <b>Telecom</b> |                 |               |                |
|  | <b>Company</b>       | <b>USA</b>     | <b>Personal</b> | <b>Núcleo</b> | <b>Total</b>   |
| Current tax expense                                | (280)                | (3)            | (1,192)         | (18)          | <b>(1,493)</b> |
| Fiscal year 2012 return adjustment                 |                      |                | (3)             |               | <b>(3)</b>     |
| Deferred tax benefit                               | 96                   |                | 123             | 1             | <b>220</b>     |
| Valuation allowance                                |                      |                | (3)             |               | <b>(3)</b>     |
| <b>Income tax expense as of September 30, 2013</b> | <b>(184)</b>         | <b>(3)</b>     | <b>(1,075)</b>  | <b>(17)</b>   | <b>(1,279)</b> |
| Current tax expense                                | (231)                |                | (847)           | (17)          | <b>(1,095)</b> |
| Deferred tax benefit                               | 34                   |                | 23              | 1             | <b>58</b>      |
| Valuation allowance                                |                      |                | (2)             |               | <b>(2)</b>     |
| <b>Income tax expense as of September 30, 2012</b> | <b>(197)</b>         |                | <b>(826)</b>    | <b>(16)</b>   | <b>(1,039)</b> |

Table of Contents**TELECOM ARGENTINA S.A.**

Income tax expense for the periods differed from the amounts computed by applying the Company's statutory income tax rate to pre-tax income as a result of the following:

|  | In Argentina   | Abroad<br>Profit (loss) | Total          |
|--|----------------|-------------------------|----------------|
| Pre-tax income on a separate return basis                | 5,549          | 137                     | <b>5,686</b>   |
| Non taxable items - Other income from investments        | (2,047)        |                         | <b>(2,047)</b> |
| Non taxable items - Other                                | 13             | (16)                    | <b>(3)</b>     |
| <b>Subtotal</b>  | <b>3,515</b>   | <b>121</b>              | <b>3,636</b>   |
| Weighted statutory income tax rate                       | 35%            | (*)                     |                |
| <b>Income tax expense at weighted statutory tax rate</b> | <b>(1,230)</b> | <b>(20)</b>             | <b>(1,250)</b> |
| Income tax on cash dividends from foreign companies      | (18)           |                         | <b>(18)</b>    |
| Other changes in tax assets and liabilities              | (5)            |                         | <b>(5)</b>     |
| Fiscal year 2012 return adjustment                       | (3)            |                         | <b>(3)</b>     |
| Changes in valuation allowance                           | (3)            |                         | <b>(3)</b>     |
| <b>Income tax expense as of September 30, 2013</b>       | <b>(1,259)</b> | <b>(20)</b>             | <b>(1,279)</b> |
| Pre-tax income on a separate return basis                | 4,421          | 115                     | <b>4,536</b>   |
| Non taxable items - Other income from investments        | (1,575)        |                         | <b>(1,575)</b> |
| Non taxable items - Other                                | 5              | (4)                     | <b>1</b>       |
| <b>Subtotal</b>  | <b>2,851</b>   | <b>111</b>              | <b>2,962</b>   |
| Weighted statutory income tax rate                       | 35%            | (*)                     |                |
| <b>Income tax expense at weighted statutory tax rate</b> | <b>(998)</b>   | <b>(16)</b>             | <b>(1,014)</b> |
| Income tax on cash dividends from foreign companies      | (19)           |                         | <b>(19)</b>    |
| Other changes in tax assets and liabilities              | (4)            |                         | <b>(4)</b>     |
| Changes in valuation allowance                           | (2)            |                         | <b>(2)</b>     |
| <b>Income tax expense as of September 30, 2012</b>       | <b>(1,023)</b> | <b>(16)</b>             | <b>(1,039)</b> |

(\*) Effective income tax rate based on weighted statutory income tax rate in the different countries where the Telecom Group has operations. The statutory tax rate in Argentina was 35% for all the periods presented, in Paraguay was 10% plus an additional rate of 5% in case of payment of dividends for all the periods presented, in

Uruguay the statutory tax rate was 25% for all the periods presented and in the USA the effective tax rate was 39.5%, for all the periods presented, respectively.

**NOTE 3 SUPPLEMENTARY CASH FLOW INFORMATION***Changes in assets/liabilities components:*

|   | <b>Nine-month periods ended<br/>September 30,</b> |              |
|---|---|--------------|
|   | <b>2013</b>                                       | <b>2012</b>  |
| <b>Net (increase) decrease in assets</b>      |   |              |
| Trade receivables                             | (649)   | (339)        |
| Other receivables                             | (71)  | (99)         |
| Other receivables related parties (Note 5.c)  | (190)   |              |
| Inventories                                   | (534)   | (232)        |
| Non-cash investments                          | 2   |              |
|   | <b>(1,442)</b>                                    | <b>(670)</b> |
| <b>Net (decrease) increase in liabilities</b> |   |              |
| Trade payables                                | 1,139   | (94)         |
| Deferred revenues                             | 125   | 90           |
| Salaries and social security payables         | (17)  | (31)         |
| Other taxes payables                          | (12)  | 69           |
| Other liabilities                             | 23  | (20)         |
| Provisions                                    | (44)  | (96)         |
|   | <b>1,214</b>                                      | <b>(82)</b>  |

Income tax paid consists of the following:

|                                     |                |                |
|-------------------------------------|----------------|----------------|
| Tax returns and payments in advance | (1,124)        | (1,259)        |
| Other payments                      | (103)          | (74)           |
|                                     | <b>(1,227)</b> | <b>(1,333)</b> |

*Main non-cash operating transactions:*

|  |   |    |
|--|---|----|
| VAT credit balances offset with income taxes payments                      | 8 | 23 |
| Compensation Fund contribution reclassified between:                       |   |    |
| Provisions and Other receivables and Salaries and social security payables |   | 39 |



|  |     |     |
|--|-----|-----|
| Provisions and Other liabilities               |     | 27  |
| SAC acquisitions offset with trade receivables | 156 | 117 |

Table of Contents**TELECOM ARGENTINA S.A.***Most significant investing activities:*

PP&amp;E acquisitions include:

|   | <b>Nine-month periods ended<br/>September 30,</b> |                |
|---|---|----------------|
|   | <b>2013</b>                                       | <b>2012</b>    |
| PP&E additions (Note 2.j)   | (2,442)   | (1,656)        |
| Plus:   |   |                |
| Payments of trade payables originated in prior years acquisitions | (800)   | (1,223)        |
| Less:   |   |                |
| Acquisition of PP&E through incurrence of trade payables          | 1,006   | 966            |
| Asset retirement obligations                                      | 17  | 7              |
| Mobile handsets lent to customers at no cost                      | 10  | 4              |
|   | <b>(2,209)</b>                                    | <b>(1,902)</b> |

Intangible assets acquisitions include:

|   |              |              |
|---|--------------|--------------|
| Intangible assets additions (Note 2.k)                                | (647)        | (642)        |
| Plus:   |              |              |
| Payments of trade payables originated in prior years acquisitions     | (85)         | (78)         |
| SAC acquisitions offset with trade receivables                        | (156)        | (117)        |
| Less:   |              |              |
| Acquisition of intangible assets through incurrence of trade payables | 273          | 291          |
|   | <b>(615)</b> | <b>(546)</b> |

The following table presents the cash flows from purchases, sales and maturities of securities which were not considered cash equivalents in the statement of cash flows:

|                                     |              |              |
|-------------------------------------|--------------|--------------|
| Investments over 90 days maturity   | (583)        | (150)        |
| Argentine companies notes and bonds | (83)         | (20)         |
| Loan to Nortel                      | (19)         |              |
|                                     | <b>(685)</b> | <b>(170)</b> |

**Financing activities components:**

The following table presents the financing activities components of the consolidated statements of cash flows:

|   |              |             |
|---|--------------|-------------|
| Debt proceeds - Núcleo                                    | 203          |             |
| <b>Total financial debt proceeds (*)</b>                  | <b>203</b>   |             |
| Payment of bank loans - Núcleo                            | (152)        | (11)        |
| <b>Total payment of financial debt (*)</b>                | <b>(152)</b> | <b>(11)</b> |
| Payment of interest on bank loans - Núcleo                | (14)         | (8)         |
| <b>Total payment of interest</b>                          | <b>(14)</b>  | <b>(8)</b>  |
| <b>Acquisition of treasury shares - Telecom Argentina</b> | <b>(310)</b> |             |

(\*) In September 2013, 168 (equivalent to 130,000 million of Guaraníes) were taken mainly to be pre-cancel financial debt by 133 (equivalent to 103,000 million of Guaraníes).

**Cash dividends from Núcleo**

The Ordinary Shareholders Meeting of Núcleo held on March 22, 2013 approved the following cash dividend payment:

| Date of payment  | Dividends                | Dividends attributable      | Total      |
|------------------|--------------------------|-----------------------------|------------|
|                  | attributable to Personal | to non-controlling interest |            |
| May 2013         | 34                       | 16                          | 50         |
| October 2013     | 34                       | 17                          | 51         |
| <b>Total (*)</b> | <b>68</b>                | <b>33</b>                   | <b>101</b> |

(\*) Correspond to 80,000 million of Guaraníes approved by the Ordinary Shareholders Meeting of Núcleo, translated to Argentine pesos at the exchange rate of the date of its approval.

The Ordinary Shareholders Meeting of Núcleo held on March 16, 2012 approved the following cash dividend payment:

| Date of payment | Total |
|-----------------|-------|
|-----------------|-------|

|                    | <b>Dividends attributable<br/>to Personal</b> | <b>Dividends attributable<br/>to non-controlling<br/>interest</b> |           |
|--------------------|---|---|-----------|
| April 2012         | 27  | 13  | 40        |
| September 2012 (*) | 20  | 10  | 30        |
| <b>Total</b>       | <b>47</b>                                     | <b>23</b>   | <b>70</b> |

(\*) The second installment was paid on October 9, 2012.

Table of Contents**TELECOM ARGENTINA S.A.****Cash dividends**

The Annual General Ordinary Shareholders Meeting of Telecom Argentina held on April 27, 2012 approved a cash dividend distribution in the amount of \$807 (equivalent to \$0.82 peso per share of Telecom Argentina), which was paid starting on May 10, 2012.

**NOTE 4 SEGMENT INFORMATION**

The Group conducts its business through six legal entities. Each one has been identified as an operating segment.

The Company has combined the operating segments into three reportable segments: Fixed Services, Personal Mobile Services and Núcleo Mobile Services based on the nature of products provided by the entities and taking into account the regulatory and economic framework in which each entity operates.

Segment financial information for the nine-month periods ended September 30, 2013 and 2012 was as follows:

*For the nine-month period ended September 30, 2013***Income statement**

|   | Fixed<br>Services | Mobile Services<br>Personal | Núcleo     | Subtotal      | Eliminations   | Total         |
|---|-------------------|-----------------------------|------------|---------------|----------------|---------------|
| <b>Total revenues and other income (1)</b>                | <b>6,041</b>      | <b>13,959</b>               | <b>854</b> | <b>14,813</b> | <b>(1,001)</b> | <b>19,853</b> |
| Employee benefit expenses and severance payments          | (2,155)           | (780)                       | (61)       | (841)         |                | (2,996)       |
| Interconnection costs and other telecommunication charges | (392)             | (1,591)                     | (131)      | (1,722)       | 728            | (1,386)       |
| Fees for services, maintenance, materials and supplies    | (809)             | (1,158)                     | (74)       | (1,232)       | 164            | (1,877)       |
| Taxes and fees with the Regulatory Authority              | (424)             | (1,505)                     | (25)       | (1,530)       |                | (1,954)       |
| Commissions   | (132)             | (1,434)                     | (82)       | (1,516)       | 41             | (1,607)       |
| Cost of equipments and handsets                           | (49)              | (2,057)                     | (63)       | (2,120)       |                | (2,169)       |
| Advertising   | (102)             | (306)                       | (44)       | (350)         |                | (452)         |
| Cost of VAS   | (7)               | (472)                       | (24)       | (496)         |                | (503)         |
| Provisions  | (159)             | (66)                        |            | (66)          |                | (225)         |
| Bad debt expenses   | (47)              | (166)                       | (8)        | (174)         |                | (221)         |
| Recovery of restructuring costs                           | 8                 |                             |            |               |                | 8             |
| Other operating expenses                                  | (504)             | (441)                       | (40)       | (481)         | 68             | (917)         |
| <b>Operating income before D&amp;A</b>                    | <b>1,269</b>      | <b>3,983</b>                | <b>302</b> | <b>4,285</b>  |                | <b>5,554</b>  |
| Depreciation of PP&E                                      | (667)             | (645)                       | (135)      | (780)         |                | (1,447)       |
| Amortization of intangible assets                         | (82)              | (575)                       | (26)       | (601)         |                | (683)         |

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|   |            |              |            |              |              |
|---|------------|--------------|------------|--------------|--------------|
| Gain on disposal of PP&E and impairment of PP&E                           | (109)      | (53)         | 1          | (52)         | (161)        |
| <b>Operating income</b>   | <b>411</b> | <b>2,710</b> | <b>142</b> | <b>2,852</b> | <b>3,263</b> |
| Financial results, net  | 116        | 272          | (11)       | 261          | 377          |
| <b>Net income before income tax expense</b>                               | <b>527</b> | <b>2,982</b> | <b>131</b> | <b>3,113</b> | <b>3,640</b> |
| Income tax expense, net   | (187)      | (1,075)      | (17)       | (1,092)      | (1,279)      |
| <b>Net income</b>   | <b>340</b> | <b>1,907</b> | <b>114</b> | <b>2,021</b> | <b>2,361</b> |
| <b>Net income attributable to Telecom Argentina (Controlling Company)</b> |            |              |            |              | <b>2,324</b> |
| Net income attributable to non-controlling interest                       |            |              |            |              | 37           |
|   |            |              |            |              | <b>2,361</b> |

(1)

|  |              |               |            |               |                |
|--|--------------|---------------|------------|---------------|----------------|
| Service revenues                       | 5,065        | 11,762        | 787        | <b>12,549</b> | <b>17,614</b>  |
| Equipment revenues                     | 49           | 2,109         | 55         | <b>2,164</b>  | <b>2,213</b>   |
| Other income                           | 18           | 2             | 6          | <b>8</b>      | <b>26</b>      |
| <b>Subtotal third party revenues</b>   | <b>5,132</b> | <b>13,873</b> | <b>848</b> | <b>14,721</b> | <b>19,853</b>  |
| Intersegment revenues                  | 909          | 86            | 6          | <b>92</b>     | (1,001)        |
| <b>Total revenues and other income</b> | <b>6,041</b> | <b>13,959</b> | <b>854</b> | <b>14,813</b> | <b>(1,001)</b> |

Statement of financial position information

|  |              |              |            |              |                  |
|--|--------------|--------------|------------|--------------|------------------|
| <b>PP&amp;E</b>  | 5,851        | 3,032        | 962        | <b>3,994</b> | <b>9,845</b>     |
| <b>Intangible assets, net</b>                            | 375          | 1,071        | 38         | <b>1,109</b> | (1) <b>1,483</b> |
| Capital expenditures on PP&E (a)                         | 1,171        | 878          | 200        | <b>1,078</b> | <b>2,249</b>     |
| Capital expenditures on intangible assets (b)            | 85           | 531          | 31         | <b>562</b>   | <b>647</b>       |
| <b>Total capital expenditures (a)+(b)</b>                | <b>1,256</b> | <b>1,409</b> | <b>231</b> | <b>1,640</b> | <b>2,896</b>     |
| <b>Total additions on PP&amp;E and intangible assets</b> | <b>1,440</b> | <b>1,413</b> | <b>236</b> | <b>1,649</b> | <b>3,089</b>     |
| <b>Net financial asset (debt)</b>                        | 1,093        | 4,745        | (154)      | <b>4,591</b> | <b>5,684</b>     |

Geographic information

|                  | Total revenues and other income     |  | Total non-current assets            |
|------------------|-------------------------------------|--|-------------------------------------|
|                  | Breakdown by location of operations | Breakdown by location of the Group's customers | Breakdown by location of operations |
| <b>Argentina</b> | 18,952                              | 18,814   | 10,817                              |
| <b>Abroad</b>    | 901                                 | 1,039  | 1,028                               |

|              |               |               |               |
|--------------|---------------|---------------|---------------|
| <b>Total</b> | <b>19,853</b> | <b>19,853</b> | <b>11,845</b> |
|--------------|---------------|---------------|---------------|





|  |              |               |            |               |              |               |
|--|--------------|---------------|------------|---------------|--------------|---------------|
| Service revenues                       | 4,356        | 9,573         | 605        | <b>10,178</b> |              | <b>14,534</b> |
| Equipment revenues                     | 61           | 1,408         | 22         | <b>1,430</b>  |              | <b>1,491</b>  |
| Other income                           | 14           | 2             |            | <b>2</b>      |              | <b>16</b>     |
| <b>Subtotal third party revenues</b>   | <b>4,431</b> | <b>10,983</b> | <b>627</b> | <b>11,610</b> |              | <b>16,041</b> |
| Intersegment revenues                  | 781          | 92            | 4          | <b>96</b>     | (877)        |               |
| <b>Total revenues and other income</b> | <b>5,212</b> | <b>11,075</b> | <b>631</b> | <b>11,706</b> | <b>(877)</b> | <b>16,041</b> |

*Statement of financial position information*

|  |              |              |            |              |            |              |
|--|--------------|--------------|------------|--------------|------------|--------------|
| <b>PP&amp;E</b>  | 5,154        | 2,702        | 693        | <b>3,395</b> |            | <b>8,549</b> |
| <b>Intangible assets, net</b>                            | 375          | 1,131        | 24         | <b>1,155</b> | (1)        | <b>1,529</b> |
| Capital expenditures on PP&E (a)                         | 863          | 577          | 105        | <b>682</b>   |            | <b>1,545</b> |
| Capital expenditures on intangible assets (b)            | 62           | 562          | 19         | <b>581</b>   | (1)        | <b>642</b>   |
| <b>Total capital expenditures (a)+(b)</b>                | <b>925</b>   | <b>1,139</b> | <b>124</b> | <b>1,263</b> | <b>(1)</b> | <b>2,187</b> |
| <b>Total additions on PP&amp;E and intangible assets</b> | <b>1,036</b> | <b>1,139</b> | <b>120</b> | <b>1,259</b> | <b>(1)</b> | <b>2,294</b> |
| <b>Net financial asset (debt)</b>                        | 1,328        | 1,471        | (102)      | <b>1,369</b> |            | <b>2,697</b> |

**Geographic information**

|                  | <b>Total revenues and other income</b>     |   | <b>Total non-current assets</b>            |
|------------------|--|---|--|
|                  | <b>Breakdown by location of operations</b> | <b>Breakdown by location of the Group's customers</b> | <b>Breakdown by location of operations</b> |
| <b>Argentina</b> | 15,383                                     | 15,197  | 9,531                                      |
| <b>Abroad</b>    | 658  | 844   | 735  |
| <b>Total</b>     | <b>16,041</b>                              | <b>16,041</b>   | <b>10,266</b>                              |

**Table of Contents**

**TELECOM ARGENTINA S.A.**

**NOTE 5 RELATED PARTY TRANSACTIONS**

**a) Controlling company**

As of September 30, 2013, Nortel, domiciled at A. Moreau de Justo 50 11th Floor Autonomous City of Buenos Aires, holds 54.74% of the Company's capital stock, which allows it to control the Company pursuant to Section 33 of Law No. 19,550. Such percentage is made up of 100% of the Class A shares (51% of the Company's aggregate shares) and 7.64% of the Class B shares (3.74% of the Company's aggregate shares).

As a result of the Company's Treasury Shares Acquisition Process described in Note 7.b) Acquisition of Treasury Shares, as of September 30, 2013, Nortel's equity interest in Telecom Argentina amounts to 55.35% of the outstanding shares. Pursuant to Section 221 of the LSC, the rights of treasury shares shall be suspended until such shares are sold, and shall not be taken into account to determine the quorum or the majority of votes at the Shareholders' Meetings.

All of the common shares of Nortel belong to Sofora. As of September 30, 2013 these shares represented 78.38% of the capital stock of Nortel.

**b) Related parties**

Related parties (as described in IAS 24) are those legal entities or individuals which are related to the indirect shareholders of the Company.

Under IAS 24, Telefónica, S.A. (of Spain) and its controlled companies, including Telefónica de Argentina S.A. and Telefónica Móviles de Argentina S.A. are not considered related parties. As of the date of these consolidated financial statements, such situation has been confirmed by the commitments assumed before the Argentine Antitrust Commission (or the CNDC) to ensure the separation and independence between the Telecom Italia Group and the Telecom Group, on one hand, and Telefónica S.A. (of Spain) and its controlled companies, on the other, with respect to their activities in the Argentine telecommunications market, such as it has been corroborated by the applicable authorities.

The Telecom Group has transactions in the normal course of business with certain related parties. For the periods presented, the Group has not conducted any transactions with executive officers and/or persons related to them.

**c) Balances with related parties**

**Direct parent company**

|                       | September 30,<br>2013 | December 31,<br>2012 |
|-----------------------|-----------------------|----------------------|
| <b>CURRENT ASSETS</b> |                       |                      |
| <b>Investments</b>    |                       |                      |
| Nortel                | 22                    | 2                    |
|                       | <b>22</b>             | <b>2</b>             |

**Related parties**

|   | Type of related<br>party   | September 30,<br>2013 | December 31,<br>2012 |
|---|----------------------------|-----------------------|----------------------|
| <b>CURRENT ASSETS</b>                         |                            |                       |                      |
| <b>Trade receivables</b>                      |                            |                       |                      |
| TIM Participações S.A. (a)                    | Other related party        | 7                     |                      |
| Telecom Italia S.p.A. (a)                     | Indirect parent<br>company |                       | 1                    |
| Latin American Nautilus Argentina<br>S.A. (a) | Other related party        | 1                     | 1                    |
| Telecom Italia Sparkle S.p.A. (a)             | Other related party        |                       | 9                    |
|   |                            | <b>8</b>              | <b>11</b>            |
| <b>Other receivables</b>                      |                            |                       |                      |
| Latin American Nautilus Ltd. (a) (d)          | Other related party        | 83                    |                      |
| Caja de Seguros S.A. (a) (b)                  | Other related party        | 13                    | 21                   |
|   |                            | <b>96</b>             | <b>21</b>            |
| <b>NON-CURRENT ASSETS</b>                     |                            |                       |                      |
| <b>Other receivables</b>                      |                            |                       |                      |
| Latin American Nautilus Ltd. (a) (d)          | Other related party        | 107                   |                      |
|   |                            | <b>107</b>            |                      |

**Table of Contents****TELECOM ARGENTINA S.A.**

|  | Type of related<br>party   | September 30,<br>2013 | December 31,<br>2012 |
|--|----------------------------|-----------------------|----------------------|
| <b>CURRENT LIABILITIES</b>                                     |                            |                       |                      |
| <b>Trade payables</b>  |                            |                       |                      |
| Grupo Italtel (a)  | Other related party        | 81                    | 97                   |
| Telecom Italia S.p.A. (a)                                      | Indirect parent<br>company | 15                    | 22                   |
| Latin American Nautilus Ltd. (a)                               | Other related party        | 1                     | 30                   |
| Telecom Italia Sparkle S.p.A. (a)                              | Other related party        | 3                     | 10                   |
| Latin American Nautilus USA Inc. (a)                           | Other related party        | 1                     | 2                    |
| Latin American Nautilus Argentina<br>S.A. (a)                  | Other related party        |                       | 1                    |
| TIM Participações S.A. (a)                                     | Other related party        |                       | 2                    |
| Caja de Seguros S.A. (a) (b)                                   | Other related party        | 32                    | 23                   |
| La Caja Aseguradora de Riesgos del<br>Trabajo ART S.A. (a) (b) | Other related party        | 4                     | 5                    |
|  |                            | <b>137</b>            | <b>192</b>           |
| <b>Dividends payables</b>                                      |                            |                       |                      |
| ABC Telecomunicaciones S.A.                                    | Other related party        | 17                    |                      |
|  |                            | <b>17</b>             |                      |

**d) Transactions with related parties****Direct parent company**

|        | Transaction<br>description     | Nine-month periods ended<br>September 30,<br>2013      2012 |  |
|--------|--------------------------------|---|--|
| Nortel | Interest                       | 3   |  |
|        | <b>Total financial results</b> | <b>3</b>  |  |

**Related parties**

|  | <b>Transaction<br/>description</b>           | <b>Type of related<br/>party</b>           | <b>Nine-month periods<br/>ended<br/>September 30,<br/>2013      2012<br/>Profit (loss)</b> |              |
|--|--|--|--|--------------|
| TIM Participações S.A. (a)                                     | Voice - Wholesale                            | Other related party                        | 11   | 11           |
| Telecom Italia Sparkle S.p.A. (a)                              | Voice - Wholesale                            | Other related party                        | 16   | 21           |
| Telecom Italia S.p.A. (a)                                      | Voice - Wholesale                            | Indirect parent company                    | 2  | 2            |
| Latin American Nautilus Argentina<br>S.A. (a)                  | Voice - Wholesale                            | Other related party                        | 1  |              |
| Caja de Seguros S.A. (a) (b)                                   | Voice - Retail                               | Other related party                        | 31   | 59           |
| Caja de Seguros S.A. (a) (b)                                   | Equipment                                    | Other related party                        | 137  | 42           |
| Standard Bank (b) (c)  | Voice - Retail                               | Other related party                        |  | 2            |
| Standard Bank (b) (c)  | Data   | Other related party                        |  | 11           |
| Standard Bank (b) (c)  | Equipment                                    | Other related party                        |  | 5            |
|  |  | <b>Total revenues and<br/>other income</b> | <b>198</b>   | <b>153</b>   |
| Latin American Nautilus Ltd. (a)                               | International<br>outbound calls and<br>data  | Other related party                        | (78)   | (76)         |
| Grupo Italtel (a)  | Maintenance,<br>materials and<br>supplies    | Other related party                        | (16)   | (40)         |
| Telecom Italia Sparkle S.p.A. (a)                              | International<br>outbound calls and<br>other | Other related party                        | (22)   | (28)         |
| Telecom Italia S.p.A. (a)                                      | Fees for services<br>and roaming             | Indirect parent company                    | (17)   | (16)         |
| TIM Participações S.A. (a)                                     | Roaming                                      | Other related party                        | (10)   | (10)         |
| Latin American Nautilus Argentina<br>S.A. (a)                  | International<br>outbound calls              | Other related party                        | (6)  | (6)          |
| Latin American Nautilus USA Inc. (a)                           | International<br>outbound calls              | Other related party                        | (5)  | (3)          |
| La Caja Aseguradora de Riesgos del<br>Trabajo ART S.A. (a) (b) | Salaries and social<br>security              | Other related party                        | (35)   | (25)         |
| Caja de Seguros S.A. (a) (b)                                   | Insurance                                    | Other related party                        | (13)   | (11)         |
| La Estrella Seguros de Retiro S.A.<br>(a) (b)                  | Insurance                                    | Other related party                        | (6)  | (4)          |
|  |  | <b>Total operating costs</b>               | <b>(208)</b>   | <b>(219)</b> |
| Standard Bank (b) (c)  | Interest                                     | Other related party                        |  | 5            |
|  |  | <b>Total financial results</b>             |  | <b>5</b>     |

|                           |  |           |           |
|---------------------------|--|-----------|-----------|
| Grupo Italtel (a)         | Other related party                    | 90        | 37        |
| Telecom Italia S.p.A. (a) | Indirect parent company                |           | 1         |
|                           | <b>Total purchases of<br/>PP&amp;E</b> | <b>90</b> | <b>38</b> |

- (a) Such companies relate to Telecom Italia Group.
- (b) Such companies relate to W de Argentina Inversiones S.L.
- (c) This entity is no longer related party as from November 2012.
- (d) Corresponds to an agreement of lease-mode IP international capacity until December 2016. The Company paid approximately 267.6 on February 2013 for this agreement.

**Table of Contents****TELECOM ARGENTINA S.A.**

The transactions discussed above were made on terms no less favorable to the Telecom Group than would have been obtained from unaffiliated third parties. The Board of Directors approved transactions representing more than 1% of the total shareholders' equity of the Company, after being approved by the Audit Committee in compliance with Decree No. 677/01 and Law No. 26,831.

**e) Key Managers**

Compensation for the Key Managers, including social security contribution, amounted to \$45 and \$38 for the nine-month periods ended September 30, 2013 and 2012, respectively, and was recorded as expenses under the item line "Employee benefits expenses and severance payments". The total expense remuneration is comprised as follows:

|                               | Three-month periods ended |           | Nine-month periods ended |           |
|-------------------------------|---------------------------|-----------|--------------------------|-----------|
|                               | September 30,             |           | September 30,            |           |
|                               | 2013                      | 2012      | 2013                     | 2012      |
| Salaries (*)                  | 6                         | 5         | 20                       | 15        |
| Variable compensation (*)     | 6                         | 7         | 14                       | 15        |
| Social security contributions | 3                         | 3         | 8                        | 8         |
| Termination benefits          |                           |           | 3                        |           |
|                               | <b>15</b>                 | <b>15</b> | <b>45</b>                | <b>38</b> |

(\*) Gross compensation. Social security and income tax retentions are in charge of the employee. As of September 30, 2013 and 2012, an amount of \$17 and \$19 remained unpaid, respectively.

As of September 30, 2013 and 2012, the Telecom Group has recorded a \$12 and \$5 provision, respectively, for the fees of the Company's and Telecom Argentina's Board of Directors members. The members and alternate members of the Board of Directors do not hold executive positions in the Company or Company's subsidiaries.

**NOTE 6 COMMITMENTS AND CONTINGENCIES OF THE TELECOM GROUP****a) Purchase commitments**

The Company has entered into various purchase orders amounting in the aggregate to approximately \$5,264 as of September 30, 2013 (of which \$2,299 corresponds to PP&E commitments), primarily related to the supply of switching equipment, external wiring, infrastructure agreements, inventory and other service agreements.



**b) Contingencies**

The Telecom Group is a party to several civil, tax, commercial, labor and regulatory proceedings and claims that have arisen in the ordinary course of business. In order to determine the proper level of provisions, Management of the Company, based on the opinion of its internal and external legal counsel, assesses the likelihood of any adverse judgments or outcomes related to these matters as well as the range of probable losses that may result from the potential outcomes. A determination of the amount of provisions required, if any, is determined after an analysis of each individual case.

The determination of the required provisions may change in the future due to new developments or unknown facts at the time of the evaluation of the claims or changes as a matter of law or legal interpretation. Consequently, as of September 30, 2013, the Telecom Group has recorded provisions in an aggregate amount of \$1,339 to cover potential losses under these claims (\$85 for regulatory contingencies deducted from assets and \$1,254 included under provisions) and certain amounts deposited in the Company's bank accounts have been restricted as to their use due to some judicial proceedings. As of September 30, 2013, these restricted funds totaled \$46 (included under Other receivables item line in the consolidated statement of financial position).

Table of Contents**TELECOM ARGENTINA S.A.**

Provisions consist of the following:

|  | Balances<br>as of<br>December 31,<br>2012 | Additions (reversals)<br>Capital<br>(iii) | Interest<br>(ii) | Reclassification<br>(i) | Decreases<br>Classified<br>to liability<br>Payments | Balances<br>as of<br>September 30,<br>2013 |
|--|---|---|------------------|-------------------------|---|--|
| <b><u>Current</u></b>                                  |   |   |                  |                         |   |  |
| Provision for civil and commercial proceedings         | 33  |   |                  |                         | 69 (4)  | 98   |
| Provision for labor claims                             | 32  |   |                  |                         | 29 (21)   | 40   |
| Restructuring  | 54  | (iii) (8)                                 |                  |                         | (46)  |  |
| Provision for regulatory, tax and other matters claims | 15  |   |                  |                         | 50 (19)   | 46   |
| <b>Total current provisions</b>                        | <b>134</b>                                | <b>(8)</b>                                |                  |                         | <b>148 (46) (44)</b>                                | <b>184</b>                                 |
| <b><u>Non-current</u></b>                              |   |   |                  |                         |   |  |
| Provision for civil and commercial proceedings         | 145                                       | 56  | 10               | (69)                    |   | 142  |
| Provision for labor claims                             | 255                                       | 38  | 20               | (29)                    |   | 284  |
| Provision for regulatory, tax and other matters claims | 432                                       | 131                                       | 33               | (50)                    |   | 546  |
| Asset retirement obligations                           | 75  | 17  | 6                |                         |   | 98   |
| <b>Total non-current provisions</b>                    | <b>907</b>                                | <b>(i) 242</b>                            | <b>69</b>        | <b>(148)</b>            |   | <b>1,070</b>                               |
| <b>Total provisions</b>                                | <b>1,041</b>                              | <b>234</b>                                | <b>69</b>        | <b>(46)</b>             | <b>(44)</b>   | <b>1,254</b>                               |

(i) Included 225 in Provisions and 17 in Capex.

(ii) Included in Finance costs.

(iii) The Restructuring Plan initiated during the last quarter of 2012 finished in June 2013 and 8 has been recovered and was included in Recovery of restructuring costs .

|  | Balances<br>as of<br>December 31, | Additions (reversals)<br>Capital<br>(i) | Interest<br>(ii) | Reclassification<br>(i) | Decreases<br>Classified<br>to liability<br>Payments | Balances<br>as of<br>September 30, |
|--|-----------------------------------|---|------------------|-------------------------|---|------------------------------------|
|--|-----------------------------------|---|------------------|-------------------------|---|------------------------------------|

|  | 2011       |                |           | 2012        |             |             |
|--|------------|----------------|-----------|-------------|-------------|-------------|
| <b><u>Current</u></b>                                  |            |                |           |             |             |             |
| Provision for civil and commercial proceedings         | 16         |                |           | 19          | (3)         | 32          |
| Provision for labor claims                             | 128        |                |           | 34          | (57)        | 27          |
| Provision for regulatory, tax and other matters claims | 29         |                |           | 22          | (24)        | 12          |
| <b>Total current provisions</b>                        | <b>173</b> |                |           | <b>75</b>   | <b>(81)</b> | <b>71</b>   |
| <b><u>Non-current</u></b>                              |            |                |           |             |             |             |
| Provision for civil and commercial proceedings         | 117        | 15             | 11        | (19)        |             | 124         |
| Provision for labor claims                             | 220        | 48             | 29        | (34)        | (10)        | 253         |
| Provision for regulatory, tax and other matters claims | 384        | 49             | 16        | (22)        |             | 427         |
| Asset retirement obligations                           | 61         | 7              | 4         |             |             | 72          |
| <b>Total non-current provisions</b>                    | <b>782</b> | <b>(i) 119</b> | <b>60</b> | <b>(75)</b> | <b>(10)</b> | <b>876</b>  |
| <b>Total provisions</b>                                | <b>955</b> | <b>119</b>     | <b>60</b> |             | <b>(91)</b> | <b>(96)</b> |

(i) Included 112 in Provisions and 7 in Capex.

(ii) Included in Finance costs.

**NOTE 7 EQUITY**

Equity includes:

|  | <b>September 30,</b><br><b>2013</b> | <b>December 31,</b><br><b>2012</b> |
|--|-------------------------------------|------------------------------------|
| Equity attributable to Telecom Argentina (Controlling Company) | 12,027                              | 9,959                              |
| Equity attributable to non-controlling interest                | 232                                 | 199                                |
| <b>Total equity (*)</b>  | <b>12,259</b>                       | <b>10,158</b>                      |

(\*) Additional information is given in the consolidated statements of changes in equity.

**(a) Capital Stock**

Telecom Argentina's breakdown of capital stock as of September 30, 2013 is as following:

| <b>Shares</b>   | <b>Registered, subscribed and authorized for public offering</b> |                            |                                |
|---|--|----------------------------|--------------------------------|
|   | <b>Outstanding<br/>shares</b>                                    | <b>Treasury<br/>shares</b> | <b>Total capital<br/>stock</b> |
| Ordinary shares, \$1 Argentine peso of nominal value each |  |                            |                                |
| Class A   | 502,034,299  |                            | 502,034,299                    |
| Class B   | 471,295,087  | 10,784,154                 | 482,079,241                    |
| Class C   | 267,438  |                            | 267,438                        |
| <b>Total</b>  | <b>973,596,824</b>   | <b>10,784,154</b>          | <b>984,380,978</b>             |

**Table of Contents**

**TELECOM ARGENTINA S.A.**

Telecom Argentina's capital stock amounts to \$984,380,978, and is represented by an equal number of ordinary shares, \$1 Argentine peso of nominal value and entitled to one vote per share. As of September 30, 2013 all the shares are fully paid.

The Company's shares are authorized by the CNV, the Buenos Aires Stock Exchange (the BCBA) and the New York Stock Exchange (the NYSE) for public trading. Only Class B shares are traded since Nortel owns all of the outstanding Class A shares and Class C shares are dedicated to the employee stock ownership program.

Each ADS represents 5 Class B shares and are traded on the NYSE under the ticker symbol TEO.

**(b) Acquisition of Treasury Shares**

The Company's Ordinary Shareholders' Meeting held on April 23, 2013, which was adjourned until May 21, 2013, approved at its second session of deliberations, the creation of a Voluntary Reserve for Capital Investments of \$1,200, granting powers to the Company's Board of Directors to decide its total or partial use, and to approve the methodology, terms and conditions of such investments.

In connection with the above mentioned, on May 22, 2013, the Board of Directors has approved the following terms and conditions of the Company's Treasury Shares Acquisition Process in the market in Argentine pesos so as to avoid any possible damages to the Company and its shareholders derived from fluctuations and unbalances between the shares' price and the Company's solvency:

Maximum amount to be invested: \$1,200 million.

Maximum amount of shares subject to the acquisition: the amount of Class B ordinary shares of the Company, \$1 Argentine peso of nominal value and with one vote each, that may be acquired with the maximum amount to be invested, which amount may never exceed a limit of 10% of the capital stock.

Price to be paid by share: between a minimum of \$1 Argentine peso and a maximum of \$32.50 Argentine pesos by share. The maximum price to be paid by share may be modified by the Company's Board of Directors.

Deadline for the acquisitions: until April 30, 2014.

The Company's Board of Directors, on its meeting held on August 29, 2013, modified the terms and conditions only regards the price to be paid by share, which resulted to be between a minimum of \$1 Argentine peso and a maximum of \$40 Argentine pesos per share.

Pursuant to Section 67 of Law No. 26,831, the Company must sell its treasury shares within three years of the date of acquisition. Pursuant to Section 221 of the LSC, the rights of treasury shares shall be suspended until such shares are sold, and shall not be taken into account to determine the quorum or the majority of votes at the Shareholders Meetings. No restrictions apply to Retained Earnings as a result of the creation of a specific reserve for such purposes named Voluntary Reserve for Capital Investments .

As of September 30, 2013 the following treasury shares were acquired:

| <b>Transaction date</b> | <b>Treasury shares acquired (a)</b> | <b>Total cost (in millions)</b> | <b>Average cost per share</b> |
|-------------------------|-------------------------------------|---------------------------------|-------------------------------|
| May 2013                | 105,800                             | 3                               | \$ 26.49                      |
| June 2013               | 3,167,382                           | 80                              | \$ 25.29                      |
| July 2013               | 3,013,883                           | 75                              | \$ 24.99                      |
| August 2013             | 1,361,547                           | 40                              | \$ 29.24                      |
| September 2013          | 3,135,542                           | 112                             | \$ 35.56                      |
| <b>Total</b>            | <b>10,784,154</b>                   | <b>310</b>                      | <b>\$ 28.70</b>               |

(a) Every share acquired was an ordinary Class B share, \$1 Argentine peso of nominal value. The accounting treatment of the above described transactions is disclosed in Note 1 a.2) to these consolidated financial statements.

#### **NOTE 8 RESTRICTIONS ON DISTRIBUTION OF PROFITS**

The Company is subject to certain restrictions on the distribution of profits. Under the LSC, the by-laws of the Company and rules and regulations of the CNV, a minimum of 5% of net income for the year in accordance with the statutory books, plus/less previous years adjustments and accumulated losses, if any, must be appropriated by resolution of the shareholders to a legal reserve until such reserve reaches 20% of the outstanding capital (common stock plus inflation adjustment of common stock).

Table of Contents

## TELECOM ARGENTINA S.A.

## NOTE 9 SELECTED CONSOLIDATED QUARTERLY INFORMATION

| Quarter                         | Revenues      | Operating<br>income before<br>D&A | Operating<br>income | Financial<br>results, net | Net<br>income | Net<br>income<br>attributable<br>to<br>Telecom<br>Argentina |
|---------------------------------|---------------|-----------------------------------|---------------------|---------------------------|---------------|---|
| <b><u>Fiscal year 2013:</u></b> |               |                                   |                     |                           |               |   |
| March 31,                       | 6,064         | 1,799                             | 1,115               | 135                       | 813           | 802   |
| June 30,                        | 6,649         | 1,825                             | 945                 | 79                        | 662           | 652   |
| September 30,                   | 7,114         | 1,930                             | 1,203               | 163                       | 886           | 870   |
|                                 | <b>19,827</b> | <b>5,554</b>                      | <b>3,263</b>        | <b>377</b>                | <b>2,361</b>  | <b>2,324</b>  |
| <b><u>Fiscal year 2012:</u></b> |               |                                   |                     |                           |               |   |
| March 31,                       | 5,126         | 1,647                             | 1,033               | 61                        | 708           | 698   |
| June 30,                        | 5,254         | 1,492                             | 849                 | 51                        | 586           | 577   |
| September 30,                   | 5,645         | 1,587                             | 921                 | 47                        | 629           | 616   |
| December 31,                    | 6,092         | 1,844                             | 1,163               | 70                        | 809           | 794   |
|                                 | <b>22,117</b> | <b>6,570</b>                      | <b>3,966</b>        | <b>229</b>                | <b>2,732</b>  | <b>2,685</b>  |

## NOTE 10 RECENT DEVELOPMENTS CORRESPONDING TO THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013 FOR THE TELECOM GROUP

***1. Administrative sanctions in connection with Telecom Argentina and Personal service cuts***

In the normal course of business, telecommunications service providers face the possibility of having incidents in their networks or other assets with different impacts on services provided. The Regulatory Framework that regulates the service provision of Telecom Argentina and Personal provides for the possibility of interruptions in the provision of the service and also contemplates exemptions of responsibility in case of unforeseen circumstances or force majeure. In particular, the List of conditions of the Mobile Telephony Service (approved by Decree No. 1,461/93) and the General Regulation of Individual Communications Service (approved by Resolution SC No. 60/96) provide for a penalty regime taking into account the period of the service interruption and releasing of any sanction for total service provision interruption for no more than 24 hours and for partial service provision interruptions for periods of less than 7 days. The Telecom Group companies seek the necessary actions to prevent such incidents, and, in case of any occurrence, ensure their resolution as soon as possible.

However, the CNC has recently initiated different administrative procedures against Telecom Argentina and Personal related to different network incidents, including some originated by cases of unforeseen circumstances or force majeure, imposing penalties of different amounts for the companies of the Telecom Group.

The more relevant administrative sanctions are as follow:

| <b>Date of the incident</b> | <b>Company</b>    | <b>Approximate duration of the incident</b>                  | <b>Sanctions</b>  |
|-----------------------------|-------------------|--|---|
| 06/12/2012                  | Telecom Argentina | 2 ½ hours  | Fine of approximately \$0.6 million.  |
| <b>Date of the incident</b> | <b>Company</b>    | <b>Approximate duration of the incident</b>                  | <b>Sanctions</b>  |
| 06/12/2012                  | Personal          | 2 ½ hours  | Fine of approximately \$0.6 million and \$10 of reimbursement to each customer affected, with a penalty of \$4,690 for each day of delay in complying with the reimbursement. |
| 03/08/2013                  | Personal          | 2 hours  | Fine of \$6 million and \$30 of reimbursement to each customer affected, with a penalty of \$140,700 for each day of delay in complying with the reimbursement.               |
| 04/02/2013                  | Personal          | Service provision affected by the flooding of La Plata city. | Fine of approximately \$2 million and \$60 of reimbursement to each customer affected, with a penalty of \$140,700 for each day of delay in complying with the reimbursement. |
| 05/10/2013                  | Personal          | 10 hours   | Fine of approximately \$0.6 million and a daily fine of \$ 1,407 per day of delay in complying with reporting required by the CNC with respect to the incident.               |



**Table of Contents**

**TELECOM ARGENTINA S.A.**

Telecom Argentina and Personal have filed their defenses against such penalty procedures in the administrative stage, exposing their arguments, based on which such procedures should be released. As of the date of these financial statements, these penalty procedures are not final. However, it cannot be assured that a favorable result will be obtained at the administrative stage.

**2. *Resolution SC No. 1/13***

On April 8, 2013, Resolution SC No. 1/13 was published in the Official Bulletin, establishing that all mobile operators should guarantee the service provision, even in emergency situation or catastrophe, in which case the normal service provision must be restored in a maximum period of one hour. Mobile operators must, in all cases, prioritize the access to emergency services in the affected areas.

In addition, Resolution SC No. 1/13 established that mobile operators present within 45 days a Contingency Plan for emergency situations, for purposes of guaranteeing the continuity of services in such circumstances.

As of the date of these financial statements, Personal has appealed Resolution SC N° 1/13 exposing the arguments by which the mentioned resolution should be released. However, Personal has met its commitment to present a Contingency Plan for emergency situations.

**3. *Profit sharing bonds***

Different legal actions were brought, mainly by former employees of the Company against the National Government and Telecom Argentina, requesting that Decree No. 395/92 which expressly exempted the Company from issuing the profit sharing bonds provided in Law No. 23,696 be struck down as unconstitutional and, therefore, claiming compensation for the damages they had suffered because such bonds had not been issued.

In those suits for which judgment has already been rendered, the trial court judges hearing the matter resolved to dismiss the actions brought and pointing that Decree No. 395/92 was valid and constitutional. However, in August 2008, the Supreme Court of Justice, when resolving a case against Telefónica, found the Decree No. 395/92 unconstitutional.

Since the National Supreme Court of Justice's judgment on this matter, the Divisions of the Courts of Appeal ruled that Decree No. 395/92 was unconstitutional. As a result, in the opinion of the legal counsel of the Company, there is an increased probability that the Company has to face certain contingencies, notwithstanding the right of reimbursement that attends Telecom Argentina against the National State.

Said Court decision found the abovementioned Decree unconstitutional and ordered to send the proceedings back to the court of origin so that said court could decide on which was the subject compelled to pay -licensee and/or National Government- and the parameters that were to be taken into account in order to quantify the remedies requested (percent of profit sharing, expiration criteria of the statute of limitations, distribution method between the program

beneficiaries, etc). It should be mentioned that there is no uniformity of opinion in the Courts in relation to each of those concepts. However, in connection with the claims brought by employees and former employees that were not part of the Share Ownership Plan (or SOP) at the time of ENTel privatization, the jurisprudence has rejected the claims.

As of September 30, 2013, the Company's Management, with the advice of its legal counsel, has recorded provisions for contingencies that it estimates are sufficient to cover the risks associated with these claims, having considered the legal background as of the date of these consolidated financial statements.

Additionally, on June 3, 2013 Telecom Argentina has been notified of a lawsuit filed by four unions claiming the issuance of a profit sharing bond (hereinafter the bond ) for future periods and for periods for which the statute of limitations is not expired. In order that this claim will be sustained, the plaintiffs require that Decree No. 395/92 should be declared unconstitutional.

The Company, based on the advice of its legal counsel, believes that there are strong arguments to defend its rights based, among other things, in the expiration of the statute of limitations of the claim for the unconstitutionality of Decree No. 395/92, the lack of active legal standing for collective claim for bond issuance -due to the existence of individual claims-, among other reasons regarding lack of active legal standing.

This collective lawsuit is for an unspecified amount. However, the plaintiffs presented the criteria that should be applied for the determination of the percentage of participation in the Company's profit. On the other hand, the lawsuit requiring the issuance of a profit sharing bond represents an obligation with potential future economic impacts for Telecom Argentina.

**Table of Contents**

**TELECOM ARGENTINA S.A.**

In June 2013, the Company filed its arguments and opposed an incompetence petition to the labor courts, issue that has not been resolved as of the date of these financial statements.

Likewise, the Company's Management, based on the advice of its legal counsel, believes that this lawsuit should not proceed. However we cannot assure that it will be solved in our favor.

**4. Impairment of PP&E**

In June 2013, Personal assessed the recoverability of a group of assets recorded in PP&E related to an appraisal and billing system of postpaid subscribers. Taking into account the low performance of such system, and having not reached the goals expected, Personal's Management has decided to discontinue such system and has recorded an impairment loss in the amount of \$50 million, equivalent to its carrying amount.

In addition, in June 2013, Telecom Argentina has assessed the recoverability of certain PP&E items related to some projects undertaken with the public sector and the private sector. Based on the uncertainty of their performance and related future cash flows, the Company's Management has recorded an impairment loss in the amount of \$122 million. This write-down will be reassessed periodically.

Both impairment losses were recorded in Operating costs in item Impairment of PP&E .

**5. Resolution SC N° 5/13**

On July 2, 2013, SC Resolution No. 5/13 was published in the Official Bulletin. This Resolution approved a Telecommunication service quality regulation , establishing, among others, new quality parameters required for telecommunication services provided through mobile and fixed public networks, for all the operators in Argentina.

The implementation of this regulation is subject to the elaboration of the auditing and technical verification procedures to be developed by the CNC within 90 business days from the publication of the Resolution.

As of the date of these financial statements, Telecom Argentina and Personal Management is analyzing the effects that this new Resolution could have on its operations and its financial situation, as well as the actions that should be taken.

**6. Salary agreements**

In July 2013 Telecom Argentina concluded the salary negotiation process with various telecommunications unions for the period July 2013 – June 2014. Pursuant to the agreement reached, the unionized employees will receive in two installments, July 2013 and January 2014, different fixed amounts per category, representing an average annual raise of 25%. The increase corresponding to the first installment is approximately 15.5%, and has affected in approximately \$110 million Telecom Argentina's operating results in the third quarter of 2013. Telecom Argentina's operating results

in the fourth quarter of 2013 is estimated to be affected in approximately \$71 million.

**7. Financial transactions to mitigate the currency exchange risk**

Considering the fluctuations of the exchange rate between the US Dollar and the Argentine Peso during the nine-month period ended September 30, 2013 (+18%), and due to the existence of commercial commitments denominated in US Dollars, in June, July and August 2013 Personal entered into several NDF contracts to purchase a total amount of U\$S99 million maturing December 2013 and January 2014. The purpose of such NDF is to eliminate the risks associated to the future fluctuations of the exchange rate and to link the payment currency of Personal's commercial commitments (item covered) to its functional currency. Based on the NDF terms, this instrument has been designated as a cash flows hedge for financial reporting purposes, but the effectiveness requirements set forth in IAS 39 are not complied. As of September 30, 2013, changes in fair value of this NDF have generated a gain of approximately \$14, which was recorded in Other current receivables (counter entry in Financial results).

In addition, and with the purpose of mitigating the foreign currency exchange risk, in June and July 2013 Personal acquired Government bonds denominated in US Dollars (Bonar VII and Boden 2015), which bear an annual interest of 7%, also in US Dollars. Results for foreign currency exchange differences generated by such bonds were recorded in item Foreign currency exchange losses .

**Table of Contents**

**TELECOM ARGENTINA S.A.**

**8. Regulation of Users of Mobile Communication Services**

On September 9, 2013, the SC issued Resolution No.12/13, pursuant to the SC which created a citizen participation procedure to express opinions and proposals on the Project of Regulation of Users of Mobile Communication Services (attached to such Resolution as Exhibit I). As of the date of these financial statements such procedure is being carried out by means of various participation forums in various places in Argentina, allowing participants to submit written opinions before the CNC (or its delegations) through a form attached to the Resolution.

As of the date of these financial statements, Personal Management is analyzing the proposed project and its implications for the mobile industry.

**9. Amendments to the Income Tax Law**

On September 23, 2013, Law No. 26,893 was published in the Official Bulletin, incorporating amendments to the Income Tax in connection with, among others, the taxation of results derived from transfers of stocks and dividend distributions. It is expected that the law's scope will be clarified through regulations, which have not been published as of the date of these financial statements.

*Results derived from transfers of stocks*

As from the amendment's effective date, results derived from the transfer of shares, quotas and other equity interests, titles, bonds and other securities, are subject to Argentine income tax, regardless of the kind of beneficiary who realizes the gain.

However, results from the transfer of such securities are exempt from such income tax when the latter are listed on stock exchange markets (as in the case of Telecom Argentina's shares) and the gains are realized by individual or undivided estates residents in Argentina.

The results realized by nonresidents from the transfer of shares, quotas and other equity interests, titles, bonds and other securities are also subject to income tax. When both the seller and the buyer are nonresidents, the person liable to pay the tax shall be the buyer of the shares, quotas, equity interests and other securities transferred.

*Dividend distributions*

Dividends and other profits paid in cash or in kind except for stock dividends or quota dividends, by companies and other entities organized in Argentina referred to in Argentine Income Tax Law Sections 69 (a) (1), (2), (3), (6) and (7), and Section 69 (b), are subject to income tax at a 10% rate, except for dividends received by domestic companies and other domestic entities, which continue to be not subject to income tax (notwithstanding the applicability of the so called Equalization Tax). Dividends distributed to nonresidents shall be subject to a 10% withholding tax, as a unique and definitive payment. Consequently, any dividend distribution made by the Company to its shareholders shall be

subject to this broadened tax, except for those beneficiaries that are domestic corporate taxpayers sujetos empresa (such as, for instance, distributions made from Telecom Argentina to Nortel and those from Personal to Telecom Argentina and Nortel) and regardless of, if applicable, the so called Equalization Tax .

**10. Information on changes in the stock participations in Telco S.p.A. ( Telco )**

As informed by Telecom Italia S.p.A. hereinafter TI in its latest Form 20-F, the Italian company Telco is one of its main shareholders, with a participation of the 22.39% of the voting shares of TI company that indirectly controls Telecom Argentina S.A. .

**Table of Contents**

**TELECOM ARGENTINA S.A.**

On September 24, 2013, the Company's Management has become aware that Telefónica, S.A. (de España), hereinafter "Telefónica", informed to the market that such Spanish company and the other Telco shareholders reached an agreement with respect to the evolution of their shareholdings in Telco. On the same day, September 24, 2013, the Company issued a Relevant Fact notification pursuant to the CNV Rules, reproducing the information published by Telefónica. The pertinent portion of Telefónica's notification says as follows:

*Telefónica and the remaining shareholders of the Italian company Telco, S.p.A. (which holds a capital stake of 22.4 % of the voting share capital of Telecom Italia S.p.A.) have reached an agreement by virtue of which:*

*As of today, Telefónica has subscribed for and paid out a capital increase in Telco, S.p.A., through the contribution of 323,772,468 euros in cash, receiving in return non-voting shares of Telco, S.p.A. As a result of this capital increase, the interest held by Telefónica in the voting share capital of Telco, S.p.A. remains unchanged (i.e. 46.18 %, as Telefónica currently holds), although its interest in the total share capital of Telco, S.p.A. is increased to 66%. The current governance at Telco, S.p.A.'s level remains unaffected, including the obligation by Telefónica of abstaining from participating or influencing in any decisions which could affect the markets in which both Telefónica and Telecom Italia S.p.A. are present.*

*Telco, S.p.A. will use the proceeds received from the capital increase to reduce its banking debt.*

*Subject to receiving any required anti-trust and telecommunications approvals (including in Brazil and Argentina), Telefónica will subscribe for and pay out a second capital increase in Telco, S.p.A., through the contribution of 117,227,532 euros in cash and receiving in return non-voting shares of Telco, S.p.A. As a result of this second capital increase, the interest of Telefónica in the voting share capital of Telco, S.p.A. will remain unchanged (i.e. 46.18 %, as Telefónica currently holds), although its interest in the total share capital will be then increased to 70%.*

*Telco, S.p.A. will use the proceeds received from the second capital increase to partially repay its notes.*

*Starting from January 1, 2014, subject to receiving any required relevant antitrust and telecommunications approvals (including in Brazil and Argentina), Telefónica may convert all or a portion of the non-voting shares in Telco, S.p.A. held by Telefónica, reaching a maximum of 64.9 % of the voting share capital of Telco, S.p.A.*

*The Italian shareholders of Telco, S.p.A. have granted to Telefónica a call option to acquire all of their shares in Telco, S.p.A., whose exercise is subject to receiving any required anti-trust and telecommunications approvals (including in Brazil and Argentina). The call option may be exercised*

*by Telefonica starting from January 1, 2014 while the Shareholders Agreement remains in effect, except (i) between June 1, 2014 and June 30, 2014 and between January 15, 2015 and February 15, 2015, and (ii) during certain periods, in case the Italian shareholders Telco, S.p.A. request the demerger of Telco, S.p.A.*

*The purchase price of the shares, payable in cash, will be based on the equity of Telco, S.p.A. at the end of the month prior to the closing. For this purpose, the value of the shares in Telecom Italia S.p.A. held by Telco, S.p.A. will be valued at the higher of: (i) 1.10 euros per share of TI, and (ii) the average closing trading price of the 30 days prior to the call option exercise notice.*

*As of today, Telefónica will acquire from the remaining Telco, S.p.A. s shareholders 23.8% of the non-convertible notes issued by Telco, S.p.A., in exchange of 39,021,411 Telefónica s treasury shares, which represent 0.9 % of its share capital. In this respect, the remaining Telco, S.p.A. s shareholders have committed: i) to refrain from selling the aforementioned shares during the next 15th business days, and ii) to assume some restrictions that, in case of sale, ensure an orderly sale of such shares.*

*Telefónica has assumed a standstill obligation under which Telefónica commits not to buy shares in Telecom Italia S.p.A. except if a third party acquires a relevant stake (10% or higher) in the aforementioned company.*

*Madrid, September 24, 2013.*

Further information about Telco Commitment and TI-W Commitment can be consulted at [www.telecom.com.ar/compromisos](http://www.telecom.com.ar/compromisos).

### **11. Increase in the Regulator s Penalty Activities**

Telecom Argentina is subject to various penalty procedures, in most cases promoted by the Regulatory Authority, for delays in the reparation and installation of service to fix-line customers. Although generally a penalty considered on an individual basis does not have a material effect on Telecom Argentina s equity, there is a significant disproportion between the amounts of the penalty imposed by the Regulatory Authority and the revenue that the affected customer generates to Telecom Argentina.

During the first nine months of fiscal year 2013, the CNC significantly increased its penalty activities, increasing the amount of accusations and penalties, as well as the individual amount of each of the latter. In several cases the penalties imposed during this period have had twice the economic value of the penalties imposed to Telecom Argentina in previous fiscal years for the same alleged offences.

As a result of the above, and notwithstanding the defense arguments submitted by Telecom Argentina at the administrative level, losses recorded during the nine-month period ended on September 30, 2013 for contingencies of regulatory nature in Telecom Argentina have significantly increased, reaching an amount of \$97 (vs. \$37 in 9M12 or +162%), which is included in item Provisions in the Income Statement.



**Table of Contents**

**TELECOM ARGENTINA S.A.**

**NOTE 11 EVENTS SUBSEQUENT TO SEPTEMBER 30, 2013**

**Acquisition of treasury shares**

In connection with the Company's Treasury Shares Acquisition Process described in Note 7 to the consolidated financial statements, during October 2013 and until the date of issuance of these financial statements, the Company has acquired 3,377,756 ordinary Class B shares, \$1 Argentine peso of nominal value, for an aggregate cost of approximately \$113.

**Adrián Calaza**  
**Chief Financial Officer**

**Enrique Garrido**  
**Chairman of the Board of Directors**

**Table of Contents**

Free translation from the original in Spanish for publication in Argentina

**LIMITED REVIEW REPORT ON THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

To the Shareholders, President and Directors of

Telecom Argentina S.A.

Legal address: Alicia Moreau de Justo 50

Autonomous City of Buenos Aires

Tax code: 30-63945373-8

1. We have reviewed the accompanying condensed interim consolidated financial statements of Telecom Argentina S.A. ( Telecom ), and its subsidiaries, including the consolidated statement of financial position at September 30, 2013, the consolidated statements of income and comprehensive income for the three and nine-month periods ended September 30, 2013, the consolidated statements of changes in equity and of cash flows for the nine-month period then ended, and the selected explanatory notes. The balances and other information for the year 2012 and for the interim periods are an integral part of these financial statements and, therefore, they should be considered in relation to those statements.
2. The Company s Board of Directors is responsible for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards, adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as professional accounting standards and added by the National Securities Commission (CNV) to its regulations, as approved by the International Accounting Standard Board (IASB). Therefore, they are responsible for the preparation and presentation of the condensed interim consolidated financial statements mentioned in paragraph 1., in accordance with International Accounting Standard No. 34 Interim Financial Reporting (IAS 34). Our responsibility is to express a conclusion based on the review that we have performed with the scope detailed in paragraph 3.
3. Our review was limited to the application of the procedures established by Technical Pronouncement No. 7 of the Argentine Federation of Professional Councils in Economic Sciences for limited reviews of financial statements for interim periods which consist, mainly, of the application of analytical procedures on the amounts disclosed in the condensed interim consolidated financial statements and of inquiries of the Company staff responsible for the preparation of the information included in the condensed interim consolidated financial statements and its subsequent analysis. This review is substantially less in scope than an audit, the objective of which is to express an opinion on the financial statements under examination. Accordingly, we do not express an opinion on the Company s consolidated financial position, consolidated statement of comprehensive income and consolidated cash flows.

**Table of Contents**

4. Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements mentioned in paragraph 1. have not been prepared, in all material respects, in accordance with International Accounting Standard No. 34.
  
5. In accordance with current regulations, in connection with Telecom, we report that:
  - a) the condensed interim consolidated financial statements of Telecom are transcribed into the Inventory and Balance Sheet book and as regards those matters that are within our competence, they are in compliance with the provisions of the Commercial Companies Law and pertinent resolutions of the National Securities Commission;
  
  - b) the condensed interim separate financial statements of Telecom arises from accounting records kept in all formal respects in conformity with legal regulations;
  
  - c) we have read the Operating and financial review and prospects, on which, as regards those matters that are within our competence, we have no observations to make;
  
  - d) at September 30, 2013, the debt corresponding to withholdings and contributions to the Argentine Integrated Social Security System according to the Company's accounting records amounted to \$63,789,671.42, none of which was due at that date.

Autonomous City of Buenos Aires, October 30, 2013

PRICE WATERHOUSE & CO. S.R.L.

Dr. Alejandro P. Frechou (Partner)

C.P.C.E.C.A.B.A. V° 1 F° 17

Dr. Alejandro P. Frechou

Public Accountant (UBA)

C.P.C.E.C.A.B.A. V° 156 F° 85

**Table of Contents****CORPORATE INFORMATION****INDEPENDENT AUDITORS** Price Waterhouse & Co S.R.L. (member of PricewaterhouseCoopers)**STOCK MARKET INFORMATION** (Source: Bloomberg)**BCBA**

| Quarter | Market quotation (\$/share) |       | Volume of shares traded (in millions) |
|---------|-----------------------------|-------|---------------------------------------|
|         | High                        | Low   |                                       |
| 3Q12    | 16.10                       | 12.30 | 9.5                                   |
| 4Q12    | 16.10                       | 12.40 | 7.3                                   |
| 1Q13    | 25.95                       | 16.40 | 18.1                                  |
| 2Q13    | 31.00                       | 22.50 | 12.2                                  |
| 3Q13    | 37.00                       | 22.80 | 14.9                                  |

**NYSE\***

| Quarter | Market quotation (US\$/ADR*) |       | Volume of ADRs traded (in millions) |
|---------|------------------------------|-------|-------------------------------------|
|         | High                         | Low   |                                     |
| 3Q12    | 12.31                        | 9.39  | 12.6                                |
| 4Q12    | 12.17                        | 9.37  | 10.0                                |
| 1Q13    | 15.92                        | 12.13 | 27.0                                |
| 2Q13    | 16.73                        | 13.40 | 13.6                                |
| 3Q 13   | 20.11                        | 13.93 | 15.1                                |

\* Calculated at 1 ADR = 5 shares

**INVESTOR RELATIONS** for information about Telecom Argentina S.A., please contact:**In Argentina**

Telecom Argentina S.A.  
Investor Relations Division  
Alicia Moreau de Justo 50, 10<sup>th</sup> Floor  
(1107) Autonomous City of Buenos Aires  
Tel.: 54-11-4968-3628  
Argentina

**Outside Argentina**

JP Morgan Chase

Latam ADR Sales & Relationship Mgmt.  
1 Chase Manhattan Plaza Floor 21  
New York 10005  
USA  
Tel.: 1-212-552-3729

**INTERNET** <http://www.telecom.com.ar/inversores/index.html>

**DEPOSIT AND TRANSFER AGENT FOR ADRs**

J.P. Morgan Depositary Receipts  
1 Chase Manhattan Plaza, Floor 58  
New York, NY 10005  
(866) JPM-ADRS  
[adr@jpmorgan.com](mailto:adr@jpmorgan.com) [www.adr.com](http://www.adr.com)

**Table of Contents**

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Telecom Argentina S.A.**

Date: November 21, 2013

By: /s/ Enrique Garrido  
Name: Enrique Garrido  
Title: Chairman